

**CORPORATE DIVERSIFICATION, FIRM SIZE,
ORGANIZATIONAL CULTURE AND PERFORMANCE OF
INSURANCE COMPANIES IN KENYA**

DOLREEN KAIMURI MURITHI

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF A DEGREE OF DOCTOR
OF PHILOSOPHY IN BUSINESS ADMINISTRATION, FACULTY
OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF
NAIROBI**

2023

DECLARATION

I hereby declare that this thesis is my original work and has not been presented to any other University for award of any degree.

Dolreen Kaimuri Murithi

Reg. No D80/97272/2015



Signature

11/11/2023

Date

APPROVAL BY SUPERVISORS

This thesis has been submitted for examination with our approval as university supervisors

PROF. WINNIE NYAMUTE

Department of Finance and Accounting

Faculty of Business and Management Sciences

University of Nairobi



Signature

November 13, 2023

Date

DR. HERICK ONDIGO

Department of Finance and Accounting

Senior Lecturer

Faculty of Business and Management Sciences

University of Nairobi



Signature

November/26/2023

Date

DR. DUNCAN ELLY

Department of Finance and Accounting

Senior Lecturer

Faculty of Business and Management Sciences

University of Nairobi



Signature

16/11/2023

Date

COPYRIGHT

All rights reserved. Consequently, except in the case of condensed extracts used for personal non-commercial research or study as examples in reviews, journal articles, and research works, no portion of this thesis may be reproduced, used in any form by any means, or kept in any database or retrieval system short of prior written approval of the author or University of Nairobi. Any alterations to the material or commercial sales in any format or medium are prohibited without the express consent of the University of Nairobi or the author. Complete bibliographic information, such as the author, title, awarding organization, and thesis date, must be provided when referencing this work. It is illegal in Kenya and internationally to make copies of this thesis in any form for use other than personal use.

For information, contact

Dolreen Murithi

Telephone: +254710861395

E-mail: dokamug@yahoo.com/dokamug@gmail.com

DEDICATION

For Dr. Koome, Rehema, Bashir and Ammi with love and gratitude

ACKNOWLEDGEMENT

This thesis is inspired by the conviction that we are all relational beings, and as such, I am indebted to a big group of fantastic people. First, I would like to thank my lead supervisor Professor Winnie Nyamute for her constant guidance, support, immense inputs, and patience throughout this research, but most of all, for pushing me to do my best and trusting my contributions, especially through difficult times. I also acknowledge on point suggestions of Dr. Herrick Ondigo and Dr. Duncan Elly that greatly improved this research work. Guidance and comments of Professor Ganesh Pokhariyal especially during the initial stages of proposal development deserves a mention. Thank you for all your inputs and encouragement during the entire research process.

For their helpful queries, comments, and suggestions received at all stages of proposal presentation, I am indebted to all panelists and resource persons. A special mention to the Committee of Examiners at oral defense Prof. Jackson Maalu, Prof. Winnie Nyamute, Dr. Kennedy Okiro, Dr. Onesmus Mutunga, Dr. Kingsford Rucha, Dr. Charles Kimamo, and Mr. Philip Mukola, I am very grateful to you all.

I appreciate my research assistants who aided in data collection and more importantly, I acknowledge my peer Dr. William Sang for his assistance at data entry and constant review of my research work. I also acknowledge Josphine Mutunga for assisting me to prepare for online presentations. You are a true inspiration Josphine, thank you.

To my spouse Dr. Solomon Koome, I have no enough words to thank you. You provided an enabling environment, watched over our kids and constantly encouraged me to press on. Basically, you made me realize my dream without reservation. May God grant you long, healthy, and a happy life. To my children, Rehema, Bashir and

baby Ammi, thank you all for enduring the long hours spent away from you.

To my mom Margret John, you said you will not stop pestering until I complete this program. I thank you for reminding me of the unfinished business. To dad Sir John Murithi, posthumously, may you know that I lived your dream. I too extend my gratitude to my entire family.

Above all, I express my gratitude to almighty God. I thank Him for sufficient grace, financial provision and above all, fine health throughout the study period.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF ABBREVIATIONS AND ACRONYMS	xii
ABSTRACT	xiii
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Corporate Diversification	6
1.1.2 Firm Size	10
1.1.3 Organizational Culture1	14
1.1.4 Firm Performance	17
1.1.5 Insurance Companies in Kenya	20
1.2 Research Problem.....	22
1.3 Research Objectives	28
1.4 Value of the Study.....	28
CHAPTER TWO: LITERATURE REVIEW	31
2.1 Introduction	31
2.2 Theoretical Foundation	31
2.2.1 Modern Portfolio Theory.....	31
2.2.2 Stakeholder Theory	33
2.2.3 Resource-Based Theory.....	35
2.2.4 Theory of Organizational Effectiveness	37
2.3 Review of Empirical Literature	39
2.3.1 Corporate Diversification and Firm Performance	39
2.3.2 Corporate Diversification, Firm Size and Firm Performance.....	42
2.3.3 Corporate Diversification, Organizational Culture and Firm Performance.....	45
2.3.4 Corporate Diversification, Firm Size, Organizational Culture and Firm Performance.....	48
2.3.5 Firm Performance and Corporate Diversification	51
2.4 Summary of Empirical Literature Review and Research Gaps.....	53
2.5 Conceptual Framework	58
2.6 Research Hypotheses.....	59
CHAPTER THREE: RESEARCH METHODOLOGY	62
3.1 Introduction	62
3.2 Research Philosophy	62
3.3 Research Design.....	63
3.4 Population of the Study	64

3.5 Data Collection.....	65
3.6 Reliability and Validity of Research Instruments.....	67
3.7 Diagnostic Tests.....	67
3.7.1 Normality Test.....	68
3.7.2 Linearity Tests.....	68
3.7.3 Multicollinearity Test.....	69
3.7.4 Heteroscedasticity Test.....	70
3.8 Operationalization of Study Variables.....	71
3.9 Data Analysis.....	73
3.9.1 Corporate Diversification and Insurance Firm Performance.....	75
3.9.2 Corporate Diversification, Firm Size and Insurance Performance.....	75
3.9.3 Corporate Diversification, Organizational Culture and Insurance Performance.....	77
3.9.4 Corporate Diversification, Firm Size, Organizational Culture and Firm Performance.....	78
3.9.5 Firm Performance and Corporate Diversification.....	79

CHAPTER FOUR: DESCRIPTIVE DATA ANALYSIS AND PRESENTATION. .84

4.1 Introduction.....	.84
4.2 Pilot Test.....	.84
4.2.2 Reliability Tests.....	.84
4.3 Study Response Rate.....	.85
4.4 Demographics Profile of the Respondents.....	.87
4.5 Characteristics of Insurance Industry in Kenya.....	.88
4.5.2 Insurance Penetration and Customer Base.....	.88
4.5.3 Industry Size and Gross written Premiums.....	.92
4.6 Descriptive Statistics.....	.94
4.7 Diagnostic Tests.....	.98
4.7.2 Tests for Normality.....	.98
4.7.2. Linearity Tests.....	.99
4.7.3 Multicollinearity Tests.....	.102
4.7.4 Heteroscedasticity Tests.....	.104
4.8 Correlation Analysis.....	.106
4.9 Chapter Summary.....	.108

CHAPTER FIVE: HYPOTHESIS TESTING AND DISCUSSION OF FINDINGS.....111

5.1 Introduction.....	.111
5.2 Corporate Diversification and Firm Performance.....	.111
5.3 Corporate Diversification, Firm Size and Firm Performance.....	.115
5.3.1 Mediating Effect of Firm Size on the Relationship between CDV and FP.....	.115
5.3.2 Intervening Effect of Firm Size on the Relationship between CDV and Non-Financial Performance.....	.120
5.4 Corporate Diversification, Organizational Culture and Performance.....	.122
5.5 Corporate Diversification, Firm Size, Organizational Culture and Performance.....	.129
5.6 Firm Performance and Corporate Diversification.....	.133

5.7 Discussion of Hypotheses Testing and Study Findings	136
5.7.1 Corporate Diversification and Firm Performance	136
5.7.2 Corporate Diversification, Firm Size and Firm Performance.....	138
5.7.3 Corporate Diversification, Organizational Culture and Firm Performance.....	142
5.7.4 Corporate Diversification, Firm Size, Organizational Culture and Firm Performance.....	144
5.7.5 Firm Performance and Corporate Diversification.....	145
5.8 Summary of the Hypotheses Tests Results and Discussion of Results	146
5.9 Revised Conceptual Framework	148
CHAPTER SIX: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	152
6.1 Introduction	152
6.2 Summary of the Research Findings.....	152
6.3 Conclusions	154
6.4 Implications of the Research Findings	158
6.4.1 Contributions to Theory and Knowledge	158
6.4.2 Implications for Policy	161
6.4.3 Implications for Practice.....	162
6.5 Limitations of the Study	163
6.6 Directions for Future Research.....	164
REFERENCES	165
APPENDICES	166
APPENDIX I: ORGANIZATIONAL CULTURE QUESTIONNAIRE	179
APPENDIX II: DATA COLLECTION FORM	185
APPENDIX III: LIST OF INSURANCE COMPANIES IN KENYA.....	186
APPENDIX IV: RESEARCH DATA	188
APPENDIX V: RESEARCH PERMIT	196

LIST OF TABLES

Table 2.1: Summary of Empirical Studies and Knowledge Gaps	53
Table 3.1: Operationalization of Study Variables	72
Table 3.2: Objectives, Hypotheses and Analytical Models.....	80
Table 4.1: Reliability Analysis	85
Table 4.2: Response Rate	87
Table 4.3: Demographic characteristics of the respondents	87
Table 4.4: Insurance Penetration and Customer Base	90
Table 4.5: Number of Insurance Companies and Total Gross Written Premium	92
Table 4.6: Descriptive Statistics	95
Table 4.7: Tests for Normality	99
Table 4.8: Results of Financial Performance Multicollinearity Test.....	102
Table 4.9: Results of Non- Financial Performance Multicollinearity Test.....	103
Table 4.10: Heteroscedasticity Test result.....	104
Table 4.11: Corporate Diversification, Firm Size, Organizational Culture and FP.....	106
Table 4.12: Corporate Diversification, Firm Size, Organizational Culture and NFP.....	107
Table 4.13: Correlation Results for Corporate Diversification and FP.....	108
Table 5.1: Regression Results of Corporate Diversification and FP.....	112
Table 5.2: Regression Results for Corporate Diversification and NFP.....	114
Table 5.3: Regression Results for Corporate Diversification and Firm Size	115
Table 5.4: Regression Results for Firm Size and Financial Performance	117
Table 5.5: Regression Results of Corporate Diversification, Firm Size and NFP	118
Table 5.6: Regression Result of Moderation Effect of Organizational Culture on Relationship of Corporate Diversification and Financial Performance	120
Table 5.7: Regression Results for Moderation Effect of Organizational Culture on Corporate Diversification and Non-Financial Performance Relationship.....	125
Table 5.8: Regression Results of Corporate Diversification, Firm Size, Organizational Culture and Financial Performance.....	127
Table 5.9: Regression Results of Corporate Diversification, Firm Size, Organizational Culture and Non-Financial Performance	130
Table 5.10: Financial Performance and Corporate Diversification	132
Table 5.11: Non-Financial Performance and Corporate Diversification	134

LIST OF FIGURES

Figure 2.1: Conceptual Model.....	59
Figure 4.1: Trend of insurance companies	93
Figure 4.2: Gross written premium growth	94
Figure 4.3: Scatter Plot of Corporate Diversification and Return on Assets.....	100
Figure 4.4: Scatter Plot of Firm Size and Return on Assets	101
Figure 4.5: Scatter Plot of Organizational Culture and Return on Assets	102
Figure 5.1: General moderation model.....	123
Figure 5.2: Empirical Models	150

LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
CBK	Central Bank of Kenya
CDV	Corporate Diversification
FP	Financial Performance
FS	Firm Size
GDP	Gross Domestic Product
HHI	Hirschman-Herfindahl Index
IFIU	Insurance Fraud Investigation Unit
IRA	Insurance Regulatory Authority
LISREL	Linear Structural Relations
MPT	Modern Portfolio Theory
NFP	Non- Financial Performance
OC	Organizational Culture
RBT	Resource Based Theory
ROA	Return on Asset
ROE	Return on Equity
SE	Shannon Entropy
SEM	Structural Equation Modeling
SPSS	Statistical Package for Social Sciences
SR	Specialization Ratio
US	United States
VIF	Variance Inflation Factor

ABSTRACT

Local and regional insurance markets have not been immune to global business failure, which has led insurance companies to choose diversification as a means of growing their clientele, boosting profits, and ensuring their continued existence. Still, it is inconclusive on if diversified firms perform better or the already performing firms start to think of diversification as a tool to reinvest excess returns, thus posing a scenario of dual causality. Studies have provided varied evidence stemming from variations in measurement of variables, models adopted or choice of variables as well as contextualization disparities. This research aimed at establishing the relationship among corporate diversification (CDV), firm size (FS), organizational culture (OC) and performance of insurance companies. The study first assessed the linkage of CDV and performance; then explored intervening effect of firm size on CDV- performance relationship. Thirdly, the moderation effect of OC on the link between CDV and performance was tested and lastly joint effect of the three variables on performance and bidirectional effect of performance and CDV were tested. To address the objectives, five hypotheses were tested on a population of fifty-six (56) registered insurance companies in Kenya. Positivist research philosophy and descriptive research design were applied. Diagnostic tests done on the data were normality, linearity, multicollinearity and heteroscedasticity. Preliminary tests included Cronbach alpha, mean, skewness and kurtosis and correlation. Simple linear and hierarchical multiple linear regression were applied to test four hypotheses while the reversal effect was tested by SEM. Secondary data for all companies was available and the response rate for OC was 96.4%. Using Jacquemin-Bermy entropy measure of diversification and finding were as follows: there was a statistically significant link between CDV and the two indicators of performance (ROA and Market share); there is no significant intervening effect of firm size on the relationship between CDV and financial performance. Firm size has partial intervening effect on CDV and NFP linkage. CDV and financial performance linkage is moderated by OC; OC had no moderation effect on CDV and non-financial performance linkage; there is significant combined effect of CDV, FS and OC on financial performance and there is a statistically significant combined effect of CDV, FS and OC on NFP; financial performance and CDV had a dual causal effect. The study adds to knowledge in CDV, firm size organizational culture and performance by showing that the linkage of CDV and NFP of insurance companies is not direct but rather is mediated by firm size. This further alleviates the controversy existing in literature. Findings can guide insurance managers in validating diversifying insurance undertakings. The study extends on predictive insights of MPT in conceptualization, informing and understanding the linkage of CDV and firm performance. Government and insurance regulators such as IRA can use the findings to guide the regulation particularly when setting capital limits to reduce unhealthy competition. By assessing the diversification index that is most appropriate for each of the other financial service and non-service industries, similar research can be expanded to offer more insights into the relationships.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

During the past decade, there has been a dramatic upsurge in the quantity of insolvent insurers (Huynh, Lee & Yu, 2021). Among the areas to control market and improve customer services is by exploring into service recovery performance of insurance companies. As projected by Monika, Richter, and Amit (2019), businesses have to maintain and enhance their relevance amid global competition and dynamic markets by devising ways to survive and thrive. In this regard, corporate diversification, firm size and organizational culture is among the factors that play a crucial role to augment firm performance among the insurance companies.

