ENTREPRENEURIAL MARKETING AND PERFORMANCE OF INSURANCE COMPANIES IN KENYA

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DECLARATION

This thesis is my original work and has not been presented for any award in any other University or Institution.

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DEDICATION

This thesis is dedicated to my family; my beloved husband Wilson, who has been my pillar. Your support and inspiration have been exemplary.

To my dear children Abbey and Ivory, you are the reason I am whom I am, may this work inspire you to achieve all your goals.

To my parents and siblings, your support will never be forgotten.

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ABSTRACT

Despite the role of insurance industry in economic development, the growth of this industry in Kenya is a major concern. The industry is so fragmented given that there are 58 firms and just 5 of them have grown their market share to be able to compete with global firms. Studies done globally and locally in other sectors of the economy have shown a positive relationship between entrepreneurial marketing and the performance. However, literature review shows that entrepreneurial marketing and its effect on performance of insurance firms has not been examined widely. This study evaluated the effect of entrepreneurial marketing variables on the gross premium and market share as a performance indicator for insurance firms in Kenya. Specifically, the study determined the effect of: strategic orientation (differentiation strategy, cost leadership, customer orientation) innovation orientation (product innovation, processes innovation, market innovation), and innovation orientation (product, process, and market) on the gross premium and market share of insurance firms in Kenya. The study also investigated the effect of market orientation (frequency of market surveys and budget for market research) and resource leveraging (human resources and partnership and alliances) on the performance (Gross premium and market share) of insurance firms in Kenya. The study utilized both descriptive and causal research designs. The target population was 406 heads of relevant departments in the 53 registered insurance companies and 5 reinsurance companies. A sample of 197 respondents was selected for the study, and data was collected using semi-structured questionnaire. 142 questionnaires were returned and the data was analyzed quantitatively. Results indicated that strategic orientation (differentiation strategy, cost leadership, customer orientation) had a positive but insignificant effect on the performance (Gross premium and market share) of insurance firms in Kenya. Innovation orientation (product innovation, processes innovation, market innovation), market orientation (frequency of market surveys and budget for market research) and resource leveraging (human resources and partnership and alliances) had a positive and significant effect on the performance of insurance firms in Kenya. The study also established a negative but significant moderating effect of the regulatory framework (capitalization and licensing) on the relationship between entrepreneurial marketing and the performance of insurance firms in Kenya. Conclusion was reached that insurance firms should always consider the four dimensions of entrepreneurial marketing if they are to improve their performance in terms of market share. The study recommended

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ABBREVIATIONS AND ACRONYMS

AKI	Association of Kenya Insurers
CGAP	Consultative Group to Assist the Poor
CO	Customer Orientation
EM	Entrepreneurial Marketing
EMEA	Europe Middle East and Africa
EO	Entrepreneurial Orientation
GDP	Gross Domestic Product
HR	Human Resource
IAIS	International Association of Insurance Supervisors
IO	Innovation Orientation
IFRS	Internal Financial Reporting System
IRA	Insurance Regulatory Authority
MO	Marketing Orientation
M&A	Mergers and Acquisitions
PWC	Price Water Coopers
SMEs	Small and Medium Enterprises
USD	United States Dollar

CHAPTER ONE
INTRODUCTION

This chapter provides the background of the study, statement of the problem and purpose of the study. Research objectives, hypotheses, justifications and the limitations and delimitations of the study are also presented in this chapter. Other areas covered in this chapter are: assumptions of the study and operational definitions of terms.

1.2 Background of the Study

According to Judith and Schmid (2012) there are two main perspectives towards analyzing entrepreneurial marketing (EM) concept; one being the marking practices adopted and utilized by startups and the other describes the behavioral characteristics of reactiveness, identification, and exploitation of opportunities. Many scholars have contributed towards the growth of this area and a consensus is yet to be reached on the proper definition. Wales and McKelvie (2011), in an attempt to categorize this construct as it is adopted by various organizations posited the three loci of entrepreneurial marketing; vertical, horizontal, and temporal. Vertical Locus views EM as a strategy adopted by the Entrepreneur and the top management with the central focus being both the customers' needs as well as the goals of the entrepreneur which is then adopted by the organization accordingly. Horizontal Loci on the other hand is viewed as a culture and a process where the whole organization participates in the EM as an ongoing and expected behavior.

In contrast, temporal loci is seen as a strategic response to environmental turbulence, where an organization indulges in new and risky undertaking due to dramatic change in the market (Wales & Mckelvie 2011). This construct attempts to acquire an upper hand by routinely making vivid innovations and taking risks. The vital elements of entrepreneurial marketing are the trading undertakings with respect to new pursuits, risk propensity, and

aggressiveness. The organization's entrepreneurial leadership is revealed via EM and its interface. Thoughts and ideas spawn new innovations, and it is at the intersection of entrepreneurial leadership and marketing that innovation is transmitted on to the market. On the other hand, marketing development entails providing ideas, tools, and resources and establishment to satisfy the gap between innovation and market requirement to achieve set out goals and objectives (Holmes & Jorlov, 2015). EM has further been described as a philosophy consisting of eight elements namely, Proactive innovation, Opportunity driven, innovation focus, change adaptability, resource allocation and utilization, risk assessment and absorption, customer focus and value determination factors (Chaston, 2016).

The establishment of entrepreneurial firms gave rise to visible distinctions from their corporate counterparts to scholars, (Morrish, Miles, & Deacon, 2010). To examine these distinctions, scholars engaged in intense cross examination with the entrepreneurs or extended examinations on their business activities especially on their marketing operations, (Morrish et al., 2010; Hills, Hultman & Miles (2008). Stokes and Wilson, 2010). The results of these analysis displayed similar elements in EM firms that distinguish them from conventional firms. (Hills et al., 2008; Morrish et al. 2010; Stokes & Wilson, 2010).

EM, according to Hills and Hultman (2011), is a process of exploring possibilities and creating and growing companies that provide value for customers through innovation, creativity, selling, networking, and flexibility. Hills et al. (2008) identified several crucial features of EM firms through a series of intense examination, including: strategic orientation, resolution to capture and control new prospects, develop prospects, a stable resolution to resource allocation, management of resources, and revolutionary organizational framework (Hills et al., 2008). Fiore, Niehm, Hurst, & Sadachar (2013) on

the hand found 4 dimensions of EM, which they stated as; value generation and uncertainty management, prospect alertness, and end user focused innovation.

For the purpose of investigation this study shall adopt conceptual framework developed by Jones and Rowley (2011) that integrates the above eight dimensions into a framework. They developed an EMO (Entrepreneurial Marketing Orientation) model, also known as EMICO, and categorized the dimensions into four main variables namely, customer orientation, entrepreneurial orientation, market orientation and innovation orientation. This framework is comprehensive as it includes all the areas and the major elements that interact in an entrepreneurial firm from the two separate areas to bring about a cohesive relationship. It is worth noting that these variables have been studied globally and has always given contrasting results; When the relationship between the variables and performance in various industries is measured, both statistically significant and insignificant results are found, (Green, Covin and Slevin, 2008; Homburg, Muller and Klarmann, 2011; Akpa, Victoria, Falade and Adeyinka, 2020) for Strategic Orientation:(Mbogoh 2013; Ombaka, 2014) for Innovation orientation: (Onditi ,2016; Ng'ang'a & Munjuri, 2017) for Market orientation. However, this concept is not comprehensively applied to the insurance industry, and this is a research methodology gap that researchers need to fill.

According to Reavis and Marshell (2012), insurance industry plays a significant role in the global economy, in both social and economic aspects. For instance, it provides monetary assistance and mitigate the risks in trade and human life. It provides safety and security against adverse occurrences. There is always a fear of sudden loss. Insurance provides a

cover against any sudden loss. For example, in case of life insurance financial assistance is provided to the family of the insured on his death. Insurance security is also provided against the loss due to fire, marine, accidents and other loss causing events (Carty and Tony, 2017). Insurance is also important in that it generates financial resources by collecting premium. These money are committed in government bonds and stocks, which are profitably used in a country's industrial development to generate additional cash and used for the country's economic development. Employment opportunities are increased by big investments leading to capital formation (Rob, 2019).

Given that medical expense is a great concern, insurance provides medical support to the insured in case of medical insurance policy (Patricia, 2020). This assures the nation of a health nation, which is a necessity if the production of goods and services is to be increased. Insurance helps in spreading the risk, where the insurance firm collects premiums paid by many people and compensates them only when the loss occurs. Non-life policies assure the policy holder of continuity of his business for example, and this is very important for economic growth (Elizabeth, 2017). The industry was able to cover 60 billion USD of the 146 billion USD economic losses that occurred in 2019 underpinning the critical role played by this industry in the economy. Despite the contribution it is making to the economy, insurance penetration rate is very low in less developed economies (Abongo, Mutinda, & Otieno, 2019).

The insurance sector has been experiencing a revolution, stemming from technological innovation, data driven operations and expanded customer demands. Some of those changes are good to both the firm and the customers, for instance digital transformation

which has quickened service delivery (IRA, 2019). However, digitation has generated challenges for insurance firms, which is related to digitalizing of small commercials in attempt to keep up with aggressive insurers (PWC, 2020). The other challenge is commoditization, which is the process of treating customers like a commodity, thus the need to consider customer focus as one of the strategies to be investigated in relation to market share of firms (Spaulding, 2020). Since the competition in the industry is so stiff with every firm doing everything possible to retain their customers and attract new ones, it is important that a comprehensive study on other entrepreneurial marketing EM strategies is carried out in order to establish the extent they influence performance of insurance firms. In this study performance is based on market share and gross premium, while EM strategies focused on Strategic orientation, innovation orientation market orientation resource leveraging.

Global insurance industry accounted for approximately 7.23% of the world gross domestic product (GDP) up from 6.1% in 2018 (Swiss-re, 2020). This however indicates that about 92% of global wealth is exposed to loss and could be termed as irrecoverable in case of global economic disasters. Covid-19 pandemic has caused a global recession due to loss of incomes, unemployment, and the negative impact it has on all economic activities (Price Water Coopers, 2020). Global insurance premiums reduced 1.3 percent in 2020, when inflation is accounted for the figure was estimated to be $6.3 trillion. General business premiums rose by 1.5 percent in 2020, approximately, $3.5 trillion when inflation is accounted for. Life insurance premiums decreased by 4.4 percent, approximately to $2.8 trillion with inflation. (Insurance Information Institute, 2020).

The predicted world market figures for the next five years is as follows: 2021, 5050.3 trillion USD, 2022, 5356.4 trillion USD, 2023 5681.1 trillion USD, 2024 6025.5 trillion USD, and 2025 6390.73 trillion Dollars Statista (2020). According to Swiss-re (2020), global insurance industry premiums was expected to increase by 3.4 percent in real terms in 2021 and decline to 3.3 percent in 2022 and 3.1 percent in 2023. The expected compressed economies in 2022 and 2023 was predicted to result to global supply chain issues, labor scarcity and increased energy prices. These conditions are expected to cause a surge in inflation in these periods. Global life premiums are approximated to increase by 3.5 percent in 2021 and 2.8 percent from 2022 to 2023. Nonlife premiums are predicted to rise by 3.3 percent in 2021 and 3.5 percent, 2022 to 2023, as a result of constrained trading operations (Swiss-re, 2020). This eventuality is portrayed by the fact that insurance industry in large global economies performed above average: the USA 11.43%, United Kingdom 10.3% while China (Hong Kong) 19.74%, Germany 6.3% and France 9.21% (Swiss-re, 2020).

The USA market accounted for 49.7% of the total global market share with a gross premium volume of approximately USD 2.362T (Swiss-re, 2020). However, it is forecasted that the global insurance market will grow by almost 13% from 2020-2021, reaching just over 5.5 trillion USD (Swiss-re, 2020; PWC, 2020). These provide opportunities for insurance firms to increase their performance financially and in terms of market share, which the researcher feels it is only possible insurance firms employ entrepreneurial orientation when carrying out their operations.

Competition in the global market is so stiff, with four major players dominating the market. They include: United Health Group Incorporated with net premiums written of 189,699,000 USD, Ping-An Ins. (Group) co of China ltd 110,746,845 USD, AXA South Africa (S.A) 101,144,960 USD, and China Life Insurance 97,744,867 USD (Insurance Information Institute, 2020). They manage the competitive landscape using a variety of strategies, notably strategic partnerships and mergers and acquisitions. Given their strength, they are able to lead when regulatory standards are being developed or reviewed, and have gained investors and customers confidence (Schwab, 2019). There is another emerging trend in the global insurance market, where it is experiencing a transformation to digital business models. This is because insurance companies are increasingly relying on the internet of things and collaboration between traditional and Insure-Tech to provide individualized premiums and usage-based coverage, will lead to new business models and revenue streams, higher profitability and reduced operational costs (Statista, 2020). However, the researcher is of the view that, this is not the only method of improving performance. Marketing should be done in more entrepreneurial way, where by all dimensions of new marketing approach that involves differentiation, customer focus, resource leveraging and innovation are incorporated in the marketing strategy, thus the need for this study.

The best performing country African market in 2019, in terms of penetration rate in the continent remains South Africa recording 13.4% which is above global average. Nigeria and Egypt performed dismally at 0.34% and 0.63% respectively, (Swiss-re,2020). According to AKI (2020), the highest market penetration in East Africa region stood at 2.37 %, a figure that was recorded in Kenyan market. Rwanda is ranked second in the

report and stood at 1.7% while Ethiopia lags behind with a penetration rate of 0.40%. Poor standards of living have lowered the affordability of insurance products in Africa, with only the upper- and middle-income earners accessing the insurance products. Nonetheless, the consistent GDP growth, rapid urbanization, and the increase in the working population in the continent, is expected to robustly grow the unexplored insurance industry. There seems to be a keen indication on the growth potential of the African market over the last decade, as seen by the $350m investment partnership between Prudential Financial and Leapfrog Investments, which targeted the high-growth insurance markets in Africa, (Atieno, 2019).

African market is plagued by similar macroeconomic challenges such as poverty, inequality in resources distribution and rampant unemployment. Those challenges have affected the demand for insurance policy (PWC 2020, AKI (2020)). This is an indication that insurance strategies should do more to come up with strategies aimed at attracting customers and also to grow African market. This makes this study relevant since it focuses whether differentiation strategy, customer focus, innovation strategies, market research, human resource strategy and strategic partnership and alliances affects

East Africa has been viewed as the best performing in economic growth in the continent which means that the industry has an even greater potential of performance improvement. Kenya and Ethiopia have been pointed out as significant up-coming insurance markets, given the expansion of the GDP (Insurance Regulatory Authority, 2014). In this region, Life insurance industry has experienced consistent growth since 2012, marked by increase in premium revenue and capital investment. However, the return on equity has had a downward trend since 2016 (Deloitte, 2020). Life insurance has several products which

include: ordinary life, group life and pensions as key products. Others are: group credit annuities and investments, and have shown an overall steady growth rate (Deloitte, 2020). Competitive landscape in East African market is dominated by ICEA, Heritage, UAP, APA, GA, Jubilee, CIC, and Britam (Deloitte, 2020).

According to Deloitte (2020), Sanlam General Insurance is so strong in Ugandan market. Jubilee Holdings Limited (JHL) Group is dominating East African market, and in 2015 indicated a turnover of KShs 30.16 billion, posting a 25 percent growth from KShs. 1.72 billion the previous year (Insurance Regulatory Authority, 2014). An analysis of performance per classes of business indicates that the largest growing business in general insurance are motor and health in both Kenya and Tanzania, while in Uganda, the fastest growing business classes are engineering, fire, and motor business (Deloitte, 2020).

According to Deloitte (2020), firms in the region are facing competition threat in that they are encroaching the territory of the incumbents, yet penetration rates are in each market is low. There is also the challenge of poor marketing strategies and complex products, high cost of doing business and a slow-down economy due to covid-19. Deloitte (2020) suggests that insurance firms should focus on customer experience, where they should focus on innovative products and services. They should also try to change the negative insurance perception which has lowered penetration rate (Deloitte, 2020).

The Kenyan economy grew by an estimated 1.4% to 6.3% in 2018 up from 4.9% in 2017 (AKI, 2018). This increase in GDP was fostered by conducive market conditions, relatively harmonious political climate, and stable inflation, (IRA, 2019). The macroeconomic environment allowed the businesses thrive, thereby increasing the disposable income. This growth was also felt in the insurance industry in 2018, where the performance improved to

KES 216.26 billion in gross premium up from KES 209.00 billion recorded in 2017. This translated to a nominal growth of 3.5% (-0.5% in real terms). The growth in the sector was further recorded in 2019 with gross written premium totaling to KES 174.92 billion as at end of Q3 2019, an increase of 6.5% from KES 164.27 billion in Q3 2018 (PWC, 2021). Long term insurance saw a higher growth of 11.0% as compared to general insurance segment that grew by 3.7%. Conversely, the industry net profit dipped significantly by 46.7% from KES 13.6 billion to KES 7.3 billion in 2018. The industry is constituted by over fifty companies with five of them controlling approximately 40% of the market share. Nairobi County has consistently led in the gross premium collected recording over 70% since 2015, (IRA, 2019). Insurance performance relative to GDP from 2016-2020 as well as the growth of gross premium is as indicted in appendix IX.

According to PWC (2020), Kenyan insurance industry is not as complex as those in Western and Asian markets albeit a marginal growth rate. The performance of the insurance industry Kenya is however hampered by challenges such as business rivalry, regulation, and policy matters as well as financial reporting, and fragmentation. Regarding the competition in the insurance industry in Kenya, there is strong rivalry between players for there are 58 licensed insurance firms, which competes for a limited market characterized by low penetration (PWC, 2020). The most popular insurance products for both individual and corporates are mainly personal accident cover, fire industrial policies as well as motor vehicle and medical covers (AKI, 2018). An analysis shows that these are the compulsory covers by law and portrays a poor perception towards personal insurance cover in general (PWC, 2020). Low penetration of insurance in the Kenyan market, relative to other similar markets is due to; a negative belief among Kenyans towards financial reserves; low liquidity amongst the population, poverty levels; Insufficient tax motivation that could

otherwise drive the uptake of insurance products among middle income earners; and the observed low reliability of the industry in the view of the masses specifically with respect to paying off claims (AKI, 2018; PWC, 2021).

According to PWC (2020), there are a number of tax laws and policies amendments in the recent past that have had an effect on the Kenyan insurance sector. The amendments are intended to at empower the local firms to operate effectively in the global arena. The recent amendment of finance act has allowed global firms into the re-insurance industry in Kenya. The other amendments are in reference to minimum capital guidelines for insurers, rise financial resources reserves for long term insurers, establishment of 'cash and carry' laws which will necessitate the insurers to take over risk upon receiving the premium, easing of investment limits for general insurers, establishment of redress on delayed claims, amendments in the tax laws for long term insurance business and tax laws with respect dividends earned by a financial institution (PWC 2020).

Concerning financial reporting system, there has been reforms going on since 2017, and recently Internal Financial Reporting System (IFRS) standards for insurance contracts (IFRS Phase II) was finalized. This was a major overhaul of financial reporting in the Kenyan Insurance industry aimed at improving performance (PWC 2020). Though the actualization of IFRS Phase II reporting is stringent, it gives a chance to consolidate stakeholder faith by empowering insurers to outline a single view of their business that more closely shows the way it is run internally. According the new guidelines, insurance firms shall be expected to avail substantially more risk information and description to meet the more challenging analyst demands that have arisen from market actions (IRA, 2020).

Many insurance firms are facing mounting skills shortages in regard to human capital (PWC, 2021). When compared to other financial institutions, insurance firms commit lower resources towards human resources and development. This report maintains that this is the case due to the myopic focus in the insurance sector in place of future considerations on human resource demands in line with their long-term strategic goals. It is imperative for the firms to consider demographic shifts, advanced aspirations and fast paced globalization which will revolutionize the labour market and could pose a challenge for insurers to acquire and retain efficient manpower. The labor market is challenging, leading firms will need to establish a tactful perspective to HR management able to envision and handle to advanced business needs and personnel expectations (PWC, 2021).

Regarding mergers and acquisitions (M&A) as a means of consolidating the market, Kenya's insurance sector remains fragmented, and there is need for continued consolidation (Gaitho, 2015; PWC, 2021). While financing is probably strenuous on the insurance firms, it is of paramount importance to invest in M&A to establish alternative sources of income in future, seize opportunities for reducing costs and fortify their dominance in the regional markets. To fully gain from the M&A deals, the firms have to employ tactful execution, refined focus and effective post-merger synchronization and harmonization, (PWC, 2021).

According to world competitiveness report 2019, Kenya's economic profile was ranked at position 95 out of 141 countries in 2019 down from position 93 in 2018 (Schwab, 2019). According to the same report, Kenya's innovation capability in 2019 scored 36.3 percent,

a decline from the previous year and ranked 78 out of 141. The report further showed that Kenya's entrepreneurial culture scored 57.9 percent which was also a decline from the previous year and was ranked at position 32 out of 141 (Schwab, 2019).

Kenya's insurance industry is plagued by various challenges, some being unique to specific firm thus requiring unique solutions IRA (2019), The rising costs of natural catastrophes, increase in regulation, poor pricing, low and negative growth in many regions as well as low interest rates globally are some of these challenges. Negative perception in the market and cultural as well as religious perspective also hinder growth for the industry (IRA, 2019). Players in this sector have adopted various solutions most notably the use of technological innovations to lessen the impact of these challenges (Gaitho, 2015). They are also engaged in price wars trying to woe customers, but this the traditional way of marketing. The researcher feels that more innovative method of marketing particularly entrepreneurial marketing would be more appropriate, thus the need for this study.

1.3 Statement of the Problem

Kenya, as a developing nation, has one of the best insurance markets in East Africa attracting various foreign players. The Kenyan insurance market constitutes 70% of the East African consolidated insurance market of Uganda, Tanzania, Burundi, and Rwanda, (AKI, 2018). Performance of insurance companies in Kenya remains low with the overall insurance penetration at 2.37% in 2019 down from best performance of 3.44% in 2013 (Association of Kenya Insurers Report (AKI, 2020). When market looks attractive, more firms are likely to enter, thus increasing rivalry between them (Kibera and Waruingi, 2007), and this is what has happened to Kenyan insurance market. Kenya has 53 insurance companies and 5 reinsurance companies registered by regulatory body by 2020 (Deloitte,

2020). Moreover, lack of consolidation has left this sector so fragmented with only 14 out of 58 registered firms securing more than 1% market share (Statista, 2020).

Most of insurance firms in Kenya have not performed very well financially and in terms of market share compared to their global counterparts. This explains why there are only 5 firms that are engaged in re-insurance business (Deloitte, 2020). Due to fragmentation, the market is characterized by price wars and outright poaching of insurance agents (AKI, 2020). The competition has been made worse by the fact that, regional and global players have encroached the Kenyan market (Deloitte, 2020), and the business environment is constantly changing. It can be observed that due to fragmentation, insurance industry is characterized by chaos, complexity, and ambiguity (Bushe, 2019).

Due to very competitive environment, insurance firms are under increasing pressure to be more agile, proactive, and innovative in their marketing strategies. Instead of the planned, linear, rational approach of conventional marketing, an entrepreneurially creative response to marketing is required. Given the present competitive situation in this industry, traditional method of marketing will not be effective (Deloitte, 2020). Firms need to be more proactive and come up with more innovative methods of marketing, such as entrepreneurial marketing.

From the studies examined, the relationship between entrepreneurial marketing and the performance of insurance firms in Kenya has not been clearly analyzed and established. The closest topic investigated the extent to which entrepreneurial marketing strategy is implemented in public vs private insurance firms (Mohammad and Zahra, 2015).The gap in this study exists in that, while the study focused on all the dimensions of entrepreneurial marketing- value creation, resource leveraging, customer intensity/ focus, calculated risk

taking and opportunity focus, it failed to investigate whether regulatory framework (licensing and capitalization) has any moderating effect on the relationship between the dependent variable and independent variables. The study only measured the level of EM implementation and its link to customer satisfaction, the aspect of firm performance and in the relationship with EM was not assessed. Furthermore, the theory of entrepreneurial marketing has been tested in different sectors of the economy and different regions globally but there is a lack of consensus on the relationship between the independent variables and the dependent variable (Naude & Chiweshe, 2017; Mburu & Achocki (2017). Thus, the need for a comprehensive study on entrepreneurial marketing variables and the performance of insurance firms in terms of market share and gross premium.

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of the study was to analyze the effects of entrepreneurial marketing on performance of insurance firms in Kenya.

1.4.2 Specific Objectives

i. To establish the effect of strategic orientation on the performance of insurance firms in Kenya.
ii. To examine the effect of innovation orientation on the performance of insurance firms in Kenya.
iii. To determine the effect market orientation on the performance of insurance firms in Kenya.
iv. To analyze the effect of resource leveraging and the performance of insurance firms in Kenya.

v. To establish the moderating effect of the regulatory framework on the relationship between entrepreneurial marketing and performance of insurance firms in Kenya.

1.5 Research Hypotheses

i. **H_0:** Strategic orientation has no significant effect on the performance of insurance firms in Kenya.

ii. **H_0:** Innovation orientation has no significant effect on performance of insurance firms in Kenya.

iii. **H_0:** Market orientation has no significant effect on performance of insurance firms in Kenya.

iv. **H_0:** Resource leveraging has no significant effect on performance of insurance firms in Kenya.

v. **H_0:** The regulatory framework has no significant moderating effect on the relationship between between entrepreneurial marketing and of insurance firms in Kenya.

1.6 Justification of study

The study focuses on the relationship between EM and the performance of insurance firms in Kenya. There are various parties that will benefit from this study, for example, different insurance companies will learn how to plan their entrepreneurial marketing strategy, instead of solely relying on the conventional marketing principle based on the four marketing mix principles.

The results of the study may be utilized by HR managers in the industry shall appreciate the need to recruit creative and qualified staff. The study results may be used by the regulators to establish efficient regulations based on EM strategy dimensions. If

implemented properly, EM would booster economic growth through promoting both social and business resilience of insurance firms.

The results can also be relevant to the government when making regulations regarding capitalization and licensing. The two items are known to affect the cost of doing business in financial investment firms.

The study contributed to the existing body of knowledge by addressing the gaps identified and reviewed. The study adds to the prevailing debate on the Entrepreneurial marketing construct which has not had a consensus in definition and application. It utilizes one of the proposed models to ascertain application in practice. It is therefore useful as an academic reference point for future research studies.

1.7 Scope of the Study

The scope of this study was the 53 insurance companies registered as at the end 2020 and 5 reinsurance companies regulated by Insurance Regulatory Authority in Kenya. These are, life insurance companies, non-life, composite, re-insurance, insurance brokers and re-insurance brokers.

1.8 Limitations of the Study

One of the challenges faced when collecting the data was that respondents feared disclosing the information, they considered personal particularly age and level of education. At the same time, the study relied on primary data collected from the insurance industry where competition is stiff and therefore it is expected that full disclosure of information may not be easy. This limitation was however mitigated by giving respondents assurance that the collected was only for academic purposes and necessary documents were provided as evidence.

The other challenge was the covid-19 epidemic, which limited close interaction of people. This made data collection very difficult, and to mitigate this, the researcher had to combine both face-to-face interviews with posting of the questionnaires online in order to reach to reach the number of respondents required for the finding of the study to be valid.

1.10 Delimitation of the Study

The scope of this study was the 53 insurance companies registered as at the end 2020 and 5 reinsurance companies regulated by Insurance Regulatory Authority in Kenya. These are, life insurance companies, non-life, composite, re-insurance, insurance brokers and re-insurance brokers.

Entrepreneurial marketing has seven dimensions, the study focused on the dimensions considered relevant to insurance industry, mainly strategic orientation, innovation orientation, market orientation and resource leveraging. The study focused on market share and the gross premium as the indicators for performance in the insurance industry.

1.11 Assumptions of the Study

Assumptions in any study refer to those things that are taken for granted in the study. They are statements by the researcher that certain elements of the research are understood to be true. Thus, they relate to validity and reliability of measuring instruments and representativeness of the sample (Burns & Bush, 2006). The first assumption in this study was that the sample was representative enough. The other assumption was that the measuring constructs were reliable. This was particularly so considering that constructs were developed after considering the existing theory of EM, which formed the framework of this study. The items measured and their probable effect on firm performance were discussed in the theoretical literature review section.

The other assumption was that the respondents were honest when answering questions in the questionnaire, considering that they were assured of high confidentiality so that they could give correct responses. With those assumptions, it is further assumed that the results were accurate.

1.10 Operational Definition of Terms

Capitalization: According to Insurance Regulatory Authority IRA (2019), this is the amount of capital that an insurer is required to have and is determined by the Authority. Capital Available represents the actual capital available and it consists of paid-up shares, share premium, retained earnings and reserves subject to the admissibility by the Authority from time to time.

Customer Orientation: Definition of this term by Wales and McKelvie (2011) was adapted, where by customer orientation refers to the position taken by the firm whose priority is the customer and all activities are directed towards customer satisfaction.

Entrepreneurial Marketing: Entrepreneurial marketing, according to (Morrish, Miles, and Deacon, 2010), is a seven-dimensional organizational perspective that includes proactivity, opportunity emphasis, calculated risk taking and innovation, customer insensitivity, resource leveraging, and value generation. Entrepreneurial marketing is defined in this study as a method that enables businesses to use marketing as an entrepreneurial method to detect and exploit chances for acquiring and retaining lucrative consumers through novel ways. It's the process of coming up with new ways to provide value to both known and undiscovered consumer needs for a profit using new combinations of available resources.

Insurance: Definition by Saalfrank, (2012) adopted in the study, whereby insurance refers to the protection of people and property against predetermined damage and hazards upon regular payments known as premiums commensurate to the probability of occurrence and the cost of the risk involved.

Innovation Orientation: This describes the purposeful strategic stance taken by a firm in the utilization of knowledge and is geared towards the promotion of innovative culture and processes.

Licensing Fee: This is the registration fee payable to a regulating authority in this case IRA, to operate the business and as a proof of nationality (IRA, 2019).

Market Share: Definition by Kibera and Waruingi (2007) was adapted, where market share refers to a portion of a market controlled by a particular company or product.

Marketing Orientation: This is the degree to which a firm engages in activities geared to the collection of market information through research, how they convey such information across the organization and the measures taken in response towards these insights, (Morrish, Miles and Deacon, 2010).

Resource Leveraging: Resource leveraging refers to comprehensively analyzing the utilization of existing resources, identifying the need for additional resources, or creating new resources in community and state systems to address identified needs (e.g., leveraging existing funding streams or newly identified funding from agencies or organizations), (Schmid, 2012).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of the related literature and comprises of theoretical review, conceptual framework, review of variables, empirical literature review, and summary of the literature review and research gap.

2.2 Theoretical Review

This section examines the theories of entrepreneurial marketing and insurance firm performance in Kenya. The Entrepreneurial Marketing Theory, which outlines the behavioral qualities of reactiveness, opportunity detection, and exploitation, is the foundation of this research. The Resource Advantage Theory, Contingency Theory, and Strategic Orientation Theory are the theories examined, and they are based on the essential variables.

