

**STRATEGIC DRIFT AND ITS EFFECT ON THE PERFORMANCE OF INSURANCE
COMPANIES IN NAIROBI CITY COUNTY, KENYA**

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D53/CTY/30860/2015

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE
DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (STRATEGIC
MANAGEMENT OPTION), KENYATTA UNIVERSITY**

NOVEMBER, 2018

DECLARATION

This research project is my original work and to the best of my knowledge has not been presented for a degree in any other University.

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This research project has been submitted for examination with my approval as the university supervisor.

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ACKNOWLEDGEMENT

I wish to acknowledge Kenyatta University and the department of Business Administration in the school of Business for the opportunity to undertake this study. I also acknowledge the inspirational assistance of Dr. Philip Wambua, my supervisor whose contribution has been immense for the success of this project. Thankful to my fellow course mates, close friends and family members for their encouragement and support.

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LIST OF ABBREVIATIONS AND ACRONYMS

AIBK-	Kenya Insurance Brokers of Kenya
AKI-	Association of Kenya Insurers
ANOVA-	Analysis of Variance
APT-	Arbitrage Pricing Theory
CFA-	Confirmatory factor analysis
GDP-	Gross Domestic Product
ICT-	Information and Communications Technology
IRA-	Insurance Regulatory Authority
NACOSTI-	National Commission for Science, Technology and Innovation
SEM-	Structural Equation Modelling
SPSS-	Statistical Software for Social Sciences

OPERATIONAL DEFINITION OF TERMS

- Innovation-** the procedure of the adopting the internally or externally produced policies, schemes, strategies, platforms, processes, outcomes or services that are latest to the adopting firm
- Leadership-** twofold focused management method that works regarding what is paramount for persons and what is paramount for a group as a whole concurrently
- Organization Culture-** the shared morals, dogmas and ideologies of members of an organization
- Performance-** definite output or outcomes of an organization as calculated against its envisioned outputs (aims and intentions)
- Strategy -** sum of the proceedings an organization wishes to seize in the achievement of long-term objectives
- Strategic drift –** A steady worsening of competitive actions resulting in the flopping of a firm in the acknowledgement and response to variations in the business setting.
- Strategic Planning –** A systematic process of envisioning a desired future and translating this vision into broadly defined goals or objectives and a sequence of steps to achieve them

ABSTRACT

Organizations functions in an external setting which is continually altering and mostly characterized by instability linked to globalization, changes in customers and investors demands, increased competition and markets deregulation. This study determined strategic drift and its effect on the performance of insurance companies in Nairobi, County. The study's specific objectives were to establish how organizational culture, leadership, strategic planning and finally innovation affect the performance of insurance companies in Kenya. The study embraced both descriptive survey and explanatory research designs and census was used to get the 49 registered insurance companies carrying out business in Nairobi County. A sample size of 49 respondents was purposively sampled where only general managers in the insurance companies were interviewed. Data was collected using questionnaires. This study used construct, face and content validity and a Cronbach's Alpha of 0.7 was satisfactory for the assessment of the questionnaire's reliability. Data was analyzed using excel and SPSS software where both descriptive and inferential statistics were conducted. Results indicated that the mission of the insurance company has been communicated to the employees clearly had the highest mean with having a centralized decision making in all matters concerning the company key in the leadership of insurance companies. Results further indicated that innovative products have the ability of attract diverse consumers with varied needs obtained a high mean followed by innovative insurance products have high success chances regardless of the insurance firm that launches the product. Additionally, during formulation of strategic plans in the company, views of all staff are considered had the highest mean among the strategic planning indicators evaluated. Findings also showed a statistically significant negative relationship between organization culture and organization performance, a statistically insignificant negative relationship between leadership and organization performance. Additionally, there was an insignificant positive relationship between both innovation and strategic planning and organization performance. ANOVA results which assessed the overall significance of the regression model indicated that it was significant. The study concluded that organizational culture is a key strategic drift indicator that affects performance of insurance companies as it was found to significantly affect organization performance. The management of insurance companies should therefore consider organizational culture for their companies to improve customer satisfaction and profitability and increase their market share.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizational performance is a detailed analysis of its performance against its targets and purposes (Kanogo, 2013). It focuses on the financial performance, market performance and shareholder value of the organization. Devinney et al., (2008) suggested that organizational performance is inclusive of financial performance that is profits, return on assets and return on investments, market performance including sales and market share and shareholder return. Some organizations measure performance based on how effective they use their resources to make profit (Mutuku et al., 2013).

Organizations functions in an exterior setting which is continually altering and mostly characterized by instability linked to globalization, changes in customers and investors demands, increased competition and markets deregulation (Drucker, 2011). The frequent variations brings about uncertainties in the business setting which makes business managers unable to adjust due to incapability to effectively identify new opportunities, detection and interpretation of problem areas and issues and implementation of strategic responses. Teece et al. (2007) argued that integration, building and reconfiguration of organization's resources and competencies is enabled by the dynamic capabilities and therefore, avoid strategic drift by maintaining performance in the face of altering business settings. There is need for organizations to react to these alterations by continually scanning the business setting and adopting strategies which position them as feasible in the market enhancing their performance (Fahey & King, 2010). Further, adoption of strategic approach to deal with the alterations will help them to thrive amidst the changes.

Organizations' remaining very competitive over a period of time as the business setting alters, learning adaptation strategies and reorienting themselves is very critical in avoidance of strategic drift (Auster & Choo, 2004). There is need of having cautious and harmonized inclination leading to a steady systematic readjustment amid organization's business setting and strategic positioning resulting in improved performance, efficiency and effectiveness so as to achieve the long term growth and improve their performance (O'Regan et al., 2012). Understanding the constraints, opportunities and menaces provided by the external setting is vital for the firms to profit from opportunities and avoidance of the menaces by applying appropriate response strategies as well as avoid strategic drift that will hinder their performance, survival and competitiveness (Xu et al., 2003).

Generally, in developed economies, the contribution of the insurance business is significant to the Gross Domestic Product (GDP). Insurance business is the mainstay of the risk management system of any country as it safeguards financial security, aids in the intermediation chain of finances and poses an organized basis for long term capital for infrastructural projects in Nigeria (Augustine & Nwanneka, 2011).

1.1.1 Organization Performance

Performance is an extent of achievement attained by organizations, individuals or teams (Mathur, 2004). Richard & Stevenson (2009) contended that the performance of organization entails three key areas of outcome of the organization. These are performance in the finances, performance in the product market and returns on the shareholder. Kaplan and Norton (1996b) argued non-financial performance measures like share in the market, response speed and quality of product, paying attention to measures that are externally focused like satisfaction of the customer and preference of the brand and taking into account measures that are forward-looking like

satisfaction of the employee, retention and plans on succession must be kept on track by business enterprises.

Measurement of performance is the foundation of establishing the strategy and future accomplishments since it categorically brings the vision and the strategic targets of a company to all the members of an organization and performs a function making effective internal business processes possible (Chang & Chuang, 2009). The resultant assumption is that organizational performance is a concept with many elements intercepting into the finances, operations and domains allied to the customer (Karanja et al., 2014). Practically, organizational performance is considered as the comparison of the value created by a firm, measured through efficacy, effectiveness and significance of performance of the organization, with the value the owners expect to receive from the firm (Fahey & King, 2010). The firm's performance can therefore be reflected by indicators like product sustainability, reliability, quality, productivity, profitability, cost management and market share among others (Mathur, 2004).

Each organization has a distinctive set of situations, making measurement of performance essentially situational. Outcomes of performance result from success or the position in the market attained (Constable & McCormick, 2009). Market share, profitability and customer satisfaction are the performance measurement indicators for this study.

1.1.2 Strategic Drift

Strategic drift is the misfit between organization's strategy variations and its environmental changes. Johnson et al., (2005) further argued that strategic drift concept is the gradual failure of the strategies that are in existence to address the company's competitive position. There is a tendency for development of strategies incrementally based on the history and the culture but fails to maintain the pace with the changing business setting.

According to Sammut-Bonnici (2014), strategic drift is the steady decline of competitive action resulting in an organization failure in acknowledging and responding to alterations in the business setting. It describes a gist of intellectual inactivity in the organization's ability in meeting the objectives originally put in place. The signs of strategic drift are a similar viewpoint at the management and panel levels, protection of the ranks, absence of emphasis on the exterior business setting and performance failure.

According to Dwyer & Edwards (2009), strategic drift is a strategic management concept which refers to an organization's response when going through a changing business setting. When developing strategies that may bring changes in an organization, different unexpected challenges and situations may arise. Alterations on what consumers expect and need, structure of the market and competition, macro-environment and internal strategies change are sets of causes to address strategic drift (Danciu, 2010). Strategic drift distracts the management, causes a loss of momentum, wastes time, money and valuable resources. Grant (2008) argues that it therefore increases the total operating cost which hinders achievement of competitive advantage by organizations.

Danciu (2010) suggests that organizations should ensure that they avoid unnecessary strategic drifts using the following ways. They should develop a flexible environment within the organization to enable effective participation in the decision making process by those in lower ranks. Managers need to have the willingness to listen to the sentiments of their subordinates by welcoming and encouraging feedback. A clear identification of the nature of new challenges and their prioritization according to their significance should be done by the managers. Further, a far-reaching, well-focused and a set of strategies that are clearly stated must be planned by organizations.