The central goal of corporate diversification embraced by organizations is to intensify performance as well as to upscale revenues from the new service, product or market ventured. However, in literature, its effect on performance remains largely a controversy. Progressively, a large body of empirical findings has emerged in relation to this issue. Inquest on testing the associations of diversification for performance enhancement has resulted to depressing impact. Stowe and Xing (2006); Hoechlle et al. (2012); Delai and Daip (2019); and Arkadiy (2020) depicted an adverse effect of diversification on improving returns, hence diversification discounts. Similarly, the strategic focus hypothesis contends that diversification derails performance (Berger & Ofek, 1995). By contrast, some other studies reported diversification premiums (Setianto, 2020; Kuppuswamy and Villalonga, 2016; Santaalo and Becera, 2008; and Miller, 2004), while other studies still revealed insignificant connection between diversification and firm performance (Elisas et al., 2010).

Unclear prediction is argued to have resulted from theoretical expectations on diversification and firms' performance relations which motivates further research on elements that affect this linkage puzzle, since the theoretical paradigms cannot satisfactorily grant answers to this inquiry. To address this inconsistency, researchers such as Villalonga, (2004); Hoechle et al., (2012) propose that some endogeneity elements at play could affect diversification-performance relationship. Thus, careful consideration of company's typical features prior to diversification becomes of concern to allow for more precise observation of its effect on the value of diversification.

According to Hitt et al. (2017), there is an inverse association between business success and corporate diversification. U-shaped. This approach holds that modest efforts to diversify into related business lines tend to benefit from shared characteristics between various business lines, offsetting their drawbacks. However, as businesses expand into new, unrelated economic sectors, they deplete the asset base as their marginal costs tend to increase as marginal benefits decline such that, beyond the optimal level, the diversification effects on performance tend to turn negative (Monika, Richter, & Amit, 2019). In the event of negative performance, effects of 'refocusing' have been reported in several sectors hence shifts in the diversification- performance linkage over time (Bergh et al., 2008). At the same time, firms that have suffered diversification discounts rethink refocusing whereas those reporting good returns and profitability continue to expand through more business lines therefore bringing forth an element of dual causality in this relationship.

Diversification and size of the firm are also among key variables that have been

advanced in pursuit of improving performance and they are argued to give an organization a competitive edge. Diversification is considered a major factor that augments capacity of a firm by minimizing overall risk by combination of businesses with non-perfectly correlated cash flows thus, diversification pools internally generated cash flows (Liebenberg & Lin, 2019; Deephouse & Richman, 2015). Diversified firms can therefore share fixed overheads and transfer firm-specific intangible assets. By doing this, diversification helps firms to build large internal capital and assets that upturns performance. However, when assets and investment prospects become exceedingly scarce, higher agency problems are evident in diversified firms, a factor that affects profitability adversely. The outcome of diversification on performance is reliant on firm size (Dang et al., 2018). It is argued that large firms are better placed to diversify revenue across business segments (Villalonga, 2004). Although diversification helps firms to exploit their asset base profitably, caution must be taken when allocating assets because if internal capital is utilized to subsidize poorly performing segments, the mission as encompassed in the organizational culture may fail to be achieved. Hence conflict among stakeholders might crop in and diversification may result to a value loss.

Diversification and size of the firm are also among key variables that have been advanced in pursuit of improving performance and they are argued to give an organization a competitive edge. Diversification is considered a major factor that augments capacity of a firm by minimizing overall risk by combination of businesses with non-perfectly correlated cash flows thus, diversification pools internally generated cash flows (Liebenberg & Lin, 2019; Deephouse & Richman, 2015). Diversified firms can therefore share fixed overheads and transfer firm-

specific intangible assets. By doing this, diversification helps firms to build large internal capital and assets that upturns performance. However, when assets and investment prospects become exceedingly scarce, higher agency problems are evident in diversified firms, a factor that affects profitability adversely. The outcome of diversification on performance is reliant on firm size (Dang et al., 2018). It is argued that large firms are better placed to diversify revenue across business segments (Villalonga, 2004). Although diversification helps firms to exploit their asset base profitably, caution must be taken when allocating assets because if internal capital is utilized to subsidize poorly performing segments, the mission as encompassed in the organizational culture may fail to be achieved. Hence conflict among stakeholders might crop in and diversification may result to a value loss.

This study is anchored on MPT that was coined by Markowitz (1952). Modern portfolio theory advances that diversity lessens exposure to seasonal and cyclical risks and uncertainties. The theory conceptualization designates that, investor lessens risks through diversifying to different products, markets, and geographic locations where firms can skillfully deploy resources and amplify return on assets. Therefore, as guided by MPT, diversification provides a firm with opportunities and potential to leverage managerial competence on a range of products.

The other theories guiding the study are resource-based theory (RBT), stakeholder and the theory of organizational effectiveness. Resource based theory advanced by Penrose (1959) stresses the significance of assets in advancement of growth, survival and overall performance and presents a cohesive theoretical framework to approach corporate diversification-performance relationship twofold. Stakeholder

theory coined by Freeman (1984) acknowledges that various parties have a stake in the wellbeing of an entity thus management should address interests of all stakeholders. Theory of organizational effectiveness advocates for effective ways an organization can apply to deal with constraints.

The economy of a country depends on success of its financial institutions. In 2013, the global insurance industry recorded profitability after a sustained growth pattern between 2008-2011 despite shrinkage of insurance growth in relation to nominal GDP growth. Similar shrinking patterns were observed from 2016 to 2018, and the COVID-19 epidemic made them more rapid (OECD, 2021). Profitability can partially be explained by particular political or economic developments in each nation, although underperformance in some is driven by mature markets, while ongoing challenges exist in others such as undesirable perception of customers caused by culture practiced in the insurance industry. For instance, in Jordan, the insurance industry's bad performance was connected to cash flow issues that had a substantial impact on operations, whereas in India, the drop in insurance businesses' performance was attributed to client apathy, financial constraints and rigidity of management (Shaun, Lucas & Nilabh, 2018).

Kerschbamer and Tournas (2013) indicated a positive relationship on internal efficiency and organizational culture in insurance firms. Still, the actions and behavior of internal players could shun customers from purchasing from the organization. Largely, organizational culture is allied to organizational activities, and business models to obtain better financial results as projected by theory (Denison, 1990; Kirkman et al., 2016). It is therefore of essence to explore the effect of organizational culture in insurance industry in Kenya since profits have

declined recently with explanations shifting from consumer apathy to reduced economic activity.

In Kenya, the need to aggressively innovate products and services that meet customer demands presents more challenges due to low penetration that has remained below 5% despite expanding population. According to IRA (2020), the Kenyan insurance sector has continued to record low profits as insurance fraud investigation unit (IFIU) continues to record more fraud related cases every year that reflect adversely on the insurance industry already grappling with business dynamisms and constrained markets.

1.1.1 Corporate Diversification

Corporate diversification is delineated by Che and Liebenberg (2017) as the entry into new product-market activities that necessitates development of new competencies or intensification of the existing ones. Contrary, Campa and Kedia (2002) describe diversification as developing new products and services using significantly different inputs from the existing ones, and/or selling to new markets. From the viewpoint of Kuppuswammy and Villalonga (2015), diversification is an assembly of individual line of business that allow companies to compete in a range of diverse activities that could be related or not while Selcuk (2015) describe diversification as the beginning of new business activities through existing companies or business units.

Corporate diversification definitions are therefore varied and pertain entry into new lines of operations through processes of acquisition or internal developments that involve changes in systems, structures, or management procedures. This study delineates corporate diversification as the beginning of new business activities

through existing segments or business units that could be related or not and their significance to sales.

Beneficial angle of diversity for companies arise from the skill of capitalizing on economies of management to lessen overall overheads, being positioned to shoulder larger obligations and create efficient enterprises. Diversifiers are besides positioned to internalize market debacles when faced with equity issues, they benefit from condensed adverse selection hurdle, a step that aids to exploit treasured firm-specific properties in markets beyond. Contrastingly, diversifying can be value-destroying since inefficient capital allocation across divisions may deteriorate value and subsequently rescind performance (Vollkov & Smith, 2015). It too becomes grim to design optimum incentive for managers which sequentially crops up multi-segment operation costs, and suffer inflated information asymmetries. Problems of diversifiers in multi-segment operations extends to managers' tendency of engaging in value- rescinding projects, principally in firms prone to hefty free cash-flow sums.

Numerous firms in the last half-century have conceived corporate diversification an important tool across the globe, not merely as a trend but rather based on logical justification. Justifications range from business life cycle extension, augmented profits, cut in risks, better debt capacity, bigger share of market, accelerated growth, and proficiency in exploitation of financial or human wealth. Nevertheless, several researches attest diversification as a successful tool but still other evidences present variant views (Lüithge, 2018; Afza, Slahudin, & Nazir, 2008). Divergence in outcomes is closely concurrent to level, type of diversification, contexts and indicators chosen (Kakiani, 2018).

Linking business units bearing imperfect but correlated cash flows reduces inconsistency of incomes for combined businesses (Ruddolph & Schwetzler, 2013). Hence, engaging in diverse lines of products result in improved operative efficiency, lessen chances of forgoing investments bearing positive net present value, higher propensity to assume extra debt, and leeway of relocating earnings from well-performing units to loss-making segments to shrink tax burden.

From arguments of Hanni et al. (2013), diversified enterprises engross substantial lower capital cost, making it comparatively easier in stretches of distress to capital admittance, thus, a valuation premium paralleled to focused firms. Instituting of in-house capital markets is purported as among chief motives of why firms would diversify. Evidence place firms as purely existing to seize advantage of less expensive transactions to gain value internally as paralleled to external markets. With emphasis to emergent markets, with scarce institutional trust, excess overruns, incompetent capital and work-force markets, it becomes a catalyst for enterprises to allocate products over multiple segments. Moreover, in-house capital markets allow redeployment of assets of underperforming units which boosts earnings. From this viewpoint, diversification grants firms prospects of supporting investments short of cash reserves by transferring cash flows through business units and ultimately lessening precautionary cash demands.

Diversification has emerged as a crucial issue pertaining to financial stability in the wake of the global financial predicament. A firm can diversify when the core business ceases to offer investors adequate returns for the risk taken, or its cash-flows become gradually uncertain, or when it fails to offer growth opportunities or generally fails to improve sales and profitability. By improving current business

through new goods, markets, or by changing the phases of production, hence used as a source of strength to expand operations (Santalo & Becerra, 2008). Diversification exercise therefore helps organizations to create and utilize larger internal capital and build value, hence its net effect is viewed depending on how well businesses are able to balance cutting costs and maximizing benefits.

Diversification can be taken into consideration by a corporation as a tool to reduce investment risk or facilitate resource apportionment, hence boosting usage, when faced with contracting markets or declining sales. Kuppuswamy and Villalonga (2015) and Shi et al. (2016) concur with this viewpoint, arguing that enterprises expand into industries with potential for profit while Matvos and Seru (2014) reveal that financial assets are employed to maximum by investing where they offer best profit prospects. Corporate diversification has been viewed as a critical factor in expanding the size of a firm. Setianto (2020) posits that a well thought diversification undertaking enables a firm to excel in performance than the companies that adopt a focused strategy. As advanced by Chen and Keung (2018), organizations that embrace diversification stand better chances of expanding their asset base, enhancing revenues as well as improving profit margins.

To measure diversification, Standard Industry Classification (SIC)-based measures are used by industrial organization researchers and Rumelt's (1982) categorical measure are widely applied by business researchers (Van et al., 2001). Rumelt's specialization ratio (SR) was adopted by Yan et al. (2016) and Datta (2017). Palepu (1985) used SR which is argued as easy to understand and calculate. Previous research works have also applied traditional diversification measures such as Hirschman-Herfindahl Index (HHI) (Che and Liebenberg, 2017) and the Entropy

Index (Yibing et al., 2013).

Researchers in finance and insurance industries have largely employed Jacquemin and Berry (1979) Entropy and HHI that was advanced by Hirschman (1964) in product line mix and concentration research. Research works of Jacquemin and Berry (1979), Volkov and Smith (2015) and Liebenberg and Lin (2019) employed Entropy Index which is the most common measure used in finance. Diverse company segments are taken into account, and the entropy metric quantifies the variety of unrelated products. The Herfindahl and Entropy indices are measured differently; the former has an upper limit of 1, while the latter has no upper limit. For evaluating related and unrelated diversification, the Entropy index is therefore more accurate. Its creation and application logic also makes the entropy measure sensitive to smaller enterprises. The entropy metric was determined to be relevant and used in this study since it considers both the number of segments a corporation engages in and relative importance to sales.

1.1.2 Firm Size

Firm size has been advanced as a key explanatory variable in empirical work in finance and asset pricing. Lee and Xia (2016) view firm size as the level of organization resources, assets, trading volumes or the work force. Where the use of firm size is required, empirical studies have reverted to proxies for instance total assets, number of employees, sales or market capitalization (Dang et al., 2018; Adebayo & John, 2017). Basically, total assets measure total firm resources. Conversely, firm size concept has been used to proxy for various theoretical constructs varying from liquidity to risk (Shi et al., 2016; Vijn & Yang, 2013). As a result, the concept of firm size has therefore been interpreted in various ways,

allowing it to measure or explain what the researcher wants to analyze. In addition, the pursuit of a precise definition of firm size is unclear, either because it is hypothesized that size may be multi-dimensional or because it is situational.

Evidence points that higher productivity is innate to large-sized companies, implying that size matches profits. Diversified firms are expected to own larger asset base than smaller firms, implying higher sales for larger firms which translate to higher profitability. Additionally, total assets or firm resources can be strategically used as entry blockade to small-sized insurers (Li & Greenwood, 2004). As such, if larger firms are exposed to lesser insolvency risks, then, they should be in a position to price their products higher than the smaller market players. To the degree that size expresses market supremacy, larger firms are expected to benefit from superior revenues than their smaller counterparts, hence perform better financially (Cummins & Nini, 2002). Large companies are presumed to sometimes possess greater market power than smaller firms which stem from their ability to diversify and enjoy benefits derived from economies of scale.

Along the arguments of Oyelade (2019), difference in sizes can stand as critical determiner of performance in multiple ways. Large enterprises tend to exploit economies of production, can endeavour multiple commercial undertakings, harbour strength to tap larger markets, and ability of easing managerial procedures that uplift performance. By taking advantage of economies of scale, large-sized enterprises can foster superior productivity than their smaller counterparts (Khemirii & Noubigh, 2019).

Consequently, based on advantages of economies of production, Liu (2018) posit that vast enterprises habitually work efficiently than smaller ventures. Besides,

magnitude of size of firm is closely linked to market dominance such that huge enterprises have upper benefit in seller and supplier negotiations. Vast enterprises pose market entry blockades for small and new players, therefore controlling market share in an industry. By extension, big firms exploit public debt markets with lesser costs on capital (Isiik et al., 2017). Other factors giving big firms an upper hand are superior capabilities and resources that aid product advancement, contemporary technological innovation and undeniably better placed to implement strategies.