2.2.1 Theory of Entrepreneurial Marketing

Entrepreneurial marketing (EM) theory was developed in the 1980s after various studies and reviews of traditional marketing practices failed to meet expectations in the market place where firms satisfy clearly perceived customer needs in continuous market conditions. EM theory has been developed progressively over the last three decades with a consensus yet to be found on the definition. In 1987 the first conference on marketing and entrepreneurship by American Marketing Association was initiated and has become an annual conference, to analyze the interface between the two areas of study. One proponent (Morris et al, 2002) defines the idea as marketing operations in resource-constrained organizations, resulting in unstructured, unsophisticated, and personal marketing. This

concept sees marketing as a process that enables businesses to act entrepreneurially and take advantage of chances for acquiring and retaining profitable customers through novel ways. It is the intersection of entrepreneurship and marketing, particularly in established businesses. It is required to deal with increased unpredictability and limited resources, and it contains seven fundamental dimensions as an organizational perspective. These are pro-activeness, opportunity focus, calculated risk taking, innovativeness, customer intensity, and resource leveraging as well as value creation. Entrepreneurs use inventive and unsophisticated strategies to manage environmental unpredictability in a contextual, spontaneous, informal, nonlinear marketing action. (Astuti, 2020).

Therefore, any firm that takes part in the innovation of new product, embraces some degree of risk, and devises proactive developments engages in entrepreneurial marketing (Phatak and Ashwinikumar, 2017). Miller, (2014) suggests that entrepreneurial firm, is one that participates in the marketing of their innovative products, takes some risks by committing resources (resource leveraging), and is the first to come up with 'proactive' advancements. Kilenthong, Hultman and Hills, (2016) suggested that the core behavior depicting EM is innovation. There are various models, definitions, and studies on this construct, however the underlying theme is geared towards ensuring the success of organizational activities. In summary, different authors have developed distinct models to explain the concept of EM namely: Four pillars of EM (Bjerke and Hultman, 2004); the Seven-dimension model introduced (Morris et al. 2002); EM Behaviors and the dimensions (Hills and Hultman, 2013); EMICO framework (Jones and Rowley, 2011); Stokes 4I's model and EM contingency framework (Whalen and Akaka, 2016). For the purpose of investigation this

study adopted conceptual framework developed by Jones and Rowley (2011) that due to its adaptability to large organizations as shown in the Figure 1.1 below.

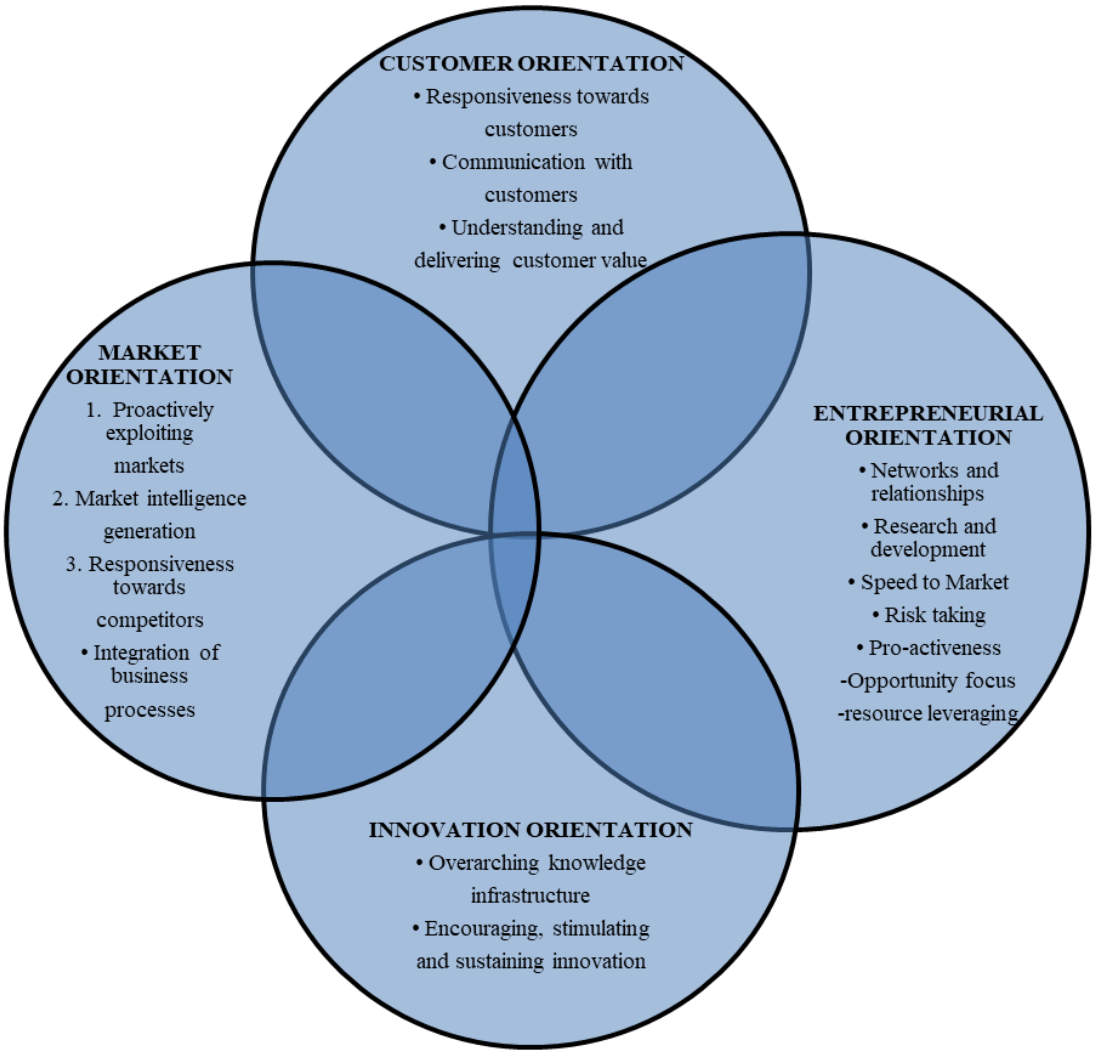

Figure 2.1 Entrepreneurial Marketing Model

Source: Jones and Rowley (2011). Entrepreneurial marketing in small businesses.

Jones and Rowley 2011 defined EM as that strategic approach that involves the firms' members implementing the combination of customer preferences, competitor information and product knowledge in the process of value creation and delivery to the customers. After considering and reviewing the various models then, thy developed the EMICO (EMO)

model. The model was categorized into the dimensions that are adopted as the four main variables namely, customer orientation (CO), entrepreneurial orientation (EO), market orientation (MO) and innovation orientation (IO). The main variables were then categorized in to various dimensions ;EO comprised of research & development speed to market, risk-taking, and pro-activeness; MO was suggested to include exploiting markets, knowledge management on markets, fully cognizant of competitor activities, harmonization of business operations, networks, and relationships, while CO was represented by responsiveness towards customers, communicating with customers, understanding and delivering customer values, promotion, and sales and IO dimensions were knowledge infrastructure and propensity to innovate. The proponents of the EMICO framework considered the various studies done previously and due to the various reliability, validity and robustness of the measures used by different researchers, they posited that CO and IO be separately measured from the main EO and MO variables

Jones and Rowley (2011) opined for an EM firm to function successively these variables have to rely and work cohesively, such that for customer value (CO) to be created the market has to be studied (MO) whilst integrating risk and pro-activeness (EO) to create new products or services (IO) that are superior to the competitor (MO).CO concentrates on creation of value as well as service to the customer while IO measures how a firm deals with opportunities arising in the market to produce new products and services. EO measures the entrepreneurial behavior and strategies projected by the firm in the market place, while MO deals with how the firm responds to the market environment and the competition. When facing low demand for a product, a market-oriented firm may opt to utilize aggressive promotion for the product in order to improve the product uptake in that

market. Due to the ever-changing business environment, it is imperative that a firm does not neglect the marketing function if it has to remain relevant, (Abubakar, 2014).

The study categorized EO, (entrepreneurial orientation) from the EMO model in the SO (strategic orientation) variable and reviewed it as the strategies that a firm adopts to ensure entrepreneurial behavior in the market place is achieved. These are differentiation to ensure uniqueness, customer focus to ensure value creation and cost leadership and minimization. Resource leveraging was included as a variable as it is viewed as a crucial aspect to the success of any entrepreneurial undertaking because it measures the level risks that a firm affords and is a factor that is borrowed from other models, (Morris et al, 2002).

This study defined EM *as the process of discovering innovative ways of delivering value to both known and unknown customer needs by way of new combinations of available resources for a profit.* Studies have shown that adoption of this concept, ensures a positive outcome on performance especially due to the turbulent and dynamic market place that all firms find themselves in. The modified model chosen, EMICO framework, is comprehensive as it includes all the areas and the major elements that interact in an entrepreneurial firm from the two separate areas to bring about a cohesive relationship. Further, it encompasses various perspectives both early and recent theorists and therefore suitable to analyze the impact of EM on the market share of insurance companies as an indicator of their performance.

2.2.2 Theory of Variables Identified for the Study

2.2.2.1 Strategic Orientation Theory

Gatignon and Xuereb (1997) defined strategic orientation as standards that guide and inform the activities of a firm and foster the behaviors geared towards the survival and performance of the firm. They are the guides to action for a firm to achieve its overall purpose-the 'how to get there. Different studies have further categorized this construct such as market orientation, customer orientation, entrepreneurial orientation, learning orientation, technology as well as product and production orientation (Hakala, 2011). The level of flexibility and the type of structure adopted by a firm is directly related to the strategic orientation that it has adapted, (Aaker, 2005). The behavior of the firm in the market place and further the performance is also determined by the orientation adopted. Rapid changes in customer tastes and preferences, technology and economic environment call for purposeful, deliberate, and intentional course of action to ensure survival and success of any business. Hakala (2011) argued that having an entrepreneurial mindset allows a company to not only adapt and survive in the environment, but also actively change it. This study suggested that this type of orientation allows the firm to be willing to commit resources, exploit uncertain opportunities by exploring new and creative ideas proactively ahead of competition and anticipating future demand. Jones and Rowley (2011) define EM as a strategic direction and involves a firms' practice of integrating customer preferences, market intelligence on other players as well as product knowledge in ensuring that the creation and delivery of high value to customers.

The study has adopted strategic marketing view, which includes the following components (cost reduction, differentiation, and customers focus) as it includes the flexibility that is at

the heart of EM and was indirectly included in the Jones and Rowley (2011) framework for entrepreneurial orientation. This theory posits that the success and performance is directly related to the strategic orientation adopted, therefore the success of the insurance industry is determined by their focus (strategic orientation).

2.2.2.2 Innovation Orientation Theory

Innovation is the introduction of a new product or a new process or a new market by an individual of an organization. It is a result of a combination knowledge from both the external and internal environments. External environment sources consist of market activities by rival firms, changing customer preferences and existing regulatory framework. Innovation may also involve improvements on existing products and services upon interaction of related firms (Klette & Griliches, 2000; Beugelsdijck & Cornet, 2001). Innovation does not end with the introduction but continues with creation of value for the consumer and the consumption and utilization of the product or service, further, for a new market the process continues with the satisfaction of the new needs. Innovation value chain concept comprises of the links and feedback loops that form a continuous cycle that focuses on the firm innovation process. Firms are motivated to engage in the process by competition actions and to take advantage of opportunities in the market, though it is a risky affair and the returns are unknown (Šakalytė, 2013). This construct was proposed by Hansen and Birkinshaw (2007) who suggested three phases for this process; idea generation, idea conversion and lastly, diffusion. Each of these phases comprise components that interact to ensure that an innovation is transformed from being an idea to actual value to a consumer. For an innovation process to be successful, all the sources of knowledge, components and the links have to work in tandem. The process is as weak as the weakest link; sources (Pittaway, Munir, Denyer & Nelly, 2004; Cassiman & Veugelers

2002) posit that a correlation between external sources of knowledge and the firm's internal intelligence and operations define the process and determine the success.

In this study EM as a combination of four major components that work together to bring value to the customer. An entrepreneurial firm combines focus (SO) to the market, to collect intelligence concerning customer satisfaction, competitor activity (MO) and government action (regulatory framework) with internal resources (RL) to produce new products services or create new markets (IO). Each of these components are geared towards creation of new value and hence superior performance; this is the same framework proposed by the IVC. This framework suggests that innovation should be viewed as a cycle that should result in value for the customer and profit for the firm and not just as just a new product or service. It therefore allows the firm to strengthen all links that would otherwise be ineffective.

2.2.2.3 Market Orientation Theory

According to Kotler (2009) market orientation is an approach to business that prioritizes identifying the needs and desires of consumers and creating products and services that satisfy them. Companies implementing this strategy carry out market research in order to understand target consumer's opinions, immediate needs, primary concerns, or personal preferences within a particular product category. To achieve this, they set up research and development departments (R&D) to carry out research on products and markets. Thus, it is argued that Market orientation is a customer-centered approach to product design. This view therefore posits that for a firm to be viable and profitable, all departments must apply and reinforce MO to ensure it is fully integrated in the corporate culture. When effective

market orientation strategy is implemented, it can help a company increase customer retention and propel growth in new demographics (Kibera & Waruingi, 2007).

Kravitz, Pattermitti, Hay and Subramanian, (2009), suggest that marketing orientation focuses on customer and competitors, and it consists of a thorough analysis of the target market in a bid to obtain intelligence on customers and competitors and conveying such intelligence across the organization. This, they posit, demands for the integration and harmonization of all departmental effort toward this goal. All functions in the organization must use the information generated to create superior customer value, (Jobber 2010). To safeguard the organization from loss due to encroachment by competitors on the superior value created, a lot of resources needs be invested, (Kotler, 2009). The three components, market analysis, intelligence conveyance and responsiveness form a distinct strategic marketing resource that is crucial for the success of any organization, (Kibera and Waruingi, 2007). The diagram below by Kohli and Jaworski, (1990) indicates the areas of concern for the firms pursuing this strategy

Figure 2. 2 Market Orientation Cycle

Source: Kohli and Jaworski (1990).

Other marketers support the above but with some additional requirements if it is to succeed. For instance, according to Narver and Slater (1990) and Shapiro (1988), being market oriented implies delivering products and services that are valued by consumers, a requirement achieved through three things: on-going monitoring of market conditions, adaptation of organizational responses and full support by the top management. Since markets have attached a lot of importance to market orientation strategy as a dimension of entrepreneurial marketing, this construct has been investigated by many marketing scholars (Grewal & Tansuhaj, 2001). From the studies on market-oriented firms, there is a prevailing premise that these firms meet customer needs better than their counterparts, (Narver & Slater, 1990). Consequently, scholars anticipate these MO strategies to be reflected by superior performance and output, for the firms practicing MO, (Grewal and Tansuhaj, 2001). MO is further viewed as a cutting-edge tool and capability for the firm that gives sustained competitive advantage, (Aldas Manzano, 2005). The definition of market orientation adopted in this study is by Kohli and Jaworski, (|1990), MO is viewed as the application of the marketing cycle in the above model that proposed emphasizes the collection of marketing data, dissemination of this data across functions within the organization and the action that is taken based on this intelligence.

2.2.2.4 Resource Leveraging Theory

Resource-advantage theory (RAT) theory was by proposed by Hunt and Morgan (1997) and was built on the mistakes that occurred when organizations tried to build on comparative advantage. It is a combination of several theories at its core; is the resource-based view and the heterogeneous demand theory (Aaker, 2005). RAT argues that the significance of a resource to a firm is determined by its ability to produce substantial

distinction and superior customer value that translates to superior performance, (Hunt, 2000). It is a process theory of competition that views each firm as unique with own position in the market and struggles to attain financial gain and growth through proper utilization of both tangible and intangible resources thereby creating an economy's private sector capital (Aaker, 2005). Each firm combines heterogeneous and imperfectly mobile resource to create comparative advantage in the market through innovation which in turn creates sustained development for the industry.

According to this theory, every player in the market tries to succeed by either, utilizing the available resources, and/or acquiring the needed resources, imitating, successful competitor innovation or coming up with major innovation that will bring more value to the dynamic demands in the market place. Sustainable innovation is a crucial feature for this theory as is seen as an outcome of proper utilization of resources (resource leveraging) while combining such with marketing intelligence (market orientation). Further the continuous search for new markets where the firms' resources provide comparative advantage fall in the context of this theory, (Morris et al, 2002). RAT theory view competition as an opportunity for the firm to learn to better its performance and position in the market place through efficiency in resource utilization. This theory focuses on four main elements, market territories, incongruent firm resources, distinct advantages, and disadvantages in resources and lastly market place positions. These features of RAT framework explain and fit the dimensions that are the core of EM concept fully. Morris et al, (2002) defined these dimensions as resource leveraging, value creation and risk management as well as opportunities management. EM as a concept, views the market place as turbulent such that the adoption of innovation and resource leveraging, which

focusing on the market activities (competition) and customer preferences (value creation), gives an advantage to the firm that results in improved performance (EM).

2.3. Conceptual Framework

A conceptual framework showing the relationship between the dependent variable (performance of insurance firms in Kenya) and the independent variables (strategic orientation, innovation orientation, market orientation and resource leveraging) has been presented in figure 2.3 below.

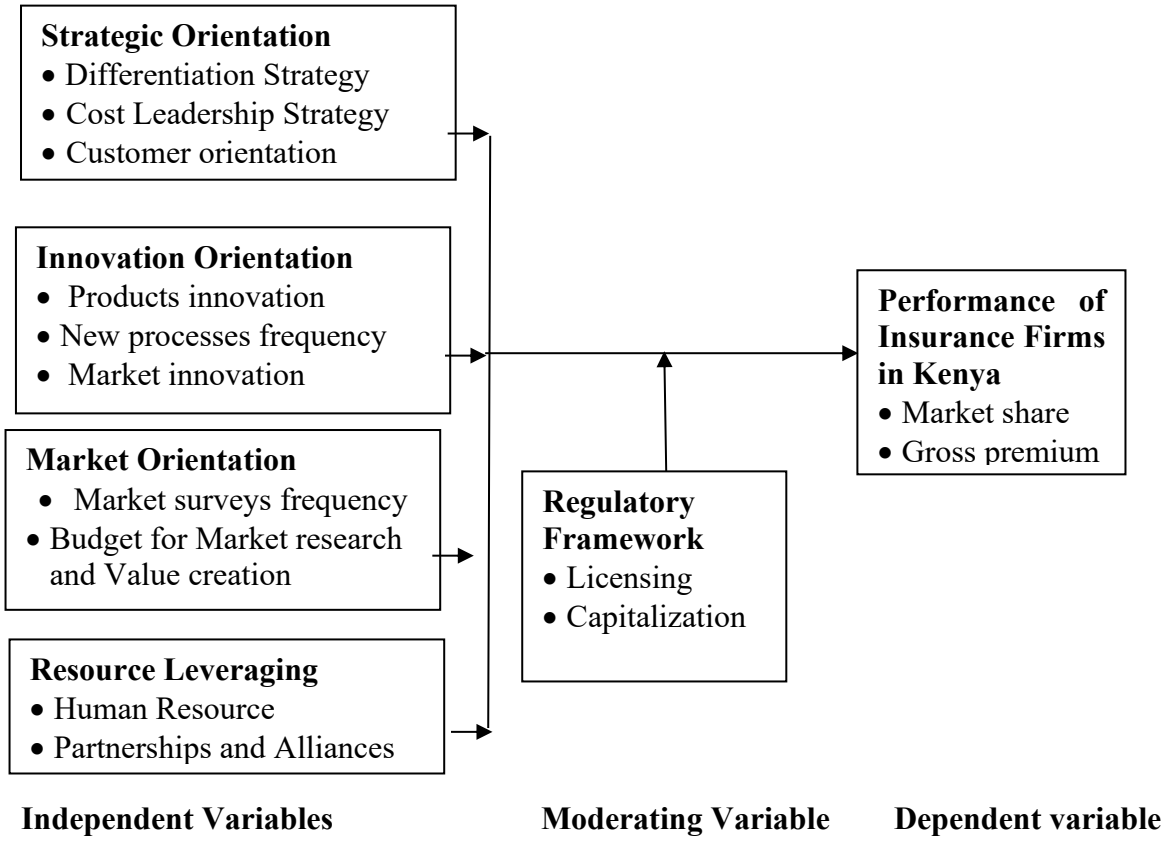

Figure 2.3 Conceptual Framework

Myers (2009), posits that a conceptual framework illustrate pictorially the concepts pertaining to the variables being studied and the association between them. The conceptual framework is a postulated model that identifies the constructs under study and their association, (Mugenda and Mugenda, 2003). The conceptual framework is primarily a representation or depiction of what is out there that is being examined and analyzed, the status of this concepts and constructs and the explanation of this status, a proposed theory of the aspects that is being studied, (Fayolle, Basso & Bouchard, 2013). Since a conceptual framework for a study is the proposed structure of the analysis, it combines factors obtained from elsewhere, however, the design and rationality is constructed as opposed to being adopted from a particular source, (Maxwell, 2010). This study used the variable derived from the research objectives to investigate the factors affecting the performance of insurance firms in Kenya.

2.4. Review of Variables

2.4.1 Strategic Orientation

Strategic orientation refers the organizations' ability to adopt and maintain a distinct strategy that will define the direction of the firm such as differentiation, cost leadership and focus strategies in maintaining its competitive advantage. Fourie and Mansfield, (2004) posit that strategy is a managerial behavior that is concerned with how a firm competes in market place. It involves the options that management faces, the choices they make and the combinations of actions and their planned reactions to the business environment they are operating in. According to Aosa (2011), strategy implies the creation of a fit between the internal and external characteristics aimed at solving an organization's complex matters.

Customer orientation or focus strategies include customer focus which refers to responsiveness towards customers, communication with customers, understanding and

delivering customer value. It is one of the strategic orientations that can be adopted by a firm to adopt to the activities in the market place. Customer focus entails a firm anticipating its customers' changing needs and responding to them through continuous innovation (Johnson, Whittington, & Scholes, 2011). In this study, customer focus refers to how the insurance firm prioritizes its customers, dynamic customer needs and how they respond to them through progressive innovation. Prioritizing customer needs involves maintaining an elaborate customer service program and a relationship management system which in turn ensures a firm's success, (Porter, Kramer & Mark, 2006).

2.4.2 Innovation Orientation

According to Namusonge, Muturi and Oliniran, (2016), innovation orientation refers to an organization's inclination to commit to and endorse new ideas, originality, assess and verify, and inventive processes that result in original products. When faced with turbulent business environment, limited resources, aggressive competitors, and fluctuating customer preferences, innovation becomes a solution for survival. According to Druker (2002), there are eight types of innovation that can be carried out in a firm. They include: Strategy Innovation, Business Model Innovation, Product/Service Innovation, Process Innovation, Marketing Innovation, Technology Innovation, Supply Chain innovation, Organizational/People Innovation. Schumpeter (1934; 1942) emphasized innovation role in the entrepreneurial process. He stated that this was a process of "creative destruction" where disruption of existing market structures by introduction of new goods or service, which shifted resources away from existing firms, created wealth and caused new firms to grow. Namusonge et al (2016) contends that innovation is a means, by which entrepreneurs take advantage of change as an opportunity for a different business or a different service.

Innovativeness can then be defined as the extent to which one firm is faster in implementing new ideas than the other contemporaries.

Today, firms operate in such cut throat competition that their only option is to innovate or die and to survive they are forced to choose the latter, (Madhoushi, Sadati, Delavari, Mehdiv & Mihandost, (2011). The foundation of any successful entrepreneurial venture is notable innovation which may either be in the form of technological, product or market innovation. Any of these if adopted, represent the innovation dimension applied by the firm and are used to take advantage of arising opportunities in the market, (Muthoga, 2018). According to Camison and Lopez (2010), product innovation is one of the important sources of competitive advantage to the firm as it ensures quality products contribute to good performance. A study by Espallardo and Ballester (2009) on 744 Spanish-firm samples confirms that there is a positive impact of innovation on firm performance. Another study that focused on product, market and process innovation posited that market intelligence and new products are more positively associated with the performance of a family firm that technological knowhow, (Alberti and Pizzurno, 2013).

An organization's purpose, mission, resource, and innovation orientation determine the policies implemented to boost performance. Innovative orientation describes a firm's novelty and provides strategies that should be implemented to enhance growth. According to Saxena et al. (2021), innovation enables marketers in insurance firms to compete over their rivals and increases the demand for the organization's products. Innovation orientation significantly contributes to improvement in organization's performance. Moreover, insurance firms with high innovation alignments implement growth strategies,

such as segmenting the market, developing, and customizing new products and services to increase market share. On the contrary, a firm that does not align its novelty focuses on less aggressive strategies including de-emphasizing on brand reputation and avoiding mergers and alliances. When insurance companies expand innovation by developing products and services based on customer expectations and requirements, they are able to remain competitive over their rivals and improve their performance. Accordingly, innovativeness enables an organization to offer new products using diverse procedures that cannot be adopted by rival firms. Thus, innovative orientation promotes the performance of insurance firms by uncovering multiple ways of serving customers, developing new products, and enhancing brand reputation. Firm performance is based on growth, openness, and capacity to innovate.

Innovation positively and significantly affects the performance of insurance firms. According to Kirwa and Ng'eno (2019), a firm should focus on satisfying customers, continually innovating products, and having structures that save on production costs to make profits and boost financial performance. When insurance companies introduce new products and services in the market, they maintain existing customers and attract new ones increasing profitability. Besides, innovative firms are always competitive over their rivals. Extensively, innovation influences the production process, empowers human capital, and enhances partnership within the firm which improves financial performance. The positive and significant relationship between innovation and performance of insurance firms is a result of active engagement in developing new products and services to obtain new markets and maintain existing ones. Innovation orientation is specifically aimed at improving financial performance by developing products and services that meet client's expectations

and differentiating operations from rivals to remain competitive. Empowering employees through enthusiasm tactics makes them innovative enabling them to come up with new ideas on developing products which contributes to the positive performance of the organization. Further, the extent and speed of generating innovations determines the improvement in product quality and increase in market share. Therefore, improving a firm's innovation capabilities positively influences performance.

Innovation is a success factor in highly competitive firms and organizations. Rajapathirana and Hui (2017) argues that innovation capabilities and efforts are significantly related to performance of insurance firms. Due to the high demand for insurance products in developing economies, innovative thinking is essential in reducing costs and enhancing operational efficiency. The changes in insurance markets from life and health products to property, agriculture, and catastrophe insurance warrants the need for insurance firms to respond rapidly to changes and avoid becoming extraneous. An insurance firm requires a culture that nurtures innovative ideas to convert them into cost-effective business ventures. A firm that has the capability to innovate supported by the right resources generates positive outcomes on performance. The novelty ability of a firm depends on identification of potential customers and their expectations, responding to client's needs appropriately, and having an organizational culture that nurtures ideas and transforms them to innovations. Since the insurance industry is highly competitive, a firm should be innovative to adopt low-cost production strategies that enhance efficiency and achieve customer satisfaction to remain competitive. The positive association between innovation and performance shows that novelty is a strategic approach for insurance firms to remain competitive and achieve long-term growth.

2.4.3 Market Orientation

Market orientation refers to taking initiative to take advantage of existing markets, gathering market knowledge and insights, being perceptive to competitors and synchronizing such activities to business operations. Market orientation focuses on market factors such as meeting customer needs, penetrating new markets, and entrenching existing products into new positions to increase sales, (Gunday, Ulusoy, Kilic, & Alpkan, 2011). The probability of being profitable are increased when firms engage in more effective marketing programs than other players in the market. To gain from marketing programs, a firm must focus on the branding strategies, customer perception and adopt a versatile management structure for marketing. When this is implemented, the firm's products, both new and existing ones are converted into sales optimally, thereby achieving the firm's objectives and vision, (O'Dwyer, Gilmore and Carson, 2009).

Otendo (2017) Defined marketing orientation as the extent to which a firm achieves its market-based objectives concerning meeting its client's needs and requirements. According to Protko & Donberger (2014), market orientation positively impacts the Performance of insurance firms in Kenya. Some market orientation approaches employed by the insurance firms included profitability levels, new-product success, investment returns and sales growth. Ford &Gioia (2000) further noted that lack of marketing research, failure to forecast environmental reactions and lack of inadequate knowledge of client needs are among the factors that hinder the proper implementation of new market orientation strategies. Market orientation strategies that promote business success include: Offering

new services per the client's liking, creating non-existence services, and upgrading existing services or implementing services offered by the competitor.

Elsewhere, Wanjiru et al. (2022) regarded market orientation as one of the key contributors to the improved Performance of insurance firms in Kenya. According to Jaworski & Kohli (1993), Intensive research on related market information and implementation of a planned action to gratify the market following the information obtained was some practices involved in market orientation. An investigation by Albert et al. (2003) asserted that insurance firms in Kenya that applied market orientation policies stood a high chance of inventing new services in line with client needs, resulting in increased client trustworthiness and enhanced financial Performance. Additionally, Ogbonna &Ogwo (2013) noted that insurance firms that embraced market orientation arrangements recorded better Performance than those who depended on their age and knowledge.

Kaswuri et al (2016) defined Market orientation as the execution of a new marketing technique concerning significant fluctuations in product promotion, product design or packaging, product pricing, or product placement. The main goal of market orientation is to create awareness of insurance products, build on client familiarity and eliminate the negative awareness apprehended by public insurers in Kenya (Gitau, 2013). While more excellent pricing approaches and promotional actions are regarded to have more power in enhancing operative market dynamics, service quality is regarded to have a low impact on marketing. However, all the approaches led to increased performance of insurance firms. According to Kiragu (2016), information technology has been the primary reason for growing insurance companies in Kenya over the years. Technology has led to new ways of

reaching insurers, such as using the internet to market insurance services. Through online marketing, the insurance sector has reached more clients, which has led to increased sales and reduced advertising costs. Therefore, the market invention is crucial to meeting market needs and responding to market openings. Since market orientation is essential for the survival of the insurance sector due to the frequent changes in market and technology, insurance companies needed to invest in market innovation strategies to enable them to stand out when the competition reached its maximum (Johne, 1999).

According to Winston and Dadzie (2002), market-oriented firms ensure that their customers' needs and tastes are well considered. Over the years, many insurance companies in Kenya have adopted various market orientation strategies, which have led to their increased performance. To ensure that customers' requirements are met, insurance companies have guaranteed proper training of their front-line insurance workers with job-related interactive and communication skills for the employees to attend to clients effectively. Such strategies helped improve the performance of insurance companies in Kenya since employees could take appropriate measures in case of service failure (Maina, 2016). Additionally, market-oriented insurance firms gathered information and complains about their clients and made the required arrangements to address the issues. Immediate action toward client complaints such as dissatisfaction and making immediate proper service adjustments enhanced the organization's economic growth. Furthermore, business branding is another marketing strategy insurance firms use to increase their productivity and performance. Sales promotion, service consistency is among the strategies used in promoting insurance services in Kenya. It helps attract more clients, enhances the firm's values, and guarantees service credibility, which helps a company stay ahead of its

competitors. Therefore, market orientation contributes to greater client fulfillment, organizational obligation, and improved business performance for insurance companies in Kenya.

Kabata et al. (2022) regarded market orientation as an essential key to increased performance in the insurance industry. Client orientation, contestant orientation, and inter-functional coordination within insurance firms contribute to the high performance of insurance companies in Kenya. Market-orientated insurance companies have been able to satisfy clients' needs by following and addressing insurance requirements, leading to higher performance. Most insurance firms in Kenya have employed organizational approaches such as addressing rising issues concerning their clients and their competitors, enabling them to deliver quality insurance services. According to Khamwon and Speece (2005), adopting market orientation practices increased insurance sector performance. Therefore, insurance firms needed to strengthen their strategies to improve their service provision in order to improving their performance.

