

# **RELATIONSHIP BETWEEN ORGANIZATIONAL FACTORS AND PERFORMANCE OF INSURANCE BROKERAGE FIRMS IN KENYA**

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## **ABSTRACT**

Little empirical evidence exists to explain how firms can develop the capabilities by focusing on their organizational factors. The rivalry between the 192 insurance brokers in Kenya is very intense as they compete for the small number of insurance customers in the market. Though a number of studies have been conducted in the Insurance sector, very few have focused on the strategic agility enablers in the insurance brokerage firms. The purpose of this study was to analyse the relationship between organizational factors and performance of insurance brokerage firms in Kenya; specifically, the influence of organizational structure, innovativeness, human capital, information technology, and operational processes on performance of insurance brokerage firms. The study adopted a descriptive research design. A stratified proportionate random sample of 249 was surveyed. Primary data was obtained using self-administered questionnaires. Descriptive statistics were used to generate frequencies, percentages, mean score and standard deviation while correlation and multiple regression analysis were used to ascertain the association between pairs of variable and the influence of the variables on performance. The qualitative data from the open-ended questions were analyzed using conceptual content analysis. It was found that information technology integration and advancement had the greatest effect on the performance of insurance brokerage firms, followed by organization structure, then discontinuous innovation, and then

human capital while operational processes effectiveness had the least effect to the performance of insurance brokerage firms. The study also found that exploration of new paradigms, pursuit of new strategies and exploration of new knowledge all affects performance of insurance brokerage to a great extent. The study deduced that skills and attitude, staff experience, employee competences, cooperation with suppliers as well as customers being components of human capital possess significant influence over performance of insurance brokerage firms. The study further concluded that I.T. integration and advancement has little significance on the performance of insurance brokerage firms because aspects of I.T. integration and advancement were not considered as the independent variable despite their high significance. It is therefore recommended that Experimentation with new ideas was found to have a strong influence on performance. Therefore, this study recommends that management staff be allowed to try out new ideas in their respective firms. The study also recommends that insurance brokerage firms adopt proper teamwork values and encourage teamwork collaboration with other firms to enhance industry cohesion. This is bound to bring in exchange of ideas within the industry resulting in better performances on an industry level.

**Key Words:** *innovation, revenue collection processes, organizational performance, Nairobi City County*

## **INTRODUCTION**

Modern enterprises make strategic decisions in extremely difficult conditions, not only because of unpredictability and a turbulent environment, but mainly because of the dual nature of enterprises that is necessary to succeed in today's business reality. On the one hand, they are required to define a long-term vision, the mission of the company and create strategic plans; on the other hand, they are expected to react quickly and come up with alternative solutions to unforeseen events. Thus, companies strive to reconcile ensuring operational stability, survival and creating the necessary strategic plans with the chaos in the environment, which is both a source of threats and concerns for businesses as well as providing endless possibilities for innovation and using the opportunities which emerge (Sajdak, 2014).

In a chaotic environment in which markets emerge, collide, split, evolve, and die, one of the primary determinants of a firm's success is strategic agility - the ability to remain flexible in facing new developments, to adjust the company's strategic direction continuously, and to develop innovative ways to create value therefore enhancing the organization performance. The competitive landscape has been shifting in recent years more than ever. Globalization, rapid technological change, the codification of knowledge, the Internet, talent and employee mobility, increased rates of knowledge transfer, imitations, changes in customer tastes, the obsolescence of products and business models have all caused a turbulent environment and accelerated changes and disruptions. These trends are expected to continue, producing ever more rapid and unpredictable changes which definitely affect the companies' overall performance (Weber & Tarba, 2014).

Companies which through creativity and innovation can create market opportunities represent the second level of agility. Creating market opportunities through generating new needs is a qualitatively different approach than responding to opportunities by identifying and satisfying the needs which appear on the market. This is a proactive model of enterprise agility, in which research and development is a key function (Tikkanen, 2014). It requires from employees a broader and deeper knowledge, new ideas, systematic research and creativity. Such a company not only keeps pace with the needs of customers, but it can also create new needs which customers have not been aware of before (Mason, 2010).

The study identifies the insurance brokerage firms need to have certain internal characteristics to become agile in the context of Kenyan insurance industry. This study adopts a Resource-Based View (RBV) (Wernerfelt, 1984) of the firm and Dynamic Capability (DC) (Teece, Pisano & Shuen, 1997) approach to highlight the importance of institutional resources and capabilities to organizational performance. While the resource-based view (RBV) suggests that organizations achieve the competitive advantage by acquiring assets and resources that different from those of rivals. The dynamic capability view (DCV) literature, however, argued that beyond the resources and assets; much of which can be replicated by competitors, it is ultimately the unique capabilities engendered by organizations that form sustained competitive advantage.