Strategic drift occurs when there is a failure of the strategies to maintain pace with the changing environment. Also, due to uncertainty of change hence a tendency to stick to the familiar. Strategic drift can also be due to core rigidities whereby competencies that are taken for granted and deeply embedded in procedures are hard to alter even when their suitability is no longer there. Strategic drift is therefore characterized by highly homogeneous organizational culture and paradigm and where questioning is discouraged, there are significant blockages of power to change such as dominating leaders who are resistant and there is less focus on the organization's external business setting (Mark & Spencer, 2008).

1.1.3 Insurance Industry in Kenya

According to Insurance Regulatory Authority, 49 insurance companies are registered in Kenya. 23 companies of which are life insurance companies with 26 being purely non-life insurance companies while 37 are general insurance companies (IRA, 2014). There are 16 companies which involve themselves in general insurance business while 7 are pure life insurance companies. The body that does supervision and regulation of the players in the insurance industry is the IRA.

The industry has been faced with many challenges among which include structural weaknesses, clients and employees fraud, claims that are high, claim settlement delays, premium collection delays, collapsing of some firms due to lack of liquidity, low growth in the economy, weak governance and saturation in the industry. Competition in the insurance industry is currently high, with 49 insurers as at close of 2014 fighting for business that only constituted 2.93% of market. Until recently, the insurance industry in Kenya functioned in a steady environment. The products offered were standardized and competition was relatively low (Gitau, 2013). However, with the increase in the number of players in the industry, from 15 in 1978 to 39 in 2001 to 49 as

at end of 2014, pressure has been exerted on insurers to articulate effective strategies facilitating proactive reaction to these alterations in the competitive business setting and most specifically avoidance of strategic drift (Kiragu, 2016).

1.2 Statement of the Problem

The business setting in Kenya is dynamic, turbulent and unpredictable. The success of any business in such a setting is dependent on its capability to respond to environmental variations. In the recent past, the insurance industry in Kenya has undergone a sequence of variations through reforms in finances, advancements in ICT, financial services globalization and development in the economy (AKI Report, 2014). These alterations have had a significant effect on efficacy, productivity and structure of the market and giving rise to a business setting that is highly competitive affecting the insurers' performance (Gitau, 2013). Further, there has been competition in the various services offered by the insurance companies affecting their market share subsequently profitability.

Several studies have been conducted in the Kenya's insurance industry. Mudaki et al., (2012) determined the impacts of operative factors on organizational performance in Kenyan insurance business, Opanga (2013) investigated corporate governance and financial performance relationship in insurance companies in Kenya, Boromo (2015) did a study on the financial performance determinants for life insurance firms in Kenya, Kibicho (2015) assessed the strategy implementation determinants in the insurance business in Kenya, Kiragu (2016) studied the effect of innovation on insurance companies' performance in Kenya while Mumo (2017) established the factors affecting non-financial performance of insurance companies in Kenya with an emphasis on the AAR insurance company in Nairobi. Evidently, none of these studies have focused on strategic drift and performance of insurance companies which this study

endeavored to establish. It is in light of this knowledge gap that this research sought to fill by investigating the effect of organizational culture, leadership, strategic planning and innovation on strategic drift.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of the study was to establish the effect of strategic drift on the performance of insurance companies in Nairobi City County, Kenya.

1.3.2 Specific Objectives

- i. To establish how organizational culture affects the performance of insurance companies in Nairobi City County, Kenya.
- ii. To examine the effect of leadership on the performance of insurance companies in Nairobi City County, Kenya.
- iii. To assess how strategic planning affects the performance of insurance companies in Nairobi City County, Kenya.
- iv. To find out how innovation affects the performance of insurance companies in Nairobi City County, Kenya.

1.4 Research Questions

- i. How does organizational culture affect the performance of insurance companies in Nairobi County, Kenya?
- ii. What are the effects of leadership on the performance of insurance companies in Nairobi County, Kenya?
- iii. How does strategic planning affect the performance of insurance companies in Nairobi County, Kenya?

- iv. To what extent does innovation affect the performance of insurance companies in Nairobi County, Kenya?

1.5 Significance of the Study

This study is of significance to the top management of insurance companies to understand better the issues surrounding strategic drift. This study has brought out peculiarity of strategic drift in the Kenyan economy as compared to other world economies. The outcome of this study are significant to the county government and national government as it brings to light the effect of strategic drift on the performance of insurance companies in Nairobi City County Kenya and Kenya as a nation. Policy makers would also use the findings of the study in enhancing efficiency and effectiveness in insurance companies' performance in Nairobi City County. The study findings may awaken the concerns of insurers and scholars to do more research in the developing economies especially in Africa. The researchers will have a basis for further research by adopting a different research methodology or extending the period of analysis. Future studies will also be referred in this report.

1.6 Scope of the Study

The study established strategic drift and its effect on the insurance companies' performance in Nairobi County. The study targeted the 49 insurance companies in Nairobi County, since all insurance companies have their headquarters based in Nairobi. The study used a descriptive survey design to ensure there is least bias in data collection. The study targeted general managers in the insurance companies.

1.7 Limitations of the Study

This study suffered from drawbacks that are inbuilt from relying on self-report data collection method since data collection was done using questionnaires. The study did a pilot study and

ensured that the questions were clear and well understood. The study was limited by the work experience of the respondents which was based on their understanding on the dimension and concepts under study. Targeting general managers of the insurance companies ensured this limitation was eliminated.

1.8 Organization of the Study

This project is organized into five chapters. Chapter one presents the background of the study, statement of the problem, objectives of the study, research hypotheses, significance of the study, scope of the study and the limitations of the study. Chapter two presents literature review which examines the theoretical and empirical literature as well as conceptual framework. Chapter three provides the research methodology capturing research design, target population, sample size and sampling procedures, data sources and collection, validity and reliability, data analysis and presentation are examined. Chapter four indicates the results, interpretation and discussion of the findings while chapter five contains the summary of the findings, conclusion, recommendations and areas for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Determinants of strategic drift and their effects on the insurance companies' performance in Nairobi County, Kenya were assessed in this chapter. Theoretical review and empirical review of literature relating to the topic directed by the specific study objectives was done. Summary and knowledge gap were also identified.

2.2 Theoretical Review

Various theories attempt to elucidate the correlation between strategic drift and insurance companies' performance. This study adopted the Black Swan Theory, Path Dependency Theory and Arbitrage Pricing Theory.

2.2.1 Black Swan Theory

The theory was propagated by Nassim (2008) who stated that the earth is deeply influenced by occasions that are intermittent and unpredictable, of low probability but causing significant effect. Silberzath (2013) denoted that new categories of events are not created by a black swan but simply a known category of events occurs whose probability is normally underestimated. The occurrence of these events is not because their probability is intrinsically unpredictable, but the wrong calculation by the model used or dismissal of the probability of the occurrence of the event if the needful to take them earnestly.

The Black Swan concept is important in the understanding of how mistakes are made in the estimation of the probabilities of varying events which belong to a known world. The mistakes are mostly psychological or methodological biases. According to Davidson (2010), likelihood risks can be enumerated by individual calculating power. He further denoted that such insurance or self-insurance costs accounts for all calculations of entrepreneurial marginal cost. This process of insurance therefore allows tycoons in the making of short run benefits expanding coherent

production and investment decisions even when they are dealing with processes that are risky. There is no provision of a satisfactorily large sample for adequate black swans' appearance in calculation of a probabilistic risk of combating a black swan in this theory.

This black swan theory relates with the leadership of the insurance companies. This can help the management in a great way in making centralized decisions to avoid making decisions that would jeopardize the running of the company in case a mistake is done. Conversely, the management is able to make informed decisions based on the probable risks expected.

2.2.2 Path Dependency Theory

This is a dynamic theory with varying levels and builds on the theoretical descriptions by Brian (1994). The process of path-dependence is categorized into three stages. Stage one is illustrated by a process of searching that is undirected. There are unconstrained choices and decisions are considered as contingent events unexplainable by events or initial conditions that took place before (Mahoney, 2000). This means that all the occurrences are dependent on the decisions made. When decisions are made, vibrant self-reinforcing processes sets in, eventually leading to patterns that are deterministic. The moment where setting of the path dependency into action takes place indicates a significant juncture (Collie & Collier, 1991). These junctures are significant since once a specific choice has been made, it turns out hard to go back to the beginning point where multiple options were available (Mahoney, 2000).

In stage two, alternatives are progressively reduced to a point where agents in the long run have almost no choice to make (Mahoney, 2000). In this stage, there is development of a causal pattern tracking a specific behavioral type that builds on social processes whereby there is a likelihood of reproduction of the pattern over a particular period of time (Kauffman, 1993). The contingent or the random occurrence of a small happening that nevertheless has a substantial and

justifiable effect to develop, diffuse and adapt to a technology or an institution. Incidentally this prompts a process that is self-reinforcing with a likelihood of becoming principally regulated by the procedure of escalating proceeds (Arthur, 1994)

Changing to the third stage is evidenced by a lock-in (Arthur, 1994). One specific technology or institution at this phase is usually adopted makes the new entrants forcefully adopt it too. This specific outcome is as a result of the processes. Valid options are no longer useful. The rational choices are the basis for the classical model of path dependency. Rational decisions are taken by individuals who may not have intentional and rational effects at a collective or system level (Arthur, 1994).