An outstanding characteristic of large organizations is proprietorship of competent human capital comprised of very capable workers and still the potential to recruit and maintain skilful workers. Whilst large enterprises are faced with multiple disadvantages than smaller firms, their big impact in creating opportunities for societies cannot be wished away. However, large ventures often are mature organisations, mostly with rigid market and strategy adjustments (Mannkiw, 2018). As small players enjoy flexibility in management of product innovations, and market approaches, large players incur extra on maintenance and expansion of market proportion in advertisements, marketing outlays, and distribution channel expenses (Vulgaris & Lemonkis, 2014).

Contrary, big establishments might encounter inefficiencies from labor costs constraints, complexity of management processes, administration bureaucracy, investment diversions and costly investments. Liu et al. (2014) conjecture connection of firm size and profitability in theory and observed evidence as positive. Nonetheless, the effect of size on profitability exhibit much inconsistencies where studies display negative effects (Ammato & Buson, 2007; Shehhata et al., 2017), or no effect on the linkage (Hatem, 2014; Abeyathna &

Priyadashana, 2019).

Prior evidence indicates that larger insurers report higher returns on total assets due to greater market power, presence of economies of scale (Hardwick & Adams, 2012; Liebenberg & Sommer, 2008). From the standpoint of Odundo and Orwaru (2018), firm size closely connects to high returns because large-sized firms are presumed to amass huge profits. It is argued to particularly relate positively to ROA indicating that large firms have aptitude to lower operational costs and improve their performance.

Previous studies have employed different indicators of firm size. The common measures in finance are total sales, total assets, and market capitalization. Following Sommer (2008), Liebenberg and Lin (2019) used the natural log of total net assets as the proxy of firm size. Although firm size is of relevance in empirical corporate finance, the prevailing literature remains silent on the rationale for using certain measures of firm size. Gabaix et al. (2014) who used total assets to measure firm size put forward that in practice, choosing a measure is largely dependent on data availability. The selection of firm size measures also depends on specific purpose of study such as equity or asset-based ownership.

Shi et al. (2016) measured firm size by the aggregation of geometric mean of total liabilities, premium incomes and total assets. As an indicator for firm size, Kumar et al. (2001) used the logarithm of the weighted number of employees while research works of Coles, Daniel and Naveen (2008) utilized market value of equity. The typical measure for firm size in insurance studies is total assets and premium income. The study adopted total assets as firm size measure.

1.1.3. Organizational Culture

Organizational culture embodies active living phenomenon used by members to create shared meaning and continuously interpret their organizational work (Tulcanaza-Prieto, Iliana, & Carlos, 2021). According to Egan et al. (2014), organizational culture entails shared norms, assumptions, philosophies, value systems and inimitable means by which organizations carry out business activities that differentiate them from others. Corporate culture is also described by (Morgan, 2012) as the persistent underlying structure that shape behavior and perception of members of an organization and acts as a binding factor that guides the interaction of employees and stakeholders. From the definition of Ronald and George (2016), it can be deduced that culture is a key organizational aspect that can build or break an organization. Organizational culture exhibits itself through observable artifacts like stories, rules, systems, structures, dress code, physical layout as well as invisible organizational values and underlying assumptions that deeply manifest value systems (Cameron & Quinn, 2006).

Culture exhibited by an organization involves collective mental programming of its members that analyzes their identity as a basic and social spectacle, which mirrors the history of the organization (Hofstede, 2011). It therefore conveys the individuals of the firm's identities (Leithy, 2017). Culture of an organization is grounded in collective practices, where internal stakeholders espouse behaviors in accordance to symbols, rituals, and heroes, that firms represent, such as, variations in the customer focus, throughput and workers' satisfaction (Tulcanaza-Prieto, Iliana, & Carlos, 2021).

Therefore, shared customs among an organization's stakeholders give rise to its

organizational culture. and it's presented as key to preserving competitiveness. It also acts as a binding factor that compound teamwork, innovation, satisfaction of customers and response to the market (Owino & Kibera, 2019). Culture of a firm thus extends to consist of the company's principles, guidelines, and behaviour towards clients, suppliers, partners, and other stakeholders; thus, creating conscious among employees in relation to organizational values and rules of conduct practiced and promoted in business undertakings (Naranjo-Valencia et al., 2016).

Organizational culture has been projected to have a very significant impact on behavior and performance of staff. A strong corporate culture can allow goal alignment which in turn motivates employees to improve the overall corporate performance. If closely followed, culture can positively impact on behavior of an organization and guide how individuals and groups apply the available resources towards goal achievement as supported by Olson and Tomas (2016). Organizational culture acts as a body of solutions that work consistently in an organization and systematically pass on to new members who internalize and use them to approach problems.

Shared mission for example can enable an entity to have a clear direction and purpose that define its goals. Culture of ambiguity and mistrust as opposed by Aamah (2012) and Skerlavaj et al. (2007) can impact negatively on organizational performance hence managers are expected to develop the right culture that influences people and their output. Denison (2003) showed that the efficacy of measures determines the link between organizational culture and business performance and suggested that each organization must institute own cultural features to meet desired goals.

Different scholars have operationalized the concept of organizational culture from different standpoints. Peters (1982) proposes McKinsey's 7S model that explains culture in terms of organization's structure, quality of systems, style, strength of staff, skills, strategy and values shared. Consistent with Uttal and Fierman (1983), Schuldt and Giancarlo (2020); Ronald and George (2016) operationalized culture as shared values that interact with organization structures to produce behavioral norms. Schuldt and Giancarlo (2020) used mission and employee involvement as indicators of corporate culture. Williamson (2013) adopted the International Development Research Centre (IDRC) model to measure corporate culture expressed in terms of beliefs, attitudes, customs, shared values, tradition, norms, structures and leadership.

Denison's model (1990) has been commonly utilized to measure organizational culture and the model suggests that culture of an institution reflects administrative norms and traits centered on assumptions and beliefs. The dimensions proven by Denison (1990) directly impact firms through four facets: involvement - expressed as the capacity of staff members to collaborate and grow within the company's internal environment; consistency of systems- an indication that employees' actions are guided by values, which form agreements and organize the company's operations; adaptability to market-a suggestion of the ability of organizations to adapt to environmental changes and fulfil evolving client expectations as demonstrated through a customer-focused approach, organizational learning, change-making, and a mission defined through the lens of firms direction, objectives, vision, strategic intention, and goals (Denison et al., 2015).

In order to diagnose a company's profile and create strategies that would ensure

success in the competitive, global business market, Denison Model (1990) identified the strengths and weaknesses of the company's culture. The Denison model (1990) that operationalizes organizational culture in terms of mission, involvement, consistency of systems and adaptability to market links organizational culture to organizational performance such as sales growth, ROA, ROE, market share, innovation and customer satisfaction among others hence was found most suitable and adopted in this study to measure organizational culture.

1.1.4 Firm Performance

Firm performance is defined by Liebenberg and Lin (2019) as the fulfillment of organization's economic goal while Goll and Rakesh (2015) equate performance to having above-average profitability which can be financial or non-financial. Financial performance of a firm is described as a measure of value created by an organization or outcomes that result from management decisions (Olson & Tomas, 2016). Harker and Zenios (2013) view non-financial performance in terms of satisfying key stakeholders and addressing customer perspective. Organizational wellness can be voiced in relation to goal attainment because organizations pursue measurable, ultimate goals. Furthermore, according to Ronald and George (2016), the best metrics for assessing an organization's performance are its ability to please consumers, provide high-quality goods and services, and do well in the market. However, performance is situational since it depends on what the observer finds valuable and the characteristics of an industry.

The concept of performance is anchored on the idea that organizations are interconnections of productive assets and capital resources with a core objective of achieving a shared purpose that allow firms to deliver product or services

effectively and efficiently (Westerman, De Ridder, & Achtereekte, 2020). Corporate performance therefore becomes an ultimate test of the firm's health and ensures that all elements and systems within a firm are working harmoniously towards a unity of purpose (Odundo, 2015). Therefore, the importance of firm performance shows sustainability of an organization and becomes a good indicator of whether a firm is a going concern or not. It is obligatory for providers of capital to evaluate the value they derive from their assets as the quest to invest further is dependent on the present value received.

Similarly, shareholders and other stakeholder's expectations can be realized if entities achieve a steady and progressive positive performance. Yet still, excess returns can be recouped for investment in additional lines of business. Several concepts are critical to the performance of a business such as size, and potential growth. However, major concern for any investor is periodic earnings. Profitability therefore becomes principal goal despite of how measured since firms strive to attain their purpose through operational or economic outcomes as projected in the views of Hamann et al. (2013) and Ozigbo, (2013). Westerman, De Ridder, and Achtereekte (2020) found that providing more value-added services and focusing more on the needs of the consumer will help them feel valued and may even lead to future business.

Gaining greater market space can result from enhancing a company's reputation among the public, which can also lead to more business and better ties with the community (Adebayo & John, 2017). Therefore, companies looking to improve performance should place a strong emphasis on organizational culture. Goals for financial and non-financial performance increase earnings and help the business

operate better. The non-financial developments aids in rounding out strengths in spaces like value added services, brand awareness, and customer focus. These aspects strengthen the business and improve its performance in the marketplace and increase profits.

Monika, Richter and Amit (2019) state that service level agreements are one way to manage performance and operating metrics that enhance profitability. Growth and learning perspective of performance includes gaining better competencies and capacities that drive to quality services and improved market share.

To measure performance, most literature employed accounting indicators to compute financial performance. Return on asset and ROE are frequently used financial performance measures in finance, banking and insurance and also prevalent in diversification-performance literature (Volkov & Smith, 2015; Che & Liebenberg, 2017). In insurance industry, loss ratio is a prevalent measure in literature (Elango & Pope, 2008; Liebenberg & Sommer, 2008). Researchers have also used Risk-Adjusted ROA or ROE to integrate return volatility while measuring performance (Berger, et al. 2014). In insurance industry studies, return on assets (ROA) instead of ROE is utilized since most insurers are not publicly traded, hence lack market equity values. Incurred claims ratio and loss ratio are also commonly used measures of insurance firms' performance (Shi, 2016).

The market share of the business is shown by the non-financial measures of choice, consumer retention, take rate, experience, and innovation. As a result, market share becomes the key performance indicator for the business and marketing, allowing for accountability. A non-financial market share metric facilitates the communication of marketing's impact and contribution to an organization. Despite their popularity,

these measures tend to be biased in nature and their computation may vary over time and often differs between companies, which hinders inter-firm or inter-industry performance comparisons although the metrics are easier to manipulate than financial indicators since they are rarely subjected to public scrutiny. Market share was utilized in this study as an indication of non-financial success because it has been widely utilized to signify business performance (Delai & Daip, 2019; Humprey, 2018).

Following previous literature, ROA is extensively applied by practitioners and academicians since it controls for dissimilarities in financial design, hence was used to measure the aspect of financial performance and market share measured non-financial aspect of firm performance. Integration of both measures provides more holistic approach of measuring performance (Lin & Graduate, 2017). Among the studies that combined measures include: Angima (2017); Ali, Danish and Asrar-ul-Haq (2020) and Deng and Long (2019). In addition, return on assets (ROA) instead of ROE is utilized since most insurers are not publicly traded, hence lack market equity values, hence justification for choice of ROA as financial performance measure in this study. As pointed out by Tonglil et al. (2005), a common measure that addresses all sort of performance criteria is not obtainable and that there exists no single universally accepted metric to wholly proxy firm performance since different measures harbour specific merits and limitations. Employment of multiple measures in this study was apt to establish the robustness of findings.

1.1.5 Insurance Companies in Kenya

Insurance companies are governed by Insurance Act Cap 487 and regulated by the Insurance Regulatory Authority (IRA). There were 56 insurance companies and

five reinsurers operational as at December, 2021. 33 transcribe general insurance, 18 were in life insurance whilst 5 comprised both life and non-life businesses. Stemming from IRA 2006 establishment and Insurance Amendment Act, several changes in the insurance sector have been witnessed. For example, a number of composite insurers have demerged into life or general insurance business to enable focus on either life or non-life insurance. This change has also pushed some insurers to opt for mergers with companies offering similar products with the objective of consolidating the asset base to enhance performance.

The industry acts a pivotal role in social, and economic progress circles of an economy and business world in particular. Insurance shields against capital loss, offers investment in bond markets, property and equity and assumes risks hence allowing investors to venture into business with lesser uncertainties hence promotes higher productivity and growth (AKI, 2019).

Kenyan insurance industry has continued to record a decline in profits and some firms report losses that threaten their survival. Despite heavy investments on assets, the insurance industry consistently records unstable profits while some insurers post impressive EBIT. Overall, insurance penetration plunged to 2.413% in 2018 from 2.71% in 2017 and in 2020 has remained below 3% while profits after tax had a drop of 61.56%, translated to Ksh3.54 billion down from Ksh 9.21billion recorded in 2017. The industry is faced with harmful attributes for example injurious competition, fraudulent activities and indifference by consumers of insurance services (IRA, 2019). Under the Kenyan insurance market, agents are contracted to sell insurance and as such, high cases of fraudulent activities that stem from agents and employees are reported every year that adversely affect clients, the industry

image and the industry performance.

Whereas diversification is intense in this industry, it could be expected to increase insurance uptake, premium growth and presents customers with diverse insurance services, however, the industry has a worrying trend of declining ROA in the last five years; 2.69% in 2017, 1.36% in 2018, and 1.80%, 1.74% and 1.22% in 2019, 2020 and 2021 respectively hence face constraints to meet obligations to the shareholders. The insurance industry is asset intensive whereby investors expect a commensurate return for investment thus insurance companies spread investment risks for their stakeholders by investing in diversified portfolios.

Therefore, insurance sector forms an integral part of financial services sector in an economy that cannot be overlooked. Kenyan suppliers to the insurance sector have extended their business into both connected and unconnected sectors, with some going international and entering markets in East Africa. Some have also made significant investments in unrelated fields, such as real estate, mortgages, securities, loans, and other assets that together make up a sizable asset base (IRA, 2019).

1.2 Research Problem

Financial crises have a negative impact on the performance of insurance companies and other financial intermediaries. This has resulted from depending solely on one revenue source, poor organizational culture and shrinking assets among others. Chen and Keung (2018) have predicted corporate diversity as a vital instrument to improve financial institutions' performance however; many researchers have agreed that there is no harmony regarding the connection of diversification and performance.

Some studies have alluded to positive linkage that diversification advances profitability over time (Nyaingiri and Ogollah, 2015; Hoskiss, Ireland, and Hill, 2016) while Nisar et al. (2018) stressed business diversification's importance in obtaining a competitive edge in a changing market. Arguments are further stressed that effects of diversification are attributable to the way diversified firms allocate resources thus, bringing a twofold view on the relationship by inferring that the already well performing firms opt for diversification to foster growth.

Divergence, according to diversification proponents, becomes a key tool for managing market dominance both domestically and internationally. According to critics of diversification (Ibragimov et al., 2011; Chakrabarti et al., 2007), there is a negative correlation between diversification and performance. Still, others have demonstrated that the relation is dependent on business cycles and visibility in the market (Liebenberg & Lin, 2019). Santalo and Becerra (2008) presented evidence indicating that variations in the components of diversification adopted lead to variances in the outcomes. There is disagreement on whether diversity is a universally profitable or unprofitable hence the linkage becomes controversial, inconsistent and inconclusive. Controversy continuous as to whether firms diversify to improve performance or if, the already well performing firms think diversification as an opportunity to expand (Monika, Richter & Amit, 2019).