Kenya's insurance sector is among the most developed and growing in Sub-Saharan Africa. It, however, has one of the lowest penetration rates with insurance brokers facing intense competitions (Mudaki, 2011). The insurance brokerage firms have to cope with the challenges posed by stiff competition between the agencies whose number has increased tremendously in the last one year. This is coupled with refusal by the insurance firms to honor genuine claims hence killing the little existing client confidence and the challenge of price undercutting in the sector is a significant issue that's being perpetrated by the agents. Thus, the brokerage firms have to adapt to the ever turbulence financial sector to stay competitive or fail altogether especially with the commencement of banc assurance. Insurance brokers have had to adapt their situations so as to progressively bolster their operations and financial performance in the wake of such changing conditions in the competitive Kenyan insurance market (Mudaki, 2011).

### **Strategic Agility Enablers**

In the business world which is directed increasingly under the three terms of customer, competition and change, organizations are trying to find the solutions for their strategic problems. In the past decade, most companies adapted restructuring and re-engineering in response to environment challenges and demands, but nowadays the old approaches and solutions have lost their competency to deal with the organizational challenges and they are getting replaced with new methods. The best and newest way of survival and success of the organizations is focusing on their organizational agility. The organizational agility is a wisely and complete response to the rapidly changing requirements in competitive markets and succeeding by the opportunities the organization gets (Eisenhardt & Martin, 2010). The agility drivers are the changes which happen in an environment and stimulate a firm to revise the current strategy, admit the need to become agile and consider the agility as a method of survival and progress. But it must be noted that these forces are originated from both external and internal resources (Batra, Kaushik & Kalia, 2012).

According to Tabrizi (2007), successful organizations focus on five enablers of strategic agility: people, structures, Processes, Innovation and Technologies. They create both long-term enduring excellence and at the same time enable short-term dynamic performance. People and Principles are connected to the culture of the organization, and have a greater impact on long-term performance, while Processes and Technologies, which drive operations, have more impact on short-term performance. By focusing on all these five enablers, firms can build for both long-term enduring excellence and for short-term dynamic performance. This study will focus on organization structure and policies, discontinuous innovation, human capital, management commitment and support, information technology integration and advancement and operational processes effectiveness as the main strategic agility enablers in the insurance brokerage.

### **Insurance Broking Sector in Kenya**

According to a list published by the Commissioner of Insurance, there are 192 registered insurance brokers currently operating in the market. Eagle Africa Insurance brokers, Chancery Wright Insurance Brokers Limited, Aon Kenya Insurance Brokers Ltd and Liaison

Group insurance brokers are some of the leading insurance brokers in Kenya (Africa-re.com, 2015).

The insurance brokers compete to secure a greater market share in risk management, actuarial consulting, insurance broking, medical fund management, life and pension's administration, medical scheme administration and employee benefits consulting services to small, medium and large firms in Kenya, in addition to individuals from diverse walks of life (Miano, 2010). The insurance firms, with whom the brokers work with, have greatly achieved a lot over the past decades. This is evident in enlarged premium income generated annually, greater investment income, and bigger market share as well as increased network growth (Swalehe, 2005). However, due to poor strategies being implemented, insurance growth rate is still relatively low in Kenya, with penetration at 3.12% (AKI, 2015). Additionally, uptake of insurance has been low due to weak marketing strategies, ignorance, lack of awareness and poor perception with regard to insurance services or products on the part of the general public. By doing so, they shelve extra expenditures related to payment of commissions and other related insurance fees and in the long run, the companies end up amassing huge profit margins. The insurance brokerage companies partnering with the insurance companies need to design and implement aggressive marketing strategies so as to remain afloat and competitive in the thin market (Standard Investment Bank, 2013).

## **STATEMENT OF THE PROBLEM**

In turbulent environments, companies need agility to survive and thrive. However, it is not enough for companies to just be agile; rather, they should have multiple agilities and use these agilities in a context-sensitive way (Weber & Tarba, 2014). They should apply those agilities that are most appropriate to a given situation and therefore the enablers should be contextualized. The emerging of agility has received a considerable attention in dealing with uncertainties in today's fast-changing environment, yet little empirical research exists to explain how firms can develop the agile capabilities by focusing on their contextual enablers.