Further, Yauger (1998) noted that market orientation pushed insurance firms in Kenya to be focused on short-term and intermediate client desires, which could hinder innovation and the long-term achievement of a firm. Therefore, insurance firms needed to predict the future expectations of their clients for them to be able to fit in the changing business world. Additionally, the workers' conduct and attitudes contributed to the insurance firms' profits, which was associated with market alignment. Therefore, the lack of market orientation strategies by insurance companies in Kenya would demotivate their employees' team spirit and customers' willingness to consider their services, hence low performance.

According to Wambugu et al. (2022), market orientation practices positively impact both gross quality and market share of insurance firms in Kenya. Insurance companies in Kenya have adopted new strategies enabling them reach a vast network of clients. Such approaches include online marketing and house-to-house services. Thanks to technology, social media platforms are increasingly becoming the leadings tools for marketing. Unlike house-to-house visits whereby insurance workers visit one member at a time, online platforms provide a means of reaching millions of people quickly. While the media enables insurance employees to market their services in the comfort of their office, house-to-house visits require the employees to visit clients at their homes to convince them to buy their insurance products and services. Therefore, more customers are attracted to the insurance products, which increases the companies' sales hence high performance by the insurance organizations. However, when the client meeting the marketing team in personal, they are more freely to enquire on the products and explanations are more likely to be elaborated better unlike in social media. Nevertheless, Wambugu et al. (2022) addresses the need for insurance firms to allocate more resources to the marketing department to aid in penetrating new markets, which helps in increasing performance. Besides, some insurance companies have initiated new insurance guidelines for agriculture in rural parts of Kenya since farming has been recorded as the most rampant economic activity and has contributed to increased Kenya's GPD.

Srivastava et al. (1998) also defined market orientation as the extent to which the business organization acquires and uses information from clients, grows a strategy to meet client requirements, and implements that approach to address client concerns. A marketing orientation has a constructive and statistically substantial impact on resources, evolution of

market share, and general performance of insurance firms in Kenya. Also, a firm's enhancement in performance is determined by the quality of services offered to clients, therefore, the need for insurance sector to implement measures which address customer needs. Further, efficient performance by insurance workers leads to effective performance of the organizations. Insurance company managers need to encourage teamwork among their staff and also ensure provision of a conducive working environment for better work outcome. Since market orientation mainly addresses consumer needs, the insurance sector needs to invest in highly qualified staff and also initiate ways of training new staff members on emerging trends in the insurance industry to make them conversant with the respective services to be offered and how to interact with customers to ensure enhanced service provision. As Sinkula et al (2002) states, a corporation that employs a market orientation records a higher performance concerning their connection to clients, which ensures constant sale increment, market share, and returns.

2.4.4 Resource Leveraging

Resource leveraging refers to the organizations' ability to utilize its financial resources, employees, technological resources and partnerships and alliances in addressing the organizations responsiveness towards competitors and its customers. It has been argued that the vibrant core competencies of a firm enable it to structure, synchronize and even reorganize its resources when turbulent circumstances impact the firm and thereby ensuring that the firm does not deviate from their strategic vision, (Teece, Pishano, & Shuen, 2007). The firm is guaranteed of viability, survival as well as superior performance when it proactively studies the market to ensure that when needed, it responds effectively and

strategically to the turbulence, (Fahey & King, 2010). Employing such a strategic stance, ensures that the firm prospers in times of turbulence.

There is a significant correlation between resource leveraging and performance of insurance firms in Kenya. Most of the firms differ in performance despite being on the same industry, and this has been mainly attributed to leveraging of resources. A firm's competitive advantage within the market is based on the key resources it possesses. According to Ombaka (2014), the performance of firms within the same industry differs because of the difference in capabilities and the resources which they control. This difference is brought by the ever-changing internal environment in which the insurance firms operate in, presenting various opportunities and challenges. The firms are obligated to develop better value than their competitors to attain a competitive advantage within the industry. Insurance firms play a fundamental role in the economic, social, and political development of Kenya since they are based on the financial services sector, which is one of the major sectors that contribute significantly to the growth of the country. They ensure people invest on equity and bond markets, and also protect the existing capital against loss. Unique resource leveraging within a firm helps to determine its superiority in performance within the industry. Insurance firms whose resources are non-substitutable, inimitable, rare, and valuable usually achieve a sustainable competitive advantage. A firm must own both resource entry barriers and position barriers to earn high returns. Therefore, the manner in which insurance firms utilize their financial resources, partnerships and alliances, employees, and technological resources can determine the level of their competitive advantage over others.

The ability of an insurance company to keep on covering the risks associated with the economy depends on its capability to generate value or profit for its shareholders. In every economy, a well-developed firm within the insurance industry is significant to the economic enhancement since it offers long term funds to develop infrastructure and investments. According to Murigu (2014), the Insurance Regulatory Authority, a body which regulates the insurance sector in Kenya, has amplified field visits, supervision measures, and assessment of potential risks within the insurers' activities to ensure that they perform well and remain competitive. Kinyua et al. (2021) argues that a firm should be governed by policies that promote the inspection, monitoring, restructuring, and evaluation of relevant information to ensure the deployed resources are utilized effectively. The performance of an insurance company is determined by various factors, such as return on equity, returns on investment, annual turnover, profitability from underwriting activities, and the net premium earned. These factors are classified into investment performance measures and profit performance measures. Investment performance include the return on assets that are rendered in a business apart from funds, and return on investment activities of the extra cash that is earned at varied operation levels. Profit performance is the difference between expenses and revenues, and the measure of profit in monetary terms. Thus, external, and internal factors influence resource leveraging and the performance of insurance companies in Kenya.

There are various levels within the economy that show a positive relationship between resource leveraging and the performance of insurance firms in Kenya. Murigu (2014) argues that the performance of insurance firms can be appraised at the macro, medium, and micro levels of economy. Macro and medium levels include macroeconomic factors and influence of support-institutions respectively, while micro levels refer to specific factors of

a firm such as ownership structure, age, efficiency, and capital that affect profitability. One of the macroeconomic factors is debt leverage, which is calculated by total debt to equity ratio. This ratio indicates the capacity in which a firm utilizes the borrowed funds. It shows the degree in which a firm is able to manage after being economically exposed to unexpected losses. Besides, liquidity within an insurance firm is also vital determinant of the company's performance. It ensures that that the debt obligations of the company that are due in the next one year are repaid by either monetary terms or in form of assets that can be converted into cash. Liquidity in an insurance firm refers to the capability of the insurer to meet its instantaneous obligations to policy holders without increasing profits on investment and underwriting practices. For an insurance firm to perform well and remain competitive, it is supposed to keep sufficient funds and bank balances that can used to pay immediate liabilities that are due and not yet paid. Therefore, the performance of an insurance firm can be affected by its liquidity and levels of economy.

Effective resource leveraging ensures a firm is able to utilize the assets that are within its primary business mode to enhance performance and generate revenue. According to Makokha (2014), the performance of an insurance firm is indicated by its general financial health, which has been observed over a given time duration, and can be used to compare sectors or industries in aggregation or same companies within the same industry. Financial performance measures include major statistics of businesses such as return on asset and return on investment, cash collection efficiency, and new orders, which determine how firms perform in critical areas. An example of effective resource leveraging within an insurance firm is innovation and development. This factor is significant in determining the performance of a firm, as it ensures there is development of new products and services, which increases market share. Also, organization strategy influences the performance of a

firm. Makokha (2014) compared differentiation strategies with those that aimed at cost reduction, and established that the strategies had a significant effect on performance. Thus, effective resource leveraging such as innovation and organization strategy affect the performance of insurance firms in Kenya.

Strategic response in resource leveraging has a positive impact on the performance of insurance firms in Kenya. It is a competitive strategy which is employed by a firm to enhance its performance and remain competitive within the industry. According to Kamomoe (2014), strategic response includes cultural change, information technology, marketing, and restructuring. Insurance firms focus on the present and potential markets and products to identify an ideal expansion strategy which is based on market expansion matrix. They consider enhancing in existing and new markets and formulate potential combinations of products and markets, which include market development, market penetration, diversification, and product development. Market penetration is the least risky strategy since it leverages most of the insurance firms' existing resources and capabilities while diversification is the riskiest strategy because it involves the development of new products and markets (Kamomoe 2014). Diversification strategy may include acquisitions, or extending the existing capabilities and resources of an insurance firm. Additionally, insurance firms in Kenya employ product and technology innovation strategy to ensure they remain productive and competitive. This strategy is significant in influencing the performance of a firm and creating enhanced market positions that lead to superior performance and competitive advantage. Therefore, appropriate strategic response in resource leveraging gives insurance firms the ability to remain competitive and have adequate market share.

2.4.5 Regulatory Framework

The nature of insurance business necessitates government intervention to ensure success and therefore insurance firms are supervised by the government (Giesbert & Steiner, 2015). It is therefore crucial that a favorable and adequate legal framework is in place to ensure the success and thrive, (Rodolfo, 2014). In this context, it can be argued that a thriving insurance industry requires not only a well-functioning insurance sector and the favorable consumer behavior but also on the support and adequate government involvement to maneuver the macroeconomic environment, (Akotey & Adjasi, 2016). The legal framework is especially crucial in the exploitation and utilization of distribution channels for the industry, (Makove, 2011).

A majority of enacted insurance laws were founded based on original and traditional insurance concept as a guiding principle. However, the same traditional products do not move due to the economic status of the masses based on the pricing, (Naghi, 2014). To remedy this, a well-structured legal framework with laws to deal with unscrupulous insurance firms, unethical agents, and delinquent clients should ensure improved uptake of insurance products thereby enhance penetration, (Morelli, Onnis, Ammann, & Sutter, 2010). This was noted in the improvement of penetration rate among the poor and in rural areas in India after the enactment of stringent insurance laws in recent years.

The laws requiring changes especially concerning insurance transferability and the necessity of sufficient capital stimulate innovation on the insurance companies while those product design laws restrain creativity and innovation and therefore should be enacted based on proper and well-informed guidelines, (Aon Benfield, 2009). A balance should be stricken between innovation and capital laws for the industry, this is because, even though

innovation leads to new products from new ideas culminating to new business, (Karanja, 2009); the capital requirements which are intended to absorb unpredictable claims maybe unfeasible due to equity and debt disruptions in Kenya leading to a crisis in the industry in future.

Regulatory frameworks have a positive impact on the performance of insurance companies in Kenya. According to the Oxford business group, new regulatory frameworks introduced in Kenya included a move toward risk-based capital, tactful rules, guidelines for short-term businesses, and increased capital requirements. Distrust has disadvantaged the insurance firms leading to most of them being closed. Therefore, emphasis has been laid to tighten legislation and regulations to rebuild and strengthen the governance and oversight of the companies. The regulations outline how insurance companies implement priority reforms in line with international outstanding practices. National Treasury Secretary Henry Rotich proposed an increase in minimum capital requirements and the introduction of risk-based capital requirements. In addition, he pointed out that most insurance firms are not in line with the set insurance regulations, thus emphasizing the necessity for insurance companies to develop more principle-based frameworks according to prescribed guidelines. In addition to risk-based requirements, increased and risk-based capital should be boosted by insurance to prove they can cover all lines of insurance independently. The greater number of a given amount, which is how the new regulations define a hybrid system, is used to calculate the required amount of capital. The shift to risk-based compliance will foster industry consolidation. According to the 2015 regulations, insurers were compelled to contribute 0.5 percent of the premiums they received from life and general business customers to the Policyholders Compensation Fund. If a company got out of business or closed, insured persons were entitled to a maximum compensation reimbursement of the

set amount. Additionally, new regulations for tactful insurance products have been released by the IRA. Businesses that provide both types of insurance must disclose their Takaful Windows to the Parent Firm and maintain separate funds. Additionally, the Sharia Supervisory Council, a group of religious academics, must approve the operational model. Therefore, risk-based capital, tactful rules, guidelines for short-term business, and increased capital requirements are significant in the performance of insurance companies.

The performance of insurance companies was affected by regulatory frameworks set by the Insurance Regulatory Authority of Kenya such as awareness, supervisory roles, and capacity building. Wanjiru (2016) claimed that mass awareness, supervision, governance, and capacity-building regulations were essential in the governance and performance of the insurance industry in Kenya. Under the Insurance Act, the IRA's responsibilities included ensuring that insurance or reinsurance businesses and intermediaries comply with legal requirements, preserving consumer confidence in the market, and ensuring that they continue to be operationally viable. Awareness creation by IRA on life, maritime, fire, and general insurance promotes the good performance of insurance companies. In addition to awareness, supervision is fundamentally essential for the success of the industry. This can be met through checking the viability of applications for licensing, ensuring board members are fit for governance and promotion, and that insurers have adequate capital. Inspection, investigation, analysis, and withdrawal of unqualified licenses promote the insurance industry. Capacity building, a role undertaken by the IRA, promotes good governance and performance of insurance companies. Training the business community and the cooperative society by IRA creates a step forward in attaining a stable and reliable industry. The Insurance Regulatory authority thus promotes the governance of insurance companies and their growth.

The Insurance Act in Kenya's legislative and regulatory framework recognizes the significance of having technically competent and highly qualified personnel run insurance companies. This is so that Kenya's insurance sector can operate effectively, which depends heavily on skills and competencies (Kibisu, 2012). Every employer wants to have a management team that is capable and knowledgeable if they want to compete successfully in their respective industries. To comply with the Insurance Act's standards and generally sound management practices for insurance companies, staff should therefore undertake new competency and training requirements. According to Insurance Act 2007 Section 31(h), an insurer must have a sufficient number of technically competent and trained staff (staff with technical or professional qualifications in insurance, accounting, or banking) authorized by the Commissioner of Insurance to supervise an insurance company to be registered to conduct insurance business in Kenya. In addition, the principal officer should have over ten years of managing experience in the relevant industry. This is to guarantee that everyone working in the insurance industry possesses the necessary skills and knowledge to carry out their duties.

The reduced insurance penetration is a key barrier to the nation's development on both the social and economic fronts. The insurance sector and environment have seen several changes recently in Kenya, particularly as a result of financial innovations, improvements in IT and communications, global access to finance amenities, and multifunctional financial development: These changes have been attributed to significant effects on proficiency, modifications in productivity, changes in the industry's structure, and output rivalry in the insurance sector. The National Social Security Fund [NSSF] Act of 2013 updated the program by increasing the monthly remittances made to the program by both employees and employers to a joint rate of 12 percent of pensions per month. Due to the

law's requirement that all employers enroll their staff members under the NSSF Act as well as the option to opt-out of NSSF plans, the industry's pension company is now expected to grow even more, enhancing the idea of social insurance, and adding a new dimension to how insurance customers will perceive social insurance in comparison to commercial insurance. Regarding the regulatory framework, for instance, the regulators' increasing focus on anti-money laundry oversight of financial institutions, such as insurance companies and banks along with their amendments to the crime proceeds and Anti-Money Embezzling, have had a significant impact on how businesses operate in the nation's financial market. The insurers' efforts to reduce risk and make risk transfer more manageable and inexpensive contribute to financial growth. Therefore, insurance companies must be run by qualified and experienced individuals. Additionally, the regulatory framework for the establishment, registration, operation, management, and regulation of companies has undergone a significant transformation as a result of the implementation of the Companies Act. All of these statutory and regulatory advancements have an impact on many crucial processes, inputs, and operations; compliance is necessary for efficient operations that have an impact on the operations of insurance businesses.

A vital part of each nation's economic system is insurance. One indicator of how important the insurance industry is to a given nation is its penetration. Despite major efforts by regulators, politicians, and stakeholders in the insurance market, Kenya has a relatively low insurance penetration rate—under 3% (Kang'ethe, 2019). These variables were conceptualized by the regulatory frameworks as being awareness, customer support, regulatory environment, and country culture. The specific goals were on analyzing how insurance adoption in Kenya is affected by factors such as national culture, customer support, the regulatory environment, and public awareness from the perspective of

registered insurance agents. Regulations governing the insurance sector include registration of participants, approval of insurance products, delivery methods, minimum capital requirements, and intermediary market. The regulatory environment's objective is to preserve policyholder interests while preserving the financial viability of insurance companies. In contrast to market entry requirements, which had the reverse effect, market exit regulations, solvency regulations, and the use of standard forms all led to higher insurance demand. Regulators are working more to promote the expansion of the successful insurance industry. Eliminating fraudulence, such as the failure to pay valid claims, getting rid of phony insurance policies, and enforcing the "cash and carry" rule, which states that an insurer can only issue a policy after receiving payment for the premium, are a few examples of regulatory operations.

2.4.6 Performance of Insurance Firms

Performance of insurance firms refers to organizations capability to achieve its objectives by utilizing resources in an efficient and effective manner. It is determined by how well a firm manages its internal resources and adapts to its external environment and further reflects the accomplishment of its strategic objectives and growth goals (Kiragu, 2016). High performance results to efficient use of company resources and in the long term contributes to economic growth of a country (Kargar, 2011). Barney and Clark (2007) note that different criteria of performance have been used to measure firms' competitiveness, productivity, and efficiency. Quantitative firm performance categories include production, innovation as well as financial and marketing factors. Frequently, financial measures mainly include the return on different attributes such Return on Sales (ROS), Return on Investments (ROI) and Return on Assets (ROA) have been utilized to denote performance evaluation (Kiragu, 2016). Oke, Burke and Myers (2007) however assert that some

innovative managerial effort cannot be measured with such financial performance indicators.

There are various metrics that are specific and unique to the insurance industry due to the nature of the business. Profits in the business depend mainly of the level of claims and also to a large extent, the profitability of invested paid premiums. There are some metrics that affect the consumer behavior toward the company while others determine the returns to the company. Consumers are influenced by information on average time to settle a claim and the underwriting speed, while the returns to the firm are affected by, policy sales growth, renewal rate, average rate cost per claim, the frequency and severity of claims, loss ratio, revenue per policy and revenue on surplus. The insurance industry was introduced to the Kenyan economy primarily to safeguard the British business during the colonial era and has since grown to adopt to the local needs. There were 288 players in the market as at December 2019 (AKI, 2020) as categorized below.

Table 2. 1: Insurance Industry Market Structure

Market Players (Strata)	**Total**
Life insurance companies	16
Non-life Insurance companies	29
Composite companies	9
Re-insurance companies	5
Insurance brokers	218
Re-insurance brokers	14
Total	288

Source: AKI (2018)

The industry has both large and small players with 3 firms taking up to 52% of the market share. This market is about 2.43% of the GDP which means there is a great potential for growth. Most of the premiums paid are invested in money markets with government securities taking 58% of the investment. Nairobi County has the highest uptake of insurance policies covering 80% of the total premiums paid (AKI 2018).

A World Bank report done by Thorburn and Hernandez (2019) “insurance that Works”, investigating the Kenyan insurance industry as a whole, indicated that the level of competition was intense. This report utilized a weighted market share known as Herfindahl Index, which indicated that the market was plague by stiff competition, constrained profitability, and that insurers would be battling to grow market share through efforts to acquire distribution capacity from others. This report showed that the industry was very vibrant and had great potential for growth. Griffin (1997) posited that the most popular measure of performance concerning to innovation is the number of sales (or sales turnover) generated from innovations or new products. This study will adopt an objective performance measure of sales turnover similar to previous studies by Aragón-Correa, García-Morales and Cordón-Pozo (2007); Griffin (1997); and Oke et al. (2007).

2.5. Empirical Literature

2.5.1 Entrepreneurial Marketing and Firm Performance

Successful entrepreneurs have a distinct way of marketing their products and services that has made scholars acknowledge the contrast between these ways and the traditional marketing practices, may also be referred to as Corporate Traditional Marketing (CTM), (Morrish et al, 2010). This study posits that there are distinguishing features that entrepreneurial firm possess as compared to CTM firms. The case studies done showed that EM have a better outcome than CTM based firms.

Over the last three decades this has been witnessed by growth in literature in the area though corporate case studies, executive interviews and utilization of different research methods (Ramos, 2016).This body of literature have indicated that firms that are entrepreneurial are more innovative, less risk-averse, and more opportunity-driven than

firms which practice CTM (Hills & Hultman, 2011).Another feature observed is the utilization of personal networks and excellent communication (Martin, 2009).

In a study on the Kenyan insurance performance and risk mitigation strategies, it was found that risk management is a crucial factor in the performance, (Okumu, 2017). Specifically, risk controlling, risk avoidance Strategy, risk-based audit strategy and product mix strategy were found to have positive and significant effect on performance of Motor Insurance Companies. Consequently, the study recommended that more resources should be employed towards the formulating and implementation of risk reduction strategies for motor insurance in a bid to improve their performance.

Muthoga (2018) investigated the uptake of micro-insurance in Nairobi Kenya and to what extent entrepreneurial orientation determined this uptake. It was found that MSE entrepreneurs procured these policies on the influence of their pro-activeness and level of risk tolerance. Conversely, their decision to buy the policies was adversely affected by competitive aggressiveness and their innovative behavior was found to be insignificant in the decision-making process.

Kinoti, Nkari and Kathuni, (2019) in their study on promotional strategies and sales performance of insurance companies in Kenya, asserted that a personal level, promotional activities influenced the uptake of insurance products and hence sales performance of the firms. Conversely it was found that public relations, have no effect on uptake of products and hence have no significant effect on sales performance. The study therefore recommended that insurance firms employ optimum promotional programs to increase sales.

2.5.2 Strategic orientation and firm performance

A strategy is a plan of action, how an organization intends to achieve its set objectives and goals. Zhou and Li, (2010) posits that strategic orientation is the way a firm endeavor to fit it internal resources and the dynamic environment it operates in. In essence how a firm adapts in order to fit in the environment whilst achieving the set goals and possibly surpassing them. For a strategy to be effective, it must be able to conform to many stakeholders' expectations, most especially customers, competitor activity and internal resources.

Irajpour and Zabihi (2015) conducted a study done on private insurance companies in Iran. They analyzed the impact of strategic planning on the overall performance. It was found that the strategic process affects the financial performance of the firms. The study further emphasized the need for strategic planning and a focus on the tools used to analyze pertinent issues. Balodi (2014) posited that the strategic orientation adopted by a firm has a positive impact on the overall performance emphasized that it affects how the culture of the organization is shaped. The study further indicated that the SO adopted defines how decisions are made and implemented, dines the organizational practices and even affects how resources are allocated. This means that if a firm is adopting a customer orientation as it's SO, all decisions, practices, and allocations are geared towards the satisfaction of the customer. Several studies have found that an integration of several orientations has an even greater impact on the overall performance (Lonial and Carter, 2015).

The type of orientation adapted by a firm is largely dictated by the activities in the environment most importantly the competitor actions. If a firm finds itself in a highly competitive environment that is technological, then a technological orientation. Hence, the

environment that is highly charged with price and quality wars calls for either cost or differentiation strategy. Rajiv, Raj, and Arindam (2014) compared the effect of differentiation and cost leadership on financial performance. This study asserted that both strategies positively influenced concurrent performance, with differentiation strategy enabling a firm to maintain its current performance in the future to a better than a cost leadership strategy. This is albeit the former being linked to with higher systematic risk due to portfolio specialization, and more unstable performance. A related study (Luliya, Sununta, Yuosre and Chotchai, 2013) on the extent to which competitive strategies affected firm performance, was conducted with the mediating role of performance measurement. The study found that cost leadership had an insignificant effect on firm performance while differentiation strategies had a significant link the firm performance. It was further found that measurement linked both strategies and the performance.

Another similar study on the Kenyan insurance industry, Muia (2017) established that there exists a significant relationship between both cost leadership and differentiation strategy and performance. The differentiation strategies identified in the study were branding, innovation and development of strong reputation. The cost leadership strategies under study included the use of discounts and cost cutting measures in operations. The focus strategies were development of products according to customer needs as well as market segmentation strategies. Focus strategy helps in solving consumer problems and preferences of today however, the frequently changing market preferences in the modern society, makes it difficult to maintain stability and constancy needed for long-term strategy (Kiumbi, 2011).

Studies done on proposed categorization which include customer orientation have varying outcomes on the performance. Narver et al (2004) posited that a firm that adopts customer orientation is reactive and wait to learn the known and expressed needs and preferences to make decisions. This stance maybe profitable in the short run as the firm may fail to create demand to underlying and hidden preferences thereby losing on loyalty, (Atuahene-Gima, 2001). In turbulent and dynamic environment, firms have poor performance and an exclusive CO firm will suffer from poor performance in the long run (Green, Covin and Slevin, 2008). In contrast another study by Homburg, Muller, and Klarmann (2016) posits that a customer-oriented firm is able to outshine its competitors by serving the customers better and delivering exceptional value. There is need to draw the advantages and minimize the negative effects of any chosen strategic fit and thus (Mahrokh and Bahareh, 2016), advocate for a balance between a CO approach and the expectations of other stakeholders.

A study on selected insurance companies in Nigeria examined the effect of strategic orientation dimensions such as customer orientation competitor orientation aggressiveness and pro-activeness found no significant relationship between the dimensions and the performance (Akpa, et al 2020). This study recommended that the firms studied be more efficient in employing these dimensions in order to have a more pronounced impact in the industry. A similar study done in the Kenyan telecommunication industry (Ng'anga and Munjuri, 2017), on the relationship between strategic orientation and performance, gave contrasting results. It was found that customer and technological innovation have a significance on the overall performance of the firms studied.

Strategic alliances have been adopted in a bid to improving the performance and outperforming the competition in the Kenyan insurance industry. A case study on British

American insurance company Kenya limited was conducted to establish the link on strategy performance (Liyai, 2014). The results of the study suggested that when the strategies are sufficiently implemented, there exists a strong correlation between the strategies and the firm overall performance. A similar case study on a different company, UAP, evaluated qualitatively the application of strategic planning and the extent to which this influence's the firm's performance, (Gaitho, 2015). The study established that strategic practices adopted are marketing planning strategies such as competitive pricing, as well as departmental strategies geared toward objectives adoption of technological systems such as customer relationship management. These strategies were linked to enhanced performance in the company.

Studies on the impact of customer orientation in a conjunction with other independent variables of the study, more so for the insurance industry are limited. The contrasting results on the existing studies for other industries are an important factor to consider. There is therefore a need to conduct a study in the field to determine the effect that strategic orientation has on the performance of the insurance in Kenya.

2.5.3 Innovation Orientation and Firm Performance

One of the endearing and crucial factors of entrepreneurial firms is the continuous pursuit of and the adoption of innovations albeit the high risks involved in them. Though it has been noted that the failure rate of innovations is as high 50%, this does not deter entrepreneurial firms from innovating, and in fact may be seen to be the a deciding factor in profits allocation, (Wong and Tong, 2012).The entrepreneurial extent of an organization in risk taking, creating new products, production processes and markets has been observed to result to superior performance in the firms and enterprises in the developed economies, (Rauch, Wilklund, Frese and Lumpkin, 2009; Wales and McKelvie, 2011). Schumpeter

posited that entrepreneurship is based on new combinations of resources such as the discovery of new products, or the new uses for existing products; application on new production processes or discovery of new sources of raw materials; discovery and exploitation of new markets, thereby raising the bar in market that destabilizes the status quo, (Auerswald, 2008).

It has been observed that the extent to which innovation orientation is applied is essential for the success of the firm, (Kropp, and Zolin, 2005). Essentially, entrepreneurial firms are necessitated by, and thrive in turbulent environments characterized by volatile market factors such as ever-changing customer preferences, frequent obsolescence of technology, and cut throat competition, (Heirati, O'Cass, Schoefer & Siahtiri, 2016). Consequently, innovation orientation is a pre requisite for product development to survive in these dynamic environments. It has been argued that the level of environmental dynamism is directly proportional to the level of innovation requirement for a business, (Wang and Chen, 2010). Additionally, there is evidence of a positive relationship between innovation and growth of markets, both new and existing, as well as between innovation and competitive advantage in studies done on insurance industry, (Rothkopf and Wald, 2011; Gunday et al., 2011).

Mehrdad, Sadati, , Delavari, Mohsen, and Ramin, (2011)concluded that firms with greater innovativeness will be more successful in responding to changing environment and in developing new capabilities that allow them to achieve better performance. According to Muhammad, Mohammed and Halimu (2012) in their study on the mediating role of innovation in the relationship between EO, firm resources, branding and SME performance. Innovation is regarded as a crucial component and an engine for driving

economic growth. Innovation is regarded comparably essential in both large and small enterprises as it has a similar effect on both. The study asserts the importance of innovation to the growth for SMEs in developing countries in other parts of the world. Additionally, the study observed that the degree of EO determines the level of innovation in a firm and can therefore inhibit or foster innovation process, in turn the resultant effect has a bearing on the market share and on the overall firm performance.

The OECD manual on innovation strategy classifies innovation according to the area it affects in its application; these are product, process, and technological innovations. Product innovation involves the launch of new products or services or those are notably improved either their features or have new uses and purposes, (OECD, 2012). Product innovation involves either in the production were new materials, parts, software, new uses, or other attributes. It is worth noting that innovation products and services are distinct in nature. Process innovation constitutes significant change on the mode of production, both mechanical and human skills. Both products and process may occur concurrently.

Technological innovation is fundamentally technical in nature, and comprises of both production methods as well as the product and services themselves. It main aim is the improvement in efficiency of either the product, service or the mode of production and may have an aspect of cost reduction in the long run. This type of innovation involves tools and procedures, product and processes interacting in new ways and is usually a combination of hard and soft ware. Successful new technology and innovation is necessitated by and driven by either personal goal, customers' demands, changes in business and societal needs as well as policy changes, (OECD, 2012). Technological innovation is commonly perceived as driving force of innovation when creating products or providing services. However, what

really count in innovation are the quality, creativity involved, comprehensiveness, accuracy, and aesthetics (OECD, 2012). There is therefore a need to conduct a study in the field to determine the effect that innovation orientation has on the performance of the insurance in Kenya.

Mbogoh (2013) investigated the relationship between financial innovation and monetary performance of Kenyan insurance firms. From the study it was established that there exists an insignificant association between new products and financial outcome of a firm. On the contrary, in the same study, process and systems innovations are statistically significant in in the changes on the financial performance of the firms. Ombaka (2014) analyzed the moderating role of external environment and innovation on the relationship between resources and performance of insurance firms in Kenya. It was found that tangible resources had not only insignificant but also weakly correlated with innovation but the intangible resources seemed to be significantly associated with innovation. Further it was observed that innovation was highly associated with non-monetary outcomes of the firms while it was established that the collective effect of resources innovation and environment on non-monetary outcomes was substantial.

Market innovation involves the creation of new market for both existing and new products and services. Although firms strive to put marketing innovation to proper use, success of the strategy could be prevented by obstacles. These may include lack of financial and personnel resources, since executing market innovation requires intense resources (Lin, Peng, and Kao, 2008). In addition, lack of proper market innovation knowledge and experience, especially among the newer firms in an industry as well as commitment

uncertainty to the entire process of market innovation may lead to undesired results in the enactment of this strategy (Cooper and Edgett, 2009).