The size of a body corporate has been advanced as an influencer of performance; however, evidence has portrayed inconclusive results. While small size is a source of hindrance to respond to new opportunities or react to threats, large sized firms are argued to experience high levels of inefficiency and wastage (Dang et al., 2018; McKenzie & Geter, 2013). Murgar (2019) revealed that firms still embrace

diversification agenda to enlarge asset base though guided by long term profit ambition. Mixed results of firm size and firm performance relationship reported as positive, negative, linear and curvilinear in form and direction present conceptual gaps. Studies have directly linked culture to performance and indicated that variations in findings as to stem from measures utilized (Naranjo-Valencia et al., 2016; Leithy, 2017).

In the Kenya, over the last five years, the industry gross earned premium has remained largely unchanged. But from 2016 to 2018, earnings before taxes declined while profits after taxes fell by 61.56%, then sharply climbed in 2019 before dropping again by more than 68% in 2020. However, according to a report by IRA (2019), among the registered insurance companies, some posted impressive EAT while others record consistent marginal losses. Despite CDV being costly, many insurance companies continue to invest in more product lines. It is therefore important to investigate whether the benefits that accrue from engaging in CDV activities outweigh the associated costs of diversification.

According to report by IRA (2021), insurance sector has reported declining ROA of 2.69% in 2017, 1.36% in 2018, and 1.80%, 1.74% and 1.22% in 2019, 2020 and 2021 respectively hence face constraints to meet obligations to the shareholders. Despite declining profits, the insurance industry invests heavily in assets. Long-term insurers' asset base rose by 13.0% to Ksh. 638.23 billion principally funded through shareholders' equity, hence the concern for declining ROA. General insurance total investments in 2019 indicated a decline of 1.7% with industry combined ratio of 102.8% meaning an underwriting loss of Ksh 1.26 billion. The industry performance, however, slowed in 2018 to register a 3% rise as compared

to 6.5% in 2017, as overall insurance penetration dropped to 2.43% (AKI, 2018).

Negative aspects of the insurance market include consumers' apathy and unhealthful competition. This could be attributed to the culture practiced in this industry that shapes actions and behavior of firms or fraudulent actions experienced by consumers and low level of consumer awareness (IRA, 2017). During 2020, 1,637 while in 2019 1,962 complaints were filed with the insurance fraud investigation unit (IFIU), 75% filled against general insurance business whereas 25% were made against long term insurers. The Authority had also received 2,233 complaints in 2018 matched up to 2,126 complaints reported in 2017 rising from delayed settlements, erroneous deductions, declined claims, theft and unsatisfactory compensations. These cases can be associated to organizational culture issues that trickle down to clients and reflect badly on image of insurance industry. Studies done in this sector have not analyzed the variables projected for this study or are done in other economies with distinct market features. Variables have also been scrutinized in other sectors or across several countries hence contextual gaps.

Most studies conducted in this area explore diversification and performance linkage, thus bivariate by nature and largely report findings as correlations and not causal relationships. Still, these bivariate studies tend to overestimate the effect of corporate diversification on performance, hence the inclusion of mediating and moderating effect in this linkage. Disparities in findings occur due to broad metrics used to measure corporate diversification, firm size, organizational culture and performance, thus choice of widely used and commonly accepted metrics to measure the study variables.

Lack of consensus on findings prevail in this area for instance, Chakrabarti et al.

(2007) established that more diversified insurers recorded lower stock returns whereas the focused insurers have retained a market grip thus controlling large market. In the outcomes of Liebenberg and Sommer (2008), diversified insurers have low accounting performance as compared to focused insurers. Contrary, Hoskiss, Ireland and Hill (2016) reported a significant positive linkage between diversification and firm performance. Literature has also indicated fragmented and inconclusive results on link between firm size and performance (Coles, Daniel, & Naveen, 2008). Prevailing evidence suggests that diversification detracts firm value and supports the strategic focus proposition. Therefore, whether diversification improves or detracts value, rests as an empirical question.

A study of insurance firms by Ombaka (2014) operationalized financial assets using manager's opinions that cannot capture the quantitative aspect of financial assets hence creating a methodology gap. Mudaki, Wanjere, Ochieng and Odera (2011) focus was on operational resources although the current study sought to focus on total assets and test the effect of moderating and intervening variables, hence conceptual gaps. Ogolla and Nyangiri (2016) utilized a case study hence not possible to generalize findings and captured corporate performance by opinions that could be subjective. The study also analyzed unrelated diversification hence presenting conceptual, contextual and methodology gaps. Ndung'u, Kibati and Sella (2019) focused on product diversification that was measured using HHI and financial performance in the Kenyan manufacturing companies' hence conceptual, methodology as well as contextual gaps.

Challenges facing insurance companies are many and varied and they include dwindling profitability, internal management issues, low penetration, constrained

resources, competition and consumer apathy among others. It is challenging to establish a distinct CDV-FP relationship because these variables vary depending on the situation. In addition to industry-specific variations, these contextual variances are ascribed to variations in the regulatory, economic, and cultural settings between established and emerging markets. Howard and Walters (2014) who researched on Chinese firms established that CDV was positively and significantly related to FP. However, China's being a transition economy, these findings may not apply in a developing market (Kenya) due to economic, regulatory and cultural variations. Mashiri and Sebele (2014) analyzed diversification influence on FP in listed food and beverage sector conglomerates in Zimbabwe and found a significant positive link. However, the industry has operational differences from financial sector industry which hinders generalization. Still, Zimbabwe and Kenya differ in economic and cultural aspects.

Inconclusive results stem from methodology such as inconsistency in data, database biases, difference in time frames, different diversification and performance measures selected for different studies. Conflicting findings are also contingent on model mis-specifications, data and methodologies applied, omission of control variables and geographic location. Gaps in methodology arise as differences in firm size proxies is found to present significant variations in regressions, suggesting that some measures could be more apt than others in various circumstances. A methodological gap exists as studies differ on whether qualitative or quantitative measures are suitable to operationalize performance. This study therefore sought to address the critical conceptual, contextual and methodological gaps by answering the following research question: What is the effect of firm size and organizational culture on the relationship between corporate diversification and performance of

insurance companies in Kenya?

1.3 Research Objectives

The general objective of this study was to determine the relationship among corporate diversification, firm size, organizational culture and firm performance of insurance companies in Kenya.

1.3.1 Specific Objectives

- i. To determine the relationship between corporate diversification and firm performance of insurance companies in Kenya.
- ii. To examine the effect of firm size on the relationship between corporate diversification and firm performance of insurance companies in Kenya
- iii. To assess the effect of organizational culture on the relationship between corporate diversification and firm performance of insurance companies in Kenya.
- iv. To determine the joint effect of corporate diversification, firm size and organizational culture on firm performance of insurance companies in Kenya.
- v. To assess the reversal effect between corporate diversification and firm performance of insurance companies in Kenya.

1.4 Value of the Study

Findings of this study contribute to the existing body of knowledge by providing a better understanding of the corporate diversification and firm performance relationship which has not been explored passably in literature specifically in the local context. The contributions of this study to the literature on CDV- performance relationship are twofold. First, the effect of corporate diversification on firm performance, and second how performance impacts corporate diversification. Given

that prior research was undertaken in different sectors and global economies, this study attempted to provide applicability of the variables in insurance industry context and in the world of academia. This study forms a basis for further empirical investigation through the research gaps that may stimulate interest in future research.

Anchoring the research on the MPT and stakeholder theory, this study contributes to finance theory and broadens the existing knowledge of corporate diversification and particularly its interconnectedness with the size of the firm and effect of organizational culture in explaining their influence on performance of the insurance industry. In regard to non-financial performance aspect, the study supports tenets of RBT that underscore the importance of organizational assets in steering productivity, growth and overall performance through diversification. From the aspect of financial performance, the study joins the critics of stakeholder theory that organizations should not be perceived as economic value creation vehicles that focus only on monetary returns but should address interests of all stakeholders and societal interests.

The findings provide a practical tool for practitioners in the insurance industry. Based on the outcomes, businesses that are considering diversification tool should seek optimality that will enable them to reap diversification premiums. Moreover, the managers should carefully analyze the best opportunities obtainable to the firm prior to embarking on diversification tools. Alternatively, they can analyze their performance trends before reinvesting excess returns in more business lines. Findings provide a better understanding on how managers can navigate about diversification to enable their companies benefit from opportunities available and

expand operations.

The study findings equip managers with broader insights on causes of variations in performance in insurance companies. As such, firms not overlook firm size when determining if to diversify or not and the viable extent of diversification. Study findings help players and managers in the insurance industry to understand corporate diversification and focus on products and services that meet customer needs and enable firms to improve their effectiveness. Decision makers and opinion leaders in the insurance industry can gain insights on the importance of organizational culture practiced and underscore its relevance in industry perception and performance and also address the challenge of consumer apathy across all products offered by the insurers.

The findings serve as a source of insights to policy makers in public sector since insurance industry is among the sectors who are envisioned to provide pivotal roles in Kenya's Vision 2030. The findings are particularly of importance to policy makers to chart framework that address the organizational culture issues and regulate the actions of insurers as they demarcate diversification agendas of penetrating and positioning themselves well in markets. Results of the analysis provide regulators and other players with insights necessary for determining policies in regard to inducements and disincentive measures for corporate diversification and firm size that can facilitate performance of insurance industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two discusses conceptual and empirical literature reviewed on corporate diversification, firm size, organizational culture, and performance. The chapter covered key theories with a focus on modern portfolio theory, stakeholder theory, resource-based theory and theory of organizational effectiveness that informed the study and helped gain broader understanding of the study concepts. It also entails summary of prior studies, research gaps identified, the conceptual framework and the research hypotheses.

2.2 Theoretical Foundation

This section reviews key theories, proponents, critics and applicability of the theories to the current study. The theories of focus are modern portfolio theory by Markowitz (1952), resource-based theory developed by Penrose (1959), stakeholder theory coined by Freeman (1984) and Theory of Organizational Effectiveness by Freeman and Hannan (1989).

2.2.1 Modern Portfolio Theory

This theory was coined by Markowitz (1952) and is among investment theories that weighs benefits of diversification. It describes how investors introduce new items into diverse investment portfolios to optimize wealth and minimize exposures. In 1958, Tobin elaborated portfolio theory further by including analysis of risk-free investments. This enabled to impact portfolios on the efficient frontier. Markowitz (1952) implied maximum portfolio of risk securities components are achievable and can be known, given future returns projections and suitable co-variance matrix of share returns. According to the hypothesis, diversification helps to reduce risk even

when asset or product returns are negatively correlated.

With MPT as the ascendant paradigm, Fama in mid-1960s proposed the efficient market hypothesis while for quantitative-based investment analysts, MPT helped to explain chaotic financial markets hence viewed as a reasonable approach when building investment portfolios. Jansson and Biel (2011) support MPT, stating that it is widely applicable and serves as a crucial component of financial institution performance studies. The legitimacy of MPT is contested by financial analysts who allude to Warren Buffett as a rule breaker. Buffett, a key financial market referral with thriving financial takeovers, buys companies, manages them and provides benefits of his managerial wisdom which is incongruent with MPT proponents (Sabbadini, 2010).

Critics further argue that MPT model of financial markets differ with real investment world since investors make estimations from historical data to model risk prevailing in the market expressed as probability of losses without validating the reason as to why losses might occur. Thus, risk assessment in MPT is probabilistic because in real life scenario, investors should substitute forecasts based on past measurements of asset volatility and return. MPT is also critiqued for failure to incorporate environmental, personal or social dimensions such as culture when making investment decisions.

According to the theory's formulation, investors can reduce their vulnerability by diversifying their company ventures, which enables companies to use resources profitably and boost return on assets. MPT projects diversification to provide firms with economies of scale and potential to leverage managerial competence on a range of products. Therefore, MPT promotes asset diversification to hedge market risk and risks unique to specific companies. This theory also helps managers to explain how to arrive at the best possible diversification decisions. MPT devises diversification concept in

investments with the objective of choosing a set of investment assets with jointly lesser risk than singular assets.

Such prospects can be viewed intuitively as different assets in most cases change value in opposite directions although diversification lessens risk even in situations where returns are not negatively correlated. MPT guides individual investors or financial planners in allocating capital assets in an investing portfolio.

The underpinning of MPT in current study forms the foundation for evaluating the business lines that insurers undertake (as investment portfolios of insurers) and the return that each line of business provides relative to the overall gross premium that a company writes. These activities in turn lead to expanding the asset base and place the insurer at a better position in regard to the market share held and return to assets invested in.

2.2.2 Stakeholder Theory

Stakeholder theory was coined by Freeman (1984) who proposed that businesses are solely responsible for maximizing profits. Beyond this feat, Freeman (1989) argues that businesses should not engage with roles that do not primarily aim at enriching shareholders. However, organizations are not legal devices for conducting transactions seeking to improve individuals as in managerial capitalism. In its ideological form, stakeholders are comprised of individuals and groups who directly or otherwise benefit from or are injured by actions of the firm. Additionally, these individuals and groups have rights, which are either violated or upheld by decisions of a body corporate.

The theory puts forward that it is the prerogative of organizations to make sure that shareholders wealth is maximized. Therefore, according to this theory, firms need to address stakeholders demands or risk conflicts with them which can lead to diminished performance through go slows, protests or lawsuits.

Organizational culture has a very substantial impact on behavior and performance of internal stakeholders. A strong corporate culture allows goal alignment which motivates employees to improve the overall corporate performance. If closely followed, culture can positively impact on behavior of an organization and guide how individuals and groups apply the available resources towards goal achievement as supported by Olson and Tomas (2016). Organizational culture acts as a body of solutions that work consistently in an organization and systematically pass on to new members who internalize and use them to approach problems. Shared mission for example can enable an entity to have a clear direction and purpose that define its goals.

Proponents of stakeholder theory such as Mojibi, Somayeh and Yacob (2013) view the purpose of the firm as broader than economic value creation and include societal interests. According to Naranjo-Valencian et al. (2016) the motivation behind this theory is economic value creation and distributing wealth to numerous benefactors or stakeholders. Marcoux (2013) argues that as stakeholder theory demands, all stakeholders interests should be served non-partially in the course of governing a firm. Even if fiduciary duties call for partiality or inclination towards interests of some beneficiaries above others, it follows that stakeholder theory in itself, is non-fiducially in character. In fact, it destroys the very possibility of fiducial obligations in business.

Wijnberg (2008) criticizes stakeholder theory for the logical offence of diverting funds from strictly business objectives to other purposes, hence perceive managers as pursuing the wrong ends. However, Wijnberg (2008) argument in support of this theory starts from the premise that the essence of business is to maximize owner value in terms of property rights and contractual obligations. The attempts of the theory therefore suggest that all players try to prove that corporations have moral legitimacy to use legal entity's assets to pursue objectives not reducible to realization of legit

interests of shareholders.

Stakeholders are involved in managing the process of firm's performance in various ways although with different intentions. Parties that directly and significantly impact on the performance of a body corporate are the executive, shareholders and board of directors who largely ensure that the mission of business is achieved (Mojibi, Somayeh, & Yacob, 2013). Theory emphasizes explicitly on balance between internal stakeholder interest as key influencer of corporate policy, whether in emphasizing culture, firm size, and corporate diversification or firm performance hence its applicability in guiding the study.