The rivalry between the 192 insurance brokers in Kenya is very intense as they compete for the small number of insurance customers in the market (Miano, 2010). Insurance brokerage firms are adopting all means of marketing approaches to be in a position of making great sales of insurance services as they faced increased competition which are making them register low profits and even losses. The trend means that on a relative scale, insurance as an industry has been experiencing mild shrinkage (AKI, 2015). Further, availability of core competencies in many insurance brokerage firms remains as a major challenge as most staff are not professionally trained in insurance matters (KPMG, 2015). This leads to new product innovation problems that greatly affect development of products with higher demand in the insurance market (Michael, 2010). Furthermore, only a limited number of insurance brokers have sought to adopt and implement competitive and agility strategies by providing new products and services in the target market. Thus, the brokerage firms have to adapt to the ever-turbulent financial sector to stay competitive or fail altogether especially with the competition from bancassurance services by the banks and the numerous insurance agents in Kenya.

Local studies on strategic agility include: Misiko (2014) who did a study on TQM and operations management tools as agility strategies used by firms in Kenyan dairy industry, Chirchir (2015) focused on the relationship between organizational agility and operational productivity at Kenya Ports Authority, Muthoni (2015) looked at the influence of strategic agility on competitive capability of private Universities in Kenya while Okotoh (2015) conducted a study on the influence of organizational agility on operational performance of trademark East Africa. Very few of these studies have focused on the strategic agility factors in the insurance brokerage firms in Kenya. This study therefore sought to fill this gap by answering the question: what is the effect of strategic agility factors on performance of insurance brokerage firms in Kenya?

## **GENERAL OBJECTIVE**

The main objective was to establish the relationship between organizational factors and performance of insurance brokerage firms in Kenya.

## **SPECIFIC OBJECTIVES**

1. To establish the influence of organization structure on performance of insurance brokerage firms in Kenya
2. To assess the influence of human capital on performance of insurance brokerage firms in Kenya
3. To find out the influence of discontinuous innovation on performance of insurance brokerage firms in Kenya
4. To evaluate the influence of information technology integration and advancement on performance of insurance brokerage firms in Kenya
5. To determine the influence of operational processes effectiveness on performance of insurance brokerage firms in Kenya.

## **THEORETICAL REVIEW**

This section reviews relevant theories in relation to the study. The study will be anchored on the resource based theory supported by the competency-based theory and the dynamic capability theory.

### **Resource Based View**

A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney & Pandian, 1992). Resource based theory explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Barney, 2013). These authors write about the fact that a firm may reach a sustainable competitive advantage through unique resources, which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare. It also highlights the fact that not



all resources of a firm may contribute to a firm's sustainable competitive advantage (Mahoney & Pandian, 1992).

Resource Based view provides the understanding that certain unique existing resources will result in superior performance and ultimately build a competitive advantage Chaharbaghi and Lynch (2009). Sustainability of such an advantage will be determined by the ability of competitors to imitate such resources. However, the existing resources of a firm may not be adequate to facilitate the future market requirement, due to volatility of the contemporary markets. There is a vital need to modify and develop resources in order to encounter the future market competition. Barney (2013) emphasizes the distinction between capabilities and resources by defining capabilities as a special type of resource, specifically an organizationally embedded non-transferable firm-specific resource whose sole purpose is to improve the productivity of the other resources possessed by the firm.

The resource based view theory expresses the firm's resources are regarded as inputs in the production process and can be categorized into three groups; human capital, physical capital, and organizational capital. A capability is an ability for a set of resources to achieve a stretch task of an operational activity. Each company is a collection of unique resources and capabilities that offers the foundation for its strategy and the primary source of its profits. In the 21st-century hyper-competitive landscape, an organization is an assortment of evolving capabilities that is managed with dynamism in the quest of above-average incomes (Ogolla, 2005).

The theory contains a variety of management tools and techniques, particularly developed to assist managers operating in complex settings. It is therefore important to understand a firm's use of 'idiosyncratic, immobile resources' in order to maneuver an organization or a project with a minimum of conflict. RBV analysis is particularly useful in combining bundles of tangible and intangible assets; firms can gain a sustained competitive advantage.