Nyamai (2011) reports that Jubilee Insurance Company Limited responded to environmental changes via entering new markets, adoption of state of art of information technology systems, improved customer services, new product development and employee's motivation. Intense market innovation ensures survival of businesses in an environment of fast changing market and technological advances. Management of firms therefore needs to invest in market innovation to maintain a competitive advantage against other firms. Further, an effective market innovation not only enables a firm secure new business, but also safeguards their already existing business (Kiragu, 2016). There is therefore a need to conduct a study in the field to determine the effect innovation orientation has on the performance of the insurance in Kenya.

Innovation orientation is positively associated to the performance of insurance firms in Kenya. According to Gathua (2018), there are three types of innovations that affect performance of insurance firms, namely process, product, and market. Besides, the three innovation practices are widely used by firms. The need for insurance companies to improve efficiency, reduce cost, add value, and cope up with the changing customer needs drives the implementation of process, product, and market innovations. Process innovation is more significant in determining the performance of insurance companies compared to product and market novelty. Moreover, process innovation involves extensive utilization of information technology, such as making payments via mobile phones and providing policy documents in a clear and transparent manner. Additionally, insurance firms that re-structure business processes and efficiently underwrite claims increase their performance.

Product and market innovation are insignificant because most insurance companies sell the same products to similar target customers. However, insurance firms that adopt market innovations open numerous branches, design products and services with specific features, and utilize modern technology to market their products. Similarly, product innovation is employed by firms to attract new customers via tailored products, enhanced attributes, competitive advantage, and justifiable business strategies. Therefore, to a greater extent, innovation orientation positively impacts the performance of insurance firms with process innovation being more significant compared to process and product.

Firm technology, marketing, and learning orientation innovativeness affect the performance of insurance companies. Njagah (2021) established that technology innovativeness is positively significant to the performance of insurance firms. However, learning and marketing innovativeness have a weak but positive and significant association with insurance firms' performance. Insurance companies use technology innovation to transform thoughts, opinions, and scientific knowledge into physical products and services to be utilized in the real world. Changing the administrative components of an organization facilitate the discovery of products and services that are driven by the practical needs of individuals, people, or businesses. Technological innovation is used to identify new markets, achieve competitive advantage, fulfil client's needs, improve the company's products, and ensure a sustainable short-term financial goal. Market orientation innovation enables employees to create customer value and achieve the required level of firm's growth and market share. Insurance firms adopt marketing programs to identify prospective customers, obtain intelligence, and respond in accordance to customer needs. Further, insurance firms apply learning orientation innovativeness to strategically guide them

through generating and allocating resources. Innovative learning is a strategy that enables employees to acquire new knowledge and share their vision to the management which in turn increases performance. Once the insurance firms understand their customer's needs, they are able to respond effectively to the dynamic markets through innovative learning. Thus, technological innovation is strongly, positively, and significantly related to the performance of insurance companies.

The predominant types of innovation influencing the performance of insurance firms include, process, product, and market. Process innovation is the major influencer in the insurance sector especially in the general and life categories (Kiragu, 2016). Innovating products entails using technology to design, market, and identify prospective buyers. Accordingly, using mobile phones in making payments and disseminating information, embracing the use of online portals to enhance customer interaction, and adopting database management systems for effective data collection is an innovative process that promotes efficiency and performance of insurance companies. Innovative processes are significant and moderately correlated to the performance of insurance firms. Besides, effective and efficient innovative processes, such as quick and timely settlement of claims, underwriting premiums, paying commissions and claims significantly improves the performance of an insurance firm. When technological advancements are incorporated into the insurance processes, firm's performance improves. Similarly, innovating in service delivery decreases the firm's operational costs and increases revenue. Product innovation positively influences performance of insurance firms since it contributes to growing and maintaining the firm's competitive position in the industry. However, despite the increment in organizational performance based on product innovation, it does not lead to long-term and

sustainable growth. Market innovation has a weak and insignificant relationship with the performance of insurance firms. Despite the implementation of marketing innovations, such as promoting awareness, building on customer knowledge, and alleviating the negative perception about insurance companies, there is an insignificant impact on improving performance. Since process innovation strongly influences insurance companies' performance, continued investment in the novelty will promote the industry.

Innovation offers firms with a deliberate alignment to overcome challenges encountered while endeavoring to attain better performance. According to Mwangi (2021), innovativeness significantly influences the performance of insurance firms though the correlation may be weak. Innovations, such as adopting new business strategies, stimulating business processes, introducing new products and technology significantly influence performance of insurance companies. However, the degree to which the innovation indicators influence firms' performance depends on the management's ability to implement the practices. When the management is motivated to perform higher, they focus on innovative practices, such as reviewing the existing business practices and implementing new strategies that propel positive performance. Increased cooperation between employees, owners, and managers strengthens the organization's confidence in increasing performance. Moreover, motivating employees to share ideas and introduce new products and business strategies stimulates business processes and performance of the firm. Additionally, immobile, and heterogeneous firm's resources ensure a better performance. Heterogeneity of resources means that an organization's skills and capabilities should vary from other firms. Likewise, an insurance firm's intangible assets, such as equity,

knowledge, intellectual property, and brand should be fixed within the organization. Thus, innovations are positively related to the performance of insurance firms.

The decline in financial performance of insurance firms is attributed to minimal innovations for a long period of time. Khendi and Margaret (2022) established those strategic innovations has a positive relationship to the financial performance of insurance firms. Strategic innovations align a firm's skills and resources with opportunities to enhance sustainable growth of an organization. Precisely, market and product innovation significantly influence the financial performance of insurance companies. Marketing innovation is a technology-driven learning process where customers change their values and attitudes towards a certain product or service. Marketing innovative strategies focus on expanding the firm's share by opening new local and foreign companies, improving advertisements for products and services, and introducing new products. Product innovation refers to introducing new products or improving the existing ones in terms of quality, features, and technological requirements. Product innovation has a significant relationship with organizational success. Creativity and novelty of new products and services, brand, and new ideas increases overall revenues which boosts a firm's performance. Ensuring the effectiveness and sustainability of new products and services in an organization improves financial performance. Market and product innovative strategies significantly reduce operational costs and minimize the overall time used in production which positively influences the financial performance of insurance companies.

2.5.4 Market Orientation and Firm Performance

Jaworski and Kohli, (1993) categorized the components of market orientation (MO) namely generation and analysis of relevant market information, dissemination of the information and lastly adopting strategic action to satisfy the market based on the information collected. An analysis on the relationship between MO and business economic performance in the European Union Insurance firms found that firms that implement MO are more likely to produce new products in line with customer needs which in turn increases customer loyalty and improved economic performance (Albert, Olivares, & Lado, 2003).This study noted that when insurance firms redirect their focus to market needs by utilizing customer data and the use of market research are able to adopt a market based product development which in turn results in efficacy and efficiency.

A Study on the effect of MO and SME and large manufacturing exporters in China found that the effect of MO of both firms was similar and showed an increased customer value, (Zhang, 2015). This study confirmed the findings of a study done Malaysia earlier on EO effect on SME performance mediated by MO. In Malaysia, SMEs that were highly entrepreneurial were more likely to be highly market oriented and both improved the financial performance, (Baker and Sinkula, 2009).

In Nigeria, the adoption of Market information systems by insurance firms resulted in better performance than those that relied on their experience and age, (Ogbonna and Ogwo 2013). The results of this study indicated that the joint effect of customer focus, competitor focus and inter functional coordination gave rise to performance. The results of a study done in a select Botswana service and manufacturing firms concur with the above results and

concluded that firms that MO explains a variation in better performance through better satisfying customer need given changing market conditions (Jaiyeoba & Amanze, 2014)

MO allows a firm to position itself effectively if the intelligence collected from the mark is fully implemented. Okoth, (2015) notes the effect of positioning strategies on performance as being improvement on profitability, growth in customer base, customer brand loyalty, market share and customer satisfaction. A positive relationship between MO and firm performance was established by a study done on fruit exporting firms in Nairobi County (Awuor and Yabs, 2016). MO was seen to assist proper adaptation to changes in the market and thereby keeping up with competitors. Onditi, (2016) posited that the consequences of MO is felt by the customers through the innovations that arise from utilization of market intelligence. Further, the adoption of MO allows a firm to respond appropriately to very dynamic environment. A study done on the performance of telecommunication firms in Kenya (Ng'ang'a and Munjuri, 2017) found that there is an insignificant relationship between the performance of studied firms and MO. It is therefore importance to establish the impact of MO on insurance companies in Kenya as a joint factor in the EM. This should establish whether the impact remains the same as it is when it is studied a single predictor of performance.

Onditi (2016), in an investigation to establish the relationship between market orientation and firm Performance, discovered that a dynamic market was one of the key components to competitive advantage and effective Performance among insurance firms in Kenya. The study also recognized that clients had become more aware of what they wanted, encouraging insurance companies in Kenya to be more market-oriented, adjusting their services to meet their customers' requirements and provide superior value. According to

Morgan et al. (2000), insurance firms which assumed a market orientation recorded a high performance concerning their relationship with clients, hence increased returns, market share and sales. The study further noted that lack of market orientation by insurance firms hindered the company from making innovations, reduced teamwork, and inspiration among the workers and also its impacts were greatly felt by the customers.

Waruiru et al. (2018), in their study on the impacts of inter-functional coordination on the Performance of insurance firms in Kenya, proclaimed that there existed a constructive relationship between market orientation and organizational Performance of insurance companies in Kenya. According to the study, market orientation created a competitive environment in the insurance sector. Therefore, insurance firms needed to implement strategies that would enable them to achieve a competitive advantage. Such approaches would include innovativeness, promoting teamwork among employees, and ensuring possession of the exact resources at the correct time. Additionally, the study also established the need for insurance companies to maintain their obligation to encourage client-responsive and oriented values to ensure that they meet the requirements of their target market, hence ensuring improved firm performance.

Maina (2016) noted that market orientation was an essential tool for insurance firms in Kenya since it ensured high Performance in any business organization. According to Tavasoli and Karlson (2015), while marketing orientation involves researching clients' needs, market innovation involves adopting new marketing strategies aimed at meeting the client's needs and creating a competitive market, enabling a business organization to increase sales, hence high Performance. According to the study, the most common marketing orientation strategies adopted by insurance firms in Kenya included adjusting

market prices, service offers and promotion practices. Since the researchers noted a positive relationship between marketing orientation and firm Performance, it was important for the administration of insurance companies in Kenya to employ the marketing orientation approaches to ensure improved company performance.

Njagah, G. (2021), in an investigation on strategic innovation orientation and Performance of insurance firms in Kenya, asserted that a positive connection existed between market orientation innovativeness and the Performance of insurance organizations in Kenya. According to his research, market orientation strategies permitted the insurance firms to anticipate new clients, acquire market intelligence and address client issues according to their expectations. Similarly, insurance firms focused on learning the strengths and faintness of their main and potential competitors, creating awareness about competitors' information among their staff. Therefore, insurance firms have been using market orientation innovations to establish new markets and fulfil their clients' wants for coverage services while realizing sustainable rivalry. Such strategies have ensured the sustenance of financial goals for the insurance companies, promoting high Performance.

Njuguna et al. (2022) stated that marketing orientation had a positive but insignificant impact on the market share and gross premium of insurance organizations in Kenya. According to the study, marketing orientation strategies involved strategies aimed at addressing client tastes and needs. The firms ensured that all their workers were being constantly advanced with new knowledge, which they applied in carrying out their daily roles, which increased the firm's Performance. Also, all organizations ensured wide circulation of their competitors' information among their employees, who used it to

improve their services to stay ahead of the market competition. Therefore, administrators within the insurance companies needed to keep up to date with new marketing orientation strategies to ensure active service and product developments, which would guarantee increased Performance.

According to Kiragu (2016), there is a need for the administration of insurance companies in Kenya to emphasize marketing orientation innovation since it is one of the major contributors to successful Performance. This study stated that a market-oriented organization focuses more on meeting its client's needs. Therefore, insurance companies in Kenya have worked towards achieving market-oriented establishments by ensuring the creation of more valuable services for their workers and clients, hence leading to better firm performance. Similarly, market orientation ensured that insurance firms were well informed on their internal and external environments and customers. Such strategies led to more satisfactory customer services, hence increasing Performance.

Rakula (2016), in his research on the impacts of marketing strategies on the Performance of Phoenix of East Africa Assurance Company Ltd, established that all the firms' employees employed teamwork, intending to achieve the companies' objectives to make it market-oriented. The insurance company works on implementing new marketing orientation approaches to satisfy their customers even with the constant change of client needs and requirements for better Performance. Similarly, the study proclaimed that market orientation emphasized the client as the center of any business organization since they contributed to the highest income percentage for the organization. Kohli & Jaworski (1990) also noted that market orientation provided a basis for understanding and fulfilling client

wants, and that client needs came first. Therefore, it makes it easier for the insurance firm to provide excellent services to its clients and competitors. The study further indicated that for a firm to achieve better Performance, it must maintain suitable approaches to help accomplish a market-oriented culture.

Kirui (2018) addressed branding as a form of marketing orientation strategy that insurance companies apply to promote their products and services in Kenya. According to the study, most insurance firms employed different types of branding, including brand promotion, brand association and brand identity, to enhance their competitive advantage over their competitors. Similarly, branding guaranteed attraction of new clients, increasing the companies' sales and returns. Since proper branding practices were found to have a positive relationship with the competitive advantage of insurance organizations in Kenya, they increased the firms' competitiveness, leading to their improved Performance. However, if an insurance firm does not research the type of branding suitable for their companies, they will invest in the wrong type, hence recording losses and poor Performance. On the other hand, choosing the appropriate form of branding guaranteed maximization of branding profits, hence high Performance.

Aswani (2010) also defined a marketing-oriented organization as one which focused on satisfying clients' needs and requirements during their product and service creation and development. Marketing orientation is considered crucial in the insurance sector since it creates new opportunities for identifying new drifts in the insurance industry and providing information about market competitors. According to the study, such information enables insurance companies to be aware of the common threats, which assists them in taking

security measures, reducing investment risks, leading to increased profits and improved Performance. Further, market orientation promotes good client interaction and promotes customer loyalty. Thus, insurance firms in Kenya have employed more intensive marketing and sales operations with close monitoring of their customers. Such measures have enabled insurance firms to obtain a comprehensive interpretation of their client's attitudes and conduct, growing the firms' competitive advantage which enables a firm to stand out from other organizations. The study further asserts that insurance firms must possess a clear understanding of the similarities and differences among clients concerning their geographical location, needs and wants for them to be able to create a competitive advantage through market-oriented approaches. Competitive advantage is the key to creating a high-performing insurance company.

According to Ogalloh (2021), the success or failure of any insurance firm depends on its Performance and competitive advantage, which involves delivering services at a reduced cost or offering unique services to its clients that justify a premium price. Ogalloh (2021) also noted that high Performance was obtained when a firm employed competitive strategies such as market orientation approaches which enabled them to outperform their competitors. Market orientation approaches such as product developments and sales promotions encouraged high Performance, increased market share, profitability, low cost of operations, smooth operations, increased client value, high-quality services and increased client base. The study also noted that market orientation policies were crucial in promoting an increased client base through enhancing customer trustworthiness. Market orientation strategies also played an essential role in ensuring smooth operations within insurance companies and increased the market share. Since market orientation policies ensure a firm's improved Performance without affecting its operational costs, all insurance

companies in Kenya needed to implement new market development approaches to promote their Performance.

2.5.5 Resource Leveraging and Firm Performance

One distinguishing characteristic of an entrepreneurial firm is its propensity towards risks which is evident in their appetite for debt and the nature of projects they undertake in terms of capital outlay and uncertainty in returns. When faced with prospective opportunities, a firm is bound to make decisions that is reflected on the investments they are will to commit to unknown and uncertain outcomes with the hope to reap substantially from the venture, (Dess, Lumpkin and Eisner, 2007, Entebang, Harrison and Cyril, 2010). From these studies risks have been observed to fall in three categories based on nature of outcome, resources requirement, and risk owner. These are; business risk where the outcome for success is unknown, financial risk when the firm has limited funds and therefore has to borrow and lastly personal risk when an individual assumes the risks and vouches for a project. The level of risk affinity is exhibited by the commitment of resources and the consequences thereof which in turn determines the level of innovation, venturing efforts, and the firm's growth. Consequently, the risk-taking behavior is a crucial element in entrepreneurial orientation and is a major determinant for possible high profits, (Miller & Le Bruton-Miller, 2011). Risk-taking behavior displays the ability of the business owner and managers to make to make ambitious decisions and to take decisive action when need arises.

Cost leadership is a function of resource allocation which has some disadvantages, loss of customer loyalty is one of them, as price sensitive customers will always switch the moment a lower price product or service is introduced into the market, (Green, 2013). As

cost leadership objective is to reduce costs, this might result to low quality products or services which might ruin the firm's reputation. In addition, low prices will result in creating a negative attitude towards the quality of the product in the mindset of customer, (Miller, 2014).

In a study on the life insurer performance, certain economic and market factors were observed to be linked to performance, (Browne, Carson, and Hoyt, 2001). The results of the study indicated that the product offering resource allocation and capital structure collaborate with the prevailing market and economic conditions to influence the firm performance. Specifically, the company factors such as size, level of liquidity, bonds portfolio are positively associated to life insurance firm performance which economic factors notably inflation that affect the value of their resources affects the firms output negatively. Hardwick (2009) observed that economies of scale apply in the insurance sector notably in the attaining cost efficiency in service delivery, production especially for innovative products, where large companies outdo their minor counterparts as well as lowering operating costs. The relationship between firm size and performance is evidenced in the internal factors such as expenses management and production costs as well as external factors such portfolio diversification commensurate to risk management policies. A positive linkage between firm large size and its financial performance is expected, since large firms have more resources, a better risk diversification and better expenses management. This is further portrayed by the pricing strategies where large firm's ability to lower prices than their smaller counterparts and still gain better returns, (Scherer, 2010). Additionally in human resources large firms have the capacity to absorb costs associated with attracting and retention of superior talent in all departments but especially in the management who in turn strategize for even higher returns, (Grace and Timme, 2012).

Small firms suffer from lower competitive advantages than large firm. Their market share tends to be lower and growth is minimal as well as returns mainly due to resources. Conversely the large firms can make use of chances that require large capital since they have larger resources. Market entry especially in profitable sectors for large firms is easier due to little competition, (Dogan, 2013). When this context is applied to insurance firms it shows that that firms are capable of high performance despite their age if both executives take advantage of resources at their disposal, since older firms have experience and thus can attract clients based on loyalty to an established brand whereas younger firms appeal to the younger generation since the youth are more prone to innovation and have kept abreast with the current happenings and developments (Derbali, 2014).According to Isik and Unal (2017), the relationship between success of a firm and its size is mostly a linear one. The more a firm grows the more substantial its performance becomes. This conclusion was put forward when all market factors are held constant and it showed that the size of a firm affected its profitability. This due to larger firms having more resources available to them and the workforce at their disposal and make use of their size to control the market in terms of market strategies and traction they receive (Dogan, 2013).

David, (2011), in his study on the opportunities for micro and small-scale businesses in the tourism sector: the case of the Kenya Coast, posit that, another objective of cost leadership is efficiency, the degree to which per unit of output is low. It can be categorized into cost efficiency, and asset parsimony. Cost efficiency measures how low the cost per unit is during production. Asset parsimony, is the reduction or minimization of assets used in making a product or service. It is the measures the utilization of assets during the production and depict how low assets are per unit output. They both capture the firm's cost leadership orientation which helps the firm improve its performance.

Leveraging in finance is the ratio of debt to equity, how indebted a firm is (Murigu, 2014). In this study, factors' determining the performance of general insurance companies was analyzed and it was found that that leverage and equity capital had a significant relationship with the financial performance of the firms studied. It was however noted that there was a negative relationship between performance and size of firm and ownership structure, while liquidity had a marginal significance in the relationship. Liquidity is the ability to meet current obligation and has been seen as a crucial factor of operation in other sectors of the economy.

An important aspect of resource utilization is seen when large companies acquire smaller institutions or merge with other to improve overall performance. M&A were found to be one of the most popular strategic partnerships in the banking industry in Kenya and are motivated by expected increase in profits and returns, (Nzengya, 2013).Miyienda (2015) reports that mergers and acquisitions positively influence performance of Kenyan insurance companies, especially after the merging and acquisition take place. In contrast, mergers were found to have a negative psychological impact on the human element in the financial sector. This is due to psychological distress of expected job losses which in turn affects productivity translating to overall output for the organizations, (Kemal & Shahid, 2012). It is therefore imperative to analyze the impact of resource leveraging on insurance companies in Kenya.

Njagah (2021) conducted a study to examine how strategic innovation orientation in resource leveraging affected the performance of insurance companies in Kenya. A descriptive research design was used in the study, and the target group included 56

insurance firms that had been listed by Insurance Regulatory Authority (IRA), a Kenyan body that governs insurance firms. The participants were 168 employees who were selected randomly from the insurance companies. The study used a primary method to collect data, which involved use of structured questionnaires. The collected data was then analyzed by use of inferential and descriptive statistics in Package for Social Science (SPSS), and presented by the use of figures and tables. The results indicated that the firms' technology orientation innovativeness had a positive and statistically fundamental effect on the performance of insurance firms in Kenya. Therefore, the firms used radical innovations as part of resource leveraging to meet customers' needs, establish new markets, and achieve sustainable competitive advantage.

Kinyua et al. (2021) investigated how assimilation capacity impacted insurance firms' performance in Nairobi County, Kenya. The research targeted 59 insurance firms within Nairobi. The study adopted explanatory research design, and semi-structured questionnaires were used to collect cross-sectional data from 216 functional area heads from 27 insurance firms, which were selected by use of simple random and proportionate stratified random sampling. A drop-and-pick later method was used to administer the questionnaires. Inferential and descriptive statistics were used to analyze quantitative data. Descriptive analysis included use of coefficient of variation, sample standard deviation, sample mean, percentages, and frequency count. Also, content analysis was used to analyze qualitative data. The data analysis results were then presented using figures and in tabular form. The research established that assimilation capacity impacted the performance of insurance firms positively. The study recommended insurance firm managers to formulate policies that encourage knowledge internalization by simulation in resource leveraging.

Agar (2018) carried out a study in Kenya to examine the effects of underwriting risks, solvency, liquidity, and investment on the performance of insurance firms. A descriptive research design was adopted in the study. The target group included 32 Kenyan insurance firms that were non-life. The researcher gathered data from the insurance firms from 2011 to 2016. Secondary data sheets were used to collect secondary data that was used in the study. The research evaluated the significance and nature of independent variables on the dependent variables by use of multiple regression model. The study established that solvency and firm size in resource leveraging influenced the performance of insurance firms positively. For the firms to remain competitive and performing in the industry, they must utilize their resources effectively to generate revenue and pay liabilities that are due. The study recommended another research to be conducted on non-life insurance firms to compare the results.

Kamau et al. (2021) researched on how firm attributes influenced the performance of insurance companies in Kenya. The study used secondary data, and adopted correlation research design and positivism research philosophy. Data was gathered by use of data collection sheet from individual firm's websites, Association of Kenya Insurers (AKI), and Insurance Regulatory Authority (IRA). The target group included 52 insurance firms that had operated from 2010 to 2018 in Kenya. Fixed and random model was used to analyze the unbalanced panel data, and hypothesis was tested by use of Hausman test. The study found out that financial leveraging had a negative effect on financial performance of insurance firms. Since the research did not establish clearly that the negative effect was as a result of inadequateness of financial leverage strategies or the inability of the insurance

firms to raise sufficient equity capital, another study should be conducted to find out the causes of negative effects on the financial performance.

Kipkoech and Kimencu (2018) examined how organizational capabilities contributed to the performance of insurance firms in Nairobi County, Kenya. The authors specifically sought to establish the effects of technological, human resource, product, and marketing capabilities on the performance of insurance companies. A descriptive research design was adopted by the researchers. The target group included 1300 employees that were selected from the 51 insurance firms within Nairobi. Sampling was done by use of simple random sampling and random sampling technique to identify 375 participants out of the 1300 employees. Questionnaires were used to gather primary data, which was used in the study. Descriptive technique was used to analyze quantitative data while thematic technique was used to analyze qualitative data. The study found out that insurance firms' marketing capabilities are part of resource leveraging that enabled insurance firms to formulate and apply new and innovative marketing ideas and plans, which improve their performance. Therefore, the marketing capabilities of an insurance firm have a positive impact on their performance.

Kinywa et al. (2018) sought to establish how transformation capacity in resource leveraging affected the performance of insurance firms in Kenya. The study adopted explanatory research design and positivism research paradigm. The target group included 59 insurance firms within Kenya. Simple random and proportionate stratified random sampling was used to select 216 functional area heads from 27 insurance firms. A semi-structured questionnaire was used to gather cross-sectional data, which was administered

by use of drop-and-pick later method. Inferential and descriptive statistics were used to analyze quantitative data. Descriptive analysis included use of coefficient of variation, sample standard deviation, sample mean, percentages, and frequency count. The findings were presented using figures and in tabular form. The study found out that transformational capacity of the insurance firms had a positive effect on their performance.

Gachanja (2018) conducted research in Kenya to examine how organizational innovation, strategic planning, leadership, and culture affected the performance of insurance firms. Both explanatory research design and descriptive survey were adopted in the research. The target population included 49 insurance firms that were registered within Nairobi, which were obtained by census. The respondents were 49 general managers who had been purposively sampled from each insurance firm. Data was gathered by the use of questionnaires and evaluated by use of SPSS and excel software. Both inferential and descriptive statistics were conducted. The study established that insurance firms which employed innovative products as part of resource leveraging attracted more customers and had enhanced performance. Therefore, organizational culture is vital in resource leveraging as it has a positive influence on the performance of insurance firms in Kenya.

Kamomote (2014) sought to investigate the correlation between strategic response and performance of Kenyan insurance firms. The independent variables of the study included mergers and acquisition strategy, strategic alliance, cost and differentiation strategy, product and innovation strategy, and expansion strategy while dependent variables involved the performance of insurance firms, determined by the net profit and return on investment for a five years period. A descriptive cross-sectional survey design was adopted

in the research, and the researcher undertook a census of 51 insurance firms in Kenya. Both primary and secondary data was collected during by the researcher. Semi-structured questionnaires with open-ended and closed questions were used to collect primary data. The questionnaires aimed to collect specific and general information on financial performance and strategic response on insurance firms in Kenya respectively. The results indicated that expansion strategy and product and technology innovation strategy contributed significantly to the performance of insurance firms. The study recommended another research to be conducted on other organizations to compare the results.

Machira (2016) examined how Board independence, size, committee, meetings, and diversity influence the performance of insurance firms in Kenya, as indicated by return on assets. The target population included 43 insurance firms which operated from 2012 to 2015 under Insurance Regulatory Authority. Multiple linear regression analysis was adopted in the research. The study used secondary data, which was gathered from the financial reports of the firms. SPSS software was used to code and analyze the obtained data. The results indicated that the selected independent variables influenced the financial performance of insurance firms extensively. Therefore, board meetings, committees, and diversity should be taken into account as they significantly determine the financial performance of a firm. Since the study concentrated on the past four years only, the obtained results may be not sufficient and another study should be conducted to disapprove or confirm the findings.

Murigu (2014) investigated the factors that determine the profitability of insurance firms in Kenya. The target population included 23 insurance firms that operated in Kenya from

2009 to 2012. Specific firm's characteristics such as age, ownership, management competence index, size, equity capital, underwriting risks, liquidity, retention level, and leverage were regressed against Return on Assets. The study established that the insurance firms' profitability was significantly and positively influenced by management competence index, equity capital, and leverage, while ownership structure and firm size had a negative effect on the performance of insurance firms. Therefore, enhanced leveraging enabled the firms to perform better. Since the study employed a descriptive research design, it recommended another research to be conducted through a case study to obtain extensive data on a single group.

Obaka (2014) carried out a study to investigate the effects of innovation, external environment, and resources on insurance companies in Kenya. The research adopted a cross-sectional survey design and positivist research paradigm. Data was gathered from 46 insurance firms in Kenya. An interview guide and a 5-point Likert type questionnaire was used to collect primary data, while secondary data was obtained from the annual reports of Association of Kenya Insurers between 2011 and 2012. The obtained data was analyzed by use of multiple regression analysis, correlation, and descriptive analysis. The results indicated that both intangible and tangible resources influenced non-financial performance of insurance firms significantly. Besides, there was statistically significant positive moderate relationship between intangible resources and innovation. However, the findings indicated that both intangible and tangible resources did not wholly influence the financial performance of insurance firms, and other factors might have contributed to the performance. The firms' financial resources and reputation were highly rated, indicating that they were vital determinants of an insurance firm's success. The study recommended

another research to be conducted in different years to find out if same results will be obtained on the insurance industry.

Njagah (2021) conducted a study to examine how strategic innovation orientation in resource leveraging affected the performance of insurance companies in Kenya. A descriptive research design was used in the study, and the target group included 56 insurance firms that had been listed by Insurance Regulatory Authority (IRA), a Kenyan body that governs insurance firms. The participants were 168 employees who were selected randomly from the insurance companies. The study used a primary method to collect data, which involved use of structured questionnaires. The collected data was then analyzed by use of inferential and descriptive statistics in Package for Social Science (SPSS), and presented by the use of figures and tables. The results indicated that the firms' technology orientation innovativeness had a positive and statistically fundamental effect on the performance of insurance firms in Kenya. Therefore, the firms used radical innovations as part of resource leveraging to meet customers' needs, establish new markets, and achieve sustainable competitive advantage.

Kinyua et al. (2021) investigated how assimilation capacity impacted insurance firms' performance in Nairobi County, Kenya. The research targeted 59 insurance firms within Nairobi. The study adopted explanatory research design, and semi-structured questionnaires were used to collect cross-sectional data from 216 functional area heads from 27 insurance firms, which were selected by use of simple random and proportionate stratified random sampling. A drop-and-pick later method was used to administer the questionnaires. Inferential and descriptive statistics were used to analyze quantitative data.

Descriptive analysis included use of coefficient of variation, sample standard deviation, sample mean, percentages, and frequency count. Also, content analysis was used to analyze qualitative data. The data analysis results were then presented using figures and in tabular form. The research established that assimilation capacity impacted the performance of insurance firms positively. The study recommended insurance firm managers to formulate policies that encourage knowledge internalization by simulation in resource leveraging.

Agar (2018) carried out a study in Kenya to examine the effects of underwriting risks, solvency, liquidity, and investment on the performance of insurance firms. A descriptive research design was adopted in the study. The target group included 32 Kenyan insurance firms that were non-life. The researcher gathered data from the insurance firms from 2011 to 2016. Secondary data sheets were used to collect secondary data that was used in the study. The research evaluated the significance and nature of independent variables on the dependent variables by use of multiple regression model. The study established that solvency and firm size in resource leveraging influenced the performance of insurance firms positively. For the firms to remain competitive and performing in the industry, they must utilize their resources effectively to generate revenue and pay liabilities that are due. The study recommended another research to be conducted on non-life insurance firms to compare the results.

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had operated from 2010 to 2018 in Kenya. Fixed and random model was used to analyze the unbalanced panel data, and hypothesis was tested by use of Hausman test. The study found out that financial leveraging had a negative effect on financial performance of insurance firms. Since the research did not establish clearly that the negative effect was as a result of inadequateness of financial leverage strategies or the inability of the insurance firms to raise sufficient equity capital, another study should be conducted to find out the causes of negative effects on the financial performance.