Firms and their managers are exceptionally obliged to guarantee that shareholders get a commensurate return on investment and fulfill obligations to other stakeholders. Thus, corporate diversification functions undertaken should ensure that shareholders get fair return on investment while at the same time satisfying obligations to other stakeholders and remain focused to its mission, safeguard and exploit its assets optimally. The operationalization of this theory in a firm further compels managers to inculcate a culture that helps organizations to create value to stakeholders by properly utilizing available assets. The applicability of stakeholder theory is validated by the fact that the insurance industry is comprised by several players with varied interests that are expected to be fairly addressed.

2.2.3 Resource-Based Theory

Resource based theory (RBT) was coined by Penrose in (1959) and advanced by Pfeffer and Salancik (1978). The theory envisions organizations as a collection of resources that include financial assets, organizational processes, human skills/knowledge and technologies. RBT underscores the critical implication of assets

for organizational growth, continued existence and overall performance. This theory states that different organizational resources greatly impact on firm productivity and changes in these resources or assets drive performance variances. Thus, possession and alignment of inimitable resources becomes a source of increased value and superior firm performance (Conner, 2008). Deductible from RBT, organizations should consider internal resources as a competitive pillar and create sustainable advantage by aligning resources in accordance to prioritized needs.

The RBT proponents arose from the early works of Penrose (1959) and Chandler (1962) were of the view that organizational success is dependent on institutional resources. Penrose posits that the manner in which firms deploy their assets presents a competitive advantage. This view was maintained by Barney (2002) who maintains that businesses with unique, valuable, and rare assets would be able to maintain a competitive advantage edge by diversifying its activities. On the contrary, Che and Liebenberg (2017) and Hann et al. (2013) argued that firms are not homogeneous in regard to capabilities, assets and other contributions hence the resources become complex to adjust. RBT is still being criticized by academics who believe it provides inadequate justifications and is hence ambiguous (William et al., 2011).

Applicability of RBT in this study stems from its richness in addressing the concepts of this study and general applicability of the theory to business research. RBT accentuates the vital significance that assets of a firm put on growth, long term survival and general performance. It also presents a cohesive theoretical outline for extensive diversification research stream that underscores prominence of specific firm assets. Particularly, RBT perspective on diversification provides internal resource viewpoint that emphasizes the motivation of organizations to maximize assets by diversifying business activities. This premise represents an important theoretical broad

view in studies of diversification and offers theoretical lens to envision corporate diversification as a source of profitability.

Pursuant to the RBT perspective, a diversified company has access to a broader array of priceless intangible resources and competencies that it could exchange with other businesses to create synergies that boost the interaction within the company's performance (Hausschild & Knyphausen-Aufsee, 2013). Such perspectives may aid researchers in comprehending the range of empirical findings-positive, negative, nonlinear, or constant relationships-revealed across multiple inquiries. Yet, the methods might not be sufficient to describe this relationship's nature.

More still, the capability perspective of RBT projects firms with resources as those in a position to venture in different lines of business. However, since managers are not static in the RBT (Sirmon et al., 2007), they are expected to instill a culture that packages and leverages valuable assets uniquely to maximize contribution towards performance. From RBT perspective, it was expected that when firms diversify, they are able to build more asset base and generate more returns in the long run and still firms reporting good returns to opt for diversification strategy. RBT therefore becomes suitable to predict the diversification-performance relationship from two perspectives.

2.2.4 Theory of Organizational Effectiveness

Freeman and Hannan (1989) created the notion, arguing that an organization's immediate resource base determines how effective it is. They also assert that businesses that function well in difficult economic times may be more successful than those that do so in comparatively stable periods.

According to Hannan and Freeman (1989), selection, as opposed to adaptation, is the

process that leads to long-term changes in the variety of organizations. The notion states that successful organizations deliberately align with the market to overcome obstacles that prevent them from achieving their objectives. Efficient companies figure out how to use their resources wisely and strategically in accordance with the conditions of their industry. Therefore, the performance impacts of diversification can be linked to the efficient resource allocation practices of diversified organizations, which are frequently skewed towards poor chances in highly unrelated diversified firms and towards favorable opportunities in cases of related diversifiers.

According to the theory's proponent, Norbert (2014), most organizations have structural inertia that prevents them from adapting when things change. It is predictable that organizational rigidity is a barrier resulting from a specific ingrained culture that keeps an organization from adapting. Organizations must identify their limitations and actively seek to lessen their impact if they are to operate at a high level of effectiveness. With this kind of approach, businesses can easily adjust to changes and performance issues.

According to Hurry and Bowman (2015), businesses that can no longer compete with the demands of the market will eventually be replaced by businesses that are better able to meet those needs. Measuring performance provides an indication of how well an organization achieves its objectives, which is another common way to gauge its effectiveness. This hypothesis was relevant to the study because it clarifies how diversification influences firm effectiveness and how adaptable culture and size affect a company.

2.3 Review of Empirical Literature

This section entailed review of empirical studies related to the study variables particularly corporate diversification and performance. The intervention effect of firm size and moderating role of organizational culture on linkage between corporate diversification and firm performance were discussed. The joint effect of corporate diversification, firm size and organizational culture on performance and reversal effect of corporate diversification- performance relationship was also reviewed.

2.3.1 Corporate Diversification and Firm Performance

A study by Setianto (2020) examined how growth opportunities determined the connection of corporate diversification and firm's value. The study employed a five-year data of Indonesian manufacturing firms. While testing for possible nonlinear linkage, the analysis utilized a nonlinear regression model. Path analysis method was utilized to check robustness of mediating role on the relationship. Findings revealed the U-shaped relationship, suggesting variations of diversification effects on value across firms. Negative impact was also found to reverse in instances of higher diversification levels. In addition, analysis indicated that the relationship was entirely mediated by growth opportunities of a firm. The study of Setianto (2020) assessed manufacturing firms which have different operational characteristics from financial service firms like insurance companies. This contextual gap was addressed in this study. Conceptually, this study focused on firm size as the intervening variable that could bring differences in the mediation effect and also tested for the moderation effect of organizational culture using linear regression models.

The focus of Hoskiss, Maria, and Ronald (2016) was firm performance and multiproduct diversification. Empirical research revealed that in developed and efficient markets, unrelated multiproduct diversification is frequently employed.

According to the studied models, related diversification is associated with more desirable risk and return profiles, whereas unrelated diversification is associated with less desirable risk and return profiles. The research validated the expected elliptical relationship between company performance and diversification. It was reported that the correlations remained momentarily steady during fluctuations in business and economic cycles. Since developed and efficient markets have different characteristics from one another, the study's conclusions cannot be applied to developing nations. This study pursued to address comparable constructs in an emergent economy alongside intervening and moderating variables.

Yiğit, Nihal and Emrie (2013) were in pursuit to determine if significant diversity existed on types of values of diversification and performance weighing against Italy and Turkey markets. The data of five years (2007-2011) involving 418 Italian business sets and 128 Turkish were subjected to analysis. Results connoted that, when values of business performance in Turkey soar for lone businesses and unrelated diversity, performance rose for related diversifier dominant players in Italy. Consequently, performance was amplified by internal aspects in Italy and by environmental dynamics in Turkish setup. This study was in a distinct insurance industry in an emergent setting and incorporated other constructs in the CDV-performance linkage.

Mashiri and Sebele (2014) investigated diversification and its influence on performance in food and beverage sector conglomerates listed on Zimbabwe Security Exchange. Primary data was gathered via interviews whereas secondary data was gathered from management accounts and financial reports and analyzed by means of SPSS. Turnover was used as a pointer of performance with findings indicating a positive linear connection. The ROS and ROA pointed to a positive linear association.

Remarkable growth in two ratios tested (ROS and ROA) was attributed to growth in net profits as a resultant of diversification benefits and hyper-inflationary environment that existed in Zimbabwe during the time of analysis. Study was done when Zimbabwe was experiencing currency instability which could have significantly affected the results hence a need to test the variables at a relatively stable setting. Contextual gaps arose from industry and country of study.

Nyaingiri and Ogollah (2015) utilized case study of Sameer Group in Kenya and sought to ascertain impact of unrelated diversification components on corporate performance. They used stratified random procedure to acquire the study sample and collected data using questionnaire. Findings indicated that firm characteristics and co-insurance effect were significantly linked to corporate performance. Results revealed that the company opted for diversification due to the existence of resources which considerably impacted on a company.

The study used opinions to capture corporate performance. Opinions can bring bias in reporting because the respondent may want to rate themselves high which can lead to misreporting of the actual situation. Lack of objectivity in data gathered is prevalent in this method. The authors focus was a case study, hence not possible to achieve generalizability of the findings across firms in the sector. Conceptually, the study addressed unrelated aspects of diversification. Present study considered related and unrelated diversification and also tested the intervening and moderating effects.

Dellos et al. (2018) hypothesized that diversifying into global arena advances owners value through flexibility in operations, exploitation of firm-specific assets, and alignment with investor preferences as pertains holding a portfolio that is globally diversified. Lien and Li (2013) contends diversification as a source of enterprise

benefit, leading to synergies brought by actuality of assets that managers exploit for firms. External markets diversification for example, increases the earning potential of companies by allowing flexibility within a firm to react to comparative price alterations, amidst other institutional variations. To recapture or expand markets, companies have the prospect of shifting marketing to countries exhibiting low marginal overheads, or still transferring production to high demand countries. This is feasible since diversification as a tool is assumed of less advantage whenever firms are functioning within effective and highly efficient markets and amidst lowly priced capital.

Authors have quizzed the adeptness of interior capital markets and conjectured that diversification of firms tend to destroy value (Matusaka & Nandoa, 2012). Stein (2020) examined how managers rent-seeking behavior tips to inefficient cross-subsidization through diverse business units. Beckmann et al. (2012) documented the worth of interior markets and revealed that diversified firms experience increased investment openings leading to power tussles across segments and subsequently drives to greater probability of misapplying own capital, thus, retracting earnings. Diversification models propose diversity as an ex-ante logic and value-enabling tool, which might turnout as unproductive ex post. It is stressed as a dynamic matching exercise where organizations search for commercial undertakings that equal prevailing unique capabilities (Errdorff et al., 2013).

2.3.2. Corporate Diversification, Firm Size and Firm Performance

To investigate whether the size of bank had a moderating role on portfolio diversification versus financial performance linkage of Kenyan commercial Kenya, Ngware, Olweny and Muturi (2020) utilized unbalanced panel data from 43 commercial banks for five years. They measured financial performance by both

Return on Assets and Return on Equity. Findings revealed a positive significant effect of size pegged on ROE and ROA and that size was a moderator in the portfolio diversification- financial performance linkage of Kenyan banks.

Whereas the study tested the moderating effect of bank size, current study analyzes firm size as a mediator since corporate diversification is projected to have causal effect on size. This study context was insurance industry that has different operational features from commercial banks that are well structured and regulated. This study measured performance by ROA and market share, and also tested the reversal effect in corporate diversification-performance relationship.

Elango and Pope (2008) studied the link shared by product diversification and financial performance and drew data from U.S property-liability market between 1994-2002. Using lagged fixed-effect representations they revealed a nonlinear link. In addition, product and geographic diversification interaction was tested, results revealed a complex association. Authors found that the linkage is largely impacted by geographic diversification level and size of the firm- manifested by the resource differences. Study context was a developed economy whose findings would be possibly different if the analysis was done on a developing economy like Kenya. While the study also tested geographic diversification, this study focused in lines of business and their particular contributions.

The pharmaceutical sector was examined by McGrath and Nerkar (2016) in terms of organizational scale and unrelated diversification. They discovered significant diversifications in the pharmaceutical sector and the practice of businesses allocating resources to progressively disparate product segments. Furthermore, it was shown that unconnected diversifications yielded superior results. While categorizing assets

according to their discretionary character is applicable for a variety of resource types, operational definition of the study's scale relies on human capital data, which leaves out other kinds of assets or resources. The pharmaceutical industry, which primarily consist of closely owned private small businesses and ignores market domination in favour of profitability, was the study's main emphasis. Additionally, their operations are focused, in contrast to insurance companies that operate in a variety of underwriting. While the researchers tested the effect of size on diversification; this study tested how the two variables impacted on performance.

Using panel data from US credit union for 10 years 1993–2004, Goddard et al. (2008) attempted to assess the impact of bank size on performance and diversification links. According to the study, major enterprises. An experienced a greater negative impact from indirect exposure than good impacts from direct contact. The study found that both large and small credit unions in the US benefited from revenue diversification but did not demonstrate its effects on performance. However, the study was carried out in different industries/sectors therefore presenting contextual gaps. The study measured diversification by HHI index while this study utilized Entropy index to measure corporate diversification. The study still tested size as a moderating variable which is a mediator in this study. OC was also tested in this study while performance was assessed in two aspects; FP and NFP.

Impact of size versus performance of Vietnamese firms is examined by uong, Tuon and Binh (2021). Their study applied OLS centred on Annual Enterprise Survey data of 2009- 2018, highlighting the impact of total labour, assets and growth rate on profitability of static and dynamic Vietnamese state private enterprises. The quantitative model's outcomes in the order of indicated assets, total labour and growth rate are central elements in predicting a firm's performance. Findings draw attention to

the problem of Vietnamese private firms' declining scale, even as their number expands (the fraction of medium- and large-sized enterprises drops while micro- and small-sized enterprises escalates). Moreover, the drawbacks of scale have a detrimental impact on the growth in Vietnamese private establishments in a number of areas, like financing availability, productivity or production progression, expansion, and enhanced competitiveness. The study was limited to private enterprises in Vietnam assessing constructs of size and profitability. Current study scope was broader and tested size as a mediator in CDV-Performance linkage in insurance industry. Still, size was measured differently and tested the role of OC on the linkage.

Investigation by Inder, Debasis, and Rajesh (2021) examined correlation of size, growth and profitability along leverage, and asset tangibility, GDP, and stock development. Relying on COMPUSTAT, they used panel dynamic fixed effects model for non-financial firms for 20 years for emergent Asia-Pacific economies. Establishments were categorised on alternate measures of sales assets, and MCR. It emerged as persistence of profits coefficient turned moderate yet positive. A negative size-profitability relation and a positive growth-profitability connection was evident, denoting that large scale fosters inefficiency. Significance of projected coefficients was diverse among different economies. The present study was restrained to a single industry and studied size among other constructs that swayed performance for a shorter 5year period.

2.3.3 Corporate Diversification, Organizational Culture and Firm Performance

Chakrabarti et al. (2007) studied how diversification affected on performance for firms operating in different institutional settings between 1988 -2003. Six East Asian countries at different phases of economic and institutional development were sampled and tested. They measured diversification using HHI and ROA as a determiner of firm

performance. A negative link for entire sample, and varied associations across countries was reported. Negative impact was more in developed institution and improved performance for least developed environments only.

Based on findings, diversification outcomes were influenced by country and institutional culture, affiliation to groups and economic stability. Inter-country studies are affected by many factors like legal requirements in reporting, political differences, market cycles and culture which are difficult to harmonize and can significantly affect findings. Results cannot be generalized across countries because of varied continental features and cultural differences. Financial shock hit countries differently and the financial turmoil experienced was different for each economy, hence the degree of shock could affect findings significantly. This study assessed performance from financial and non-financial points and was done in one country to overcome inter-country variability.