This theory is relevant to the study since identification of deeds and occurrences actually prompting a path-dependent procedure within and across firms earliest possible is increasingly important. Further, it is critical to detect strategic difference indicators at strategic articulation points (Burgelman & Grove, 1996) in the description of one type of dynamics of an industry giving way to another and/or when, on the organization, there is a variation in one strategy into another, regardless of being purposeful or developing. Once identification has taken place, there should not be giving up by the management, but should join in the process of shaping, breaking and creating the path so as to avoid strategic drifts (Ebbinghaus, 2005).

2.2.3 Arbitrage Pricing Theory

This theory was propagated by Stephen (1976). It states that the anticipated investment return can be demonstrated as a direct association of numerous macroeconomic variables or where correlation degree to each variable change is beta coefficient representation. The ROR that is derived by the model is then used to get the correct asset price or value. The value of the asset

should be similar to the expected end of period asset value or future cash flows discounted at the rate indicated by the model. Varying the asset value, arbitrage brings it back to the line.

APT is in agreement that although many varying particular forces can affect the proceeds of an individual stock, the specific consequences tend to annul in large and well differentiated portfolio. This is the diversification dogma and has an effect in the insurance industry. There isn't a way of predicting if a specific person will fall sick or their involvement in a misfortune by an insurance firm but there is a way of perfectly predicting of the losses by the company on a large pool of such risk. Occurrence of natural disasters significantly affects losses on insurance by instantaneously upsetting a lot of claimants.

Estimation of the insurance prices relating to the competitive market is designed by the models. The company's market value is increased by arraigning a price higher than the competitive price and the vice versa. Financial dummies and financial worthiness are therefore significant information items at the disposal of insurers' financial decisions making on tariff calendars and reinsurance terms of contract. Estimations of the risk market prices for the factors that are risky and the beta coefficients for insurance are required by the model. Comparably, there is a possibility of getting insurance models giving a price for the policy of the insurance such as default risk free thus relevant to this study as it was useful in strategic planning in pricing of the insurance policies.

2.2.4 The Resource-Based View

The RBV theory was developed by Barney (1991) and postulates the development of valued, unusual, incomparable and non-substitutable resources as the key to developing a sustainable competitive advantage and superior performance (Barney, 1991). Borrowing from the RBV then, a firms network relations through alliance formation or otherwise, are perceived as sources of

relational rent and competitive advantage. Alliance formation is perceived to offer synergies between firm skills, competencies and capabilities, in terms of resources that can be leveraged to offer competitive advantage. This competitive advantage can be realized in terms of cost leadership, differentiation or focus or a combination of these (Locket & Wild, 2014)

Duysters and Heimeriks (2007) observed that in order to successfully leverage on the synergies offered by its competitive partners, firms require skills, proficiencies and capabilities information of probable partners. The firm's historical level of collaborative experience is seen as key in enabling the firm to identify potential partners that will offer maximum value added relationships. Penrose (2009) indicated that there are undeniable valuable resources at a particular point in an organization, useful for exploiting productive opportunities to allow the firm to grow successfully. Researchers have identified a variety of resources that create an exceptional advantage for a company by sharing them across businesses.

This theory informed the study by providing a framework that enabled an understanding of how insurance companies can develop a strategic choice which will enhance their competitiveness. The RBV informs on how the companies can gain access and control of markets, obtain competitive information and create first mover advantages in the identification of opportunities. It also informs how companies exploit path dependencies developed by their competitors in the realization of economies of scales and receiving assistance in workforce training and development. Finally, the RBV framework informs the analysis on how insurance companies can increase their market power, achieve higher performance, goal setting, reduction of operating costs, value-added exchange experience and results that positively affect their profitability.

2.3 Empirical Review

This section covered existing literature on determinants of strategic drift and their relation to performance of insurance companies. It presented arguments by different studies on organizational culture, leadership, innovation, strategic planning and organization performance.

2.3.1 Organizational Culture and Performance of Insurance Companies

A study was done by Ojo (2008) who investigated the impact of organizational culture on the insurance companies' performance in Nigeria. The study investigated the significance of the relationship between organizational culture and performance and stressed the importance of a robust employee-responsive culture. Collection of data was done using questionnaires and research hypotheses were tested using the chi-square method. Findings showed an organization culture and performance relationship and that an effectual performance results from a strong employee-responsive culture. Further, companies' values and beliefs were incompatible with that of few employees. The study recommended putting in place proper machinery to bring about compatibility which will ensure unity of purpose.

Moradi et al., (2013) looked into the effect of organizational culture on the insurance companies' performance in Iran. A statistical society was analyzed which composed of 15 Iranian private insurance companies' managers and vice presidents. Patterning structural equations was used to test the effect of organizational culture. Findings showed that the culture of an organization affects competitive strategy and performance of an organization directly and indirectly respectively. This study endorsed that culture and strategy fit enhances the competitive advantage of a firm. Further, the organizational culture and performance relationship of an organization can be moderated by strategy fit.

Bashayreh (2014) did a study on culture of an organization and its influence on the performance of an organization whose focus was on the Jordanian insurance sector. The study examined the relationship between the culture of an organization's dimensions and performance of an organization among insurance companies operating in the Jordan market. 240 randomly sampled respondents from the insurance companies partook in the study. Data was collected using survey questionnaires and analysis using descriptive and inferential statistics. Findings showed an insignificant relationship between stability and communication, expectations of an organization, development encouragement, behavioral styles and performance of the organization.

A study was conducted by Omondi (2014) on the impact of culture of an organization on employee performance on their jobs at Pacis Insurance Company Ltd. Self-administered questionnaire was the data collection tool and analysis was done using SPSS. Findings confirmed that alignment of a workforce that is committed with the pursuits, concepts and beliefs of an organization and helping employees participate towards the accomplishment of their purpose in the firm by the supervisors and management characterizes high performing organizations. The conclusion was that an organization with the culture which involves its employees has a tendency of performing well since the decisions made by the organization tend to be owned by the employees.

2.3.2 Leadership and Performance of Insurance Companies

Kasturi (2006) did a study on the performance management in insurance corporations. The study focused on performance management system in insurance corporations, with a foundation on the performance management philosophies in service organizations. There was the identification of the practices of the management and procedures making insurance corporations efficient and competent. Evaluation of the organizational units' performance and the different aspects of

performance management were done. Key performance indicators were suggested and factors of success for performance management in insurance companies.

Adeoye (2014) did a study on the effect of compensation management on the role of leadership of employees in insurance sector in Nigeria. Questionnaires were the data gathering tools. Analysis of data was conducted using SPSS where descriptive statistics and Pearson Product Moment Correlation was done. The study showed a positive relationship amongst the variables with a weak association $r = 0.481$ (48.1%). Additionally, compensation management affects leadership roles of the employee and leadership is a motivation to the employees to perform efficiently.

Hsu (2016) did a study on the relationships among transformational leadership, employees' learning abilities, creativity and job performance in Taiwan insurance companies. Sample size was 209 salespersons from 10 insurance companies in Taiwan and Multifactor Leadership. Data was collected using questionnaire. Findings indicated that transformational leadership was positively related to employees' learning abilities, employees' learning abilities were positively related to their creativity, employee creativity was positively related to their job performance and employees' learning abilities were positively related to their job performance.

2.3.3 Innovation and Performance of Insurance Companies

Mbogoh (2013) determined the effect of financial innovation on monetary performance of Kenyan insurance firms. Primary and secondary data was collected using questionnaires and published information. Descriptive and inferential statistics were conducted to generate descriptive, regression of coefficients as well as to determine the fitness of the model using SPSS. Results indicated that the relationship between new products and financial performance

was insignificant. Further, operation processes and system innovations were statistically significant in explaining return on assets of insurance companies.

Gitau (2013) assessed the strategies adopted by Kenyan insurance companies in the alleviation of low insurance penetration. Data collection and analysis was conducted using questionnaires and SPSS respectively. Findings indicated that the linguistic in the legal documents creating an insight that much is in the concealed print is the key difficulty faced by the insurance companies in their products marketing. Additionally, there is unhealthy competition due to absence of creativity and innovations among insurance companies.

Ombaka (2014) did a study on resources, exterior setting, innovation and performance of insurance firms in Kenya. A 5 point Likert type questionnaire and an interview guide were used in the collection of primary data. Secondary data on financial performance was collected from Association of Kenya Insurers annual report of 2011 and 2012 and analyzed data using SPSS. Results denoted that innovation had a statistically significant intervening impact on the relationship between resources and non-financial performance. There was a insignificant relationship between resources influence of innovation on performance of Kenyan insurance firms. Questionnaires collected primary data and SPSS was used for descriptive and inferential statistics analysis. Findings denoted that both product and process innovation positively and significantly affected performance of an organization. Further, process innovation was the major innovation type in the Kenyan insurance industry. The study suggested that for improvement in performance of insurance companies, there is need for management to put more emphasis on process innovation and using objective and subjective measures, adopting longitudinal research design, multiple informant approach and wider scope of study in the assessment of performance.