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Gachanja (2018) conducted research in Kenya to examine how organizational innovation, strategic planning, leadership, and culture affected the performance of insurance firms. Both explanatory research design and descriptive survey were adopted in the research. The target population included 49 insurance firms that were registered within Nairobi, which were obtained by census. The respondents were 49 general managers who had been purposively sampled from each insurance firm. Data was gathered by the use of questionnaires and evaluated by use of SPSS and excel software. Both inferential and descriptive statistics were conducted. The study established that insurance firms which employed innovative products as part of resource leveraging attracted more customers and had enhanced performance. Therefore, organizational culture is vital in resource leveraging as it has a positive influence on the performance of insurance firms in Kenya.

Kamomote (2014) sought to investigate the correlation between strategic response and performance of Kenyan insurance firms. The independent variables of the study included mergers and acquisition strategy, strategic alliance, cost and differentiation strategy, product and innovation strategy, and expansion strategy while dependent variables involved the performance of insurance firms, determined by the net profit and return on investment for a five years period. A descriptive cross-sectional survey design was adopted in the research, and the researcher undertook a census of 51 insurance firms in Kenya. Both primary and secondary data was collected during by the researcher. Semi-structured questionnaires with open-ended and closed questions were used to collect primary data. The questionnaires aimed to collect specific and general information on financial performance and strategic response on insurance firms in Kenya respectively. The results indicated that expansion strategy and product and technology innovation strategy contributed significantly to the performance of insurance firms. The study recommended another research to be conducted on other organizations to compare the results.

Machira (2016) examined how Board independence, size, committee, meetings, and diversity influence the performance of insurance firms in Kenya, as indicated by return on assets. The target population included 43 insurance firms which operated from 2012 to 2015 under Insurance Regulatory Authority. Multiple linear regression analysis was adopted in the research. The study used secondary data, which was gathered from the financial reports of the firms. SPSS software was used to code and analyze the obtained data. The results indicated that the selected independent variables influenced the financial performance of insurance firms extensively. Therefore, board meetings, committees, and diversity should be taken into account as they significantly determine the financial

performance of a firm. Since the study concentrated on the past four years only, the obtained results may be not sufficient and another study should be conducted to disapprove or confirm the findings.

Murigu (2014) investigated the factors that determine the profitability of insurance firms in Kenya. The target population included 23 insurance firms that operated in Kenya from 2009 to 2012. Specific firm's characteristics such as age, ownership, management competence index, size, equity capital, underwriting risks, liquidity, retention level, and leverage were regressed against Return on Assets. The study established that the insurance firms' profitability was significantly and positively influenced by management competence index, equity capital, and leverage, while ownership structure and firm size had a negative effect on the performance of insurance firms. Therefore, enhanced leveraging enabled the firms to perform better. Since the study employed a descriptive research design, it recommended another research to be conducted through a case study to obtain extensive data on a single group.

Obaka (2014) carried out a study to investigate the effects of innovation, external environment, and resources on insurance companies in Kenya. The research adopted a cross-sectional survey design and positivist research paradigm. Data was gathered from 46 insurance firms in Kenya. An interview guide and a 5 point Likert type questionnaire was used to collect primary data, while secondary data was obtained from the annual reports of Association of Kenya Insurers between 2011 and 2012. The obtained data was analyzed by use of multiple regression analysis, correlation, and descriptive analysis. The results indicated that both intangible and tangible resources influenced non-financial performance

of insurance firms significantly. Besides, there was statistically significant positive moderate relationship between intangible resources and innovation. However, the findings indicated that both intangible and tangible resources did not wholly influence the financial performance of insurance firms, and other factors might have contributed to the performance. The firms' financial resources and reputation were highly rated, indicating that they were vital determinants of an insurance firm's success. The study recommended another research to be conducted in different years to find out if same results will be obtained on the insurance industry.

2.5.6 Regulatory Framework

The development, growth, delivery, administration monitoring and evaluation of insurance services depends on sound regulation, supervision, and policy, (Williams, 2010). In 2011, the global standard setting body for insurance services, the International Association of Insurance Supervisors (IAIS) in recognition of the importance of inclusive insurance markets, documented a brief on regulation and supervision issues regarding comprehensive insurance markets (International Monetary Fund, 2013). Other global initiatives such as Access to Insurance Initiative, seek to reinforce the stature and understanding of insurance supervisors. This program was geared towards promoting their part in boosting access to insurance markets, and to foster the implementation of sound regulatory and supervisory structures in line with international standards (Ebenstein and Leung, 2010). As insurance products become mainstream, Consultative Group to Help the Poor (CGAP, an independent body housed by World Bank) aims at developing a consumer protection framework for insurance that includes workable regulation to improve fair treatment, recourse, and transparency in insurance markets (Midgley, 2012).

IFRS 17 which is yet to be implemented till 2021, though established in 2017, is a crucial standard that will have an impact on the activities of the global insurance industry. The major effect will be felt on technology, data, and reporting for insurance firms. Further, new KPIs-Key performance indicators, will define the relationship of the firms and investors in the industry. MO adoption should be crucial in ensuring that firms are conversant with the changes and implement such changes accordingly.

Anane, Cobbinah and Manu (2013) in their study on sustainability of micro and small scale enterprises in rural Ghana by assessing the role of microfinance institutions. The results of the study established that there were limited insurance policies tailored for MSEs and the MFIs face the risk of bad debt exposure from the MSEs and therefore lending to them was not favorable. Further, the MSEs were keen in conforming to certain policies and requirements such as the provision data on the earnings and productivity, making it difficult for lending to them even though the access of microfinance products and services meant a boost in performance and improving operations.

Makove (2011) in his report on the African policy approaches of micro insurance in Kenya, observed that there is a great potential in additional legislation directed toward harnessing distribution channels for micro insurance. Insurance legislation is predominantly about with consumer protection and is different depending on the county. It depends to a great extent on the level assimilation with standards and the prevailing conditions of the insurance market in the countries. Regulatory structure consist of various insurance laws, regulating bodies, enacted policies and guidelines including the internal regulations put in place by the registrar and supervisors (Lo Prete, 2016). The regulatory framework for insurance in Kenya includes all legislation impacting on the insurance services delivery

and constitutes an integral part of the regulatory structure and stipulates the larger regulatory environment. Due to the qualitative nature of the predicaments in the insurance sector, they remained persistent as opposed to if they were the more manageable and measurable quantitative in nature, (IRA, 2014).

Regulatory hurdles affecting in the development of insurance products, the regulator is faced with challenges as: capitalization levels, management and reporting requirements; licensing requirements for agents and brokers, and limits on remuneration aspects such as managerial as well commission expenses; guidelines on qualifications for underwriting and agency business for both firms and individuals; restrictions on product bundling strategy in line customer needs and marketing benefits; the annual requirement for authorization for the product design before launching the product and filing and indexing premium rates on; and absence of a specified guideline the costs and profits sharing with distributors. Due to these regulatory stipulations mass aggregators perceive the likelihood for returns for investment from insurance business to be minimal, (IRA, 2014). Regulatory framework needs to be assessed to establish if there is a mediating effect between EM and performance.

Wanjiru (2016) conducted a study whose primary goal was to determine the effects of Kenya's Insurance Regulatory Authority in overseeing the country's insurance sector. A descriptive research methodology was used for the investigation. Primary data that was primarily quantitative and descriptive were used in the investigation. Data were gathered for the study using a standardized questionnaire. Results showed a positive and significant relationship between the IRA's role in raising public awareness and the regulation of the insurance industry. The effect of regulations was witnessed since people began to sign up

for different insurance packages. These frameworks demystified the mass notion that insurance is a waste of personal resources. It also set proper guidelines on how to deal with the whole sector at large, from the insurers, IRA, and insured people. The regulatory framework was visible when proper laws were penned down and adhered to with the help of Insurance Revenue Authority officials. Such acts changed the perception of the sector entirely.

Nakitare (2020), examined the effects of regulatory frameworks on insurance companies in terms of financial management and performance. Insurance companies aid by providing unique financial services to all the people who have signed up for it. These companies have to be guarded by an oversight authority to protect the wealth of the customers. With the underperformance reports filed in the previous years, there was a need for understanding the problem and implementing solutions to resuscitate the situation. This was done through the creation of regulations to boost the performance of the companies. Financial management regulations were crafted to dictate how much was worth a certain package within the brackets to allow for healthy competition for quality also to be met. These regulatory frameworks curbed embezzlement, by letting companies establish the effect of working capital, their capital budgeting techniques, and structure. The study advised insurance company management to think about doing the suggested actions, which are thought to be likely approaches to ensure that their financial management processes are improved for greater gross premium, return on assets, and return on equity. For instance, they ought to strengthen the company's capital structure and make sure that the businesses make the most use of their lending facilities possible.

Ngatia (2014) carried out a study analyzing the descriptive statistics based on data collected from various insurance companies and the Insurance Regulatory Authority. The study emphasized social responsibility regulations to govern how each is applied to financial matters. The study also found that there was a negative correlation between the rate of inflation and the financial success of insurance companies as evaluated by ROA. The study also concluded that the 91-Day Treasury Bill played a significant role in explaining variations in insurance companies' financial performance. Additionally, there was a link between interest on deposits and insurance companies' financial performance that was unfavorable. To spread out these risks, it was advised that insurance firms diversify their financial holdings. Additional recommendations were made following the rules established to assist insurance companies in increasing their allocations for CSR expenditures. This was because no organization exists in a vacuum; instead, they are all part of a larger social system.

Ng'ang'a (2014) examined the study effects of the adoption of risk-based regulations on the Kenyan insurance industry's financial performance. A majority of insurance businesses emphasized modifications in premiums collected, and the study demonstrated how risk-based monitoring impacted overall premiums gathered in those insurance companies. The new risk-based approach also had an impact on total claims and the growth of new policyholders. By adopting risk-based supervision, an insurance firm can focus on high-risk areas and identify hazards early, increasing transparency and accountability and improving financial performance. The report makes the following recommendations for management in insurance companies: ensure effective management of risk through adequate risk assessment; train staff in risk-based supervision; and make sure risk-based supervision standards are met and maintained.

Murigu (2014) examined determinants of financial performance of general insurance companies in Kenya. In Kenya, the general insurance industry contributes 2.08 percent of the country's GDP. Despite growing recognition of the value of insurance and attempts by insurance companies to increase their presence, this is still fairly low. This is accomplished through the use of alternative distribution channels and the introduction of regulatory frameworks like micro insurance and tactful. In this respect, the current study looked at how regulations affected the variables affecting the profitability of non-life insurers operating in Kenya, using return on assets as the dependent variable. To achieve this, Return on Assets was regressed against firm-specific laws on factors like leverage, retention ratio, liquidity, reinsurance, equity capital, size, management competency index, ownership, and age. This study concluded that management competency index, equity capital, and leverage have a favorable and significant impact on the profits of insurance companies in Kenya. General insurer performance in Kenya is negatively and significantly impacted by the firm's size and foreign ownership structure. Furthermore, the performance of insurance companies in Kenya is negatively and tangentially impacted by liquidity. The study does not discover proof that the efficiency of general insurers in Kenya is impacted by the firm's age as documented in the regulations.

Kiragu (2014) evaluated the difficulties insurance businesses in Kenya face in gaining a competitive edge and how they manage to survive under the regulations surrounding their performance. The insurance sector has experienced many regulatory framework changes over the past few years as a result of financial reforms, the development of information and communication technologies the globalization of financial services, and economic growth. The efficiency, output change, market structure, and performance of the insurance sector have all been significantly impacted by such changes. A business strategy, innovation, and

organizational performance are known to be correlated. This investigation used a descriptive research approach. The 44 financial institutions with Nairobi headquarters were the study's target population. The general managers were the main targets of the study because of their importance in ensuring that the business develops a competitive edge. According to the study's findings, government regulation is the most important component because it increases establishing a competitive advantage by 2.453 for every unit change, seconded by insurance products at 1.967. According to the study, insurance companies should be monitored and evaluated depending on the level of risk. This will assure a stable insurance market and have a significant impact on raising insurance uptake.

Mboga (205) examined the interest rates in insurance companies and their performance in Kenya based on the implemented regulations governing them. One of the key drivers of the economy, interest rates have a significant impact on everything from personal investment choices to monetary policy, business profitability, and the creation of new jobs. Economic conditions have a significant impact on the development of insurance companies. A robust insurance sector encourages the development of the contractual saving sector, which strengthens the economy's resilience to interest rate and demand shocks and fosters a more stable business climate, including macroeconomic stability. The results revealed an R2 of 100 percent, indicating that important determinants of the return on asset—a measure of financial success for Kenyan insurance companies—include borrowing costs, GDP, age, size, liquidity risk, and inflation. The study determined that interest rates harm the return on capital of the insurance businesses in Kenya using regression outputs from the insurance companies. The return on assets was found to have a negative correlation with GDP, inflation, and liquidity risk, demonstrating that an increase in any of these factors will have a detrimental impact on the financial results of

the insurance businesses. However, the study found that a company's age has a favorable effect on its financial success, particularly for Kenyan insurance companies. In light of the spread compression that a low-interest environment causes on earnings, the researcher concluded that insurers, particularly life insurance businesses, should either have well-matched asset and liability cash flows or have developed additional reserves that are available to offset any interest rate or reinvestment rate risk.

Ocharo (2021) evaluated the connection between risk management and financial success and the effects of regulatory frameworks of Kenyan insurance companies from 2013 to 2020. The information was gathered from 51 insurance companies with operating permits in Kenya as of December 31, 2020. The use of regression analysis revealed that risk management had a considerable impact on the financial success of insurance organizations. The findings specifically showed that credit risk had a negative and considerable impact on financial performance. The findings implied that businesses do badly if non-performing receivables represent a larger percentage of total receivables. Therefore, insurance companies should implement credit management techniques to guarantee collections are received within the allotted time to prevent instances of non-performing collections and thereby enhance performance. According to the findings, wise investment choices raise investment returns, which in turn improves financial performance. To improve performance, insurance companies need to assure efficient administration of their investments. Additionally, the results show that operational risk control has a favorable and notable impact on financial performance. According to the research, effective management of businesses' operations lowers operating expenses, which raises net premiums and improves a business' performance. As a result, insurance companies should employ effective operations management techniques to lower costs and improve financial

performance. The findings also show that managing liquidity risk has a favorable and notable impact on financial success. By offering an empirical analysis of the impact of the various risk management tactics used by insurance firms, the study adds to the body of knowledge on risk management. It also makes recommendations that policymakers can use when evaluating and evaluating risk management mechanisms. The report makes suggestions for risk management practices that executives and other stakeholders can use to improve a firm's performance.

Kipkorir (2014) conducted a study on the effects of regulations taking a portion of an executive's salary based on the company's financial performance can help to solve the incentive problem. The study looked at the connection between executive pay and the financial success of Kenya's insurance companies. The study's particular goals were to describe executive compensation plans in insurance businesses and investigate the link between executive pay and the performance of financial in Kenya. The forty-eight (48) insurance companies that were registered with the Insurance Regulatory Authority throughout the five years leading up to 2010 made up the study's population. Annual reports from the Insurance Regulatory Authority were used to gather secondary data. Using a regression model that links pay and performance, the study examined the structural equation relationship between the type of executive compensation and key performance ratios. Since $P>0.05$, the analysis showed no statistically significant positive correlation between CEO salary, capital adequacy, and solvency margin ratios. Furthermore, the analysis discovered that, because of $P>0.05$, there was no significant correlation between claims and spending ratios. To optimize shareholder returns, claims and expenses should be carefully handled, as the negative correlation shows. This suggests that among Kenyan

insurance businesses, executive compensation is not primarily determined by performance ratios.

Yegon (2015) examined the effects of regulations on the Nairobi Security Exchange (NSE) and how it offers a channel for investment options that promote a frugal culture important in raising domestic savings and bringing in external capital for quick industrialization. It is crucial to remember that company failure brought on by risks has an impact on a nation's economic growth, increasing unemployment, crime, and insecurity. To safeguard themselves from these issues, businesses must set up risk management systems. However, risk management calls for several resources, some of which could not be economical. Therefore, the goal of this study was to determine how ERM determinants affected the financial performance of Kenyan companies that were listed on the NSE. Theoretically, an organization that implements ERM gains value; nonetheless, academics are divided on the impact of ERM on financial management. The actual data demonstrate that hazards continue to grow and change, which is a sign of ineffective risk management methods. This study looked into how Kenyan listed companies' financial performance was impacted by ERM determinants. The study's specific goals were to: analyze the impact of firm characteristics on listed companies' financial performance in Kenya; identify the impact of information technology on listed companies' financial performance in Kenya; assess the impact of staff capacity on listed companies' financial performance in Kenya, and determine the impact of the regulatory environment on listed companies' financial performance in Kenya.

Kavale (2022) conducted a study whose major goal was to examine how diversification strategy impacts the performance of Kenyan insurance companies. The significance of

vertical capital investment strategy on the performance of insurers in Kenya, the impact of lateral diversification strategy on the profitability of insurance firms in Kenya, the impact of concentric portfolio management strategy on the outcomes of insurance firms in Kenya, and the impact of conglomerate strategic orientation on the performance of insurance companies were the objectives that served as a guide for the research. The performance maximization theory, Ansoff market expansion theory, agency theory, and current portfolio theory were all incorporated into the study. In this study, a descriptive survey design was employed. The study concluded that diversification methods are crucial for businesses to employ when trying to raise their performance standards. As a result, conglomerate and vertical diversity had the least impact on the performance of insurance firms in Kenya, whereas concentric and horizontal diversification had the biggest impact. Therefore, it was advised that managers and owners of companies that haven't yet diversified their portfolios do so to be profitable and competitive in this challenging business environment. It was also advised that the management of insurance companies develop wise strategies to direct them when diversifying.

2.5.7 Performance of Insurance Firms in Kenya

Hamann, Schiemann, Bellora, and Guenther (2013) in their study to explore the dimensions of organizational performance established that there was evidence of four aspects organizational performance. The behavior and success of the firm in stock market was categorized as one dimension of performance; Accounting specifics such as profitability and liquidity are the other aspects. The study consisted of an expansive investigation of three unrelated industries for over 20 years and found that a firm’s performance was prone to the dynamics as observed in the study period when environmental turbulence was intense.

Muriuki, (2015) in a study on the influence of marketing communications on performance of insurance companies in Kenya, established that the most popular marketing strategies adopted associated with performance were personal selling, sales promotion, advertising and direct marketing. The companies also adopted public relations as well as other marketing communication practices to reach and manage their clients' issues. The study observed of all the marketing communication tools adopted advertising had the greatest impact on the overall performance, however all the other practices were also found to the significant in the relationship.

2.5.6 Regulatory Framework and Performance of Insurance Firms

Mwongela (2022) conducted research on the influence of regulatory framework on insurance penetration in Kenya. The aim of the study was to examine the effect of regulatory framework on the performance of insurance companies in Kenya. The study adopted several theories including utility theory and theory of distribution channels to evaluate the effect of price regulation on the company's performance. Data was collected by interviewing all the managers, and then descriptive and inferential statistics were used for data analysis. The study's findings shown that there was a positive correlation between insurance claims settlement process, price regulations, insurance products regulations and insurance distribution channels with the performance of the insurance companies. The study recommends that the government should further encourage regulation of customer education and customer care. The research therefore concludes that effective regulatory framework improves the performance of insurance companies in Kenya.

Ng'ang'a (2016) reviewed on the regulatory framework for micro-insurance firms in Kenya. The aim of the study was to evaluate the required policy changes to improve micro-insurance provision, and the extent to which provision is limited. Data was collected using questionnaires and reviewing of the insurance regulation documents. Purposive sampling techniques was used to select a sample size of ten insurance companies. The research adopted a mixed research design involving descriptive and content analysis approaches. There was a negative significant relationship between the existing regulations with the performance of the micro-insurance firms, however, there was no significant relationship between some regulations and the extent of provision of the micro-insurance companies. This indicated that some regulations imposed by insurance companies to the micro-insurance companies limit their growth to a great extent. The research therefore recommends development of conducive regulations that best suit the micro-insurance companies so as to improve their performance.

Makau and Okeyo (2021) examined risk underwriting, crisis management, regulatory framework, and performance of insurance companies in Kenya. The aim of the study is to examine the relation between three variables; risk underwriting, crisis management and regulatory framework and their performance in Sanlam general Insurance Company in Kenya. Data was collected using questionnaires over a sample size of 72 respondents. Descriptive research design was used for data analysis. The study's findings shown that there was a correlation between the three variables with the performance of the Sanlam insurance company. Regulatory framework is a moderator between underwriting and performance of the insurance company, crisis management mediates between underwriting and performance while underwriting directly influences the performance of the insurance

company. The research therefore recommends regular observation, reviewing and update of the existing insurance policies and regulations to align with the emerging business technologies.

Research conducted by Makokha (2014) experimented on the effect of corporate governance on financial performance of insurance companies in Kenya. Data was collected from the insurance regulation documents and analyzed through Statistical Package for Social Sciences. Descriptive research design was utilized. The target population was 49 insurance companies that are registered in Kenya. The research findings revealed that there was a weak negative however it was statistically significant relationship between corporate governance with financial performance of the insurance company. The corporate governance consists of the board composition, board size, risk committee and leverage that make the regulation policies in the insurance companies. Therefore, effective regulatory framework has a positive influence on performance of insurance institutions in Kenya due to good governance. This is because, the firm is protected from exposure to future financial crisis arising from competition and market environment.

Wanyama & Olweny (2013) researched on effects of corporate governance on financial performance of listed insurance firms in Kenya. The aim of this study was to compare the relationship between board size, board composition, leverage, and CEO duality. The research utilized descriptive research design for data analysis. Primary data collection was done through questionnaires while secondary data was collected through reviewing of documentaries. Random sampling was done to select the sample size among the board staff. The research result shown that there was a significant correlation between the corporate

governance policies with the performance of the insurance firm. There was no significant correlation between the board sizes with the financial performance. However, there was a significant correlation between the compositions of the board with the performance of the insurance companies. It was thus concluded that the skills, experience, and expertise of the board composition influence increase performance of the insurance companies.

Ndungu (2013) experimented on factors affecting profitability of private health insurance in Kenya. The objectives of the study included one to evaluate the effect of regulatory framework on the performance of Heritage health insurance Company. A descriptive research design was employed for data analysis. Data was collected through administration of semi-structured questionnaires and interviews. The research results shown that there was a significant relationship between regulatory framework, health underwriting policies and health insurance fraud and pricing patterns on the profitability of the Heritage health insurance Company. However, regulatory framework and pricing patterns had the highest significant relationship. The insurance company's regulation policies had a successful mitigation on fraud. The study recommends revising the regulatory framework on pricing patterns to consider the economic and social factors of the clients and improve the performance of the insurance company.

Research conducted by Ahmed (2013) sought to examine the non-financial factors influencing the performance of Islamic insurance in Kenya. The investigated variables were the legal and regulatory framework on the performance of Islamic insurance companies. The research utilized a case study approach. Data was collected by use of interviews and reviewing of the company's documentaries. The research findings shown

that the Islamic insurance has the sharia which is the regulatory framework. The legal and regulatory framework of Islamic insurance companies have a positive correlation with the performance of the firms. Regulation policy control unethical practices that influence greatly the performance of the firm. The results explain that the regulatory framework influence the company through investment and flexibility of operations. The study recommends reviewing and updating of the existing guidelines and rules governing the Islamic insurance firms so as to improve its performance and keep at pace with the growing market and market competition. The study calls for further research on financial factors affecting the performance of Islamic insurance companies in Kenya, and also provide a detailed comparison with other insurance companies in Kenya.

Ndungu (2013) conducted a study on the effects of corporate governance on financial performance of insurance companies in Kenya. The study experimented on the number of board meetings, size of the board, number of board sub-committees, CEO duality, age of the company, size of the company, number of the dependent directors and number of independent directors and their effect on performance of insurance companies in Kenya. There was a strong correlation between the number of board sub-committee members and the performance of the financial in insurance companies. There was a negative relationship between board size and financial performance. The study therefore recommends reduction in the number of board members and increase the board-subcommittee members which has a positive influence on the performance of insurance companies. The performance is achieved through regulations and guidelines set by the board sub-committee personnel.

Ng'ang'a (2014) investigated on the effect of adopting risk-based supervision on financial performance of insurance companies in Kenya. Data was collected through administration of questionnaires to a sample size of 47 respondents. Data analysis was conducted by use of descriptive statistics and discussed in tables and pie charts. The study found out that their risk management had great influence on the premium collections. Risk based approaches are formulated in the regulatory framework in order to ensure client protection. Therefore, there was less claims reported due to accountability and transparency. New risk management policies lead to supervision of areas of high risk which positively influence the performance of insurance companies. The regulation framework consists of policy holders that supervise and create effective risk management policies that positively influence the performance of the insurance companies in Kenya.

Research conducted by Gitau (2013) sought to establish the strategies adopted by Kenya insurance companies to alleviate low insurance penetration. The research is valuable to policy makers in formulating policies that will help in growth of the industry. The role of the regulatory authority is to ensure fast penetration of the insurance company in the market and to enact legal framework on pricing patterns and distribution channels. The study utilized a descriptive research design. Data collection was done through interviewing of the managers and use of questionnaires. The research recommended collaboration of insurers to implement strategies in the insurance regulation authority to create awareness and education to customers, improve distribution channels and review products offered.

Ngoima (2013) conducted research on the effect of insurance agents in insurance penetration in Kenya. The research adopted a descriptive research design. Data was

collected through administration of questionnaires, and the data analyzed through descriptive analysis. The target population was 45 insurance companies but only 39 filled and returned the questionnaires. The research's result show that the role of the intermediate insurance as policy stakeholders positively influence the performance of insurance companies. They play an important role in reduction of participation cost and service provision, and help to shape the regulation framework of the insurance companies.

Kamanga (2021) studied on the effect of corporate governance structures on growth of insurance firms in Kenya. The study established that the performance of insurance companies is greatly influenced by the regulation framework of the governance board. The research adopted a descriptive research design. Data was collected from the firms' annual audit reports for four years. The data was analyzed through regression and correlation analysis. The researcher found out that underwriting risk has a negative effect on performance. However, there is positive influence of solvency margin, board independence, ownership concentration which are the corporate governance structures, on performance. The research recommended use of IRA regulator in the regulation framework of the insurance company so as to have board independence. The essence of board independence is to make laws and guidelines governing the insurance company to influence its performance success.

2.6 Summary of Literature Review and Research Gap

There was a gap that was observed in a study done on the health insurance industry in rural India, (Gnatzy & Moser, 2012). The study ascertained that both academia and practice lacked an appropriate business model innovation application for the health insurance

industry. Innovation models have been observed in the African insurance scene, where competitive advantage has been attained through incorporating innovative ways of designing and securing value propositions. In the Kenyan scenario, it was observed that substandard execution of innovation strategies and inadequate management programs for innovation in practice cause the absence of competitive advantage, (Maina, 2016). Despite the fact that service innovation and affiliated services has been studied extensively, the methods of utilization and prioritization of resources in a bid to result to innovation for the industry are yet to be verified and documented, (Abongo et al, 2019).

Entrepreneurial Marketing (EM) outlines the intersection of marketing and entrepreneurship, with flexibility, innovation and change as core and focal areas. It has been asserted that the tenets of EM are applicable in all firms notwithstanding their size, (Ramos, 2016). However, a review of literature shows a lack of consensus in the definition of the construct, practical application of EM as well as the implication of applying the concept, hence creating the gap. This study sought to demonstrate the application of the EM construct in the insurance industry in Kenya and the outcome thereof thus it strove to fill the gap in research. The investigation consolidated previous studies with current applications especially insurance firms, thereby making proposals that can apply today. The focal point goal of the study blend and examine relevant and current EM literature to illustrate its significance for insurance firms in today's environment, and to propose a framework that can be utilized by firms that are keen on reaping the benefits of EM.

The sampled studies on the variables have been reviewed and there seems to be contrasting results in different industries and different geographical regions. Therefore, there is need to investigate the relationship between the variables since the studies are a clear indication

of the need for more research. As much as authors have fronted different contributions in the insurance sector in the economic and the theoretical aspect of entrepreneurial marketing; some questions are still left unanswered. This brings the question on entrepreneurial marketing adopted by insurance firms to enhance their competitiveness in the market. Moreover, questions emerge on where the insurance companies have gone wrong in approaching the market given the low penetration levels? Do the marketing strategies adopted enhances their performance or is there disconnect between the two? These queries demand further examination and scrutiny on the matter. This study therefore is aimed at evaluating the association between entrepreneurial marketing and the performance of insurance firms in Kenya.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter introduces the methodology that the study used to experimentally find out the effects of entrepreneurial marketing on the performance of the insurance firms in Kenya**.** The chapter discusses the research design, target population, sample and sampling procedure, data collection, pilot test, and data analysis. Further, the chapter sums it up with the operationalization of variable and definition of model of estimation.

3.2 Research Design and Philosophy

This study will adopt a mixed research design to incorporate different aspects to be investigated. Saunders, Lewis, and Thornhill, (2003) acknowledges that no one design is comprehensive and therefore a combination gives an all-inclusive conclusion. According to Blumberg et al (2011) descriptive studies depict an exact profile of elements of the study such persons, events, or situations, detailing the current status and attitudes through observation and interpretation techniques, therefore this design described the status of EM in the insurance industry. This utilized descriptive statistics such as mean standard deviation and variance and depicted the disparity in the elements to be studied. The study then adopted a causal design to examine the association that exists between the variables of the study. According to Blumberg et al, (2011) a causal design measures the magnitude of change that one variable has on another. The design facilitated the study to scrutinize the impact of the dimensions (IV) of EM on the performance of insurance firms (DV) in Kenya whilst assessing the moderating effect of regulatory framework on the relationship. The causal design applied inferential statistic such as t-test, chi-square, and f-test to test the hypothesis. The study utilized panel data, as will it give the depth and the breadth of the

relationship and other aspects of the study. The study utilized positivist research philosophy. The philosophy claims that the social world can be understood objectively.

3.3 Target Population

The target population for this research was the 58 parent insurance companies registered and regulated by Insurance Regulatory Authority as at 31st December, 2020. The study focused on the entrepreneurial marketing dimensions adopted by the players registered and regulated by Insurance Regulatory Authority (IRA, 2019). The number of targeted respondents was 406 heads of the 7 departments in the 58 companies that were involved in the dimensions being studied, namely marketing, finance, human resources, sales, risk, IT, and operations department

3.4 Sampling Methods and Procedure

Various sampling methods can be used to draw sample units (Burns and Bush, 2007; Mugenda and Abel, 1999). Random sampling ensures that every unit of the population has an equal probability of being chosen. Purposive sampling where researcher selects sample members to participate in research based on some criteria. For instance, the researcher chooses respondents who have the capacity to respond appropriately by giving required information. This research utilized simple random sampling approach to select the companies to be studied and then utilized purposive sampling to select the departments which the respondents would be selected from. These departments were those directly related to the various parameters used to measure the variables being studied.

This study covered all insurance firms in Kenya. The selected participants had to comply with inclusion criteria of the study, which included being registered insurance firms and in operation, and the sample was selected following the formula in 3.4.1.