A study by Aamah (2012) investigated the effects of corporate culture on organizational effectiveness in the banking industry. 388 managers were drawn randomly from all 24 banks in Nigeria. Data was collected by questionnaires and oral interviews and analyzed by spearman's rank correlation. Findings designated adaptability had a positive sway on organizational effectiveness and market share whereas values, shared mission and employee involvement were found to positively relate to effectiveness, productivity and market share. Corporate culture was found to have a significant sway on organizational effectiveness whereby firms with strong culture were more agreeable to venturing into new markets and solidifying the products that suit evolving demand.

The study recommended that analysis of diversification into new markets would

provide more insights on the enhancers of organizational effectiveness. Still, the study relied on perceived measures of firm performance which could introduce self-reporting bias since different managers perceive and interpret things differently. Reliance on more objective or directly measured secondary data sets especially when measuring performance could enhance validity of conclusions. The study also relied on single informants to source for information hence richness of data to complement the primary data was lacking. Focus was the banking industry with significantly different operations from insurance industry, which is the focus for this study hence contextual gap. Culture was analyzed along other variables to test their effects on performance.

Goll and Rakesh (2015) scrutinized the moderation effect of diversification on relation of corporate culture (as measured by corporate ideology) and firm performance. A cross-sectional survey of leading manufacturers in US was carried out and analyzed primary data to measure the variables. They conducted a moderated regression analysis and revealed that an interaction of ideology and diversification exerts a considerable adverse impact on firm performance consequently supporting position of strategic focus. The focus was on largest manufacturers firms in a developed economy which has different market and operational features from a developing economy like Kenya. The study also focused on manufacturing firms which have different operational and environmental features from financial institutions such as insurance firms which is the context for this study. Current study analyzed broader components of organizational culture and tested organizational culture as the moderating variable.

2.3.4 Corporate Diversification, Firm Size, Organizational Culture and Firm Performance

Ronald and George (2016) sought to test how an organization's culture impacts on organizational performance by applying LISREL model. They analyzed data from 392 respondents selected from regional directories categorized by type, firm size, growth, diversity and earnings in the US. Organizational culture was found to exercise a strong direct impact on organizational performance while diversity and type were found to be of slight importance. Because of the complex interrelationship between culture and organizational processes, it was intricate to link management actions in a cause-effect approach to performance results.

The context was in the U.S which is a developed economy and its market features and distinct from those of emerging economies like Kenya. The study analyzed organizations in various industries hence makes the result not comparable at an industry level and also used single source to gather primary data that could present bias. The study produced findings which suggested country-specific peculiarity. Therefore, this study examined corporate diversification and firm performance in an emergent market, Kenya. Alongside CDV, this study tested firm size and OC effects on performance.

Howard and Walters (2014) stressed the importance of organisational assets, arrangement, and diversification in order to boost performance. They used primary data to evaluate Chinese enterprises spanning a five-year period. They illustrated how organisations rely on resources, which are essential for setting up frameworks that allow corporations to operate at their peak efficiency. The study discovered that asset configurations and structure strength were key factors in market fluctuations that necessitated diversification. For example, shifting market trends in China led to

numerous tactical market, resource, and cultural fits. Since the circumstances of other economies may differ greatly from China's transition economy, the study's conclusions should not be extrapolated to other contexts without caution. All study measurements were made by asking interviewees to rate their firm level. The respondents could over evaluate the items, hence introduce self-reporting error. To measure performance and assets calls for actual data that is objectively measured to avoid bias.

The study looked on structural component of culture; present study incorporated broader aspect of organizational culture. The present study measured performance from two aspects. Although both measurements may have limitations in the capability to entirely measure performance, at least multiple measures (in this case financial and market measures) could capture a greater part of firm performance goals. As a result, it was necessary to integrate multiple measures to observe diversification and performance link.

Olson and Tomas (2016) examined how organizational orientation impacted on the relationship of intangible resource and performance of real estate companies in Poland for the periods 2010-2014 and 16 firms were sampled. The study acknowledges resources as significant competitive asset for firms that positively influence performance. Similarly, Almajalli, Almaaro and Al-Souub (2012) established that liquidity, firm size and administration know-how positively and statistically influenced financial performance. It was further found that as customers become more knowledgeable, their preferences, taste and quality expectations change gradually. The recommendations were that in order to cope with dynamics of markets, firms need to consider their organizational orientation such as the corporate culture and diversification prospects.

Howard and Walters (2014) stressed the importance of organisational assets, arrangement, and diversification in order to boost performance. They used primary data to evaluate Chinese enterprises spanning a five-year period. They illustrated how organisations rely on resources, which are essential for setting up frameworks that allow corporations to operate at their peak efficiency. The study discovered that asset configurations and structure strength were key factors in market fluctuations that necessitated diversification. For example, shifting market trends in China led to numerous tactical market, resource, and cultural fits. Since the circumstances of other economies may differ greatly from China's transition economy, the study's conclusions should not be extrapolated to other contexts without caution. All study measurements were made by asking interviewees to rate their firm level. The respondents could over evaluate the items, hence introduce self-reporting error. To measure performance and assets calls for actual data that is objectively measured to avoid bias. The study looked on structural component of culture; present study incorporated broader aspect of organizational culture. The present study measured performance from two aspects. Although both measurements may have limitations in the capability to entirely measure performance, at least multiple measures (in this case financial and market measures) could capture a greater part of firm performance goals. As a result, it was necessary to integrate multiple measures to observe diversification and performance relationship.

The study focused on intangible resources only which are difficult to measure and used primary data which could not capture performance objectively and wholly in a real estate context. Analysis carried in a developed economy, in a different industry hence the findings cannot be fairly generalized in financial markets or in emerging economies like Kenya which the present study focuses on.

2.3.5 Firm Performance and Corporate Diversification

To examine the motivations of firms to diversify, Guo (2011) compared companies who raised their degree of diversification to a sample of diverse companies whose level of diversification stayed the same, matching firms in terms of size and sector. The study explored into the internal capital market, agency issues, growth potential, and enhanced interest tax shield-the four most frequently mentioned justifications for diversification. All data on Compustat database over a period of ten years comprised the study sample. In order to gain insight into the four potential motives for companies' decisions to enhance their level of diversification, the underinvestment issue, growth prospects, and interest tax shield were represented by the capital-to-sales ratio, Tobin's q, and leverage respectively.

Results showed that in comparison to industry peers, diversifying firms were those with low EBIT, capital expenditure/sales, R&D and Tobin's q ratio than firms that stayed focused. It was also found that firms that enjoyed a larger internal capital market and were better positioned to evade external financing and minimize underinvestment setbacks were more open to embrace diversification. The study analyzed firms across industries which could introduce variability. The current study focus was insurance companies in a Kenyan context. Performance was also checked by ROA and market share was tested.

Jia et al. (2007) employed qualitative analysis to analyzed 2 samples, and also conducted parallel analysis to explore divergence in Western theories and cognition of Chinese enterprises on the timing, and industry choice and motivation, of diversification. Based on research samples of 140 studies on enterprise diversity available in prominent papers, as well as public statements from 30 outstanding Chinese CEOs, the study compared Western theories and Chinese enterprises'

understanding of diversity.

However, Chinese firms placed more emphasis on elements connected to government policies, asset portfolio theory, and institutional theory than did Western theories, which focused more on viewpoints from agency theory, RBT, and transaction cost theory. In response to the question of when diversification should occur, Western theories argued that businesses should diversify when they face risks, but Chinese businesses were adamant that diversification should happen when they are strong enough. Whereas the study was purely document analysis, this study gathered both secondary and primary data to analyze the relationships. While in the study they did a qualitative analysis, this study did correlation and regression analysis to test presence and strength of the linkage in Kenyan insurance industry which is categorized among developing economies.

2.4 Summary of Empirical Literature Review and Research Gaps

A summary of empirical studies relating to variables in the order of study objectives is shown in Table 2.1.

Table 2.1: Summary of Empirical Studies and Knowledge Gaps

Author (Year)	Focus and Methodology	Key Findings	Research gaps	How the gaps are addressed
Ngware, Olweny and Muturi (2020)	Size of bank as a moderator on the link of portfolio diversification and financial performance in Kenya Unbalanced panel data for 43 banks for 5years. Measured financial performance by both ROA & ROE	significant effect of bank size pegged on ROE and ROA. Size was a moderator in the portfolio diversification-financial performance linkage	Study context was commercial banks that are well structured and regulated. Size was analyzed as a moderator	Focused on insurance industry that has different operational features Firm size was tested as a mediator while the moderating effect was the organizational culture Performance was measured by ROA and market share
Setianto (2020)	Mediating role of growth opportunities on corporate diversification -firm's value association 5 year data manufacturing firms, Path analysis method was utilized to check robustness	revealed a U-shaped diversification and value Linkage negative impact reversed in higher diversification levels Found full mediation	Assessed manufacturing firms which have different operational characteristics from financial service firms analyzed in this study- Measured firm value using Tobin Q hence conceptual and methodology gap	This study focused on firm size as the intervening variable that could bring differences in the mediation effect and also tested for the moderation effect of financial and non-financial aspects in Kenyan insurance industry

Author (Year)	Focus and Methodology	Key Findings	Research gaps	How the gaps are addressed
McGrath and Nerkar (2016)	organizational size versus unrelated diversification pharmaceutical industry Operationalized size using human capital data	Significant impact and diversifications yielded superior results.	Operational definition of size was human capital that omits other assets Contextual gap The study tested the effect of size on diversification, hence conceptual gaps	This study tested how diversification and firm size variables impacted on performance Measured firm size as the total assets Focused on Kenyan insurance industry context
Ronald and George (2016)	Organizational culture and performance: Random selection of 392 respondents in all listed organizations in the US. Primary data	Organizational culture had a strong direct effect on organizational performance level Effective organizations shared attributes in their cultures. It was found hard to connect management actions to performance in a cause-effect manner	The context was in the U.S, a developed economy and focused on organizations in various industries. General applicability of findings would be inappropriate in transition economies Focused on primary data only collected through questionnaire and interviews introduces common method	Tested for corporate diversification and effect of firm size Focused on insurance industry in a developing economy. Incorporated both primary and secondary data to overcome common method bias

Author (Year)	Focus and Methodology	Key Findings	Research gaps	How the gaps are addressed
Goll and Rakesh (2015)	Moderating effect of diversification on the relation of corporate culture (as measured by corporate ideology) and firm performance. Used primary data to measure all variables Conducted a cross-sectional survey of leading manufacturers the US using a moderated regression analysis	Revealed that an interaction of ideology and diversification exerts a considerable impact on firm performance thus supported position of strategic focus.	Contextual gap Measured culture with corporate ideology Used primary data to measure all variables that could introduce bias when performance measure is subjected to opinions	Focuses on financial service sector- insurance in a developing economy Measured organizational culture through a broader model (mission, employee involvement, consistency and adaptability) Study utilized a blend of panel and cross-sectional data sets
Nyaingiri and Ogollah (2015)	Case study research design to find out the impact of unrelated diversification strategy versus corporate performance Sameer Group, Kenya. Collected data using questionnaires	Economic environment, firm characteristics and co-insurance effect significantly correlated to corporate performance. The company adopted the diversification because of accessible resources	The study used opinions to capture corporate performance that does not address the aspect of performance objectively. Respondent may misreport the actual /real situation. Case study findings are rarely generalizable to other contexts	Present study analyzed different components of diversification Current study used primary and secondary data and tested for moderating and intervening effects Analyzed firms in insurance industry

Author (Year)	Focus and Methodology	Key Findings	Research gaps	How the gaps are addressed
Howard and Walters (2014)	Examined the configurations of culture and resources on firm performance of Chinese firms 5 year primary data	The study revealed enterprises as reliant on resources deemed key in instituting structures that enable an organization to spring superior firm performance	Results were on China's transition economy & must be scrutinized with restraint for generalizability. Study used perceived measures of performance which are subject to validity concerns	Primary and secondary data was utilized. Focus on insurance industry in local context. This study relied on multiple data sources to enhance validity and overcome limitations of using single informant.
Mashiri and Sebele (2014)	Diversification on firm performance; beverage & food conglomerates in listed on ZSE Primary data collected via interviews and secondary data from management accounts and financial statements. Data analyzed by SPSS	Findings indicated that the ROS % ROA pointed to a positive linear diversification-performance association. Remarkable growth in two ratios tested (ROS & ROA) was attributed to growth in net profits	Hyperinflation existing at the time of the study could have significantly affected findings hence a need to test for variables at a relatively stable environment. Contextual gaps of country and industry	The study addressed a different context of insurance companies at a fairly stable economy Tested for intervention of firm size and moderation effects of organizational culture
Aalmajali, Almaro and Al-Soub (2012)	Dynamics that swayed financial performance of Jordanian insurance industry. Longitudinal study (2002-2007). Secondary data	Size, liquidity & mgt aptitude index positively controlled financial performance	Contextual gap Conceptual gaps	Tested organizational culture on diversification-performance link in insurance industry in Kenya. Analyzed primary and secondary data

Author (Year)	Focus and Methodology	Key Findings	Research gaps	How gaps are addressed
Aamah (2012)	Effect of corporate culture on organizational effectiveness, banking industry in Nigeria. Drew 388 managers randomly from 24 banks. Data was collected by questionnaires and oral interviews & analyzed data by spearman's rank correlation	Findings revealed that shared values, employee involvement and shared mission were positively related to effectiveness and productivity Corporate culture has large impact on effectiveness and culture of ambiguity negatively effect on performance	The study relied on perceived measures of firm performance which could introduce self-reporting bias The context of the study in relation to sector and location is different The study also relied on single informants to source for information	Present study measured performance more objectively. Current study tested for moderating and intervening effects Incorporated primary and secondary data sources to eliminate mono-source bias in insurance companies
Jia et al. (2007)	Analyzed why, when, and how to diversify. Used research samples of 140 papers. Employed qualitative analysis and corresponding analysis	Both groups considered motivation of diversification from RBT perspective and asset portfolio theory. Western theories -diversify when t met with threats, for Chinese practice, diversification is probable when profitable	Study was purely document analysis. study did a qualitative open and factor analysis No definite context	Study gathered both secondary and primary data to analyze the relationships study did correlation and regression analysis to test presence and strength of the relationships Context is insurance companies in a developing economy

2.5 Conceptual Framework

Figure 2.1 depicts a conceptual model that indicates relationships among corporate diversification, firm size, organizational culture and firm performance. A potential link of CDV and firm performance was represented by hypothesis one and empirically supported by Nyaingiri and Ogollah (2015). Assets (as an indicator of firm size) have a positive direct influence on corporate performance. The assets allow firms to comprehend and implement activities that increase firms' effectiveness. Thus, it can be argued that corporate diversification could affect performance through firm size interaction. This proposition was represented in hypothesis two in the model.

The model showed that organizational culture could have a moderating effect on corporate diversification and performance connection as supported by findings of Aamah (2012). The relationship was shown in hypothesis three. The model also tested the possible joint impact of corporate diversification, firm size, organizational culture and performance as indicated in hypothesis four. The model also tested the possible reversal effect on corporate diversification and firm performance as indicated in hypothesis five.