### **Competency-based Theory**

Competency-based theory expresses competencies as behavioural skills of individuals with technical knowledge that acts as indicators of success in an organization. Competence-based Strategic Management is a way of thinking about how companies gain high performance for a substantial period of time. Competence-based strategic management theory explicates how firms can develop sustainable competitive advantage in a structural and systematic way (Borade, 2008). This theory defines competence as the ability to sustain the synchronized deployment of resources in ways and means that assist a company attain its goals (creating and distributing value to customers and stakeholders).

A competency is a causal characteristic of an organization or individual that is fundamentally linked to a criterion-referenced effective and/or superior performance in a job setting (Ogolla, 2005). Nurturing a competent organizational work force can take years to be achieved. Performance management systems are characteristically founded on personal competencies that differentiate high from average performance for successful managers. These personal competencies emanate from core competencies and values of the company (Porter, 2008).

The theory focuses on the human capital and their competences as a strategic agility enabler in a company.

### **Dynamic Capability Theory**

Dynamic capabilities theory examines how firms integrate, build, and reconfigure their internal and external firm-specific competencies into new competencies that match their turbulent environment (Teece, Pisano & Shuen, 1997). The theory assumes that firms with greater dynamic capabilities will outperform firms with smaller dynamic capabilities. The aim of the theory is to understand how firms use dynamic capabilities to create and sustain a operational performance over other firms by responding to and creating environmental changes.

The concept of dynamic capabilities arose from a key shortcoming of the resource-based view of the firm. The theory suggests organization acquire capabilities by which its idiosyncratic resources can be manipulated to match with changing market environment (Buhner, Konig, Pick & Krumm, 2010). Dynamic capabilities help firm's sense opportunities and then seize them by successfully reallocating resources, often by adjusting existing competencies or developing new ones. This theory points into the need for a dynamic organization structure and a discontinuous innovation capability for the implementation of strategic agility.

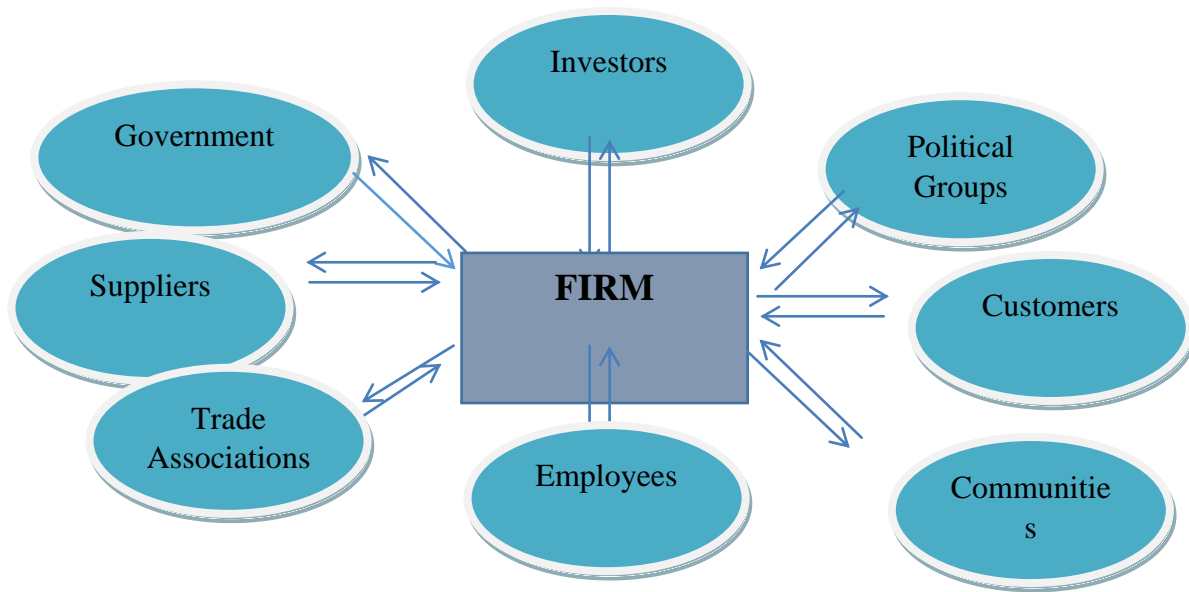
### **Stakeholder Theory**

Stakeholder theory is primarily a management instrument. The attributes power, urgency and legitimacy of claims define an organization's stakeholders. Power and urgency must be attended to if managers are to serve the legal and moral interests of legitimate stakeholders (Mitchell et al, 2008). Stakeholder theory thus contains methods for identifying and managing stakeholders. In addition, a substantial amount of work has been done on identifying the relative influence of different stakeholders (Mitchell et al, 2010). In order to be able to identify stakeholders, it is important to have a clear notion of what a stakeholder is. Freeman's (1984) definition of stakeholders is still frequently cited and does provide a general understanding of the concept.