2.3.4 Strategic Planning and Performance of Insurance Companies

Irajpour and Zabihi (2015) did an examination on the impacts of strategic planning on private insurance firms' performance in Iran. Data collection was by questionnaires and were analyzed using SPSS. Research results showed that the strategic process where strategic analysis tools are used and strategic issues are focused on affects the financial performance and that there is need for strategic planning and strategies emphasis. Liyai (2014) determined strategy and performance of British American insurance company Kenya limited. Interview Guides collected primary data and secondary data was extracted from existing published and unpublished records such as The AKI and IRA Annual Publications, Articles, related Journals, Electronic data and the company's audited Financial Statements. The data collected was analyzed through the Content Analysis Technique. The results confirm to the findings of other past studies on the relationship between strategies adopted and effectively implemented and organization performance.

Gaitho (2015) conducted a study on the adoption of strategic planning practices that affect performance of UAP insurance company limited in Kenya. Primary source of data was used which was collected through interview guide. Key interviewees of the study included the underwriting manager, business development manager, customer service and the communications manager. Data was analyzed was by content analysis. Findings denoted that there exist strategic planning practices among them competitive pricing to set the premium amounts, controls that ensure high level of performance together with periodic evaluation that ensure UAP Insurance has improved performance.

Muia (2017) studied the influence of competitive strategies on the performance of Kenyan insurance firms. Respondents were purposively sampled. Both descriptive and inferential statistics were conducted using SPSS. A correlation analysis between differentiation strategy and

performance was a strong positive one and the regression coefficients showed a positive and significant association between differentiation strategy and performance of insurance. Additionally, a strong and positive significant relationship was found between focus strategy and insurance performance.

2.4 Summary of Reviewed Literature and Research Gaps

Literature review in this study involved empirical review, theoretical framework and conceptual framework. Empirical review on the study variables was done to aid in the identification of the knowledge gaps. The conclusion that may be drawn from the reviewed literature is that the existing framework for analyzing performance of insurance companies is inadequate and therefore the effect of strategic drift on the performance of insurance companies in Nairobi City County, Kenya would help in explaining further the phenomenon of performance of insurance companies.

Several researchers have identified organizational culture, leadership, innovation and strategic planning as the main missing link in performance of insurance companies. Hence the need to continue with research endeavors, particularly in devolved governments in an attempt to obtain concrete evidence on the effect of strategic drift on performance of insurance companies.

Table 2.1: Summary of Reviewed Literature and Research Gaps

Author and year	Study focus	Research findings	Research gaps	Focus of the current study
Moradi et al., (2013)	Effect of organizational culture on the performance of insurance firms	Organizational culture impacts competitive strategy directly and organizational performance	The study failed to establish whether values and beliefs affects performance of insurance firms	To establish how organizational culture affects the performance of insurance

		indirectly.		companies in Nairobi County, Kenya
Hsu (2016)	Relationships among transformational leadership, employees' learning abilities, creativity and job performance	Transformational leadership was positively related to employees' learning abilities.	The study did not focus on communication as a key aspect in leadership	To examine the effect of leadership on the performance of insurance companies in Nairobi County, Kenya.
Kiragu (2016)	Effect of innovation on performance of insurance firms	No evidence was found for a significant relationship between market innovation and performance.	The study only focused on the effect market innovation	To find out how innovation affects the performance of insurance companies in Nairobi County, Kenya.
Gaitho (2015)	Strategic planning practices adopted by UAP insurance	Existence of strategic planning practices among them	The study used interviews as the only data collection method	To assess how strategic planning affects the performance

	company limited	competitive pricing to set the premium amounts, controls that ensure high level of performance		of insurance companies in Nairobi County, Kenya.
Boadi et al., (2013)	Determinants of profitability of insurance companies	Tangibility had a negative relationship, there was a positive relationship between leverage, liquidity and profitability of insurance firms	The study only collected secondary data on financial reports which is not be the only performance indicator in the insurance companies	To assess the performance of insurance firms

2.5 Conceptual Framework

The conceptual model illustrated how the independent variables of organizational culture, leadership, innovation and strategic planning were operationalized. The model then illustrated how these functions impacted on insurance companies' performance measured in terms of profitability, market share and customer satisfaction.

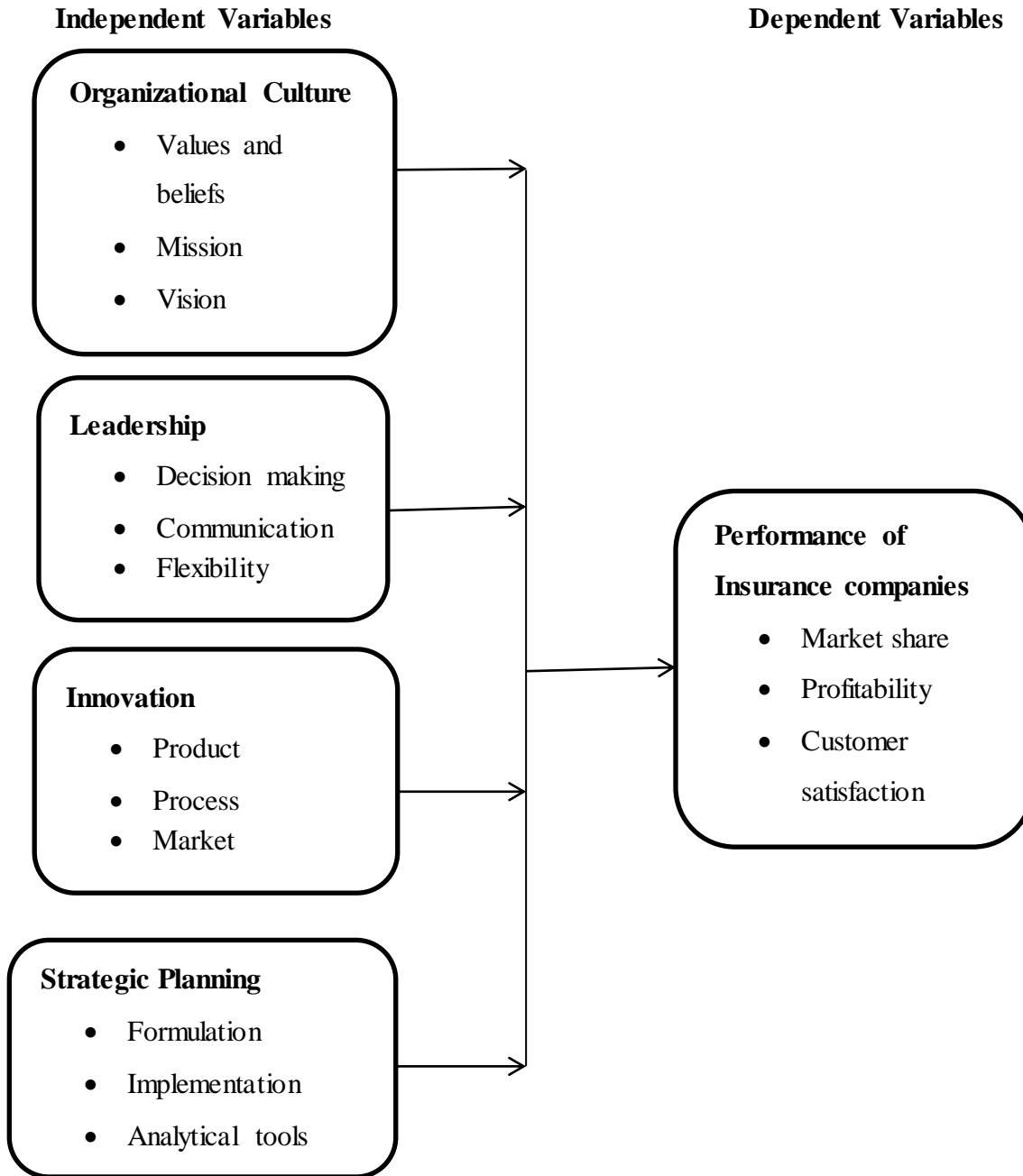


Figure 2.1: Conceptual Framework

Source: Researcher, (2017)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprises of the research design, target population, sampling procedure, sample size, data collection procedures, research instruments, data analysis and presentation and ethical considerations. It indicates the methods used in this study in the collection, analysis, presentation and exploration of the findings.

3.2 Research Design

Descriptive survey and explanatory research design were the research designs used. Descriptive survey design provides an inclusive account of actions, statuses and interfaces between individuals and things as indicated by Cooper and Schindler (2006). According to Kothari (2008), there is minimal biasness during data collection when research survey design is used and therefore the results can be inferred as the true representation of the population. An explanatory design indicates an attempt to connect ideas to understand causation, meaning researchers want to attempt to explain the relationship among the study variables (Saunders, et al., 2007). Explanatory research looks at how variables come together and interact (Babbie, 2007). Saunders, et al., (2007) observes that the explanatory design is best suited for gathering information where the researcher wants to elucidate a cause-effect relationship between independent and dependent variables in a post facto research study. Good explanatory researches effectively answer the 'why' questions in research (Shields & Rangarjan, 2013).

3.3 Target Population

This study's target population constituted all the 49 insurance firms in Kenya that are duly registered, licensed and regulated by the IRA (IRA, 2014) (Appendix III) and classified into three key sub sectors -General business, Life business and in Composite business. The study targeted the general managers since they play a significant role in ensuring competitive

advantage has been built by the companies and they are majorly involved in the daily running of the company.