3.4.1 Sampling Procedure

$$S = \frac{X^2 N P (1 - P)}{d^2 (N - 1) + X^2 P (1 - P)}$$

Where:

S = required sample size

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841)

N = the population size

P = the population proportion (assumed to be 0.50 since this would give the maximum sample size)

d = the degree of accuracy expressed as a proportion (0.50)

$$S = \frac{3.841^2 * 406 * 0.5 (1 - 0.5}{0.05^2 (406 - 1) + 3.841^2 0.5 (1 - 0.5)} \cong 197.$$

This means that out of a population of 406 potential respondents from 58 insurance companies, 197 respondents were randomly sampled using Krejcie and Morgan (1970) formula and tables (see Appendix VII).

3.5 Data Collection Instruments

The type of research determines the tool to use in collecting the data which range from focus group observation, discussions, interviews to questionnaires (Gujarati and Porter, 2003). The choice of instrument is also influenced by the objectives of the study and the type of data required (Malhotra, 2017). Some studies may require the use of only one

instrument of collecting data while others require use of different instruments. Before deciding on instruments to use to collect data, the researcher needs to analyze the problem and objectives of the study in order to determine type of data required. Characteristics of the study sample also influences the choice of data collection instruments. According to Burns and Bush (2006), the design of instruments used has a significant impact on the internal validity and reliability of the data obtained, as well as the response rate achieved. Valid instruments ensure that accurate data is collected, and this reliability means the data is consistent (Saunders & Thornhill 2007).

If the researcher is collecting data from a sample of people who are either very busy, very far away or are widely distributed in different locations, then the best instrument to use is the questionnaire. Sekaran and Bougie (2010) pointed that a questionnaire is an accurate measure of self-sufficiency relationship between about items or individuals reported behavior and beliefs. Moreover, Saunders and ThornHill (2007) found that with a questionnaire it is possible to analyze and derive description, correlation and inferential that will be required. This study sought to investigate the influence of entrepreneurial marketing on performance of insurance firms in Kenya. In this regard, a questionnaire was considered an appropriate instrument to investigate and get the respondents' perception about the study. This study used a structured questionnaire that had seven sections namely; profile of respondents, strategic orientation, innovation orientation, market orientation, resource leveraging, regulatory framework, and performance of insurance firms in Kenya. Use of structured questionnaire helps the researcher to obtain large amount of data, have no scope of confusion, and are easy to analyze.

3.5.1 Development of the Questionnaire

This study was based on both primary data and secondary. In order to effectively collect this data, an appropriately structured questionnaire was developed through guidelines provided by relevant theories of provided in the theoretical literature. Burns and Bush (2007) defined two types of questionnaires; open-ended questionnaire and close-ended questionnaire. The latter refers to a questionnaire containing questions that do not require the respondent to give explanations or opinions. The respondent was expected to choose from alternatives provided or answer yes or no, to rate his response based on a given scale. The former type of questionnaire gives respondents room to explain and describe their answers.

In this study, close-ended questionnaires were used because they facilitate data analysis and allow use of Likert scales questions. Such questionnaires also facilitate faster and easier responses which saves time in the survey type of research. It also increases the reliability and consistency of close-ended questionnaires compared to open-ended questionnaires. Responses are also easier to compare since they have been predetermined (Saunders and Thornhill 2007).

The final questionnaire consisted of seven sections: Section A mainly dwelt with the respondents' profile variables such as gender, age, level of education, department worked, years with the company and the name of the company he or she works; Section B dwelt with strategic orientation; section C innovation orientation, while section D dwelt with information regarding market orientation. Section E dwelt with information related to resource leveraging, Section F contained questions related to regulatory framework, while section G contained information regarding performance of insurance firms in Kenya.

In this study, secondary data from books and journals was initially collected in order to identify the research gap and define the research problem. This data was sourced from the regulating bodies, Insurance regulatory Authority Association of Kenya Insurers, from international Institutions and other Economic research institutions.

3.5.2 Piloting

A pilot study is a small-scale survey designed to test that proposed methodologies and processes function in practice before being used in a big, costly research, (Saunders et al, 2007). It is carried out in order to assess feasibility, duration, cost, adverse events, and effect size (statistical variability) in order to anticipate an acceptable sample size and enhance the study design before a full-scale research project is carried out, (Malhotra, 2017). For this study, before embarking on the full-scale data collection exercise, a pilot survey was conducted. The questionnaire was piloted on three insurance firms in Kenya in order to establish whether the questions there in measure the expected theorized variables in the conceptual framework.

3.6 Methods of Data Collection and Procedures

Data collection methods are to be selected with care since they determine success of the study from the various methods of collecting data are available (Saunders et al, 2007). The only data collected was that which related to the problem and objectives of the study and the methods selected were deemed suitable for the type of data required for the study. A large portion of the secondary data was sourced from the publicly available online sources while the rest was officially requested from the regulating institutions.

3.6.1 Administering the Questionnaire

This refers to how the questionnaire was used to collect the data. Face-to-face interviews were conducted with respondents outlined during sample determination, while others were

emailed to the respondents due to limitation of face to face due to covid-19 pandemic. Face to face interviews took about 25 minutes to complete. The interviews were conducted over a 30 day period in June 2021. The interviews were conducted in English. Since all respondents understood English, there was no need to use local languages or Kiswahili. After collecting the data, it was edited to check for completeness. In case of any incompleteness, the respondent was requested to complete. Coding of the data had already been done during the preparation of the questionnaire.

3.7 Data Analysis Methods

The choice of methods was based on the review of the literature and the study objectives. Descriptive statistics was used when analyzing the profile of the respondents and the frequency of responses regarding variables selected for the study. Quantitative methods of data analysis was used when investigating the relationship between independent variables and the dependent variable. Regression analysis was used to investigate the effect of independent variables and moderating variables identified in the conceptual framework on the performance (market share) of insurance firms in Kenya.

3.7.1 Steps Followed in Data Analysis

This study was designed to address five research objectives, and five stages were followed in order to address the specific objectives. The first stage was to test the reliability for constructs and constructs items. The second stage involved analysis of respondent profiles using descriptive statistics and cross tabulations. The third stage involved tests for normality and linearity. In the fourth stage, correlation analysis was conducted to examine the strength of the relationship between variables considered in this study. This aided in assessing whether or not multicollinearity (a statistical irregularity where two or more

predictor variables in a multiple regression model are closely connected) was an issue. The last stage involved estimation of the multiple regression models (one without the moderating variables and the other with the moderating variables). SPSS was used to analyze the data.

3.7.2 Specification of Multiple Linear Regression Models

The degree of association, in magnitude and statistical significance, and the joint effect of all the variables was analyzed using multiple linear regression analysis. The study models were as indicated below and were used to test the relationship between the dependent and independent variables. The models were estimated using Ordinary Least Squares. The models were appropriate because in this study the dependent variables (Gross Premium and Market Share) were continuous.

$$Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_{8+} \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \varepsilon_1$$

Where:

Y_1= Gross Premium

X_1= Differentiation strategy; X_2=Customer Orientation X_3=Cost Leadership; X_4: product innovation; X_5= process innovation; X_6= market innovation; X_7 = market survey frequency; $X_{8=}$ budget for market research and value creation; X_9 = Human resource; X_{10} =financial resource; X_{11} = Partnership and alliances

B_0: Constant

β: Coefficient of Independent Variables

ε: Error Term

Equation 2

$Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_{8+} \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \varepsilon_1$

Y_2 -The Market Share

X_1= Differentiation strategy; X_2=Customer Orientation X_3=Cost Leadership; X_4: product innovation; X_5= process innovation; X_6= market innovation; X_7 = market survey frequency; $X_{8=}$ budget for market research and value creation; X_9 = Human resource; X_{10} =financial resource; X_{11} = Partnership and alliances

B_0: Constant

β: Coefficient of Independent Variables

ε: Error Term

Full regression model – inclusion of Moderating Variable

The study sought the effect of the moderating variable. The model was modified as follows to test the effect of the moderating variable.

$Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_{8+} \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} + \varepsilon_1$

Where:

Y_1= Gross Premium;

X_1= Differentiation strategy; X_2=Customer Orientation; X_3=Cost Leadership; X_4: product innovation; X_5= process innovation; X_6= market innovation; X_7 = market survey frequency; $X_{8=}$ budget for market research and value creation; X_9 = Human resource; X_{10} =financial resource; X_{11} = Partnership and alliances: X_{12} Licensing: X_{13}: capitalization

β_0= Constant

β_5 = Coefficient for the moderating variable

β_1 β_2 β_3 β_4= Coefficient of Independent Variables

ε: Error Term

$$Y_2 = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_{8+} \beta_9X_9 + \beta_{10}X_{10} + \beta_{11}X_{11} + \beta_{12}X_{12} + \beta_{13}X_{13} + \varepsilon_1$$

Where:

Y_2= Market Share;

X_1= Differentiation strategy; X_2=Customer Orientation; X_3=Cost Leadership; X_4: product innovation; X_5= process innovation; X_6= market innovation; X_7 = market survey frequency; $X_{8=}$ budget for market research and value creation; X_9 = Human resource; X_{10} =financial resource; X_{11} = Partnership and alliances: X_{12} Licensing: X_{13}: capitalization

β_0= Constant

β_5 = Coefficient for the moderating variable

β_1 β_2 β_3 β_4= Coefficient of Independent Variables

ε: Error Term

3.8 Operationalization of Variables

This study focused on entrepreneurial Orientation and the market share and gross premium of insurance firms in Kenya. Therefore, market share is the dependent variable in the regression model. Specific variables are identified in table 3.4 below:

Table 3. 1 Operationalization of Study Variables

Dependent variable	How its obtained	Description
Performance of insurance companies ($Y_1$and Y_2)	Respondents are asked to indicate the market share they hold in the industry, and to indicate the gross premium for the previous year	Market share expressed as percentage Gross premium in KShs.

Independent variable	How its obtained	Description
Differentiation strategy-DS (X_1)	Respondents are asked the extent to which they agree to statements regarding DS in their firm on a scale of 1-7 where 7= strongly disagree and 1= strongly agree. items rated here are • Uniqueness of products and services • Aggressive marketing campaigns • Branding • Product segmentation • Competitor analysis An average is calculated for the ratings, where an average of between 1-4 is considered to show that DS is utilized in the firm while a rating of 5-7, DS is deemed absent	Differentiation strategy =1 if utilized, and =0 if otherwise
Customer focus-CF (X_2)	Respondents are asked the extent to which they agree to statements regarding CF in their firm on a scale of 1-7 where 7= strongly disagree and 1= strongly agree. items rated here are: • Prioritized customer service • Product design according to customer needs • Customer segmentation • After sale services • Customer access points An average is calculated for the ratings, where an average of between 1-4 is	Customer focus =1 if present, and =0 if otherwise

	considered to show that CF is present in the firm while a rating of 5-7, CF is deemed absent	
Cost leadership -CL (X_3)	Respondents are asked the extent to which they agree to statements regarding CL in their firm on a scale of 1-7 where 7= strongly disagree and 1= strongly agree. items rated here are: • Economized costs in production • Pricing according to competition • Discounts and promotional pricing • Operating costs reduction • Investments in latest technology An average is calculated for the ratings, where an average of between 1-4 is considered to show that CL is present in the firm while a rating of 5-7 CL deemed absent	Cost leadership =1 if present, and =0 if otherwise
Product innovation PI- (X_4)	Respondents are asked to indicate the number of patented products in the last 10 years	Number in figures
Process Innovation- IP X_5	Respondents are asked to indicate the number of times the company has changed its operating processes in the last 10 years	Number of times processes have been changed
Market innovation- MI- X_6	Respondents are asked to indicate the number of new markets penetrated during the last 7 years	New markets expressed as a number
Market surveys frequency MSF- X_7	Respondents are asked to indicate number of times	duration of time expressed in months

	market survey has been carried within the last 10years.	
Budget for market research and sales promotion– X_8	Respondents are asked to indicate the average budget allocation for market research for the last five years	Amount in Kenya shillings
Human resource X_9	Respondents are asked to state the number of employees involved in marketing activities	Numbers of Employees
Partnerships and alliances (X_{10})	Respondents are asked to indicate whether their firm has entered into a partnership or an alliance with another firm in Kenya or outside Kenya	1 = if yes, 0 if otherwise
Moderating variable	**how its measured**	**Description**
Licensing (X_{11})	Respondents are asked to indicate the annual license fees required for operation	Amount in Kenya shillings.
Capitalization (X_{12})	Respondents are asked to indicate the capital required to continue operation	Amount in Kenya shillings.

3.9 Pilot Test

A pilot study was conducted before the main study to test the adequacy of the research instruments, assess the feasibility of the study, design research protocol, establish the effectiveness of sampling technique and frame, identify logistical issues that may arise, estimate outcome variability, and collect preliminary data. Before the pilot study, the instruments were discussed with supervisors and then pre-tested using three registered insurance firms. This is generally supported by Mugenda and Mugenda (2003) who indicate that successful pilot study uses 1% to 10% of the actual sample size. The respondents were asked to carefully read and answer the questions and to also provide

feedback regarding clarity and suggest areas for improvement. Based on respondents' input, the questionnaire was edited and a final version used in the study.

To measure the reliability of the data collection instrument, Cronbach alpha was calculated for Likert scale questions of the questionnaire. Those tests were conducted to test whether items used in this construct measured what they were intended to measure in order to ensure that reliable results were arrived. Internal consistency was relevant to this study because the instruments were measuring the same thing. The statistic was calculated from the pairwise correlations between items, and the results range between zero and one.

Table 4.1 Summary of Cronbach's alpha and correlated Item-Total for Constructs

Construct	Items measured at a (1-7) scale	Correlated item-total correlation (r)	Cronbach's α if item deleted
Strategic Orientation	Differentiation Strategy	0.74	0. 77
	Customer Orientation	0.64	
	Cost Leadership Strategy	0.56	
Innovation Orientation	Product innovation	0.61	0.73

	New Process Frequency	0.68	
	Market innovation	0.63	
Market Orientation	Market survey Frequency	0.69	0.81
	Budget for research and value creation	0.72	
Resource Leveraging	Human Resource	0.65	0.75
	Partnerships and Alliances	0.57	
Regulatory Framework	Licensing	0.65	0.76
	Capitalization	0.69	

Table 4.1 presents the findings for the value of the Cronbach's alpha strategic orientation construct which was 0.77, innovation orientation construct, 0.73, market orientation construct 0.81, resource leveraging 0.75 and regulatory framework construct, 0.76. The values were above the 0.7 level as recommended (Nunnaly, 1978; and Gliem & Gliem, 2003)). The correlated item-total correlations indicated that there was a moderate item-total correlation for strategic orientation construct items which ranged between r = 0.56 and r = 0.74. The results in the table therefore indicated that items used in each construct measured what they were intended to measure in order that reliable results were arrived at.

3.10 Summary of the Chapter

This chapter presented a detailed discussion on the research methodology used in this study. The choice of methods was guided by the aim of the study, which was to analyze

the effect of entrepreneurial orientation on market share of insurance firms in Kenya. The chapter explained and justified the research design of the study, how the sample size was determined, procedure of instrumentation and piloting of the questionnaires and administration of the questionnaires. Methods of ensuring valid and reliable results were achieved were also identified, and methods of data analysis were also discussed. Methods of ensuring conformity to research ethical standards were also identified and discussed in details.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings and discusses the results from data analysis. Data was collected and cleaned and coded. It was then fed into computer program SPSS and analyzed using descriptive statistics. Data was presented in chapters each dealing with a specific item, such as background analysis of respondents, the strategies orientation, customer orientation, innovation orientation, market orientation, and resource leveraging.

4.2 Reliability Analysis

4.2.1 Normality and Linearity Test

Table 4. 1 Skewness and Kurtosis

Variable	Skewness	Kurtosis
Gross premium	0.132	0.104
Market Share	0.214	0.109
Differentiation strategy	0.235	0.117
Customer Orientation	0.119	0.102
Cost Leadership	0.431	0.332
Product Innovation	0.221	0.229
Process Innovation	0.127	0.139
Market innovation	0.118	0.114
Market Surveys	0.247	0.341
Budget for Market Research	0.112	0.186
Human Resource	0.216	0.218
Partnership & Alliances	0.402	0.392
Licensing	0.113	0.115
Capitalization	0.107	0.203

Linear regression analysis requires all variables to be multivariate normal. If the residuals are not skewed, that means that the assumption is satisfied. In this study, normality was tested by using skewness and kurtosis. The results are as indicated in table 4.2shows the skewness and kurtosis values for variables in the study. The findings show that the smallest value for skewness is 0.112 (budget for market share) while the largest is 0.402 (partnership and alliances)). The smallest value for kurtosis is 0.109 (market share variable) while the

largest is 0.392 (partnership and alliances). The data is therefore normal because all the skewness and kurtosis values are less than +1, and this is in line with recommendations by Kothari (2004).

4.2.2 Multi-collinearity Test

Multicollinearity diagnostic tests were performed to obtain collinearity statistics and establish whether the predictors are highly correlated. A high correlation between one independent variable with another independent variable leads to multi-collinearity which is a problem in regression analysis. In such a situation, the method of analysis cannot distinguish from each other preventing multi-regression from estimating coefficients, and the equation is unsolvable.

Table 4. 2 Pearson Correlation Matrix

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13
1.Market Share	1												
2. Gross Premium	0.697 0.01	1											
3.. Differentiation Strategy	0.168 0.00	0.345 0.005	1										
4. Customer Orientation	0.175 0.00	0.195 0.00	0.113 0.00	1									
5..Cost Leadership Strategy	- 0.889 0.00	- 0.596 0.00	- 0.435 0.00	0.541 0.00	1								
6..Products innovation	0.113 0.00	0.213 0.00	0.345 0.00	- 0.401 0.00	0.114 0.01	1							
7.New processes frequency	0.451 0.00	0.411 (0.00	0.403 0.00	0.356 0.00	0.561 (0.00)	0.450 (0.00)	1						
8.Market innovation	0.456 0.00	0.412 0.00	0.235 0.00	0.451 0.00	0.345 0.00	0.366 0.00	0.560 0.00	1					
9..Market surveys frequency	0.412 0.00	0.318 0.00	0.451 0.00	0.456 0.00	0.456 0.00	0.345 0.00	0.161 0.00	0.404 0.00	1				
10.Budget Market Res	0.366 0.00	0.432 0.00	0.561 0.00	0.412 0.00	0.345 0.00	0.411 0.00	0.345 0.00	0.661 0.00	0.332 0.00	1			

11.Financia	0.567	0.513	0.514	0.366	0.654	0.345	0.161	0.445	0.567	0.405	1				
l Resources	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00					
12.Human	0.161	0.089	0.569	0.567	0.345	0.461	0.345	0.361	0.115	0.345	0.345	1			
resource	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	O.00				
13.Partners	0.345	0.365	0.267	-	0.234	0.045	0.161	0.145	0.456	0.661	0.567	0.171	1		
hips and	0.00	0.00	0.00	0.416	0.00	0.103	0.00	0.00	0.00	0.00	0.00	0.00			
Alliances				0.00											
14.Licensin	0.367	0.065	0.098	-	0.345	0.261	0.340	0.161	0.375	0.445	0.151	0.006	0.456	1	
g	0.00	0.143	0.230	0.345	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00		
				0.00											
15.Capitali	0.234	0.023	0.076	0.127	0.112	0.345	0.061	0.345	0.161	0.511	0.015	0.567	0.245	0117	1
zation	0.00	0.00	0.00	0.00	(0.012)	0.00	(0.010)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

Table 4.3 above shows the results for the variable that were retained in the regression model. According to the results, there was no multi-collinearity, given that high correlation was recorded only when each variable was correlated with itself, where r=1, and this is always the case. Otherwise, the highest correction between other variables was between market share and premium (r= 889, p-value= 0.01), financial resources and product innovation (r=0.654, p-value=0.000). It was also observed that the relationship between independent variables was significance except for relationship between licensing and customer orientation (r=0.098, P-value 0.230), licensing and differentiation strategy (r=0.065, P-value 0.143), and relationship between partnerships and alliances and new processes frequencies (r=0.045, P-value 0.103).

4.3 Descriptive Analysis

4.3.1 Background data

The respondents were required to indicate some background information such as job title, department served at the work place, years served under current company and name of the firm. These details are summarized in subsequent tables.

Respondent's Job Title

Table 4. 3: Job Title of Respondents

Job title	Frequency	Percent	Cumulative Percent
C.E. O	3	2.8	3.5
Director	3	2.1	4.9
General Manager/Sectional Head	68	47.9	52.8
Stakeholders	31	21.8	74.6
Supervisor	36	25.4	100
Total	142	100	

Results in Table 4.3 indicates that 2.8 percent of the respondents were holding the CEO position, 2.1 % were directors, 47.9 were holding general manager position, 21.1 % were partners in the firm, while 25.4 were supervisors.

Results in Table 4.4 indicates that 142 respondents were covered by the study; the response rate was 72.9%. Given that the data was being collected when Covid-19 was at the peak, this can be considered as a high response rate. This can be attributed to the fact that respondents were made to understand the importance of this study which would help the companies to position themselves properly if they are to increase their market share. Face-to -face interviews method of data collection was combined with questionnaire posting method, where questionnaires were posted via email. Face to face method made it possible to replace a questionnaire that was wrongly completed by interviewing another respondent. The response rate is further justified by studies (Baruch and Holtom, 2008) which found that an average response rate of 52.7% acceptable from a population of 1607. In addition, Mugenda and Mugenda, (2003) suggested that a response rate of the 50% is acceptable, 60% is good, while able 70% is excellent.

Results further shows that 0.7% of the respondents failed to indicate their job title, 2.1% were chief executives of their companies while 2.1% were directors. Data also showed

47.9% of the respondents being sectional heads/ general managers, 21.8% were partners and 25.4% were supervisors. The analysis shows that data was collected from a broad spectrum of individuals within the insurance sector and thus could be relied upon to make conclusions in this study.

Categorization of Respondents per Department

Table 4. 4 Categorization of Respondents per Department

Department	Frequency	Valid Percent	Cumulative Percent
Marketing	61	42.9	42.9
Finance	19	13.4	56.3
Human Resource	12	8.5	64.8
Sales	26	18.3	83.1
IT	19	13.4	96.5
Risk	5	3.5	100
Total	142	100	

Analysis of data in table 4.4 shows that 42.9% of the respondents were in the marketing department, 13.4% from finance department, 8.5% from human resource, 18.3% from sales, 13.4% from IT department and 3.5% from risk department. The data showed a sufficient distribution of respondents from the insurance sector as it includes perspectives from different functional areas.

4: 4 Analysis of the Independent Variables

This section deals with the analysis and the review of the independent variables of the study, these are strategic orientation, innovation orientation, market orientation and resource leveraging. Each of these variables have predictors that was each reviewed and analyzed.

4.4.1 Strategic Orientation

The first objective of the study was to analyze the effect of strategic orientation on the performance (market share) of insurance companies in Kenya. The respondents were asked to rank the extent to which they agree with statement relating to differentiation, customer focus and cost leadership, the predictors being analyzed under this variable.

4.4.1.1 Differentiation Strategy

Table 4. 5: Differentiation Strategy

	Frequency	Percent	Cumulative Percent
Disagree	2	1.4	1.4
somehow disagree	8	5.6	7
Neutral	21	14.8	21.8
Agree	64	45.1	66.9
Strongly Agree	47	33.1	100
Total	142	100	

Results in Table 4.5 indicate that, 78.2% of the respondents believed that their companies had implemented the differentiation strategy. This group of respondents believed that their companies had unique products as compared to competition, a strong brand, implemented aggressive marketing campaigns, customized products, and conducted regular competitor analysis. There was 21.8% that were neutral to the statements concerning differentiation strategy.

4.4.1.2 Customer Focus

Table 4. 6: Customer Focus Strategy

	Frequency	Percent	Cumulative Percent
Disagree	1	0.7	0.7
Somewhat disagree	3	2.1	2.8

Neutral	40	28.2	31
Agree	55	38.7	69.7
Strongly agree	43	30.3	100
Total	142	100	

Table 4.6 summarizes the responses relating to customer service. The respondents were asked to rank their level of agreement on whether their companies prioritize customer service, products are designed according to customer needs, segment markets according customer type, offer after sale services and have various access points for customers. The responses showed that 69% of the respondents agreed and believed that their companies focus on the customer, while 28.2% were neutral in their belief on their companies' behavior towards their customers. A further 2.8% disagreed with the statements meaning that they believed that their companies were not concerned with customer focus as a strategy.

4.4.1.3 Cost Leadership/Minimization Strategy

Cost leadership strategy was measured by summarizing the ranking by respondents on matters related to cost effective product designs, competitive pricing, promotions and discounted prices, optimized operation costs and investment on latest technology to reduce on cost.

Table 4. 7: Cost leadership/Minimization Strategy

	Frequency	Percent	Cumulative Percent
Strongly disagree	47	33.1	33.1
Disagree	52	36.6	69.7
Somehow disagree	29	20.4	90.1
Neutral	9	6.3	96.5
Agree	5	3.5	100
Total	142	100	

The responses in table 4.9 showed that about 90.1% of the respondents disagreed with statements that cost leadership is generally not a strategy in the sampled companies, 6.3% of the respondents were neutral in their view, and only 3.5% perceived their companies as cost sensitive in the areas being measured. It can therefore be concluded that the sampled companies do prioritize cost leadership in their strategy.

4.4.2 Innovation Orientation

Product Innovation

Table 4.8 Product Innovation
Product Innovation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	59	41.5	41.5	41.5
	1	29	20.4	20.4	62.0
	2	23	16.2	16.2	78.2
	3	12	8.5	8.5	86.6
	4	5	3.5	3.5	90.1
	5	7	4.9	4.9	95.1
	6	2	1.4	1.4	96.5
	7	1	.7	.7	97.2
	8	1	.7	.7	97.9
	9	1	.7	.7	98.6
	10	1	.7	.7	99.3
	11	1	.7	.7	100.0
	Total	142	100.0	100.0	

The research established that 41.5 % of the firms had not patented a new product. Therefore, majority of the firms, 58.5 %, had patented at least 1 product. These research outcomes imply that majority of the insurance firms in Kenya are innovative. This is supported by the research findings that insurance firms have research and development department that support innovation.

Process Innovation
Table 4.9 Process innovation

Process Innovation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 to 3 months	10	7.0	7.0	7.0
	4 to 6 months	35	24.6	24.6	31.7
	7 to 9 months	46	32.4	32.4	64.1
	10 to 12 months	51	35.9	35.9	100.0
	Total	142	100.0	100.0	

The research established that majority of the insurance firms have initiated new processes. Majority of the firms, initiate new processes 10-12 months, while few firms, 7%, initiate new processes 0-3 months. These findings imply that majority of the insurance firms in Kenya initiate new process innovations.

Market Innovation

Table 4.10 Market Innovation

Market Innovation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	2	1.4	1.4	1.4
	1	15	10.6	10.6	12.0
	2	35	24.6	24.6	36.6
	3	38	26.8	26.8	63.4
	4	19	13.4	13.4	76.8
	5	23	16.2	16.2	93.0
	6	8	5.6	5.6	98.6
	8	2	1.4	1.4	100.0
	Total	142	100.0	100.0	

The research established that majority of the insurance firms, 26.8%, had developed 3 market processes, while only 2% had not developed any new market processes. These findings imply that 98% of the insurance firms in Kenya had developed new market processes. These findings imply that majority of the insurance firms in Kenya initiate new market processes.

4.4.3 Market Orientation

4.4.3.1 Market Surveys

Table 4.11 Market Surveys

Market Surveys Frequency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-3 months	10	7.0	7.0	7.0
	3-6 months	39	27.5	27.5	34.5
	6 - 9 months	65	45.8	45.8	80.3
	9- 12 months	28	19.7	19.7	100.0
	Total	142	100.0	100.0	

The research examined market orientation in terms of the market surveys that the insurance firms undertook. The study established that majority of the insurance firms in Kenya, 45.8%, carried out market surveys every 6-9 months. 27.5% of the firms carried out market surveys every 3-6 months. The results indicated that only 10% of the firms undertook market surveys every 0-3 months. These findings imply that majority of the firms undertook surveys every year.

4.4.3.2 Marketing Research Budget

Table 4.12 Marketing Research Budget

Budget For Marketing Research

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below 10 million	60	42.3	42.3	42.3
	10 - 20 million	50	35.2	35.2	77.5
	20- 30 million	22	15.5	15.5	93.0
	30- 40 million	10	7.0	7.0	100.0
	Total	142	100.0	100.0	

The research sought to establish the amount of budget that insurance firms allocate to marketing research. The study established that majority of the firms, 42.3%, had a yearly budget below 10 million. 35.2% of the firms had a budget of 10-20 million, 15.5% had a

budget of 20-30 million, while 7% had 30-40 Million. Therefore, Insurance firms in Kenya allocate budget to marketing to understand consumer needs and develop products that are in tandem with their demands.

4.4.4 Resource Leveraging

4.4.4.1 Number of Employees

Table 4.13 Number of Employees

Human resources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 - 100	39	27.5	27.5	27.5
	100 - 300	63	44.4	44.4	71.8
	300- 500	38	26.8	26.8	98.6
	above 500	2	1.4	1.4	100.0
	Total	142	100.0	100.0	

The research sought to establish whether insurance companies are well endowed with employees. The research established that majority of insurance firms, 44.4%, have between 100-200 employees. 27.5% have up to 100 employees, 26.8% have 300-500 employees. Only 1.4% have more than 500 employees. These findings imply that insurance firms are adequately staffed.

4.4.4.2 Strategic Alliances

Table 4.14 Number of Strategic Alliances

strategic Partnership/Alliances

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	.7	.7	.7
	2	4	2.8	2.8	3.5
	3	7	4.9	4.9	8.5
	4	10	7.0	7.0	15.5
	5	20	14.1	14.1	29.6
	6	13	9.2	9.2	38.7
	7	14	9.9	9.9	48.6
	8	10	7.0	7.0	55.6
	9	9	6.3	6.3	62.0
	10	13	9.2	9.2	71.1
	11	1	.7	.7	71.8

12	10	7.0	7.0	78.9
14	1	.7	.7	79.6
15	10	7.0	7.0	86.6
17	1	.7	.7	87.3
18	3	2.1	2.1	89.4
20	6	4.2	4.2	93.7
22	2	1.4	1.4	95.1
24	2	1.4	1.4	96.5
25	2	1.4	1.4	97.9
26	1	.7	.7	98.6
30	1	.7	.7	99.3
34	1	.7	.7	100.0
Total	142	100.0	100.0	

The research examined number of strategic alliances that insurance firms had entered to strengthen their performance. The research established that majority of the companies, 14.1%, had entered into 5 strategic alliances. The least, 1% had entered into, 1, 11,17,26,30, and 34 strategic alliances. The findings implied that insurance companies in Kenya have entered into strategic alliances.

4.4.5 Regulatory Framework

4.4.5.1 Licensing Fee

Table 4.15 Licensing Fee

licensing fee

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	250000	52	36.6	36.6	36.6
	350000	59	41.5	41.5	78.2
	above 350000	31	21.8	21.8	100.0
	Total	142	100.0	100.0	

The research examined the amount paid by insurance firm as licensing fee. Majority of the companies, 41.5%, paid 350,000, while 21.8% of the firms pay above 350,000. The amount of the licensing fee varies with the insurance firms. Therefore, they do not pay the same amount.