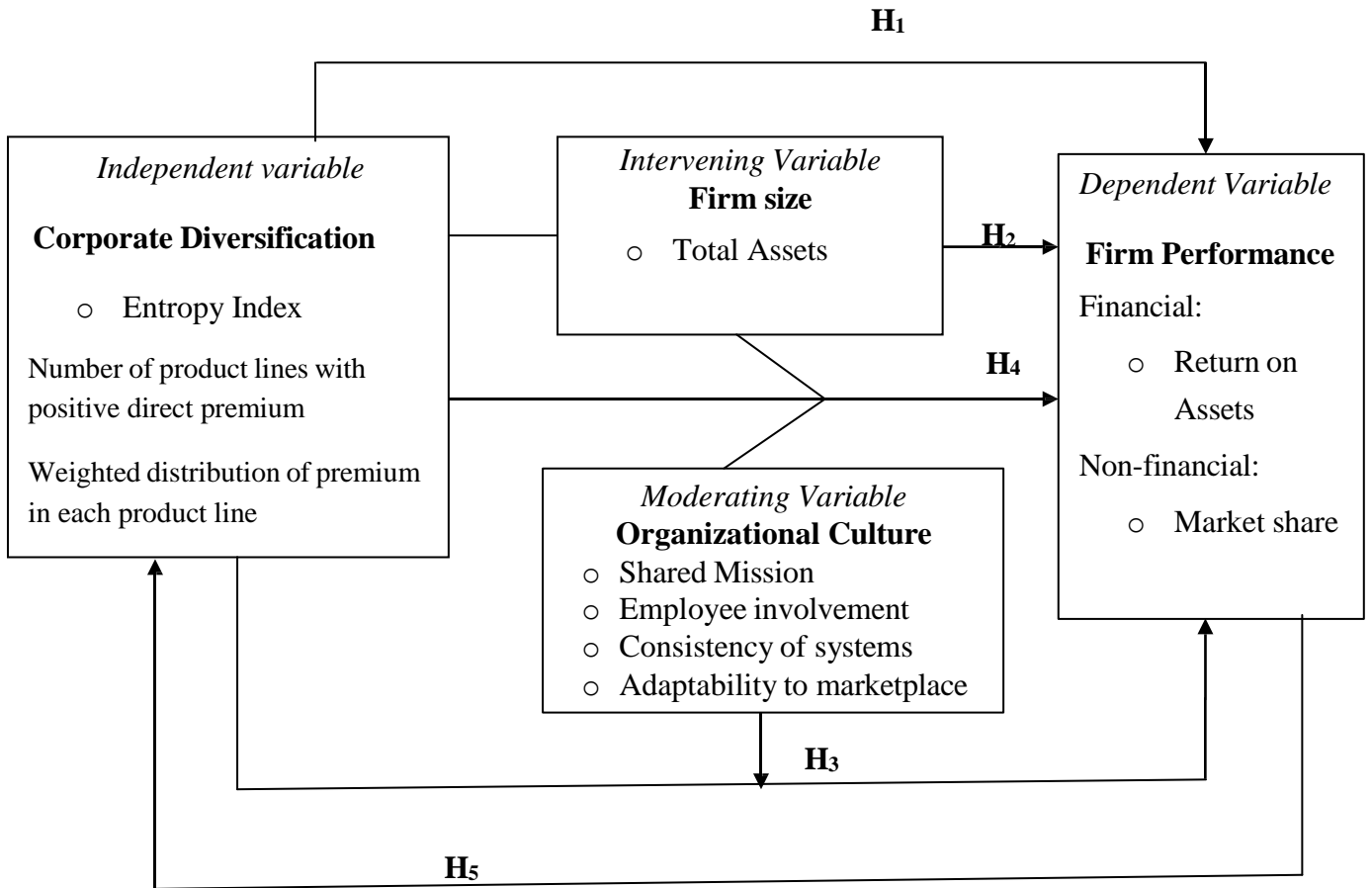


Figure 2.1: Conceptual Model

Source: Researcher, 2022

2.6 Research Hypotheses

The hypotheses tested in this study were;

H1: There is no significant relationship between corporate diversification and firm performance of insurance companies in Kenya.

H1a: There is no significant relationship between corporate diversification and financial performance of insurance companies in Kenya.

H1b: There is no significant relationship between corporate diversification and non-financial performance of insurance companies in Kenya.

H2: There is no significant intervening effect of firm size on the relationship between corporate diversification and firm performance of insurance companies in Kenya.

- H2_a:** There is no significant intervening effect of firm size on the relationship between corporate diversification and financial performance of insurance companies in Kenya.
- H2_b:** There is no significant intervening effect of firm size on the relationship between corporate diversification and non-financial performance of insurance companies in Kenya.
- H3:** There is no significant moderating effect of organizational culture on the relationship between corporate diversification and firm performance of insurance companies in Kenya.
- H3_a:** There is no significant moderating effect of organizational culture on the relationship between corporate diversification and financial performance of insurance companies in Kenya.
- H3_b:** There is no significant moderating effect of organizational culture on the relationship between corporate diversification and non-financial performance of insurance companies in Kenya.
- H4:** There is no significant joint effect of corporate diversification, firm size and organizational culture on firm performance of insurance companies in Kenya.
- H4_a:** There is no significant joint effect of corporate diversification, firm size and organizational culture on financial performance of insurance companies in Kenya.
- H4_b:** There is no significant joint effect of corporate diversification, firm size and organizational culture on non-financial performance of insurance companies in Kenya.
- H5:** There is no significant reversal effect between firm performance and corporate diversification of insurance companies in Kenya.

H5_a: There is no significant reversal effect between financial performance and corporate diversification of insurance companies in Kenya.

H5_b: There is no significant reversal effect between non-financial performance and corporate diversification of insurance companies in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented a description of methods or approaches that were adopted while carrying out the study. These methods entailed philosophical foundation, research design adopted in the study, and target population. Approaches of data collection, tests for reliability, validity and how the study variables were operationalized were explored. Data analysis, presentation and diagnostic tests adopted in the study were also discussed and a summary of the same was done at the tail end.

3.2 Research Philosophy

Research philosophy is an all-encompassing system of assumptions, values, beliefs, practices and concepts that guide behavior of a researcher and aids development of facts (Sauders, Lewis, & Thornhill, 2016). The major philosophies in social science research are phenomenology and positivism with one inclined largely on qualitative measures and the latter relying more on quantitative measures. The phenomenology approach is largely qualitative and concentrates on experience from the researchers own frame of reference (Kothari, 2018). In this approach, the researchers draw meaning by interpreting observable experiences during their involvement in the research phenomenon (Fowler, 2013). Reality is believed by positivists to be constant, observable and can be depicted from an objective perspective. Positivism purposes at revealing causal laws that explain patterns of a phenomenon with the goal of establishing facts and results in a natural science manner (Blumberg et al., 2005).

Positivism is concerned with facts that are consistent with observable social reality and it

separates researchers and the phenomenon being investigated hence the researcher does not affect the subject of the research. This makes operationalization and reductionism objective (McBurney, & White, 2009). The emphasis of positivism is on observations that are basically quantifiable and lead to statistical analysis which makes the approach to be footed on neutrality, measurement and validity of results which was followed in this study. Positivist analysis normally attempt to test theory with the aim of increasing predictive insight of research subject and the philosophy is also applicable if there is evidence of quantifiable variable measure, testing hypotheses, as well as drawing of inferences about an occurrence from the sample to a defined population that was in line with this study.

This study sought to test quantitative hypotheses, analyze data statistically, present descriptive and inferential statistics, standardize data collection and separate the researcher from the subject of research all which are congruent with positivism philosophy. The study embraced positivism philosophy approach which is methodologically quantitative and also guides the research design chosen for this study. Based on the empirical relationships, a conceptual framework was developed. This study followed scientific processes to hypothesize fundamental laws with the aim of deducing observations so as to confirm veracity or dispute hypotheses. Positivist approach also banks on large samples thus entire population was studied so as to allow generalization of the findings.

3.3 Research Design

The level of scientific rigor in research is determined by the prudence of the researcher when selecting appropriate research design considering its specific purpose (Leedy, & Ormrod, 2015). Research design outlines the processes that inform measurement, sample selection, collection and analysis of data and hypothesis testing so as to assist the researcher to achieve the objective of the study (Creswel & Creswel,

2018). Essentially, design is the logical flow that links empirical data, research questions and conclusions while its outcome adds to new frontiers of knowledge, develops theories and also evidence gathering to prove generalizations (Bryman & Bell, 2015).

The major research designs include exploratory, causal and descriptive. The choice of cross-sectional descriptive design is justifiable since the design is considered dynamic for relationship studies and fitting to analyze phenomenon by considering a cross-section of target population at a specific moment in time (Sekaran & Bougie, 2013). In the current study, definition of variables was done, the hypotheses were stated and research questions were clearly stated. In support of this position, Cooper and Schindler (2008) stated that descriptive design is apt for a study with visibly stated investigative questions or hypotheses. The study adopted a blend of cross-sectional and panel data sets by comparing different entities across time for five years and adopted a cross-sectional descriptive research approach. The study variables were also measured without manipulating them for the entire population hence adoption in this study. Similar design was used by Elango and Pope (2008), Aamah (2012), Goll and Rakesh (2015) who examined entire target populations.

3.4 Population of the Study

The unit of inquiry is the insurance companies. The target population encompassed fifty-six insurance firms in Kenya. According to the AKI report (2020), 56 firms were registered to undertake insurance business as per Appendix III. Of the 56, 18 write out life insurance, 33 are in general insurance and 5 combined the two. Affiliated insurers were aggregated since diversification decisions were presumed to be group level decisions made at head office and also to control for potential double counting of

intra-group activities.

Companies that have been in operation for less than five years were presumed not to have sufficient data therefore omitted in the analysis. The survey comprised of fifty-six (56) firm observations of Kenyan insurance companies. The data for investigation was drawn from a single industry so as to control for industry-specific effects in the analysis. Out of 56 companies, 52 companies that met data requirements for calculating diversification index, size and financial performance were contained in the analysis.

The unit of inquiry was insurance companies in Kenyan context. The choice of this industry was preferred because of its critical pivotal role it plays in economic, political and social development circles of an economy and business world in particular. Owing to their sizes, insurance companies are in a position to sustain corporate diversification activities whereas readily available financial and other market share data makes it achievable to evaluate the financial and non-financial measures for registered insurance companies. Owing to the relatively small population size, no sampling was done and therefore a census survey of 56 insurance companies was done.

3.5 Data Collection

The study incorporated primary and secondary data gathered over a period of five years covering 2016-2020. This period was chosen because the empirical analysis included historical measures that require up to 5 years of past data. The period covered by the study was 2016-2020, the years for which industry data were publicly available at the time this analysis was carried out.

Secondary data was collected using data collection form as per Appendix II.

Secondary data for performance and firm size was drawn from annual accounts, IRA records and AKI annual reports. Firstly, return on assets (ROA) for each company for each year during the period 2016-2020 was computed. Market share was computed as a fraction of gross written premium in relation to total industry GWP. Secondary data on firm size was computed by aggregating the company's total assets for 2016-2020. To calculate CDV index, data was tracked on insurance premiums for each product line.

Primary data on organizational culture was gathered using a semi structured questionnaire containing five point Likert statements as well as open-ended statements. For this study, it was ideal to use a semi-structured questionnaire, which gives the researcher more freedom to formulate questions that are specific to the organizational context and to add more questions that further explore research objectives in light of the unique events that occur within an organization (Saunders et al., 2009). Organizational culture was measured using four attributes; shared mission, employee involvement, consistency and adaptability. The questionnaire was developed in reflection of the study variable indicators and structured into three parts namely A, B, C, D and E as per Appendix I.

Due to the Covid-19 restrictive protocols, the questionnaire was emailed to the respondents in each insurance company. The target respondents were senior managers, head of department, general or line managers who are considered to be best positioned to respond to the research questions as they are well-informed and define the course of the organization. Mean and standard deviation were calculated from primary data gathered via questionnaire. Secondary panel data was averaged and the mean values were calculated and used to allow for harmonization with cross sectional

data that was gathered at one point in time.

3.6 Reliability and Validity of Research Instruments

Reliability of a research instrument is achieved when such tool tests, observations or measurement procedures produces similar outcomes on repeated trials. To be reliable, a test must provide consistent measurement (Hughes, 2003). To ensure reliability, Cronbach Alpha coefficient was computed. The ranges for Alpha values are 0 (absence of internal consistency) to 1 (complete internal consistency). While all values are acceptable and give different meanings, the preferred value is 0.70 (Cronbach & Shavelson, 2004). Specification tests for multicollinearity tested regression models to establish how well regression assumptions hold.

According to Sekaran and Bougie (2013), a research tool is deemed valid if it accurately measures the researcher's intended aim. The researcher examined the face, content, and construct validity of the instrument, however there are other aspects of instrument validity. In order to verify face validity, the researcher communicated with research experts and supervisors to make sure the questions were appropriate for gathering data in line with the study objectives. Pre-testing the questionnaire with study participants ensured its meaning, relevance, and clarity. Any alterations made were incorporated into the design to guarantee content validity. The researcher checked that constructs aligned with elements in the conceptual framework and with previous research to determine their validity.

3.7 Diagnostic Tests

The standard linear regression model is based on several of assumptions among them is linearity of relationships, multivariate normality of data sets, total absence or little multicollinearity and homoscedasticity. This study carried out diagnostic tests and

performed the tests discussed under sub sections 3.7.1-3.7.4 below.

3.7.1 Normality Test

In linear regression analysis, the variables are expected to exhibit an assumption of normality or are multivariate normal. Ghasemi and Zahediasl (2012) noted normality test ascertains whether data is distributed normally, thus when normality is lacking, use of statistical tests with assumed normality becomes inappropriate.

Normality of data set for the variables was checked with goodness of fit tests. Besides, Shapiro-Wilk (1965) test which is a robust normality test was applied. Outcomes of Shapiro-Wilk tests guide the analysis on if the distribution was normal or not. Shapiro-Wilk statistic ranges from 0-1 with figures greater than 0.05 signifying that the test is not significant. If the test is not significant, the sample distribution is possibly normal. Log transformation intended to be used to account for non-normally distributed data.

3.7.2 Linearity Tests

Linearity tests confirm that the confidence intervals and projections generated by the regression models do not mislead or biased (Ghujarati & Portter, 2009; Monsen, & Horn, 2007). Since the least squares model assumes linearity in data, the robust checks for linearity are critical. ANOVA with the Eta test, R-squared difference testing, Ramsey's RESET test, and graphs are some of the methods available for evaluating linearity.

The study used scatters plots to assess the linearity assumption. The impact of exogenous factors on the endogenous variables stays constant throughout the model if the data satisfies the linearity assumption, meaning that the value of exogenous variables has no bearing on how a unit change in independent (x) affects the

dependent (y). The linearity concept would be broken if the investigation finds non-linearity in the data because the features of the data as it stands are continuous, showing positive, negative, and zero values. In such instances data transformation by square root would be performed to achieve acceptable linearity outcomes.

3.7.3 Multicollinearity Test

When independent variables lack independence from each other, there exists an element of multicollinearity. This means, one independent variable can be linearly estimated based on another with some reasonable degree of exactness. For data to be independent, error of mean should be free of independent variables. Once independent variables are highly linked, the subsequent regression model would contain high standard errors of individual coefficients, highly responsive to minor adaptations in model specifications (Brook, 2008).

Presence of collinearity brings about enormous variation, making precision of estimates problematic and consequently, inflating confidence intervals. Such variations cause high R-square values, reports insignificant t values as well as standard errors thus becoming excessively sensitive to slight alterations in data. The isolation of the unique regressor effect on the regressed is complicated by these misspecifications. Furthermore, the relative strengths of the explanatory variables are impacted by collinearity, which undermines the reliability of the combined effect statistics and prevents the regression model from correctly predicting the variation. Several methods to assess multicollinearity have been applied which include; scatterplots, variance inflator factor, tolerance, Eigen values and condition index. Multicollinearity presence was assessed by VIF or tolerance test.