Management of any firm considers each stakeholder group in any of the three different ways, namely; normative, instrumental, and descriptive. The normative viewpoint proposes that the firm considers the interests of the entire stakeholder group equally and not only of the customers or stockholders. As per this viewpoint, a firm must lay the framework of a comprehensive CSR initiative in a way that appeals uniformly to the entire stakeholder group. The instrumental viewpoint favors a firm's focus on improving economic performance arguing that the economic success is the key objective for companies. To achieve this it is suggested that firm must lay emphasis on only those CSR attributes that directly improve the economic performance. In contrast, McCann et al (2009) argued that within the stakeholder theory there is no difference between the social and the economic goals of a firm. In reference to studies of Hillman and Joppe (2009) and Mitchell et al. (2008), it is quite clear that the stakeholder perspective is the core conceptual approach within business and society.



The theory looks at the need of various stakeholders including the employees for the operational processes effectiveness needed for implementation of strategic agility.



**Figure 1: The view of The Firm According to the Stakeholder Theory**

*Source:* Freeman, Rusconi and Dorigatti (2010)

## **EMPIRICAL STUDIES**

For achieving desired performance outcome, an enterprise should be able to measure and identify factors which are the key for becoming flexible in that particular field of business. The objective of an agile enterprise is the satisfaction of its customers and employees and through acquiring the necessary skills a company can appropriately respond to changes in the economic environment. Agility enablers promote organizational performance (McCann, Selsky & Lee, 2009). In linking variables, companies might trade agility in one component for another based on strategic thinking.

In a competitive market, multiple capabilities might be required. Companies need to be ready to handle changing variables in the market. Such readiness is considered a strategic asset in enhancing a company performance. Nour and Mahboobeh (2010) examined the analytical approach to effective factors on organizational agility. The researchers have classified these factors under three sections including drivers, capabilities and enablers of the agility. The study found that the drivers, capabilities and enablers of organizational agility enhance organizational performance in the four BSC perspectives.

Mason (2010) found that there can be a relationship between operational agility enablers and internal overall performance in dynamic and uncertain environmental conditions. Also, he found that there can be a relationship between operational agility and market related overall performance in same conditions. In the other words, the agility drivers are the changes which happen in an environment and stimulate a firm to revise the current strategy, admit the need to become agile and consider the agility as a method of attaining the desired outcomes, survival and progress.

Yusuf *et al* (2009) have identified five drivers for organizational agility as following: Automation and price/cost consideration; widening customer choice and expectation; competing priorities; integration and pro-activity; achieving manufacturing requirements in synergy. They concluded that all these enablers affect the performance of an institution in various ways but most importantly by enhancing customer satisfaction and financial achievement through increased productivity.

Sudon, Abareshi and Pittayachawan (2015) did a study on agility enablers, capabilities and performance of Thai automotive part industry. The key components of agility are identified and are used to perform both exploratory and confirmatory factor analysis in order to provide a research-ready instrument. The results revealed four distinctive manufacturing practices including Integrated Product Development (IPD), Modularised Manufacturing (MM), Supply Chain Coordination (SCC) and Information Technology Integration (ITI) as the key enablers of agile capabilities which enhanced the performance of the industry. These manufacturing practices supported the development of agile capabilities in the areas of Responsiveness (RES), Flexible Product (FLP), Innovation Competency (INC), and Speed in Delivery (SD).

## **RESEARCH METHODOLOGY**

### **Research Design**

The study adopted a descriptive research design aimed at evaluate the effects of strategic agility enablers on performance of insurance brokerage firms in Kenya. The design is concerned with determining the frequency with which something occurs or the relationship between variables (Bryman & Bell, 2011). Thus, this approach was suitable for this study, since the study intended to collect comprehensive information through descriptions which would be helpful for identifying variables.