4.4.6 Performance

4.4.6.1 Initial Capital

Table 4.16 Initial Capital

Initial Capital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	400million - 600 million	87	61.3	61.3	61.3
	1 billion	54	38.0	38.0	99.3
	12	1	.7	.7	100.0
	Total	142	100.0	100.0	

The study sought to examine the initial capital that each insurance firm incurred during inception. Majority of the companies, 61.3%, paid 400-600 million, while 38% spent 1 billion. Only 7% spent 12 billion. Therefore, the capital spent by each start up varies across different firms.

4.5 Results of Regression Model I- Gross Premium

Table 4. 17 ANOVA Results for Regression Model I

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	41.961	12	3.497	13.824	0.000
	Residual	32.631	129	0.253		
	Total	74.592	141			

a Dependent Variable: Gross premium

The table 4.17 explains the extent to which the model has goodness of fit. From the sum of squares, the residual sum of squares (that variation in the dependent variable that is explained by the error term) was 32.631 against the regression model at 41.961. The model was found to fit the data with a P-value of 0.00, which was statistically significant at 0.05 significance level.

Table 4. 18 Regression Model I Results

Linear regression		No of obs.		142
		F(10,131))		13.824
		Prob>F		0
		R squared		0.563
		Adj R squared		0.522
		Root MSE		0.674
		Durbin Watson		1.471
	Unstandardized Coefficients			
	B	Std. Error	t	Sig.
(Constant)	2.618	0.478	5.477	0.000
Differentiation strategy	0.064	0.048	1.333	0.187
customer focus	0.057	0.051	1.118	0.263
cost leadership strategy	0.02	0.043	0.465	0.643
product innovation	0.014	0.027	0.519	0.041
process innovation	0.103	0.046	2.240	0.027
market innovation	0.088	0.035	2.514	0.014
market surveys frequency	0.254	0.062	4.097	0.000
budget for marketing research	0.178	0.063	2.825	0.005
human resources	-0.022	0.08	-0.275	0.001
strategic Partnership/alliances	0.021	0.01	2.100	0.045

From the table 2.18, the R^2 is 0.563, implying that 56.3% of the variation in the dependent variable can be explained by the predictors identified in the regression model. The model as a whole is statistically significant at a P-value of 0.00 at 0.05 significance level. Results indicated that strategic orientation (differentiation strategy) has a positive but insignificant effect on the gross premium of insurance firms in Kenya (Coefficient 0.064, p-value = 0.187). This implies that, holding all things constant, gross premium is expected to be higher by 6.4 million Kenya shillings for firms that have adopted differentiation strategy compared to those which have not. Given that P-value of 0.187 was more than 0.05, hypothesis that strategic orientation (differentiation strategy) has no significant effect on the performance of insurance firms in Kenya was accepted and null hypothesis rejected. The results contradicted findings of studies by Luliya, Sununta, Yuosre and Chotchai

(2013), Rajiv, Raj and Arindam (2014) and Muia (2017). However, the researcher findings are in line with findings by Balodi (2014), who found that differentiation strategy has insignificance effect on firm performance.

Results further indicates that customer focus has a positive but insignificant effect on gross premium (Coefficient 0.057, p-value = 0.263). The results imply that holding all other things constant, gross premium is expected to be higher by 5.6 million Kenya shillings for those firms that have adapted this strategy compared to those which did not. Given that P-value of 0.263 was more than 0.05, hypothesis that strategic orientation (customer focus) has no significant effect on the performance of insurance firms in Kenya was accepted, and the null hypothesis rejected. The findings contradicts findings by and Homberg, Muller and Klarmann, (2016), Atuahene-Gima, 2001 and Muia (2017). However, the findings supports findings by Kiumbi,(2011)and Akpa et al, (2020), who indicated that customer focus has positive but insignificant effect on firm performance.

Cost leadership strategy has a positive but insignificant effect gross premium as an indicator of insurance firms' performance (Coefficient 0.02, p-value = 0.643). This imply that holding all other things constant, gross premium is expected to be higher by 2 million Kenya shillings for insurance firms which have adapted this strategy compared to those which have not. Given that P-value of 0.643 was more than 0.05, hypothesis that strategic orientation (cost leadership strategy) has no significant effect on the performance of insurance firms in Kenya was accepted. This contradicts the findings of the study by Rajiv, Raj and Arindam, (2014), who found adoption of cost leadership strategy to have a positive and significant effect on firm performance.

Results further indicate that product innovation has a positive and significant on gross premium (Coefficient 0.014, p-value = 0.041). This imply that, holding all other factors constant, it is expected that the gross premium increases by 1.4 million Kenya shillings if the number of product innovations increased by one. The hypothesis that innovation orientation (product innovation) has no significant effect on the performance of insurance firms in Kenya was rejected. The results supported the findings in a study by Rauch et al, (2009), Wales and Mckelvie (2011), Krop and Zolin (2005) and Mehrdad et al, (2011), since the findings indicated a positive and significant effect of product innovation on firm performance. The study findings were also in line with the theory of innovation by Wang and Chen (2010).

Similarly, process innovation has a positive and significant effect on gross premium of insurance firms in Kenya (Coefficient 0.103, p-value = 0.027). This imply that, it is expected that the gross premium increases by 10.3 million Kenya shillings if the processes were changed once. Thus, the hypothesis that innovation orientation (process innovation) has no significant effect on the performance of insurance firms in Kenya was rejected. The results contradicted findings by Wales, Monsen and Mckelvie (2011), Krop, and Zolin (2006), which indicated process innovation) has no significant effect on the performance of firms.

Results also indicated that market innovation had a positive and significant effect on gross premium of insurance firms in Kenya (Coefficient 0.088, p-value = 0.014). It is expected that market share increases by 8.8 million Kenya Shillings if market innovations increased by 1. Hypothesis that innovation orientation (market innovation) has no significant effect

on the performance of insurance firms in Kenya is rejected. The finding supported findings by Schumpeter, (1934), Rauchet al, (2009), Wales and McKelvie (2011).

Market survey frequency and budget for market research had a positive and significant effect on gross premium (Coefficient 0.254, p-value = 0.000) and (Coefficient 0.178, p-value = 0.005) respectively. This implied that when frequency of market survey increased by 1, gross premium increased by 0.25 million Kenya Shillings, and that it was expected that if the budget for market research is increased by 1 million, gross premium increased by 17.8 million Kenya shillings. Thus, the hypothesis that market orientation (frequency of market surveys and budget for market research and sales promotion) has no significant effect on the performance of insurance firms in Kenya was rejected. The results supported findings by Miyienda (2015) and Kiragu (2016) respectively.

Human resource had a negative but significant effect on the performance (gross premium) of insurance firms in Kenya (Coefficient - 0.022, p-value 0.001). This implies that, holding all other factors constant, it is expected that gross premium decreases by 2.2 million Kenya shillings if the number of employees is increased by 1 person. The results contradicted findings by Dogan (2013). Partnerships and strategic alliances had positive and significant effect on the gross premium of insurance firms in Kenya (Coefficient 0.021, p-value 0.045). This implies that, holding all other factors constant, gross premium is expected to be higher by 2.1 million Kenya Shillings for firms that enters into partnerships and alliances compared to those firms that do not. The results supported findings by Liyai (2014), which indicated that partnerships and alliances had a positive and significant effect on firm performance.

Given the results in the table 4.11 above, the regression model I is now fitted as indicated below:

$Y_1 = 2.618 + 0.064X^1 + 0.057X^2 + 0.02X^3 + 0.014X^4 + 0.103X^5 + 0.088X^6 + 0.254X^7 + 0.178X^8 - 0.022X + 0.021X^{10} + e'$

Where: Y_1= Gross Premium; X^1 =Differentiation strategy; X^2= Customer focus strategy; X3= Cost leadership strategy; X4=Product innovation; X5= Process innovation; X6= market innovation, X^7=market survey frequency; X8= Market research budget; X9= Human resources, X^{10}= Strategic partnerships and alliances. At glance, it is established that process innovation, market survey frequency and market research budget has considerably high effect than the other variables.

4.5.2 Results of Regression Model II-Gross Premium

Table 4. 19 ANOVA Results for Model II (with Moderating Variables)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	42.872	10	4.187	16.765	.000
	Residual	33.719	131	0.25		
	Total	75.591	141			

Table 4.19 above explains the extent to which the model has goodness of fit. From the sum of squares, the residual sum of squares (that variation in the dependent variable that is explained by the error term) was 33.719 against the regression model at 42.872. The model was found to fit the data with a P-value of 0.00, which was statistically significant at 0.05 significance level.

Table 4. 20 Regression Model II Results

Linear regression	No of obs.	142
	F(10,131)	13.824
	Prob>F	0
	R squared	0.587
	Adj. R squared	0.542

		Root MSE		0.664
		Durbin Watson		1.478
	Unstandardized Coefficients			
	B	Std. Error	T	Sig.
(Constant)	2.687	0.501	5.363	0
Differentiation strategy	0.065	0.049	1.327	0.183
customer focus	0.056	0.051	1.098	0.282
cost leadership strategy	0.019	0.044	0.432	0.667
product innovation	0.012	0.028	0.429	0.007
process innovation	0.1	0.047	2.128	0.037
market innovation	0.085	0.036	2.363	0.020
market surveys frequency	0.258	0.063	4.095	0.000
budget for marketing research	0.178	0.064	2.781	0.006
human resources	-0.021	0.06	-0.533	0.001
strategic Partnership/alliances	0.023	0.01	2.300	0.049
licensing fee	-0.029	0.059	-0.492	0.004
Capitalization	-0.022	0.044	-0.500	0.013

The results in Table 4.20 indicates that coefficient of determination (R-squared) increased from 0.563 to 0.587. This implies that about 58.7 % of the variation in the gross premium could be explained by the combined action of all the predictors in the model. R-Adjusted increased from 0.522 to 0.542, implying that inclusion of the moderating variables improved the model than would be expected by chance. F (10,131) was 13.824, with a significance of 0.000, implied that the probability of these results occurring by chance was less than 0.05. Therefore, a significant relationship was present between gross premium and the predictors included in the regression model. RMS decreased from 0.674 to 0.664, a further indication of a higher degree of goodness of fit of the regression model than before.

Results indicated that strategic orientation (differentiation strategy) still had a positive but insignificant effect on the gross premium of insurance firms in Kenya (Coefficient 0.065, p-value = 0.183). This implies that, holding all things constant, gross premium is expected

to be higher by 6.5 million Kenya shillings for firms that have adopted differentiation strategy compared to those which have not. The effect remained insignificant. Effect of customer focus on performance (gross premium) remained positive but insignificant (Coefficient 0.056, p-value = 0.282). The results imply that holding all other things constant, market share is expected to be higher by 5.6 million Kenya shillings for those firms that have adapted this strategy compared to those which did not.

Cost leadership strategy still had a positive but insignificant effect on the gross premium (Coefficient 0.019, p-value = 0.667). This imply that holding all other things constant, gross premium is expected to be higher by 1.9 million Kenya shillings for insurance firms which have adapted this strategy compared to those which have not. Product innovation still indicated a positive and significant on the market share (Coefficient 0.012, p-value = 0.007). This imply that, holding all other factors constant, it is expected that the gross premium increases by 1.2 million Kenya shillings if the number of product innovations increased by one. Similarly, process innovation had a positive and significant effect on gross premium of insurance firms in Kenya (Coefficient 0.1, p-value = 0.037). This imply that, it is expected that the gross premium increased by 10 million Kenya shillings if the processes were changed once.

Market innovation effect on gross premium of insurance firms in Kenya was still positive and significant (Coefficient 0.085, p-value = 0.02). It is expected that gross premium increases by 8.5 million Kenya shillings if market innovations increased by 1. Effect of market survey frequency and budget for market research was still positive and significant (Coefficient 0.258, p-value = 0.000) and (Coefficient 0.178, p-value = 0.006) respectively.

This implied that when frequency of market survey increased by 1, gross premium increased by 0.25.8 million Kenya Shillings, and that it was expected that if the budget for market research is increased by 1 million, gross premium increased by 17.8 million Kenya shillings.

Effect of human resource on the performance (gross premium) of insurance firms in Kenya was still negative but significant e (Coefficient -0.021, p-value 0.001). Partnerships and strategic alliances have positive and significant effect on the market share of insurance firms in Kenya (Coefficient 0.023, p-value 0.049). Both licensing and capitalization had a negative but significant effect on insurance firms' performance (gross premium), (coefficient – 0.029, P-value 0.004) and (Coefficient -0.022, P-value 0.013). If the two predictors were increased by I million Kenya shillings, gross premium decreased by 2.9 million Kenya shillings and 2.2 million Kenya shillings respectively.

Given the results in the table 4.11 above, the regression model II is now fitted as indicated below:

$Y_1 = 2.687+0.065X^1 +0.056X^2 +0.019X^3+0.012X^4 +0.01X^5+0.085X^6 +0.258X^7+0.178\ X^8 -0.212X^9+0.023X^{10}- 0.029X^{11} -0.022X^{12}$

Where: Y_1= Gross Premium; X^1 =Differentiation strategy; X^2= Customer focus strategy; X^3= Cost leadership strategy; X^4=Product innovation; X^5= Process innovation; X^6= market innovation, X^7=market survey frequency; X^8= Market research budget; X^9= Human resources, X^{10}= Strategic partnerships and alliances, X^{11} = licensing fee while X^{12} = capitalization. At glance, it is established that market survey frequency and market research budget has considerably high effect than the other variables.

However, it can be observed that model I and model II had a slightly low Durbin Watson statistic (1.471) and 1.478 respectively, and according to Field (2009) values that range from 1.5 to 2.5 are normal while the value of below 1 and above 3 are a cause for concern. For this reason, the gross premium was then transformed to market share by converting it into a percentage of the total industry premium, to allow for across the industry comparison. The data was confirmed from the regulator's, IRA, database where it is categorized as market share from the gross revenue. The Durbin Watson statistic (1.787- Table 4.20) value falls in the normal range, thereby the autocorrelation issue is cured by the conversion.

4.6 Results of Regression Model III -Market Share

Table 4.21: ANOVA for Model III

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	52.79	10	52.799	32.635	.000
Residual	21.19	131	1.618		
Total	73.9928	141			

Table 4.21 explains the extent to which the model has goodness of fit. From the sum of squares, the residual sum of squares (that variation in the dependent variable that is explained by the error term) was 21.19 against the regression model at 52.79.961. The model was found to fit the data with a P-value of 0.00, which was statistically significant at 0.05 significance level.

4.5.2 Regression Model III –Market share

Table 4. 22 Estimation of Regression Model III

Linear regression	No of obs.		142
	F(10,131))		32.645
	Prob>F		0.000
	R squared		0.716
	Adj R squared		0.692
	Root MSE		0.271
	Durbin Watson		1.787
	Unstandardized Coefficients	T	Sig.

	B	Std. Error		
(Constant)	2.413	1.215	1.986	0.049
Differentiation strategy	0.060	0.123	0.488	0.627
customer focus	0.091	0.0007	0.701	0.484
cost leadership strategy	0.058	0.110	0.527	0.601
product innovation	0.014	0.070	0.200	0.039
process innovation	0.024	0.118	0.203	0.039
market innovation	0.023	0.089	0.258	0.012
market surveys frequency	0.068	0.159	0.428	0.000
budget for marketing research	0.069	0.161	0.429	0.000
human resources	-0.046	0.153	-0.301	0.003
strategic Partnership/alliances	0.014	0.026	0.538	0.000

Results indicates in the table that, R-squared is equal to 0.716 while adjusted R-squared is equal to 0.716. This implies that there is high degree of goodness of fit of the regression model. It also means that slightly over 71% of variation in the dependent variable (the market share) can be explained by the regression model. The F test result was (F, 10,131) was 32.635, with a significance of 0.000. Consequently, the hypothesis that all regression coefficients in the model are zero is rejected. Therefore, a significant relationship was present between market share and the explanatory variables in the regression model. RMSE which is the square root of the variance of the residuals or the standard deviation of the unexplained variation is 0.271. This was low given that it is below 0.500, which was an indication that there is high degree of goodness of fit of the regression model.

Results indicated that strategic orientation (differentiation strategy) has a positive but insignificant effect on the market share of insurance firms in Kenya (Coefficient 0.060, p-value = 0.627). This implies that, holding all things constant, market share is expected to higher by 6 percent for firms that have adopted differentiation strategy compared to those which have not. Given that P-value of 0.627was more than 0.05, hypothesis that strategic

orientation (differentiation strategy) has no significant effect on the performance of insurance firms in Kenya was accepted and null hypothesis rejected. The results contradicted findings of studies by Luliya, Sununta, Yuosre and Chotchai (2013), Rajiv, Raj and Arindam (2014) and Muia (2017), but they supported findings by Balodi (2014).

Results further indicates that differentiation strategy (customer focus) has a positive but insignificant effect on the market share (Coefficient 0.091, p-value = 0.484). The results imply that holding all other things constant, market share is expected to be higher by 9.1 percent for those firms that have adapted this strategy compared to those which have not. Given that P-value of 0.484 was more than 0.05, hypothesis that strategic orientation (customer focus) has no significant effect on the performance of insurance firms in Kenya was accepted, and the null hypothesis rejected. The findings contradicts findings by and Homberg, Muller and Klarmann, (2016), Atuahene-Gima, 2001 and Muia (2017), but they supported findings by Kiumbi, (2011) and Akpa et al, (2020).

Differentiation strategy (cost leadership strategy) had a positive but insignificant effect on the market share (Coefficient 0.058, p-value = 0.601). This imply that holding all other things constant, market share is expected to be higher by 5.8 percent for insurance firms which have adapted this strategy compared to those which have not. Given that P-value of 0.601 was more than 0.05, hypothesis that strategic orientation (cost leadership strategy) has no significant effect on the performance of insurance firms in Kenya was accepted. This contradicts the findings of the study by Rajiv, Raj and Arindam, (2014). Despite that effect of cost leadership is insignificant, insurance firms should always strive to minimize

costs in order to increase revenue required to carry out activities which would increase their market share.

Results further indicate that product innovation has a positive and significant on the market share (Coefficient 0.014, p-value = 0.039). This imply that, holding all other factors constant, it is expected that the market share increases by 1.4percent if the number of product innovations increased by one. The hypothesis that innovation orientation (product innovation) has no significant effect on the performance of insurance firms in Kenya was rejected. The results supported the findings in a study by Rauchet al, (2009), Wales and Mckelvie (2011), Krop and Zolin (2005), Mehrdad et al, (2011) and Wang & Chen (2010).

Similarly, process innovation has a positive and significant effect on the market share of insurance firms in Kenya (Coefficient 0.024, p-value = 0.039). This imply that, it is expected that the market share increased by 2.4 percent if the processes were changed once. Thus, the hypothesis that innovation orientation (process innovation) has no significant effect on the performance of insurance firms in Kenya is accepted. The results concurred with the findings by Wales, Monsen & Mckelvie (2011), Krop, & Zolin (2006).

Results also indicated that market innovation has a positive and significant effect on the market share of insurance firms in Kenya (Coefficient 0.023, p-value = 0.012). It is expected that market share increases by 2.3 percent if market innovations increased by 1. Hypothesis that innovation orientation (market innovation) has no significant effect on the performance of insurance firms in Kenya is rejected. The finding supported findings in a study by Schumpeter, (1934), Rauchet al, (2009), Wales and McKelvie (2011).

Market survey frequency and budget for market research had a positive and significant effect on the market share (Coefficient 0.068, p-value = 0.000) and (Coefficient 0.069, p-value = 0.000) respectively. This implied that when frequency of market survey increased by 1, market share increased by 0.068 percent, and that it was expected that if the budget for market research is increased by 1 million, market share increased by 6.9 percent. Thus, the hypothesis that market orientation (frequency of market surveys and budget for market research and sales promotion) has no significant effect on the performance of insurance firms in Kenya was rejected. The results supported findings in a study by Miyienda (2015) and Kiragu (2016) respectively.

Human resource had a negative but significant effect on the performance (market share) of insurance firms in Kenya (Coefficient -0.046, p-value 0.003). This implies that, holding all other factors constant, it is expected that market share decreases by 4.6 percent if the number of employees is increased by 1 person. The results supported findings by Dogan (2013). Partnerships and strategic alliances has positive and significant effect on the market share of insurance firms in Kenya (0.014, p-value 0.000). This implies that, holding all other factors constant, market share is expected to be higher by 1.4 percent for firms that enters into partnerships and alliances compared to those firms that do not. The results supported findings in a study by Liyai (2014).

Given the results in the table 4.14 above, the regression model III is now fitted as indicated below:

$Y_2 = 2.147 - 0.060X^1 + 0.091X^2 + 0.058X^3 + 0.014X^4 + 0.024X^5 + 0.023X^6 + 0.068X^7 + 0.069X^8 - 0.046X + 0.014X^{10} + e'$

Where: Y_2= Market share; X^1 =Differentiation strategy; X^2= Customer focus strategy; X3= Cost leadership strategy; X^4=Product innovation; X^5= Process innovation; X^6= market innovation, X^7=market survey frequency; X^8= Market research budget; X^9= Human resources, X^{10}= Strategic partnerships and alliances. At glance, it is established that customer focus, market survey and market research budget has considerably high effect than the other variables.

4.6.1 Estimation Regression Model IV

The table 4.23 shows the Analysis of Variance for full regression model when the moderating variables are included. Given a significance level of 95% the p value (sig) is 0.000, the levels of variability within the regression model remained acceptable, and therefore the model was still fit to be used when investigating the effect of all the variables on the market share of insurance companies in Kenya

Table 4.23: ANOVA Results for Regression Model IV

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	529.479	12	44.123	27.046	0.000
Residual	210.449	129	1.631		
Total	739.928	141			

4.6.2 Regression Model IV Results

The results in table 4.24 indicate that, the coefficient of determination (R-Squared) increased from 0.716 to 0.719. This implies that about 71.9 % of the variation in the market share could be explained by the combined action of the twelve predictors together in the model. The Adjusted R- squared increased from 0.692 to 0.697, implying that, inclusion of the controlled variables improved the model than would be expected by chance. F (12, 129) was 27.046.29 and with significance of 0.000. Thus, the probability of these results occurring by chance was less than 0.05. Therefore, a significant relationship was present between the market share and the twelve independent variables. The model therefore fit

the data well. RMSE decreased from 0.271 to 0.269, an indication of a higher degree of goodness of fit of the regression model than before.

Table 4.24: Estimation of Regression Model IV

Linear regression		No of obs.		142
		F(12,129))		27.046
		Prob>F		0.000
		R squared		0.719
		Adj R2		0.697
		Root MSE		0.269
		Durbin Watson		1.794
	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	2.692	1.271	2.118	0.036
Differentiation strategy	0.064	0.124	0.516	0.605
customer focus	0.084	0.131	0.641	0.521
cost leadership strategy	0.062	0.113	0.548	0.581
product innovation	0.013	0.071	0.183	0.009
process innovation	0.023	0.120	0.192	0.007
market innovation	0.022	0.091	0.242	0.020
market surveys frequency	0.070	0.161	0.435	0.000
budget for marketing research	0.070	0.162	0.432	0.000
human resources	-0.049	0.153	0.320	0.003
strategic Partnership/alliances	0.015	0.026	0.577	0.000
Licensing	-0.017	0.150	-0.113	0.027
Capitalization	-0.019	0.112	-0.170	0.044

Results indicated that effect of strategic orientation (differentiation strategy) on the market share of insurance firms in Kenya was still positive but insignificant effect (Coefficient 0.064, p-value = 0.607). This implies that, holding all things constant, market share is expected to higher by 6.4 percent for firms that have adopted differentiation strategy compared to those which have not. Given that P-value of 0.627was more than 0.05, hypothesis that strategic orientation (differentiation strategy) has no significant effect on the performance of insurance firms in Kenya was still accepted and null hypothesis rejected.

Results further indicates that effect of differentiation strategy (customer focus) was positive but insignificant effect (Coefficient 0.084, P-value = 0.521). The results imply that holding all other things constant, market share is expected to be higher by 8.4 percent for those firms that have adapted this strategy compared to those which have not. Given that P-value of 0.521 was more than 0.05, hypothesis that strategic orientation (customer focus) has no significant effect on the performance of insurance firms in Kenya was still accepted.

The effect of differentiation strategy (cost leadership strategy) on the market share improved slightly though it was positive but insignificant effect (Coefficient 0.062, p-value = 0.581). This imply that holding all other things constant, market share is expected to be higher by 6.2 percent for insurance firms which have adapted this strategy compared to those which have not. Effect of product innovation on the market share decreased slightly but it was positive and insignificant (Coefficient 0.013, p-value = 0.009). This imply that, holding all other factors constant, it is expected that the market share increases by 1.3 percent if the number of product innovations increased by one. The hypothesis that innovation orientation (product innovation) has no significant effect on the performance of insurance firms in Kenya was still accepted given that p-value = 0.009.

Similarly, effect of process innovation on the market share of insurance firms in Kenya remained positive and significant effect (Coefficient 0.023, p-value = 0.007). This imply that, holding all other things constant, it is expected that the market share increased by 2.3 percent if the processes were changed once. Results also indicated that market innovation has a positive and significant effect on the market share of insurance firms in Kenya (Coefficient 0.022, p-value = 0.020). It is expected that market share increases by

2.2percent if market innovations increased by 1. Hypothesis that innovation orientation (market innovation) has no significant effect on the performance of insurance firms in Kenya remained rejected.

Effect of market survey frequency and budget for market research on the market share increased slightly and it was positive and significant (Coefficient 0.700, p-value = 0.000) and (Coefficient 0.070, p-value = 0.000) respectively. This implied that, holding all other things constant, if frequency of market survey increased by 1, market share increased by 7 percent, and that it was expected that if the budget for market research is increased by 1 million, market share increased by 7 percent. Thus, the hypothesis that market orientation (frequency of market surveys and budget for market research) has no significant effect on the performance of insurance firms in Kenya was still rejected.

Effect of human resource on the performance (market share) of insurance firms in Kenya was still negative but significant (Coefficient -0.049 p-value 0.003). This implies that, holding all other factors constant, it is expected that market share decreases by 4.9 percent if the number of employees is increased by 1 person. Thus, the hypothesis that human resource has no significant effect on the performance of insurance firms in Kenya was still rejected. Effect of Partnerships and strategic alliances on the market share of insurance firms increased slightly and was positive and significant effect (0.015, p-value 0.000). This imply that, holding all other factors constant, market share is expected to be higher by 1.5 percent for firms that enters into partnerships and alliances compared to those firms that did not.

Licensing had a negative and significant on the market share of insurance firms (coefficient -0.017, p-value= 0.027), implying that holding all other things constant, if the fees was higher by 1 unit, the market share decreased by 1.7 percent. Capitalization had a negative and significant effect on market share of insurance firms (Coefficient -0.019, p-value= 0.044). This implies that, if capitalization increases by a thousand shillings, market share is expected that the market share shall decrease by 1.9 Therefore, the hypothesis that the regulatory framework (licensing and capitalization) has no significant moderating effect on the relationship between between entrepreneurial marketing and performance of insurance firms in Kenya is rejected.

When all the variables (including moderating variables) are fitted in the regression model, it was as presented below:

$Y_2= 2.692+0.064X^1 +0.084X^2 +0.062X^3+0.013X^4 +0.023X^5+0.022X^6 +0.070X^7+0.070\ X^8 -0.049X^9+0.015X^{10}- 0.017X^{11} -0.019X^{12}$

Where:

X^1 =Differentiation strategy; X^2= Customer focus Strategy; X^3= Cost leadership strategy; X^4=Product innovation; X^5= Process innovation; X^6= market innovation, X^7=market survey frequency; X^8= Market research budget; X^9= Human resources, X^{10}= Strategic partnerships and alliances X^{11}= Licensing fee and X^{12}= Capitalization capital

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter contains the summary of the findings of the study. This is followed by conclusions drawn from the findings and the recommendations. Areas of further research ae also highlighted in the chapter.

5.2 Summary of Findings

Insurance plays a critical supporting role in the achievement of global SDGs specifically, good health and wellbeing, economic growth, quality education, innovation, and infrastructure, zero hunger, reduced inequality. By reducing financial risks and promoting resilience and recovery, insurance industry plays a major role in ensuring both social and economic activities proceed smoothly even after the occurrence of major negative events. The study analyzed the critical role played by the industry in chapter one whilst indicating the dismal performance of the global insurance sector.

The study established that insurance companies strive to have unique products as compared to competititors as they have a strong brand, implemented aggressive marketing campaigns, customized products, and conducted regular competitor analysis. Besides,

insurance companies in Kenya focus on the customers by offering consumer centric products. However, cost leadership is less regarded.

The research also established that majority of the insurance firms in Kenya are innovative and initiate new process innovations and new market processes. The firms also undertook market surveys yearly and allocate budget to marketing to understand consumer needs and develop products that are in tandem with their demands. The research also established that insurance firms are adequately staffed and have entered into strategic alliances. On the license fees, the study found out that insurance companies pay different amount of license fees.

The study also noted that gross premium is high among firms that have adopted differentiation strategy. Cost leadership strategy has a positive, but insignificant effect gross premium as an indicator of insurance firms' performance. Product innovation has a positive and significant on gross premium. Process innovation has a positive and significant effect on gross premium of insurance firms in Kenya. Market innovation had a positive and significant effect on gross premium of insurance firms in Kenya. Market survey frequency and budget for market research had a positive and significant effect on gross premium. Human resource had a negative but significant effect on the performance (gross premium) of insurance firms in Kenya. Cost leadership strategy still had a positive but insignificant effect on the gross premium.

5.3 Conclusions

After analyzing the data, each objective was addressed and various conclusions were made concerning them.

The first objective was to examine the effect of strategic orientation on the performance of the insurance firms. The results indicated that effect of strategic orientation (differentiation strategy, customer focus, and cost leadership strategy) on gross premium and market share of insurance firms in Kenya was positive but insignificant effect. The study failed to reject the hypothesis that strategic orientation (differentiation strategy, customer focus and cost leadership) has no significant effect on the performance of insurance firms in Kenya. However, even if the effect is insignificant, there is need to implement this strategy since everything counts when it comes to increasing market share. There is need to differentiate insurance products and processes in order to create value that customers are looking for, at the sometime minimizing costs so that the prices of their products remain affordable relative to those of the competitors.

The second objective was achieved since the results indicated that product innovation and process innovation have a positive and significant effect on the gross premium and market share of insurance firms in Kenya. The study concluded that innovation orientation in the three areas is key if the insurance firms are to increase their performance in terms the market share. However, this would call for more resources to be allocated to research and development department, which is the driver in the implementing innovation strategy in every firm. The study concluded that more resources should be allocated towards innovation in a bid to improve performance. The study further concluded that the firms should focus on penetrating new market segments based on the Kenyans' economic

structure in order to increase insurance penetration. Product innovation should gear towards introduction of policies aligned towards the prevalent economic activities and Kenya's GDP major contributors, notably agriculture in the rural arears.

The third objective was to examine the effect of market orientation on the performance of insurance companies in Kenya. The study concluded that market orientation could enhance the gross premium and market share of insurance firms in Kenya. However, this would call for more resources to be allocated to market research, which is the driver in the implementing market orientation strategy in every firm. This would make it possible for marketing department in the insurance companies to understand what customers want, which would result in a higher success rate of new products that may be developed by firms.