Table 3.1: Target Population

Number of insurance firms in General			
Categories	the categories	managers	Total
Composite	11	1	11
Life	13	1	13
General			
Business	25	1	25
Total	49	3	49

Source: AKI (2014)

3.4 Sample Size and Sampling Procedure

A census study was conducted and thus all the insurance companies were involved in the study. Since the population involved was not so large, the census was the best preferred method because it gives more accurate results (Mugenda & Mugenda, 2008). Sample size was 49 respondents. General managers of all the insurance companies were sampled purposively.

3.5 Data Sources and Collection

Primary data was sourced through a survey through the use of questionnaires (Appendix II). The questions had a likert scale whereby views on the indicators were given by the respondents on a scale of 1-5. Questionnaires are crucial because they are portable. Further, questionnaires' findings are easily and rapidly computable by the researcher and scientific and objective investigation can be done compared to other forms of research (Mugenda & Mugenda, 2008).

3.6 Validity and Reliability of Research Instrument

3.6.1 Pilot Test

A pilot test was done to assess for constancy and any faults in designing and in the development of the questionnaire before rolling out the main study. The pilot study helped in the identification of crucial information within the data sets. Questions attracting bias and unclear were corrected. The research instruments was pilot tested using a sample size of five (5) respondents who were randomly selected from the insurance companies as indicated by Mugenda and Mugenda (2008) who denoted that 1% to 10% of the actual sample size is successful for a pilot test.

3.6.2 Validity of Research Instrument

Validity infers to the correctness and significance of extrapolations based on the results of a research (Kothari, 2008). This study used face, content and constructs validity. Face validity deals with the subjective assessment of the research measuring instrument. This research depended on instruments that have been developed in other studies related to the current study and the concepts which were derived from suitable literature. Content validity is a measurement of the extent to which the instrument gives satisfactory coverage of the questions which guides the study. Construct validity investigates whether the individual scale items correctly operationalizes the study variables (Cooper & Schindler, 2006).

3.6.3 Reliability of Research Instruments

Reliability refers to the statistical measure of the reproducibility of the data studied. Reliability of the quantitative data was established by the examination of the interior consistency of the study questions. Cronbach Alpha Coefficient (α) value of 0.7 or 70% was used to measure the reliability of the questionnaire. Calculation of a Cronbach's coefficient alpha statistic measured

the internal consistency. A Cronbach's coefficient alpha of 0.896 (89.6%) was gotten which indicated that the questionnaire was reliable.

Table 3.2: Reliability Statistics

Cronbach's Alpha Based on		
Cronbach's Alpha	Standardized Items	N of Items
.896	.901	23

Source: Field (2017)

3.7 Data Analysis and Presentation

Data analysis was conducted using SPSS software version 22. Descriptive (means, percentages, standard deviations and frequencies) and inferential statistics (linear regression) were conducted. Data was presented in form of graphs and tables.

A linear regression model was utilized to indicate the relationship between the study variables.

The general model was as below

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_0$$

Where: Y = Organizational Performance

β_0 = Constant

β_1 = Coefficients

X_1 = Organization culture

X_2 = Leadership

X_3 = Innovation

X_4 = Strategic Planning

ε_0 = Error term

3.8 Ethical Considerations

Prior to embarking on collection of data, an introductory letter was sought from the university introducing the aim of the study to the potential respondents. A research permit was also gotten from the National Council for Science, Technology and Innovation (NACOSTI) in compliance with regulatory requirements.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter shows the response rate, demographic characteristics of the respondents, data analysis and discussion of strategic drift and its effect on the performance of insurance companies in Nairobi County, Kenya. Data analysis was done using SPSS with the guidance of the objectives.

4.2 Response Rate

The study population encompassed forty nine (49) insurance companies where a sample size of 49 general managers from all the insurance companies was purposively selected.

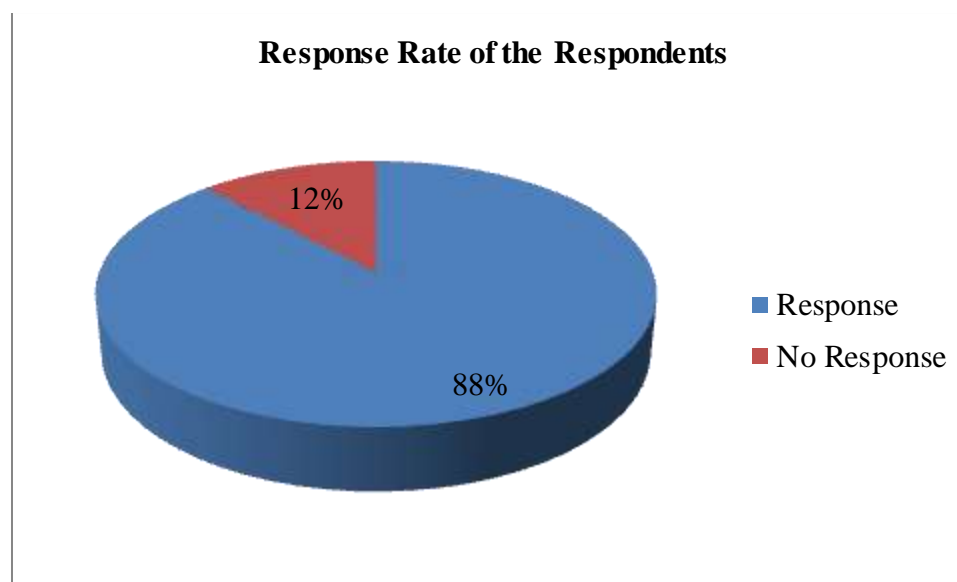


Figure 4.1: Response Rate of the Respondents

Source; Field (2017)

Out the 49 questionnaires given to the respective respondents 43 of them were collected indicating a response rate of 88% (Figure 4.1). According to Mugenda and Mugenda (2008), a response rate of more than 50% is adequate for analysis. Further, Babbie (2007) indicated that

return rates of 50% are acceptable, 60% good and 70% very good for analysis and publishing. The response rate achieved in this study was very good.

4.3 Demographic Characteristics of the Respondents

This sub-sector includes the demographic characteristics evaluated which are the length of time the respondents have been in the insurance company, their highest education level and the type of premiums/ policies the insurance company offers.

4.3.1 Length of Time in the Insurance Company

The researcher sought to establish the length of time the respondents had worked for the insurance company.

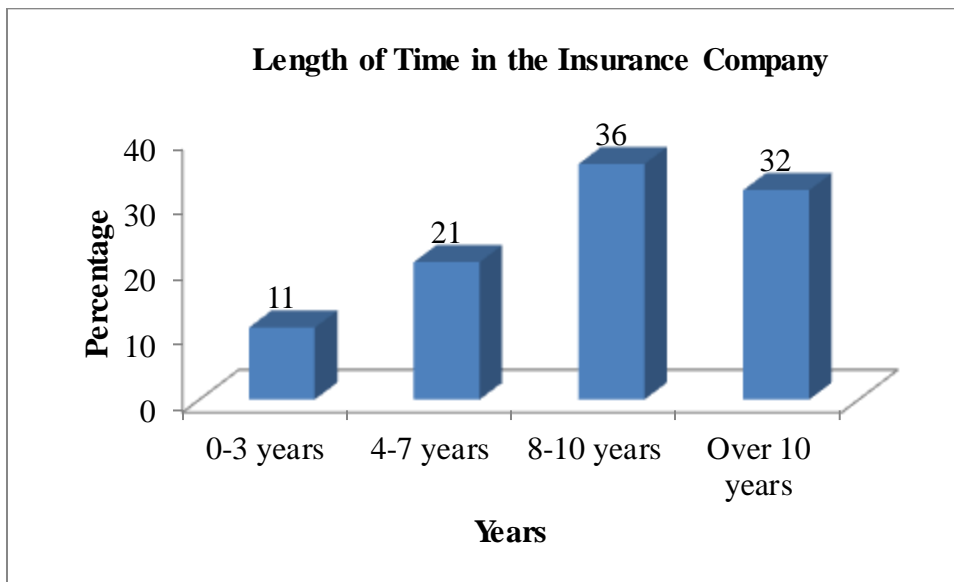


Figure 4.2: Length of Time in the Insurance Company

Source: Field (2017)

From the Figure 4.2 above, 36% of the respondents had worked 8-10 years, 32% for over 10 years, 21% for 4-7 years while 11% had worked for 0-3 years. Having about 68% of the respondents with a working experience of more than 8 years was advantageous to this study since the information given is reliable and at the same time, they have been in the company long

enough to see how the company had survived through the business turbulence and able to avoid strategic drift.

4.3.2 Highest Education Level of the Respondents

The researcher evaluated respondents' highest education level.