### **Target Populations and Sampling Frame and Technique**

The target population for this study was 711 senior and middle level management staff of the 192 insurance brokerage firms in Kenya. A sample population of 249 was arrived at by calculating the target population of 711 with a 95% confidence level and an error of 0.05 using the below formula taken from Kothari (2014).

$$n = \frac{z^2 \cdot N \cdot \sigma_p^2}{(N - 1)e^2 + z^2 \sigma_p^2}$$

Where:  $n$  = Size of the sample,

$N$  = Size of the population and given as 711,

$e$  = Acceptable error and given as 0.05,

$\sigma_p$  = The standard deviation of the population and given as 0.5 where not known,

$Z$  = Standard variate at a confidence level given as 1.96 at 95% confidence level.

Stratified proportionate random sampling technique was used because it is unbiased enabling grouping heterogeneous population into homogenous subsets then making a selection within the individual subset to ensure representativeness (Kothari, 2004).

### **Research Instrument**

Primary data was obtained using self-administered questionnaires made up of both open ended and closed ended questions covering issues associated to insurance brokerage firms' performance. This was in order to encourage the respondent to give an in-depth and felt response without feeling held back in illuminating of any information and the closed ended questions allow respondent to respond from limited options that had been stated

### **Validity**

The purpose of the pilot testing was to establish the validity and reliability of the research instrumentation and to enhance face validity (Joppe, 2009), which was conducted using the questionnaire to 20 management staff of the insurance brokerage firms done through random sampling. According to Golafshani (2003), validity is the accuracy and meaningfulness of inferences, based on the research results. Both face and content validity were used to ascertain the validity of the questionnaires. Content validity is concerned with sample-population representativeness.

### **Data Collection Procedure**

The researcher obtained an introduction letter from the university which was used in order to be allowed to collect the necessary data from the respondents. The drop and pick method was preferred for questionnaire administration so as to give respondents enough time to give well thought out responses. Research assistants were trained on interviewing skills including developing rapport, convincing respondents to provide relevant data and seeking clarifications whenever necessary.

### **Data Analysis**

Data was analyzed using Statistical Package for Social Sciences (SPSS Version 21.0). All the questionnaires received were referenced and items in the questionnaire were coded to facilitate data entry. Descriptive statistics were used because they enable the researcher to meaningfully describe distribution of scores or measurements using few indices (Mugenda & Mugenda, 2003). The qualitative data from the open-ended questions was analyzed using conceptual content analysis. Inferential data analysis was done using regression analysis (multiple regression analysis). Multiple regression attempts are done to determine whether a group of variables together predict a given dependent variable (Babbie, 2010), where the model generally assumed the following equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where:

Y= insurance brokerage firms performance,

$\beta_0$ =constant,  $\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  = Beta coefficients

X<sub>1</sub>= organization structure and policies, X<sub>2</sub>= discontinuous innovation, X<sub>3</sub>= human capital X<sub>4</sub>= information technology integration and advancement, X<sub>5</sub>= operational processes effectiveness  $\epsilon$  = Error term

In testing the significance of the model, the coefficient of determination (R<sup>2</sup>) was used to measure the extent to which the variation in insurance brokerage firms' performance was explained by the variations in strategic agility enablers. F-statistic was also computed at 95% confidence level to test whether there is any significant relationship between strategic agility enablers and insurance brokerage firms' performance.

## **RESEARCH RESULTS**

### **Reliability Analysis**

Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct. Gliem and Gliem (2003) established the Alpha value threshold at 0.7, thus forming the study's benchmark. Cronbach Alpha was established for every objective which formed a scale. This illustrates that all the five scales were reliable as their reliability values exceeded the prescribed threshold of 0.7. This therefore depicts that the research instrument was reliable and therefore required no amendments.

**Table 1: Reliability Analysis**

	Cronbach's Alpha
Organizational Structure	.829
Discontinuous Innovation	.733
Human Capital	.751
Information Technology Integration	.748
Operational Processes Effectiveness	.744

### **Regression Analysis**

In statistical modelling, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modelling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables (or 'predictors').

**Table 2: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.953 <sup>a</sup>	.909	.907	4.01122

Table above is a model fit which establish how fit the model equation fits the data. The adjusted R<sup>2</sup> was used to establish the predictive power of the study model and it was found to be 0.907 implying that 90.7% of the variations in performance of insurance brokerage firms is explained by changes in organization structure, human capital, discontinuous innovation, information technology integration and advancement as well as operational processes effectiveness leaving 9.3% percent unexplained.

**Table 3: ANOVA results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29770.101	5	5954.020	370.047	.000 <sup>b</sup>
	Residual	2976.632	185	16.090		
	Total	32746.733	190			

The probability value of 0.000 indicates that the regression relationship was highly significant in predicting how the organization structure, human capital, discontinuous innovation, information technology integration and advancement as well as operational processes effectiveness affected performance of insurance brokerage firms in Kenya. The F calculated at 5 percent level of significance was 370.047. Since F calculated is greater than the F critical (value = 2.2141), this shows that the overall model was significant.