The fourth objective was to examine the effect of resource leveraging on the market share of insurance firms in Kenya. The study concluded that resource leveraging mainly human resources and partnerships/alliances can enhance market share of insurance firms in Kenya. However, the effect of Human resource was negative, an indication that increasing the number of employees in various departments led to negative effect on firm performance. This implies that adaption of technology-based way of doing business is the way go when it comes to developing and marketing of innovative products if the firms are to improve performance. M &A will help by consolidating this industry, and specific firm will be able to generate the resources they require if they are to improve performance.

The fifth objective examined the moderating effect of regulations on the performance of insurance companies in Kenya. The study concluded that both licensing and capitalization

had a significant though negative moderating effect on the relationship between EM variables and performance (the gross premium and market share) of insurance firms in Kenya. The government through the regulating authority should consider reducing the licensing fee and the capitalization required by insurance firms. However, while this would be a good idea, this should be done with caution since insurance firms deals with compensation of risks. This requires them to have enough capital for doing business if they are to compensate their clients at the event of a loss.

From the overall findings, it can be concluded that the traditional approach to marketing of insurance premiums will not be effective on improving performance of insurance firms in Kenya in terms of market share. Instead, they should adapt service-based models in order to remain focused on the customers. They should strive to become innovative in terms of products, processes, and market, which requires them to rethink their operational model if they are to become leaders in this industry locally and globally. They also have to reconsider reducing number of employees in order to improve their performance. Finally, insurance firms should consider changing from the traditional marketing approach to entrepreneurial marketing approach, and the firms that will be quick to adapt the new approach will be the only ones that will survive in this competitive industry.

Empirically, a general conclusion was reached that entrepreneurial marketing strategies selected for this study (differentiation orientation, innovation orientation, market orientation, resource leveraging) should be treated as important stimuli that influences firm performance in terms of market share. At the same time, a conclusion was reached that the modified EMICO theory by Jones and Rowley (2011), can be applied when analyzing the factors influencing firms' performance.

5.4 Recommendations

On innovation orientation, insurance firms in Kenya should implement this strategy since everything counts when it comes to increasing market share. There is need to differentiate insurance products and processes in order to create value that customers are looking for, at the same time minimizing costs so that the prices of their products remain affordable relative to those of the competitors.

On market orientation, more resources should be allocated towards innovation in a bid to improve performance. The study further concluded that the firms should focus on penetrating new market segments based on the Kenyans' economic structure in order to increase insurance penetration. Product innovation should be geared towards introduction of policies aligned towards the prevalent economic activities and Kenya's GDP major contributors, notably agriculture in the rural arears.

On resource leveraging, insurance companies should allocate more resources to market research, which is the driver in the implementing market orientation strategy in every firm. This would make it possible for marketing department in the insurance companies to understand what customers want, which would result in a higher success rate of new products that may be developed by firms.

On regulatory framework, the government through the regulating authority should consider reducing the licensing fee and the capitalization required by insurance firms. However, while this would be a good idea, this should be done with caution since insurance firms deals with compensation of risks.

5.4.1 Recommendations for further research

In view of the results and conclusions, the study recommends various area of study;

A similar study should be carried out in other sectors of the economy for comparison and application purposes.

Since the study established a link albeit negative on the regulatory framework, it would prudent to analyze other legal aspects such as taxation and product design policies as well as consumer protection policies.

A similar study on the other players in the market should be carried out most especially because their input has a bearing on the total industry figures.

The study observed that innovation in the insurance industry in the country is not as vibrant as other financial sectors. A study on the drivers of innovation in the insurance industry should be done to assess the status of the innovation.

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APPENDICES

Appendix I: Introduction Letter

Esther Wanjiru Njuguna

P.O Box 143 -10300,

Kerugoya, Kenya.

Date: ……

Dear Sir / Madam

RE: DATA COLLECTION BY ESTHER WANJIRU NJUGUNA

I am a Doctoral candidate at the Kirinyaga University conducting a study on entrepreneurial marketing and performance of insurance firms in Kenya. The purpose of the study is to establish the relationship between entrepreneurial marketing and performance of insurance firms in Kenya. You have been identified as a potential respondent to this survey. Please respond to all questions, to your best knowledge. Your responses will be COMPLETELY CONFIDENTIAL. In case of any queries or comments about this survey, kindly contact me through the address above.

Thank you for your support and cooperation.

Yours Faithfully,

Esther Wanjiru Njuguna

Appendix II: Questionnaire

SECTION A: PROFILE OF RESPONDENT

Kindly answer the questions by ticking in appropriate spaces

1. Please indicate your gender

   Male ( ) Female ( )

2. Which is your bracket?

   Below 20 years ( ) 21-30 years ( ) 31-40 years ( )

   41-50 years ( ) Over 50 years ( )

3. What is your highest level of education?

   Primary ( ) Secondary ( )

   College ( ) University ( )

4. What is your position among the following designations?

   Chief Executive Office /CEO [ ] Director [ ]

   General Manager/Section Head [ ] Partner [ ] Supervisor [ ]

5. In which department do you work in? If your department is not listed, please select 'Other' and specify the department.

Marketing [ ] Finance [ ] Human Resources [ ]

Sales [ ] Risk [ ] IT [ ] Operations [ ]

Other (specify)……..……

6. For how many years have you worked for this company/ business?

Specify……

7. Kindly indicate the name of your firm.

……..

SECTION B: STRATEGIC ORIENTATION

8. Kindly indicate the extent to which you agree with the following statements concerning your organization, where 1= strongly agree and 7= strongly disagree.

Differentiation strategy	strongly disagree	disagree	somewhat disagree	neutral	somewhat agree	agree	strongly agree
1. We offer unique products as compared to competition							
2. We engage in vigorous advertising and marketing campaigns							
3. We have a strong brand name in the market							
4. We have specific products							

for specific segments							
5. Competitor analysis is conducted regularly.							

9. Kindly indicate to with extent you agree with the following statements concerning your organization, where 1= strongly agree and 7= strongly disagree.

Customer orientation / focus	strongly disagree	disagree	somehow disagree	neutral	somehow agree	agree	strongly agree
1. customer service is our main priority							
2. Our product design is guided by customer needs							
3. We have different customer segments							
4. we offer additional services to customer after sales							
5. We have a variety of customer access points							

10. Kindly indicate to with extent you agree with the following statements concerning your organization, where 1= strongly agree and 7= strongly disagree.

Cost Leadership	Strongly disagree		disagree	somehow disagree	neutral	somewhat agree	agree	strongly agree
1. We focus on product design technique that economize on cost of materials								
2. We offer better prices than our competitors								
3. We offer discounts and promotional prices								
4. We prioritize reduction of operating costs								

5. We have latest technology to reduce on costs								

SECTION C: INNOVATION ORIENTATION

11. Does your company have a research & Development department? Indicate your answer in the space provided below

Yes [ ] No [ ]

i) Does your firm set a budget for research and development every year?

Yes [ ] No [ ]

12. Kindly indicate the number of new patented products by your company over the last five years……

13 How many new markets has your company penetrated in the last five years?

…….

13. How many times has your firms initiated new processes for operations? *Please indicate the number of times*.

……..

SECTION D: MARKET ORIENTATION

14. Do you consider market survey as important? *Indicate your answer in the space provided below:*

Yes [ ] No [ ]

15. How often are market surveys conducted? *Please indicate your answer in months.*

Monthly [ ]

Yearly [ ]

iii) How many market surveys have been carried out since conception of this firm.

……..

16. Approximately how much is the annual budget allocation for market research? Kindly indicate the amount in Kenya shillings. …….

SECTION E: RESOURCE LEVERAGING

17. How many employees does your firm have for the following departments/ work stations?

Area	Customer service	Research and innovation development	Sales and marketing
No of employees			

18. What is the annual budget allocations for the following areas? (KShs)

Area	Customer service	Research and innovation development	Sales and marketing research
budget allocation			

19. Kindly indicate whether your firm has entered into any strategic partnership or alliances. Tick where appropriate

    Yes ( ) No ( )

SECTION F: REGULATORY FRAMEWORK

20. How much does your firm pay as annual licensing fee to enable it undertake operations? Kindly indicate the amount in Kenya Shillings……

21. Based on government regulation, approximately how much capital is required for your firm to remain in operation? Kindly indicate the amount in Kenya Shillings ……

SECTION G: PERFORMANCE OF INSURANCE FIRMS IN KENYA

22. What is your firm's market share in the insurance industry?

……..

23. Kindly indicate the gross premium for your firm in year 2019

……..

24. Comment on your firm performance relative to others in the industry……

……

……

……

…….

Thank you very much

Appendix III: Tables for Countries Ranking in the Global Market
Top 10 Countries: Life and Nonlife Direct Premiums Written, 2020

(US$ millions)

Rank	Country	Life premiums	Nonlife premiums (2)	Total premiums	%growth from 2019	% of total world premium
1	United States	632,687	1,897,883	2,530,570	180.0	40.3
2	PR China	347,545	308,330	655,874	6.2	10.4
3	Japan	294,497	120,308	414,805	-3	6.6
4	United Kingdom	238,890	99,430	338,321	-7.1	5.4
5	Germany	106,571	151,995	258,566	3.8	4.1
6	France	136,611	94,736	231,347	-11.2	3.7
7	South Korea	106,143	87,565	193,709	8.2	3.1
8	Italy	118,612	43,361	161,973	-3.5	2.6
9	Canada	58,234	85,234	143,468	6.4	2.3
10	Taiwan	91,155	22,150	113,304	-3.8	1.8

Appendix IV: World Life and Nonlife Insurance Direct Premiums
Written, 2018-2020 (1)

(US$ millions)				
Year	Life	Nonlife (2)	Total	
2018	$2,866,868	$3,273,005	$6,139,873	
2019	2,889,249	3,396,112	6,284,360	
2020	2,797,437	3,489,608	6,287,044	

(1) Before reinsurance transactions.
(2) Includes accident and health insurance.

Source: Swiss Re, *sigma* database (2021)

Appendix V: Top 10 Countries Total Insurance Premiums
Per-Capita and Percent of Gross Domestic Product (GDP) 2020

Rank	Country	Total premiums per apita (million $)	Rank	Country	Total premiums as % of GDP
1	Cayman Islands	11,479	1	Hong Kong	20.80
2	Hong Kong	9,746	2	Taiwan	17.4
3	United States	7,673	3	Cayman Islands	14.5
4	Switzerland	7,224	4	South Africa	13.7
5	Denmark	6,521	5	United States	12
6	Singapore	5,638	6	South Korea (2)	11.6
7	Macao	5,593	7	United Kingdom	11.1
8	Ireland	5,588	8	Denmark	11
9	Finland	5,218	9	Finland	10.7
10	Netherlands	5,022	10	Netherlands	9.6
	Total world	809		Total world	7.4

(1) Includes nonlife and life insurance and cross-border business.
Source: SwissRe, 2021

Appendix VI: Registered Insurance Firms in Kenya

1. AAR Insurance Kenya	2. Kenya Reinsurance Corporation
3. APA Insurance – part of Apollo Investments Company	4. Klaim Insure Insurance Company
5. Africa Merchant Assurance Company (AMACO)	6. Liberty Life Assurance Kenya Limited
7. Allianz	8. Madison Insurance Company Kenya
9. Apollo Life Assurance	10. Mayfair Insurance Company
11. AIG Kenya Insurance Company	12. Mercantile Insurance Company
13. British-American Insurance Company Kenya Limited	14. Metropolitan Life Insurance Kenya
15. Cannon Assurance Company Limited	16. Occidental Insurance Company
17. Capex Life Assurance Company	18. Next Car Insurance Kenya
19. CIC General Insurance	20. Old Mutual Life Assurance Company
21. CIC Life Assurance	22. Pacis Insurance Company
23. Continental Reinsurance	24. Phoenix of East Africa Assurance Company
25. Corporate Insurance Company	26. Pioneer Assurance Company
27. Directline Assurance Company	28. Real Insurance Company
29. East Africa Reinsurance Company	30. Resolution Insurance Company
31. Fidelity Shield Insurance Company	32. Sanlam Kenya plc – was Pan Africa Life Assurance
33. First Assurance Kenya Limited	34. Takaful Insurance of Africa
35. GA Insurance Company	36. Tausi Assurance Company

37. Geminia Insurance Company	38. Heritage Insurance Company
39. ICEA LION General Insurance Company	40. Jubilee Insurance Company Limited
41. ICEA LION Life Assurance Company	42. Monarch Insurance Company
43. Intra Africa Assurance Company	44. Trident Insurance Company
45. Invesco Assurance Company	46. UAP Insurance Company
47. Kenindia Assurance Company	48. UAP Life Assurance Company
49. Kenya Orient Insurance	

Source: *IRA (2019). Insurance Industry Annual Report 2018: Insurance Industry Annual Report for the Year Ended 31st December, 2018. Insurance Regulatory Authority August, 2019)*

Appendix VII: Growth in Premiums and market share from 2017 -2019- Kenya

	2017			2018			2019		
Company	Gross Premium(Shs'000)	%growth	mkt share	gross premium(Shs'000)	%growth	mkt share	Gross Premium(Shs'000)	%growth	mkt share
AAR	5,799.30	(10.63)	4.60	5,608.95	(3.28)	4.35	5,861.92	4.51	4.39
AIG	3,725.59	1.25	2.96	3,634.72	(2.44)	2.82	3,618.27	(0.45)	2.71
ALLIANZ	346.89	450.09	0.28	703.86	102.91	0.55	910.74	39.00	0.68
AMACO	2,530.08	(9.99)	2.01	2,719.26	(13.87)	1.69	1,474.18	(32.35)	1.10
APA	8,303.08	(7.70)	6.59	9,558.67	15.12	7.42	9,337.23	(2.32)	7.00
BRITAM GEN	8,042.40	14.94	6.38	8,048.80	0.08	6.25	8,208.74	1.99	6.15
CANNON	1,283.74	(25.60)	1.02	1,023.19	(20.30)	0.79	885.46	(13.46)	0.66
CIC GEN	10,141.11	20.62	8.05	10,210.13	0.68	7.92	10,654.09	4.35	7.98
CORPORATE	353.55	13.09	0.28	299.16	(15.38)	0.23	619.31	107.02	0.46
DIRECTLINE	3,086.23	(4.30)	2.45	3,002.69	(2.71)	2.33	3,353.25	11.68	2.51
FIDELITY SHIELD	2,389.61	39.15	1.90	2,273.70	(4.85)	1.76	2,409.16	5.96	1.81
FIRST ASSURANCE	2,983.07	(24.11)	2.37	3,789.81	27.04	2.94	3,672.37	(3.10)	2.75
GA INSURANCE	5,611.15	17.34	4.45	6,042.56	7.69	4.69	6,605.86	9.32	4.95
GEMINIA	3,411.60	53.46	2.71	4,518.04	32.43	3.51	5,183.08	14.72	3.88
HERITAGE	5,943.10	11.29	4.71	5,435.64	(8.54)	4.22	5,634.34	3.66	4.22
ICEA	6,103.33	(3.19)	4.84	5,609.28	(8.09)	4.35	5,855.81	4.40	4.39
INTRA AFRICA	1,034.43	1.99	0.82	1,213.69	17.33	0.94	1,216.77	0.25	0.91
INVESCO	2,070.19	(10.03)	1.64	1,531.03	(26.04)	1.19	1,354.34	(11.54)	1.01
JUBILEE	11,476.23	(18.55)	9.10	11,089.51	(3.37)	8.61	4,341.13	(60.85)	3.25
JUBILEE HEALTH	-	-	-	-	-	-	7,953.85	-	5.96
KENNDIA	3,014.53	0.62	2.39	2,854.69	(5.30)	2.22	2,468.47	(13.53)	1.85
KENYA ORIENT	1,887.71	(25.26)	1.50	1,446.51	(23.37)	1.12	1,303.04	(9.92)	0.98
KENYA ALLIANCE	1,157.96	5.66	0.92	1,250.70	8.01	0.97	1,634.57	30.69	1.22
MADISON	3,930.29	26.68	3.12	4,480.22	13.99	3.48	4,211.59	(6.00)	3.16
MAYFAIR	2,431.42	5.62	1.93	3,004.59	23.57	2.33	3,017.31	0.42	2.26
OCCIDENTAL	2,597.39	27.76	2.06	2,602.36	0.19	2.02	2,810.25	7.99	2.11
PACIS	1,217.08	16.79	0.97	1,307.29	7.41	1.01	1,480.96	13.29	1.11
PHOENIX	557.91	27.17	0.44	750.20	34.46	0.58	796.15	6.13	0.60
PIONEER	326.30	-	0.26	591.86	81.39	0.46	860.49	45.39	0.64
RESOLUTION	4,947.65	26.02	3.93	5,701.73	5.24	4.42	5,357.62	(6.04)	4.01
SAHAM	2,151.20	37.63	1.71	2,532.96	17.75	1.71	2,254.01	(11.01)	1.69
SANLAM	2,154.92	115.02	1.71	2,202.96	2.23	1.97	2,859.05	29.78	2.14
TAKAFUL	847.83	3.84	0.67	959.85	13.21	0.74	1,272.34	32.56	0.95
TAUSI	1,061.07	10.15	0.84	1,174.18	10.66	0.91	1,203.62	2.51	0.90
THE MONARCH	1,195.34	13.66	0.95	1,257.64	5.21	0.98	1,309.00	4.08	0.98
TRIDENT	1,331.85	5.74	1.06	537.73	(59.63)	0.42	653.68	21.56	0.49
UAP GEN	9,804.90	(10.72)	7.78	9,255.35	(5.60)	7.18	9,371.85	1.26	7.02
XPLICO	804.36	(34.57)	0.64	1,169.91	45.45	0.91	1,440.83	23.61	1.08
TOTAL	126,054.39	-	100.04	129,393.38	-	99.99	133,454.71	-	99.96

(Source: Research Data,2021)

Appendix VIII: General Insurance Business Financial Data 2019, Kenya.

2019				
Company name	**Gross premium**	**Gross income**	**operating profit**	**market share**
AAR INSURANCE KENYA	5,683,964	317,964	317,964	4.34
AFRICAN MERCHANT ASSURANCE	1,069,483	23,788	23,788	0.82
AIG INSURANCE COMPANY	3,045,831	541,333	170,325	2.33
ALLIANZ INSURANCE COMPANY	929,346	-	-56,613	0.71
APA INSURANCE COMPANY	9,508,815	899,448	239,070	7.27
BRITAM GENERAL INSURANCE	8,253,939	372,760	372,760	6.31
CIC GENERAL INSURANCE COMPANY	10,196,750	212,090	212,090	7.79
CORPORATE INSURANCE COMPANY	932,958	-3,110	-3,110	0.71
DIRECTLINE ASSURANCE COMPANY	2,626,423	130,477	-607,309	2.01
FIDELITY SHIELD INSURANCE	2,060,190	220,766	-192,233	1.57
FIRST ASSURANCE COMPANY	4,144,458	97,773	30,667	3.17
GA INSURANCE COMPANY	7,840,648	1,302,442	1,264,023	5.99
GEMINIA INSURANCE COMPANY	5,157,207	322,511	306,427	3.94
HERITAGE INSURANCE COMPANY	5,765,206	918,045	917,356	4.41
ICEA LION GENERAL INSURANCE	6,057,393	1,145,370	384,910	4.63
INTRA-AFRICA ASSURANCE	1,105,381	83,644	28,297	0.84
INVESCO ASSURANCE COMPANY	-	-	-	0
JUBILEE GENERAL INSURANCE	3,063,523	-111,679	-111,679	2.34
JUBILEE HEALTH INSURANCE	8,336,809	975,111	975,111	6.37
KENINDIA ASSURANCE COMPANY	2,470,756	146,451	116,319	1.89
KENYA ORIENT INSURANCE	1,444,111	32,770	-285,454	1.1
MADISON INSURANCE COMPANY	4,228,696	49,612	49,612	3.23
MAYFAIR INSURANCE COMPANY	3,300,416	543,900	175,683	2.52
METROPOLITAN CANNON INSURANCE	1,130,829	240,544	-128,568	0.86
MUA INSURANCE COMPANY	828,145	-99,347	-99,347	0.63

OCCIDENTAL INSURANCE COMPANY	2,812,086	1,023	-53,599	2.15
PACIS INSURANCE COMPANY	1,445,894	41,464	41,464	1.11
PIONEER INSURANCE COMPANY	883,817	56,155	-22,476	0.68
RESOLUTION INSURANCE COMPANY	4,287,042	215,474	215,474	3.28
SAHAM INSURANCE COMPANY	2,035,610	78,939	93,016	1.56
SANLAM INSURANE COMPANY	4,066,095	187,963	187,963	3.11
TAKAFUL INSURANCE OF AFRICA	-	-	-	0
TAUSI ASSURANCE COMPANY	1,180,207	400,014	159,887	0.9
THE KENYAN ALLIANCE INSURANCE	2,136,881	78,037	78,037	1.63
THE MONARCH INSURANCE	1,496,358	35,145	-12,849	1.14
TRIDENT INSURANCE COMPANY	705,810	118,485	93,215	0.54
UAP INSURANCE COMPANY	10,605,343	725,971	719,608	8.11
XPLICO INSURANCE COMPANY	-	-	-	0
	130,836,420	10,301,333	5,599,829	100

(Source: IRA, 2020)

Appendix IX: Kenya Life Insurance Financial Data, 2019

2019				
Name	**Gross premium**	**Gross profit**	**profit b4 tax**	**market share**
ABSA LIFE ASSURANCE	3,275,273	76,880	76,880	3.21
APA LIFE ASSURANCE	1,749,599	121,152	115,843	1.71
BRITAM LIFE ASSURANCE	23,326,320	-2,207,207	-2,207,207	22.84
CAPEX LIFE ASSURANCE	394,360	256	256	0.39
CIC LIFE ASSURANCE	5,908,970	-	-	5.79
CORPORATE INSURANCE COMPANY	275,752	-111,816	-111,816	0.27
GA LIFE ASSURANCE CO	3,449,048	20,436	20,436	3.38
GEMINIA LIFE INSURANCE	1,003,320	-	-	0.98
ICEA LION LIFE ASSURANCE	14,820,301	774,458	774,360	14.51
JUBILEE INSURANCE CO	13,313,829	1,197,880	1,197,880	13.04
KENINDIA ASSURANCE CO	7,372,207	85,714	85,714	7.22
KENYA ORIENT LIFE ASSURANCE	1,133,397	65,012	56,816	1.11
KUSCCO MUTUAL ASSURANCE LIMITED	791,773	60,995	60,995	0.78
LIBERTY LIFE ASSURANCE	5,069,693	273,016	273,016	4.96
MADISON INSURANCE	3,971,901	-	-	3.89
METROPOLITAN CANNON INSURANCE	336,539	9,660	9,660	0.33
OLD MUTUAL LIFE ASSURANCE	2,211,260	197,627	-346,154	2.17
PIONEER ASSURANCE	4,119,744	-	-60,645	4.03
PRUDENTIAL LIFE ASSURANCE	777,476	88,260	-239,265	0.76
SAHAM ASSURANCE	28,832	76,377	-	0.03
SANLAM LIFE ASSURANCE	5,910,436	649,621	649,621	5.79
THE KENYAN ALLIANCE INSURANCE	959,688	-	-	0.94
THE MONARCH INSURANCE	130,733	-	-38,438	0.13
UAP LIFE ASSURANCE	1,786,005	-532,751	-532,751	1.75
TOTAL	102,116,456	845,570	-214,799	100

(Source: IRA,2020)

Appendix X: Insurance Performance- Kenya

1. **Relative to Gross Domestic Product 2016-2020 in KES Billions**

Table 1. 1 Insurance Performance Relative to Gross Domestic Product, 2016-2020 in KES Billions

	2016	2017	2018	2019	2020
GDP	7,023	8,166	8,892	9,740	10,248
Life ins. premium	73.92	85.65	87.26	97.85	102.61
life ins penetration	1.05%	1.02%	0.98%	1.00%	1.00%
Non-life premium	123.08	126.05	128.85	133.45	132.70
NL penetration	1.75%	1.54%	1.45%	1.37%	1.30%
Total premium	197.00	209.70	216.11	231.30	235.31
Insurance penetration	2.81%	2.57%	2.43%	2.37%	2.30%

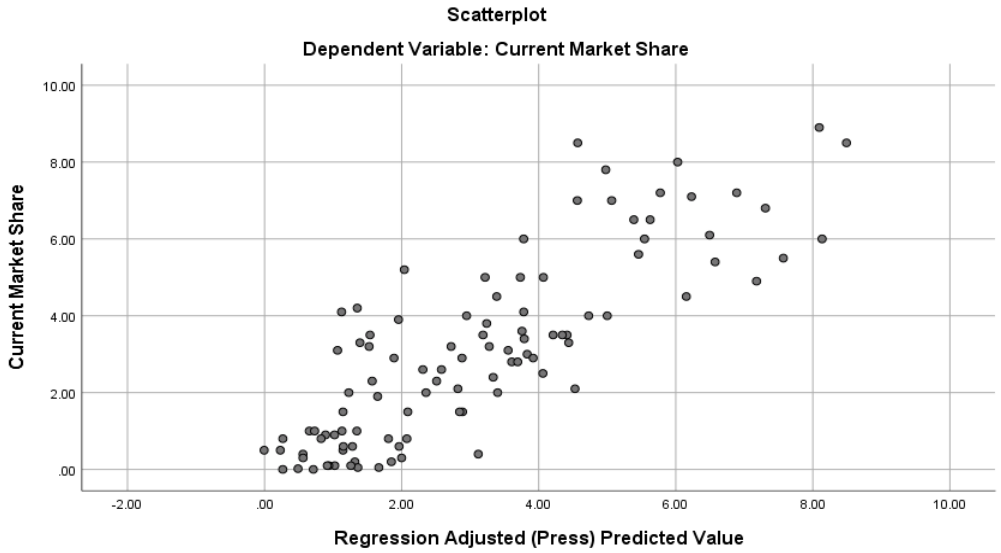
Source: Association of Kenya Insurers, 2021

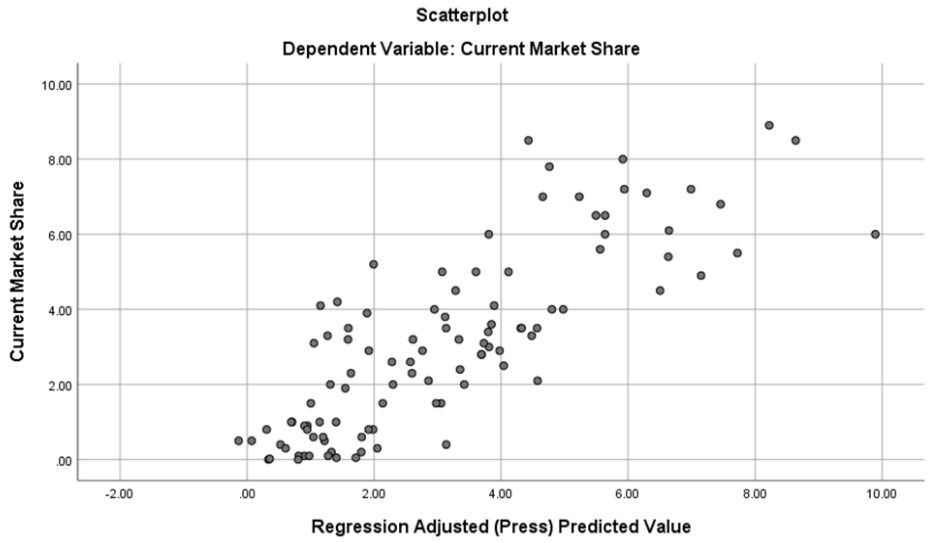
2. **Growth in gross premiums.**

YEAR	Gross premium	% growth
2015	174.06B	10.3
2016	196.64B	13.0
2017	209.7B	6.64
2018	216.11B	3.05
2019	228.8B	5.8
2020	232.95B	1.8

Appendix XI: Regression Scatter graph

Graph a: Regression scatter plot (without the moderating variable)





Graph b) Full regression analysis model –Including the moderating variable

Appendix XIII: Krejeie & Morgan Sample Size Determination Table

Table 3.1

Table for Determining Sample Size of a Known Population

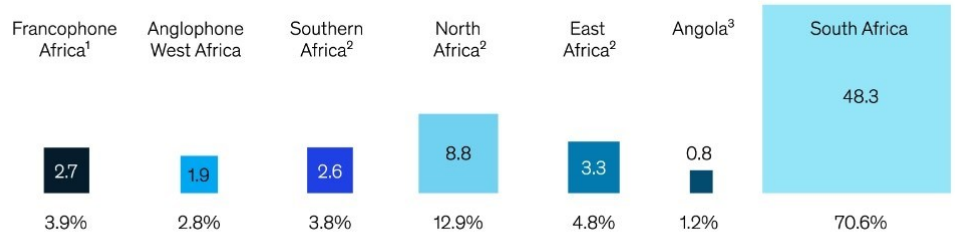
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*

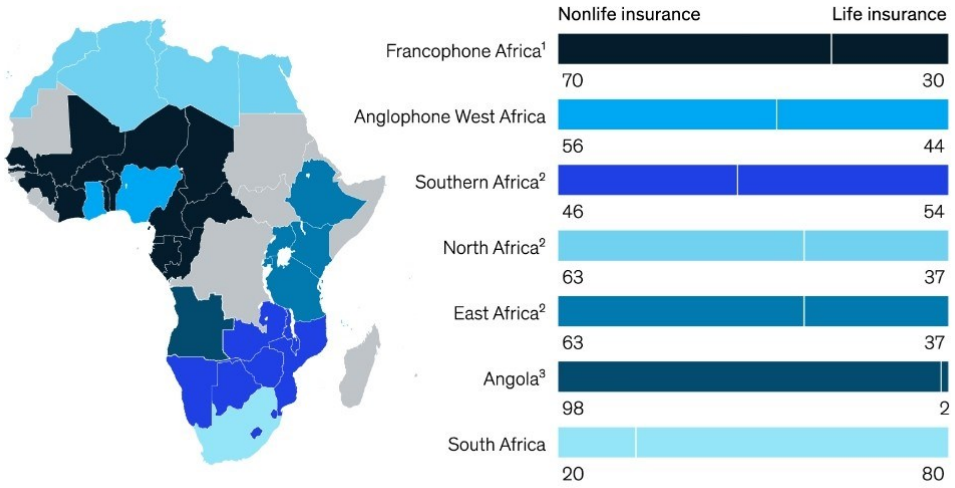
Appendix XIV: African Insurance Regions Categorization

There are six primary insurance regions in Africa, with South Africa constituting around 70 percent of the insurance premiums.

Gross written premium (GWP) in Africa by region (as share of Africa total) in 2018, $ billion



GWP type in Africa by region in 2018, %



Insurance penetration (total GWP divided by nominal GDP) in Africa by region in 2017

Note: Figures may not sum to 100%, because of rounding.
The boundaries and names shown on this map do not imply official endorsement or acceptance by McKinsey & Company.
[1]Francophone Africa data projected from 2014.
[2]Ethiopia, Libya, and Malawi data projected from 2016; Southern Africa includes lusophone Africa.
[3]Angola data projected from 2017.
Source: Insurance-regulator reports; Swiss Re

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Appendix XV: Market pie chart – KENYA 2019