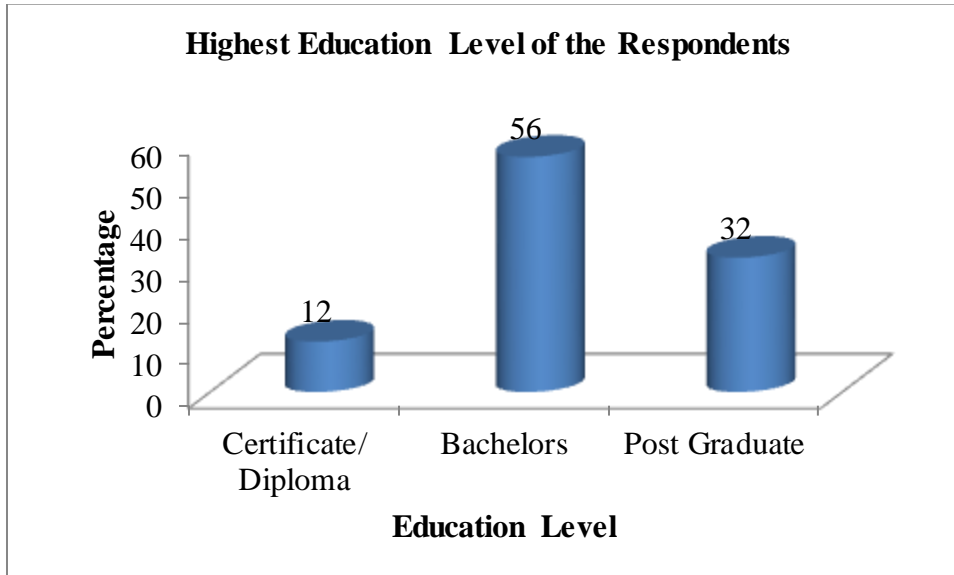


Figure 4.3: Highest Education Level of the Respondents

Source: Field (2017)

From the Figure 4.3 above, bachelors and post graduates were 56% and 32% respectively. Only 12% were certificate/ diploma holders. High education level is associated with the respondents having a clear understanding about the market and the ability to make decisions.

4.3.3 Type of Premiums/ Policies Offered

The researcher sought to establish from the respondents the premiums/ policies their companies mostly majored on.

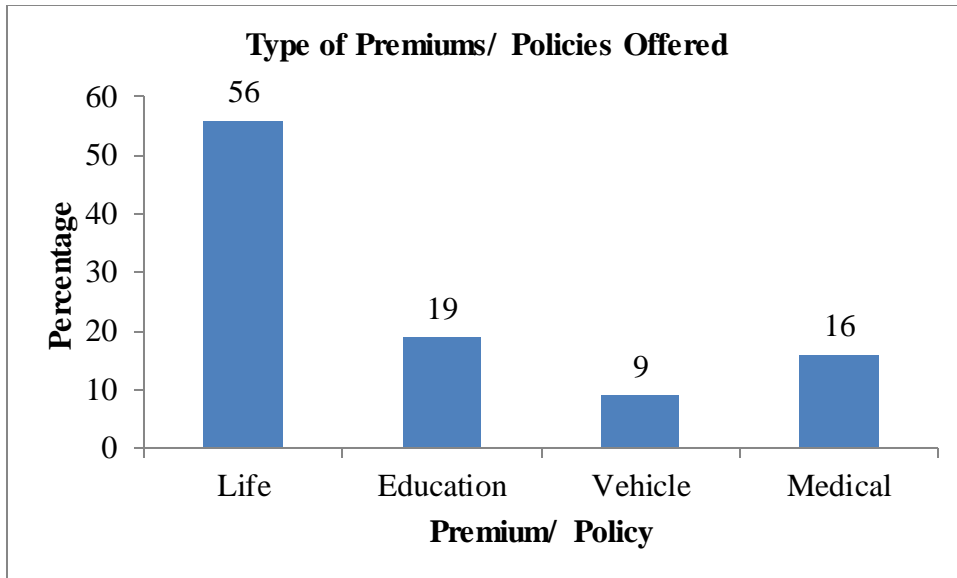


Figure 4.4: Type of Premiums/ Policies Offered

Source: Field (2017)

Results in Figure 4.4 above indicated that most insurance companies offered life premiums with 56%, 19% and 16% offered education and medical premiums respectively while only 9% offered vehicle premiums/ policies. The findings were in contradiction with those of Kiragu (2016) who found out that there was low focus on life insurance as compared to general insurance due to the fact that many Kenyans now prefer alternative investment products in the market that they believe offer higher returns than those offered under life insurance.

4.4 Descriptive statistics

Descriptive statistics provide simple summaries about variables and their measures and forms the basis of virtually every quantitative data analysis. The descriptive statistics of each of the study variables are presented below. In this study, the respondents were to denote their agreement level on different aspects of organization culture, leadership, innovation, strategic planning and organization performance of insurance companies ranging from strongly disagree to strongly agree.

4.4.1 Organization Culture and Performance of Insurance Companies

The researcher asked the respondents whether organization culture important in any insurance company and if organization culture of any insurance company determines whether the mission and vision (objectives) are achieved.

Table 4.1: Descriptive Statistics for Organization Culture

Organization Culture Indicators	N	Min	Max	Mean	Std. Deviation
There are common values in our insurance company	43	1.00	5.00	3.58	1.03
Core values of the insurance company are well adhered to by management and all staff	43	2.00	5.00	3.84	0.84
The management of the company is committed to the company's vision	43	2.00	5.00	4.26	0.90
The mission of the insurance company has been communicated to the employees clearly	43	2.00	5.00	4.35	0.95
Valid N (listwise)	43			4.01	

Source: Field (2017)

The researcher asked respondents to indicate their agreement extent on the various aspects of organization culture carried out by their respective insurance companies (Table 4.1). Findings showed that the mission of the insurance company has been communicated to the employees clearly had the highest mean/average of 4.35 and a standard deviation (SD) of 0.95 while the

management of the company is committed to the company's vision had an average of 4.26 and an SD of 0.90. Results indicated that all the respondents agreed that organization culture was important and that it was a determinant in the achievement of the organization's mission and vision. Lowest mean of 3.58 and an SD was obtained from having common values in our insurance company. The mean score of 4.01 indicated a strong agreement that organization culture affects organization performance of insurance companies.

Bronn (2001) indicated that management commitment which is made visible through the company's vision becomes the driver of all successive decisions which surround its implementation ensuring that decision making is done when both the company's and everybody else's interest are considered. Additionally, Ojo (2008) found out that a robust employee-responsive culture leads to efficient performance which the study findings agreed with.

4.4.2 Leadership and Performance of Insurance Companies

The researcher asked respondents whether good leadership is a key element in any insurance company and if leadership determines the progress or the downfall of any insurance company. Results indicated that all the respondents agreed that good leadership is a key element in any insurance company and it's a significant determinant in the progress or the downfall of any insurance company.

Table 4.2: Descriptive Statistics for Leadership

Leadership Indicators	N	Min	Max	Mean	Std. Deviation
There is centralized decision making in all matters concerning this company	43	3.00	5.00	4.33	0.75
All the decisions made by the management affecting the staff are communicated timely	43	2.00	5.00	3.98	0.91
There is effective communication within the management then to all subordinates	43	2.00	5.00	3.95	0.92
There is flexibility in the management in response to the changing external environment	43	2.00	5.00	3.84	1.02
Valid N (listwise)	43			4.03	

Source: Field (2017)

The researcher established that there is centralized decision making in all matters concerning this company which obtained the highest average of 4.33 and an SD of 0.75. Findings also showed that all the decisions being made by the management affecting the staff are communicated timely had an average of 3.98 and an SD of 0.91. There is flexibility in the management in response to the varying exterior setting had the lowest average of 3.85 and an SD of 1.02. The mean score of 4.03 indicated a strong agreement that leadership affects organization performance of insurance companies.

A study by Eriksson and Gustavsson (2013) found out that there is need for a centralized decision making in multi organizations which allowing allowing control for uniformity creation and achievement of the goals set. Majtan (2001) found out that management's key function is to make decisions which bring or take the needed change and thus need for timely communication to the employees acting as a source of motivation towards achieving the targets.

4.4.3 Innovation and Performance of Insurance Companies

The researcher asked the respondents whether product and technology innovation should be encouraged in any insurance company and if the employees who innovate new products and technologies in any insurance company should be highly acknowledged and rewarded. Results indicated that all the respondents agreed that product and technology innovation should be encouraged and the employees who innovate new products and technologies in any insurance company should be highly acknowledged and rewarded which will motivate them in the long run enhance insurance companies' performance.

Table 4.3: Descriptive Statistics for Innovation

Innovation Indicators	N	Min	Max	Mean	Std. Deviation
Innovative products have the ability of attract diverse consumers with varied needs	43	3.00	5.00	4.33	0.71
Innovative insurance products have high success chances regardless of the insurance firm that launches the product	43	2.00	5.00	4.23	0.84
The setting up of branches in different regions ensures that the reach of insurance is wide	43	3.00	5.00	4.21	0.74
Development of multiple distribution channels for insurance is considered a smart way of doing business	43	3.00	5.00	4.12	0.70
Process innovation achieves business process re-engineering	43	2.00	5.00	4.16	0.99
Process innovation has the ability to cut down on operational costs	43	2.00	5.00	3.95	0.97
Valid N (listwise)	43			4.17	

Source: Field (2017)

The respondents were tasked to rate the extent to which innovation affected organization performance of insurance companies. The researcher established that innovative products have

the ability of attract diverse consumers with varied needs obtained a high average of 4.33 and an SD of 0.71 and that innovative insurance products have high success chances regardless of the insurance firm that launches the product which had an average of 4.23 and an SD of 0.84. The mean score of 4.17 indicated high level of agreement that innovation affects organization performance of insurance companies.

The results agree with Camison and Lopez (2010) who found that product innovation is lauded for retaining and growing the competitive position of a firm. Further, the study established that process innovation has the ability to cut down on operational costs as depicted by Hippel (2005) and Kiragu (2016) whose study showed that process innovation cut down on operational costs.