**Table 4: Coefficients of Determination**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-13.164	3.336		-3.946	.000
	Organization Structure	.875	.114	.412	7.711	.000
	Discontinuous Innovation	-.378	.166	-.063	-2.271	.024
	Human Capital	.376	.164	.086	2.297	.023
	Information Technology Integration and Advancement	1.377	.131	.457	10.512	.000
	Operational Processes Effectiveness	.364	.117	.108	3.099	.002

The influence of correlated variables on performance in a decreasing order of importance are information technology integration and advancement ( $\beta = 1.377$ ;  $P = .000$ ); organization structure ( $\beta = .875$ ;  $P = .000$ ); human capital ( $\beta = .376$ ;  $P = .023$ ); and operational processes effectiveness ( $\beta = .364$ ;  $P = .002$ ) which had a positive influence on performance while discontinuous innovation ( $\beta = -.378$ ;  $P = .024$ ) had a negative influence on performance. Overall, information technology integration and advancement had the greatest effect on the performance of insurance brokerage firms, followed by organization structure, then discontinuous innovation, and then human capital while operational processes effectiveness had the least effect to the performance of insurance brokerage firms. All the study variables were significant ( $p < 0.05$ ).

## DISCUSSION OF THE KEY FINDINGS

### Organizational Structure and Policies

The study found that the most popular organizational structure amongst the management employees was line and staff. Eisenhardt and Martin (2010) emphasized that regardless of which organization structure used, it is an important concept for enabling flexibility and agility in organizations.

Further, the study revealed that organizational structure affects performance at insurance brokerage firms to a great extent. Additionally, the study revealed that functional

coordination and business units affect performance of insurance brokerage firms to a great extent. In line with this, Doz and Kosonen (2008) notes that structure of an organization limits its agility in most large enterprises and corporations. A new strategy requires often major rearranging and causes a lot of upheaval for the company.

Further, the study established that hierarchical arrangement of lines of authority, organizational flexibility and number of hierarchical levels affect performance of insurance brokerage firms to a moderate extent. In agreement with this, Rowe (2011) added that flat organization structure can bring similar benefits and when people can be flexible in their work they can also better adapt to sudden changes. However, it was found that coordination between departments affects performance of insurance brokerage firms to a little extent. This concur with Harrison (2012) posited that organizational structure that promotes individualistic behaviors where locations, divisions and functions are rewarded for hoarding information inhabits effective knowledge management within the organization.

### **Discontinuous Innovation**

The study found that exploration of new paradigms, pursuit of new strategies and exploration of new knowledge all affects performance of insurance brokerage to a great extent. Further, it was revealed that experimentation with new ideas and product development as well as new business models affect performance of insurance brokerage firms to a great extent. In line with this, Dess (2011) found that companies which through creativity and innovation can create market opportunities represent the second level of agility.

### **Human Capital**

The study found that human resource personnel affect the performance of insurance brokerage firms to a great extent. This correlates with Choo and Bontis (2010) who explained that human capital is an organization's combined human capability for solving business problems and exploiting its Intellectual Property. Additionally, it was found that skills and attitude, staff experience, employee competences, cooperation with suppliers as well as customers as components of human capital affect performance of insurance brokerage firms to a great extent. In addition, teamwork and employee's behaviours were also found to affect performance of insurance brokerage firms to a great extent. Buhner, Konig, Pick and Krumm (2010) agree with these results noting that the most valuable employees are those characterized by a very high degree of creativity and innovation. What is needed, therefore, is a culture conducive to learning collaborative forms of work and knowledge management. Agile human resources need to include teaching, teamwork, incentives and organic remuneration systems.

### **IT Integration and Advancement**

The study established that I.T. integration and advancement affects the performance at their organization to a little extent. This concur with Buhner, Konig, Pick and Krumm (2010) who stated that increasingly, the adoption of IT is essential to allow manufacturers to quickly and economically adapt the IT application to support changes in manufacturing processes. Additionally, aspects of I.T. integration and advancement such as customer and supplier



information integration, accessible and continuously modified databases, and business intelligence technology were found to affect performance of insurance brokerage firms to a great extent. Further, other aspects such as having a digitized process and formation of non-hierarchical business network affect performance of insurance brokerage firms to a great extent. However, formal systems meant to develop best practices were found to affect performance of insurance brokerage firms to a moderate extent. Agile technologies need to include advanced technologies as Buhner, Konig, Pick and Krumm (2010) agree.