4.4.4 Strategic Planning and Performance of Insurance Companies

The researcher asked the respondents whether strategic planning is significant for the success of any insurance company and if the management of any insurance company is responsible for strategic planning and ensuring that the strategies are achieved within the timelines. All the respondents agreed that strategic planning is critical for the any insurance company success and achievement of strategies within the timelines is purely the responsibility of the management.

Table 4.4: Descriptive Statistics for Strategic Planning

Strategic Planning Indicators	N	Min	Max	Mean	Std. Deviation
During formulation of strategic plans in the company, views of all staff are considered	43	3.00	5.00	4.49	0.70
Implementation of strategic plans is done as per the set timelines	43	3.00	5.00	4.33	0.78
Strategic analytical tools are used in the company to ensure that strategic plans put in place are achieved	43	3.00	5.00	4.30	0.74
Valid N (listwise)	43			4.37	

Source: Field (2017)

The respondents were to denote their agreement level on the several indicators of strategic planning. The survey established that during formulation of strategic plans in the company, views of all staff are considered had the highest average of 4.49 and an SD of 0.70. Additionally, the survey found out that implementation of strategic plans is done as per the set timelines had an average of 4.33 and an SD of 0.78. The mean score of 4.37 indicated a strong agreement that strategic planning affects organization performance of insurance companies.

The results confirm those of Liyai (2014) who indicated that there exist an association between strategies adopted, actual implementation and performance of an organization. Further, the survey established that strategic analytical tools are used in the company to ensure that strategic plans put in place are achieved had a mean of 4.30. This is in agreement with Irajpour and Zabihi

(2015) who found that strategic process where strategic analysis is used as the analysis tool and strategic issues are focused, performance of organizations is affected.

4.4.5 Organization Performance

Organization performance indicators were given and respondents' agreement level was sought.

Table 4.5: Descriptive Statistics for Organization Performance

Organization Performance					Std.
Indicators	N	Min	Max	Mean	Deviation
Market share	43	3.00	5.00	4.21	0.68
Sales and profitability	43	3.00	5.00	4.37	0.72
Customer satisfaction	43	3.00	5.00	4.44	0.73
Valid N (listwise)	43			4.34	

Source: Field (2017)

The researcher found out that Customer satisfaction had the highest average of 4.44 and an SD of 0.73. Additionally, sales and profitability had an average and an SD of 4.37 and 0.72 respectively while the survey established that market share had the lowest average of 4.21 and an SD of 0.68. The mean score of 4.34 indicated a strong agreement on the organization performance indicators affecting insurance companies. Maina (2013) found out that customer satisfaction played a significant role in performance of insurance companies and that customer care staff most preferred by customers were those with enthusiasm, careful listeners, responsive, courteous and proactive.

4.5 Inferential statistics

Inferential statistics makes inferences about a population from information taken from a small sample of that population. They are crucial in social sciences research since they allow generalization of results to a larger population.

4.5.1 Regression Analysis

To test the relationships on the independent and dependent variables, the organizational culture, leadership, innovation and strategic planning were regressed against performance of insurance companies. The findings are presented in the sections that follow

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.875(a)	.765	.749	.22432

Predictors: (Constant), Organization Culture, Leadership, Innovation and strategic planning

Source: Field (2017)

According to the direct relationship model applied in this study, Adjusted R Square was 0.749 which implies that the independent variables studied explain 74.9% of the changes in organization performance among insurance companies in Kenya. This implies that 25.1% of the variability in organization performance is a contribution of other variables not examined in this study. The adjusted R-square is used instead of the R-squared as it takes care of the adjustments in the degrees of freedom.

Several scholars have indicated that training of staff, fraudulent claims, motor vehicle accidents, procedures in claims management, expense ratio, claims ratio, cash flows, liquidity, organization structure and size are significant factors affecting performance of insurance companies (Kinyua (2012); Kollie (2017), Mazviona, et al. (2017)).

As shown in Table 4.7, the ANOVA results which assessed the overall significance of the regression model indicated that it was significant. At 5% level of significance, F calculated was 48.832 and the p value was $0.000 < 0.05$ confirming the significance of the overall model.

Table 4.7: ANOVA

		Sum of				
Model		Squares	Df	Mean Square	F	Sig.
1	Regression	7.372	3	2.457	48.832	.000
	Residual	2.264	45	.050		
	Total	9.636	48			

a. Predictors: (Constant), Organization Culture, Leadership, Innovation and strategic planning

b. Dependent Variable: Organization Performance

Source: Field (2017)

Regression coefficients are shown in Table 4.8 below.

Table 4.8: Table of Coefficients

		Unstandardized		Standardized			
Model		Coefficients		Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	5.359	1.172			4.571	.000
	Organization Culture	-0.377	0.128	-0.464		-2.946	0.005
	Leadership	-0.074	0.131	-0.085		-0.563	0.577
	Innovation	0.030	0.169	0.026		0.180	0.858
	Strategic Planning	0.152	0.144	0.161		1.056	0.298

a. Dependent Variable: Organization Performance

Source: Field (2017)

The model showed a statistically significant negative relationship between organization culture ($\beta = -0.377$, $t = -2.946$, $p < 0.05$) and organization performance, a statistically insignificant negative relationship between leadership ($\beta = -0.074$, $t = -0.563$, $p > 0.05$) and organization performance. Additionally, there was an insignificant positive relationship between innovation ($\beta = 0.030$, $t = 0.180$, $p > 0.05$) and organization performance was found and an insignificant positive relationship between strategic planning ($\beta = 0.152$, $t = 1.056$, $p > 0.05$) and organization performance.

From the regression model, the following regression equation was derived:

$$Y = 5.359 - 0.377X_1 - 0.074X_2 + 0.030X_3 + 0.152X_4$$

The regression results indicated that strategic planning had a beta coefficient of 0.152, this is in agreement with Arasa and K' Obonyo (2012) who indicated that there exists a strong relationship between strategic planning and organizational performance, followed by innovation with a beta coefficient of 0.030 agreeing with Karabulut (2015) who indicated that innovation makes organizations improve their customer performance and learning and growth performance, then leadership with -0.074 which is in contradiction with findings of Edoka (2012) who found a positive and significant relationship between effective leadership and organizational performance and organization culture with a beta coefficient of -0.377 which contradicts with Zakari et al. (2013) who found a positive relationship between organizational culture and performance.

When organization culture, leadership, innovation and strategic planning have null value, performance would be 5.359. A unit increase in organization culture and leadership would yield 0.377 and 0.074 decrease in performance respectively, a unit increase in innovation and strategic planning would result in 0.030 and 0.152 increase in performance respectively in insurance firms. These findings denote the key role played by innovation and strategic planning in

organizational performance and concurs with Ovbiagele and Ijeh (2015) who indicated that strategic planning is very critical for organizational performance and survival. Further, Tuan et al. (2016) denoted that innovation which is inclusive of product, process and marketing within an organization is considered as one of essential component for its survival and growth.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is a presentation of the summary of the findings of this study and provides conclusion and recommendations based on the findings. The study sought to examine the strategic drift and its effect on the performance of insurance companies in Nairobi County, Kenya. The researcher conducted a survey to find out how organization culture, leadership, innovation and strategic planning affected organization performance.

5.2 Summary of Findings

According to Dwyer & Edwards (2009), strategic drift is a strategic management concept which refers to an organization's response when going through a changing business setting. When developing strategies that may bring changes in an organization, different unexpected challenges and situations may arise. Today's business setting in Kenya is dynamic, stormy and unpredictable. Additionally, there has been a sequence of changes through reforms in finances, advancement in ICT, financial services globalization and development in the economy (AKI Report, 2014). These alterations have had a significant effect on efficacy, productivity and structure of the market and giving rise to a business setting that is highly competitive affecting the insurers' performance (Gitau, 2013). Therefore the researcher aimed at evaluating strategic drift and its effect on the performance of insurance companies in Nairobi County, Kenya.

The general objective of the study was to establish the effect of strategic fit on the performance of insurance companies in Kenya. The study sought to achieve four specific objectives which comprised of establishing how organizational culture affects the performance of insurance companies in Nairobi County, Kenya, examining the effect of leadership on the performance of

insurance companies in Nairobi County, Kenya, finding out how innovation affects the performance of insurance companies in Nairobi County, Kenya and assessing how strategic planning affects the performance of insurance companies in Nairobi County, Kenya.

The first objective was to establish how organizational culture affects the performance of insurance companies in Nairobi County. Results indicated that the mission of the insurance company has been communicated to the employees clearly had the highest mean while having common values in our insurance company had the lowest mean. The mean score of 4.01 indicated a strong agreement that organization culture affects organization performance of insurance companies. Findings showed a statistically significant negative relationship between organization culture and organization performance.

The second objective was to examine the effect of leadership on the performance of insurance companies in Nairobi County, Kenya. The survey established that having a centralized decision making in all matters concerning the company obtained the highest mean. Moreover, there is need that all the decisions being made by the management affecting the staff be communicated timely. The mean score of 4.03 indicated a strong agreement that leadership affects organization performance of insurance companies. There was a statistically insignificant negative relationship between leadership and organization performance.

The third objective was to find out how innovation affects the performance of insurance companies in Nairobi County, Kenya. The survey established that innovative products have the ability of attract diverse consumers with varied needs obtained a high mean followed by innovative insurance products have high success chances regardless of the insurance firm that launches the product. Further, the study established that process innovation having the ability to cut down on operational costs had the lowest mean. The mean score of 4.17 indicated high level

of agreement that innovation affects organization performance of insurance companies. There was an insignificant positive relationship between innovation and organization performance.

The fourth objective of the study was to assess how strategic planning affects the performance of insurance companies in Nairobi County, Kenya. The survey established that during formulation of strategic plans in the company, views of all staff are considered had the highest mean. Additionally, the survey found out that implementation of strategic plans is done as per the set timelines was found a key strategic planning indicator. The mean score of 4.37 indicated a strong agreement that strategic planning affects insurance companies' performance. There was an insignificant positive relationship between strategic planning and organization performance.

5.3 Conclusions

The study concluded that organizational culture is a key strategic drift indicator that affects performance of insurance companies as it was found to significantly affect organization performance. Leadership, innovation and strategic planning were insignificant strategic drift indicators affecting the performance of insurance companies in Nairobi City County. The management of insurance companies should therefore consider organizational culture for their companies to improve customer satisfaction and profitability and increase their market share.

5.4 Recommendations

The following recommendations were made to assist the management of insurance companies to improve their performance relative to the strategic drift.

- i. The study recommends that the insurance companies should ensure that the mission of the insurance company has been communicated to the employees clearly.

- ii. Insurance companies' leadership should ensure that there is centralized decision making in all matters concerning the company which will help in enabling achievement of the set targets.
- iii. Since innovative products have the ability of attract diverse consumers with varied needs and high success chances regardless of the insurance firm that launches the product, insurance companies should encourage innovation of new products.
- iv. There is need for consideration of all the views of all staff during formulation of strategic plans in the company

5.5 Areas for Further Research

A comparable study can be carried out in other companies in different industries since the study was restrained to insurance companies. The findings of the study indicated that the variables studied explained 74.9% of the changes in organization performance of insurance companies thus there are also other variables affecting performance which should be examined. The success of any research is dependent on the source of data; the current study was solely dependent on primary data. Future researchers should adopt different tools for data collection beyond the close ended questionnaires.

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APPENDICES

Appendix I: Introduction Letter

KENYATTA UNIVERSITY GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

P.O. Box 43844, 00100

NAIROBI, KENYA

Tel. 8710901 Ext. 57530

Website: www.ku.ac.ke

Our Ref: D53/CTY/30860/2015

DATE: 7th November, 2017

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,


RE: RESEARCH AUTHORIZATION FOR LEE ESTONE GACHANJA – REG. NO. D53/CTY/30860/2015.

I write to introduce Mr. Lee Estone Gachanja who is a Postgraduate Student of this University. He is registered for MBA degree programme in the Department of Business Administration.

Mr. Lee Estone Gachanja intends to conduct research for a MBA Project Proposal entitled, "Strategic Drift and its effect on the performance of Insurance Companies in Nairobi City County, Kenya".

Any assistance given will be highly appreciated.

Yours faithfully,


MRS. LUCY N. MBAABU
FOR: DEAN, GRADUATE SCHOOL

Appendix II: Questionnaire

You are kindly asked to fill the below questionnaire by giving the correct information as required. The information is for education purposes only and will help in the achievement of the objectives under study.

Topic: Strategic drift and Insurance Companies' Performance

SECTION A: DEMOGRAPHIC INFORMATION

This section deals with Demographic information.

1. Please give the name of your insurance company.....
2. How long have you worked in the insurance company?
 - i. 0-3 years []
 - ii. 4-7 years []
 - iii. 8-10 years []
 - iv. Over 10 years []
3. What is your highest level of education?
 - i. Certificate/ Diploma []
 - ii. Bachelors []
 - iii. Post Graduate []
 - iv. Other specifications []
4. What type of premiums/ policies does your insurance company offer?
 - i. Life []
 - ii. Education []
 - iii. Vehicle []
 - iv. Medical []
 - v. Others (Specify).....

SECTION B: ORGANIZATION CULTURE

5. To what extent do you agree with the following statements in relation to the organization culture of your insurance company

Where, 1= Strongly disagree 2= Disagree 3= Neither disagree nor agree
 4= Agree 5= Strongly agree

Organization Culture	1	2	3	4	5
There are common values in our insurance company					
Core values of the insurance company are well adhered to by management and all staff					
The management of the company is committed to the company's vision.					
The mission of the insurance company has been communicated to the employees clearly					

SECTION C: LEADERSHIP

6. To what extent do you agree with the following statements in relation to the leadership in your insurance company

Where, 1= strongly disagree 2= Disagree 3= Neither disagree nor agree
 4= Agree 5= Strongly agree

Leadership	1	2	3	4	5
There is centralized decision making in all matters concerning this company					
All the decisions made by the management affecting					

the staff are communicated timely					
There is effective communication within the management then to all subordinates					
There is flexibility in the management in response to the changing external environment					

SECTION D: INNOVATION

7. To what extent do you agree with the following statements in relation to the innovation in your insurance company

Where, 1= strongly disagree 2= Disagree 3= neither disagree nor agree
 4= Agree 5= strongly agree

Innovation	1	2	3	4	5
Innovative products have the ability of attract diverse consumers with varied needs					
Innovative insurance products have high success chances regardless of the insurance firm that launches the product					
The setting up of branches in different regions ensures that the reach of insurance is wide					
Development of multiple distribution channels for insurance is considered a smart way of doing business					
Process innovation achieves business process re-engineering					
Process innovation has the ability to cut down on operational costs					

SECTION E: STRATEGIC PLANNING

8. To what extent do you agree with the following statements in relation to strategic planning in your insurance company

Where, 1= strongly disagree 2= Disagree 3= Neither disagree nor agree
4= Agree 5= Strongly agree

Strategic planning	1	2	3	4	5
During formulation of strategic plans in the company, views of all staff are considered					
Implementation of strategic plans is done as per the set timelines					
Strategic analytical tools are used in the company to ensure that strategic plans put in place are achieved					

SECTION F: ORGANIZATION PERFORMANCE

9. To what extent has your insurance company experienced improved performance in the following areas?

Where, 1= strongly disagree 2= Disagree 3= neither disagree nor agree
4= Agree 5= strongly agree

Organization performance	1	2	3	4	5
1. Market share					
2. Sales and profitability					
3. Customer satisfaction					

THANK YOU

Appendix III: List of Registered Insurance Companies-2014

1. AAR Insurance Kenya Limited
2. A P A Insurance Limited
3. Africa Merchant Assurance Company Limited
4. Apollo Life Assurance Limited
5. AIG Kenya Insurance Company Limited
6. British - American Insurance Company (Kenya) Limited
7. Cannon Assurance Limited
8. Capex Life Assurance Company Limited
9. CFC Life Assurance Limited
10. CIC General Insurance Limited
11. CIC Life Assurance Limited
12. Continental Reinsurance Limited
13. Corporate Insurance Company Limited
14. Directline Assurance Company Limited
15. East Africa Reinsurance Company Limited
16. Fidelity Shield Insurance Company Limited
17. First Assurance Company Limited
18. G A Insurance Limited,
19. Gateway Insurance Company Limited
20. Geminia Insurance Company Limited
21. ICEA LION General Insurance Company Limited
22. ICEA LION Life Assurance Company Limited
23. Intra Africa Assurance Company Limited
24. Invesco Assurance Company Limited
25. Kenindia Assurance Company Limited
26. Kenya Orient Insurance Limited
27. Kenya Reinsurance Corporation Limited
28. Madison Insurance Company Kenya Limited
29. Mayfair Insurance Company Limited

30. Mercantile Insurance Company Limited
31. Metropolitan Life Insurance Kenya Limited
32. Occidental Insurance Company Limited
33. Old Mutual Life Assurance Company Limited
34. Pacis Insurance Company Limited
35. Pan Africa Life Assurance Limited
36. Phoenix of East Africa Assurance Company Limited
37. Pioneer Assurance Company Limited
38. Real Insurance Company Limited
39. Resolution Insurance Company Limited
40. Shield Assurance Company Limited
41. Takaful Insurance of Africa Limited
42. Tausi Assurance Company Limited
43. The Heritage Insurance Company Limited
44. The Jubilee Insurance Company of Kenya Limited
45. The Monarch Insurance Company Limited
46. Trident Insurance Company Limited
47. UAP Insurance Company Limited
48. UAP Life Assurance Limited
49. Xplico Insurance Company Limited

Appendix IV: NACOSTI PERMIT

**THIS IS TO CERTIFY THAT:
MR. LEE ESTONE GACHANJA
of KENYATTA UNIVERSITY, 71995-622
NAIROBI, has been permitted to conduct
research in Nairobi County**

**Permit No : NACOSTI/P/17/88794/20140
Date Of Issue : 15th November,2017
Fee Recieved :Ksh 1000**

**on the topic: STRATEGIC DRIFT AND ITS
EFFECT ON THE PERFORMANCE OF
INSURANCE COMPANIES IN NAIROBI
CITY COUNTY, KENYA**

**for the period ending:
14th November,2018**





.....
**Applicant's
Signature**



.....
**Director General
National Commission for Science,
Technology & Innovation**