### **Operational Processes Effectiveness**

The study established that the effect of operational processes effectiveness as an enabler of strategic agility on the performance of insurance brokerage firms is great. Further, the study found that transformed R&D process, supply chain coordination and employee trust and autonomy in decision making affect the performance of insurance brokerage firms to a great extent. Additionally, the study established that flexible and temporary alliance formation to obtain synergy resources, service-oriented processes which react to the dynamics of operating environments and commitment to quality (TQM) also affect the performance of insurance brokerage firms to a great extent. Corporate governance was also found to affect performance of insurance brokerage firms to a great extent. For the world's most innovative and best performing companies, innovation is not only about products, but also about processes according to Dess, (2011). He adds that processes are at the heart of the actualization of strategy.

### **CONCLUSIONS**

The study deduced that the most popular organizational structure amongst the management employees was line and staff. This is in addition the information that organizational structure affects greatly the performance at insurance brokerage firms. Aspects of organisation structure that led to this conclusion were functional coordination and business units which were found to affect performance of insurance brokerage firms greatly as well.

The study inferred that exploration of new paradigms, pursuit of new strategies and exploration of new knowledge as aspects of discontinuous innovation all affect performance of insurance brokerage. Experimentation with new ideas and product development as well as new business models were also found to have a strong influence on performance. This led the study to conclude that discontinuous innovation, as shown by its aspects, has significant influence over performance of insurance brokerage firms.

The study deduced that skills and attitude, staff experience, employee competences, cooperation with suppliers as well as customers being components of human capital possess significant influence over performance of insurance brokerage firms. Teamwork and employee's behaviours were also found to have significant influence. In this line, the study concludes that human capital itself has significant influence over performance of insurance brokerage firms.

Aspects of I.T. integration and advancement such as customer and supplier information integration, accessible and continuously modified databases, and business intelligence

technology were found have significant effect on the performance of insurance brokerage firms. As well, other aspects such as having a digitized process and formation of non-hierarchical business network were established to affect performance of insurance brokerage firms. However, I.T. integration and advancement independently was found to affect the performance of insurance brokerage firms to a little extent. Therefore, this study concludes that I.T. integration and advancement has little significance on the performance of insurance brokerage firms because aspects of I.T. integration and advancement were not considered as the independent variable despite their high significance.

Moreover, the study established that transformed R&D process, supply chain coordination and employee trust and autonomy in decision making had significant effect on the performance of insurance brokerage firms. Further, flexible and temporary alliance formation to obtain synergy resources, service-oriented processes which react to the dynamics of operating environments and commitment to quality (TQM) were found to have significant influence over the performance of insurance brokerage firms. Corporate governance was also another factor found to have similar significance in predicting performance of insurance brokerage firms. Therefore, this study concludes that operational processes effectiveness as an enabler of strategic agility has significant influence on the performance of insurance brokerage firms.

## **RECOMMENDATIONS**

Having deduced that the most popular organizational structure amongst the management employees was line and staff, the study recommends that this structure be applied in all firms. This is because the study established that aspects of organizational structure studied affected performance. Therefore, applying this structure to all firms would result in uniformity of management structures in the industry.

Teamwork and employee's behaviours were also found to have significant influence on performance. Being aspects of human capital, the study recommends that insurance brokerage firms adopt proper teamwork values and encourage teamwork collaboration with other firms to enhance industry cohesion. This is bound to bring in exchange of ideas within the industry resulting in better performances on an industry level.

The study established that accessible and continuously modified databases have significant effect on the performance of insurance brokerage firms. The literature in this study found that accessible and continuously modified databases are costly to implement the reason why most insurance brokerage firms had not instituted them. This study calls to the government agencies regulating the insurance industry to take the initiative of subsidizing costs of accessible and continuously modified databases so that more firms in the industry can now implement them. This will result in better performances and better economic performances contributed by the entire insurance industry.

Commitment to quality (TQM) was found to have significant influence over the performance of insurance brokerage firms. This means that firms need to institute TQM in all their operations to ensure that their performances are high. In this regard, the study recommends

that further training be offered to managers of these firms to ensure that their skill set is in line with the latest capabilities of managing TQM it to improve quality and performance.

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