3.7.4 Heteroscedasticity Test

A standard linear regression model assumes that data has similar variance or is homoscedastic. Homoscedasticity describes a situation where error term in the association of independent and dependent variables is similar across all values while heteroscedasticity implies that model constant and gradient coefficients differ across individuals (Green, 2015). For the linear regression model to hold, the linear model's variance must be constant (homoscedastic), according to the ordinary least squares assumptions. That is, it suggests that the error terms are heteroscedastic when their fluctuations are not constant.

According to the homoscedasticity assumption, each group's population metric variance must be the same, or equal. Consequently, homoscedasticity, which characterizes a scenario where error term is constant, predominates in the absence of heteroscedasticity. In other words, for all values of the independent variables, there is always the same random disturbance between variables. Commonly applied methods to test for heteroscedasticity are White test and Breusch- Pagan-Godfrey Lagrange Multiplier (LM) tests. Breusch-Pagan test were conducted to evaluate the assumption that variances of the population were equal.

The desired outcome is insignificance, and the null hypothesis is that the error terms are homoscedastic as opposed to the option of heteroscedasticity. That is, the presence of heteroscedasticity is implied by an observed R-squared more than .05. Most importantly, the likelihood of Type I and Type II errors is significantly reduced and the accuracy of the research findings is enhanced when a study meets the homoscedasticity assumption. In the event that heteroscedasticity is present, generic least squares would be used to standardize the data.

3.4 Operationalization of Study Variables

The four variables were namely; corporate diversification which is the independent variable, firm size as the intervener, organizational culture which is the moderator and performance being the dependent variable. Zikmund (2003) define operationalization as a procedure adopted to develop operational definition of a variable within the concept of quantitative research in which measurement is made possible.

The variables were operationalized as per research objectives and presented in Table 3.1. Corporate diversification measures were adapted from Setianto (2020); Liebenberg and Lin (2019). Firm size measure was adapted from Gabaix et al. (2014) who used the natural log of total net assets to proxy for firm size. Organizational culture was measured from adoption of Daniel et al. (2003) and the Denison Culture model while firm performance (financial aspect) was measured partially in the same way as Volkov and Smith (2015); Angima (2017) Che and Liebenberg (2017) and Berger (2014). The non-financial measure of performance was from partial adoption of Humprey (2018) and Delai and Daip (2019).

Table 3.1: Operationalization of Study Variables

Variable	Indicator	Operational definitions	Measurement/ Scale	Question reference
Corporate diversification <i>Independent variable</i>	*Number of product lines with positive direct premium *Weighted distribution of premium in each product Line	Insurers ability to operate multiple product lines and the weighted distribution of firm's share in each business line to total gross premium/sales	Ratio scale Entropy Index	Fm 4 & 5 Secondary data
Firm size <i>Intervening Variable</i>	Total assets	Size of the firm as indicated by total admitted assets by each company per year	Ratio scale nlog Total assets	Fm. 2 Secondary data
Organizational Culture <i>Moderating Variable</i>	Shared Mission Employee involvement Consistency of systems Adaptability to market	<i>Mission</i> - a pointer to an organization being crystal clear about its business direction <i>Employee involvement</i> - where people at every level genuinely care about and "own" the company's direction and the extent to which they can contribute to its success. <i>Consistency</i> The extent to which the company adheres to a common set of values, procedures, and systems that help it achieve its objectives and mission <i>Adaptability</i> - ability of an organization to understand customer needs, able to adapt to shifting needs and pick up new technologies and abilities to help businesses succeed	5-point Likert scale Interval	Questionnaire Part B
Firm Performance	<i>Financial performance</i> Return on	Measure of firm's ability to convert assets profitably.	Ratio scale	Fm 1,6,7

<i>Dependent Variable</i>	Assets *Earnings before interest and tax *Total assets <i>Non-financial performance</i> Market share *Firm GWP *Total industry GWP	The insurer's ability to control market proportion assessed as firms turnover in relation to total industry turnover	ROA= EBT/Total assets Market share = Company GWP/Total Industry GWP	Secondary data Secondary data
---------------------------	--	--	--	--

3.5 Data Analysis

Data analysis is suggested by Sekaran (2006) as a four-step approach namely; prepare data in readiness for analysis by editing for accuracy, consistency as well as for completeness; seek a feel data by performing the descriptive statistics; ensure the goodness of fit through conducting diagnostic tests and lastly hypothesis testing. The data gathered was edited to ascertain it was accurate, uniform, consistent and complete and then entered in statistical package for social scientists (SPSS) and STATA for analysis.

Simple linear regression was run to assess the associations between corporate diversification and insurance performance. To test for intervening effect of firm size, stepwise model by Mackinnon et al. (2002) was used. Multiple hierarchical model as advocated by Baron and Kenny (1986) steps were utilized to test the moderating effect of organizational culture on the association of corporate diversification and performance. Correlation and regression analysis was conducted to establish variable linkages, to disclose direction and magnitude. To test the joint impact of corporate diversification, firm size, and organizational culture on insurance performance, multiple linear regression analysis was used.

The above-mentioned analysis were consistent with those utilized in the prior research to test for the main effect, mediation, moderation and still for joint effects (Njiraini, 2020; Nyamute, 2016; Mangunyi, 2011; Tandelilin et al., 2007; Rogers, 2006). Previous analysis that has used multiple measures of performance include Angima (2017) who measured the financial (average premium growth rate, ROA) and non- financial (reputation, quality of service and innovation) aspects of performance and Ongore and Kusa, (2013) who utilized three indicators of financial performance (ROA, ROE & NIM). The current study adopted the ROA and market share to evaluate firm performance.

Coefficient of correlation (r), coefficient of determination (R^2) and the adjusted coefficient of determination (Adjusted R^2) were used to evaluate the strength of the model fit. F tests and t tests were run to test the regression model significance. For every hypothesis tested, Adj. R^2 was taken as the measure of quantity of variation that the variable was able to explain. Overall significance model determined whether the independent variable prediction of the dependent variable was significant or not.

The parameters of the empirical model were estimated using ordinary least squares regression analysis. OLS estimation technique has stronger and equally attractive statistical properties that places it among the most dominant methods of regression analysis. The far-reaching adoption of OLS in regression analysis is attributable to its mathematical simplicity and intuitive appeal, importance in hypothesis testing as it captures very well the cross-sectional aspects of a phenomenon making it apt for meeting this study objectives, hence its choice in this study. Data was presented in figures and tables. Models were discussed in line with the study objectives under 3.9.1- 3.9.5.

3.4.1 Corporate Diversification and Insurance Firm Performance

The first objective was to evaluate the relationship between corporate diversification and performance of insurance companies in Kenya. Performance was expressed separately as FP and NFP. Financial performance used a single measure of ROA and non-financial was assessed by the measure of market share. Simple linear regression was employed to determine the association between corporate diversification and firm performance of insurance companies in Kenya.

Regression models below were employed to test the first hypothesis of the study.

$$FP = a + \beta CDV + \varepsilon \dots\dots\dots(3.1)$$

$$NFP = a + \beta CDV + \varepsilon \dots\dots\dots(3.2)$$

Where:

FP= Financial Performance

NFP =Non-financial performance

CDV =Corporate Diversification

α = constant

β = coefficients

ε = error term

The correlation coefficient was determined, and t- test to establish existence of association of independent and dependent variables. A linkage existed if the coefficients were revealed as statistically significant.

3.4.2 Corporate Diversification, Firm Size and Performance

The second study objective sought to determine the intervening effect of firm size on the relationship between corporate diversification and performance. For the two aspects of performance, four steps as per Mackinnon et al. (2002) step wise regression procedure was done.

In step one; Regression analysis was conducted to assess connection of CDV and performance while ignoring firm size (the mediator).

The following regression models were employed

$$FP = \alpha + \beta_1 CDV +$$

$$\varepsilon$$

$$NFP = \alpha + \beta_1 CDV + \varepsilon$$

Where: α , β , ε as defined in 3.1

FP, NFP & CDV are as defined in 3.1 and 3.2.

In step two of the intervention analysis was conducted to assess the CDV and firm size link ignoring performance.

The following regression model was used.

$$FS = a + \beta_1 CDV + \varepsilon \dots \dots \dots (3.3)$$

Where:

FS was computed as a mean of the natural log of total assets

CDV as defined in

3.1-3.2 α , β_1 as

defined in 3.1

Step three: involved carrying out a regression analysis to evaluate the link between firm size and insurance firm performance while ignoring corporate diversification.

Regression models employed to test step three were;

$$FP = a + \beta_1 FS + \varepsilon \dots \dots \dots (3.4)$$

$$NFP = a + \beta_1 FS + \varepsilon \dots \dots \dots (3.5)$$

Where:

α , β_1 , FP, NFP & ε as defined in 3.1-3.3

The fourth step of the intervention analysis entailed conducting an evaluation on association of CDV, Firm size and performance

$$FP = a + \beta_1 CDV + \beta_2 FS + \varepsilon \dots\dots\dots(3.6)$$

$$NFP = a + \beta_1 CDV + \beta_2 FS + \varepsilon \dots\dots\dots (3.7)$$

Where;

α - regression constant /intercept

β_1 - β_2 , - coefficients for respective determinants

FP, NFP & CDV as defined in 3.1-3.4.

ε – Is the error term

Intervention occurs if corporate diversification (3.1 & 3.2 equations) predicts firm performance, corporate diversification predicts firm size, firm size predicts insurance firm performance and still corporate diversification predicts firm performance when firm size is incorporated in the model.

The influence of CDV (independent) on firm performance (dependent) should be significantly less in the presence of firm size (intervening variable)

3.4.3 Corporate Diversification, Organizational Culture and Performance

The third objective sought to determine the moderation effect of organizational culture on link between corporate diversification and insurance performance.

The four indicators of organizational culture collapsed into one composite score.

Multiple hierarchical regressions used as suggested by Baron and Kenny (1986).

Steps adopted were as follows: - Steps 1a & 1b- are as per equations 3.1 & 3.2

Step 2a & 2b

$$FP = a + \beta_1 CDV + \beta_2 OC + \varepsilon \dots\dots\dots (3.8)$$

$$NFP = a + \beta_1 CDV + \beta_2 OC + \varepsilon \dots\dots\dots (3.9)$$

Step 3a & 3b

$$FP = a + \beta_1 CDV + \beta_2 (OC) + \beta_3 (CDV*OC) + \varepsilon \dots\dots\dots (3.10)$$

$$NFP = a + \beta_1 CDV + \beta_2 (OC) + \beta_3 (CDV*OC) + \varepsilon \dots\dots\dots (3.11)$$

Where;

a Intercept/ constant

β_1, β_2 & β_3 are regression

coefficients ε is the Error term

FP, NFP, CDV -as defined in

3.1-3.4

OC is composite score of organizational Culture calculated as geometric mean of the four attributes of organizational culture.

3.4.4 Corporate Diversification, Firm Size, Organizational Culture and Performance

The fourth research objective was to establish the joint impact of corporate diversification, firm size and organizational culture on firm performance. Multiple linear regressions were applied to determine the joint impact of corporate diversification, firm size and organizational culture on insurance (financial and non- financial) performance. The multiple linear regression models employed to test hypothesis four was as follows:

$$FP = a + \beta_1 CDV + \beta_2 FS + \beta_3 OC + \varepsilon \dots\dots\dots (3.12)$$

$$NFP = a + \beta_1 CDV + \beta_2 FS + \beta_3 OC + \varepsilon \dots\dots\dots (3.13)$$

Where;

a = Intercept

$\beta_1, \beta_2, \beta_3$ = Regression coefficients

FP, NFP, CDV are the variables as defined in

3.1-3.9 OC- Organization culture composite

score

ϵ =Error term

Joint relationship exists if the coefficients ($\beta_1 \dots \beta_3$) are statistically significant.

3.4.5 Firm Performance and Corporate Diversification

The fifth objective was to evaluate the reversal effect between firm performance and corporate diversification of insurance companies in Kenya. Performance was expressed separately as FP and NFP. Financial performance used a single measure of ROA and non-financial was assessed by the measure of market share. Structural equation modeling (SEM) analysis was employed to determine the reversal effect of performance and corporate diversification.

The analytical models below were employed to test the fifth hypothesis of the study.

$$CDV = a + \beta FP + \epsilon \dots \dots \dots (3.14)$$

$$CDV = a + \beta NFP + \epsilon \dots \dots \dots (3.15)$$

Table 3.2: Summary of Objectives, Hypotheses and Analytical Models

Objective	Hypotheses	Analytical Model	Interpretation
<p>To determine the relationship between corporate diversification and firm performance of insurance companies in Kenya.</p>	<p>H1: There is no significant relationship between corporate diversification and firm performance of insurance companies in Kenya.</p> <p>H1a: There is no significant relationship between corporate diversification and financial performance of insurance companies in Kenya</p> <p>H1b: There is no significant relationship between corporate diversification and non-financial performance of insurance companies in Kenya</p>	<p>Simple linear regression analysis</p> <p><i>Model for sub-hypothesis 1a</i> $FP = a + \beta_1 CDV + \varepsilon$</p> <p><i>Model for sub-hypothesis 1b</i> $NFP = a + \beta_1 CDV + \varepsilon$</p> <p>Where; Firm performance is measured by Financial (FP) and Non-financial (NFP) Corporate Diversification as measured by <i>Entropy Index</i> α = Constant β_1 = Régression coefficient ε = Error term</p> <p>r, t-tests, R, R² and F tests</p>	<p>Relationship exists if β_1 is statistically significant</p> <p>Significance of F-Statistics, t-tests Adjusted R-squared \bar{R}^2 (p < .05) fail to reject H1a/b (p > .05) reject H1a/b</p>

Objective	Hypotheses	Analytical Model	Interpretation
<p>The effect of firm size on relationship between corporate diversification and firm performance of insurance companies in Kenya</p>	<p>H2: There is no significant intervening influence of firm size on the relationship between corporate diversification and firm performance of insurance companies in Kenya</p> <p>H2a: There is no significant intervening influence of firm size on the relationship between corporate diversification and financial performance of insurance companies in Kenya</p> <p>H2b: There is no significant intervening influence of firm size on the relationship between corporate diversification and non-financial performance of insurance companies in Kenya</p>	<p>Stepwise regression by Mackinnon et al. (2002).</p> <p>Model for sub-hypothesis 2a <i>Step I: $FP = a + \beta_1 CDV + \varepsilon$</i> <i>Step II: $FS = a + \beta_1 CDV + \varepsilon$</i> <i>Step III: $FP = a + \beta_1 FS + \varepsilon_1$</i> <i>Step IV: $FP = a + \beta_1 CDV + \beta_2 FS + \varepsilon$</i></p> <p>Model for sub-hypothesis 2b <i>Step I: $NFP = a + \beta_1 CDV + \varepsilon$</i> <i>Step II: $FS = a + \beta_1 CDV + \varepsilon$</i> <i>Step III: $NFP = a + \beta_1 FS + \varepsilon$</i> <i>Step IV: $NFP = a + \beta_1 CDV + \beta_2 FS + \varepsilon$</i></p> <p>Where; FP-Financial Performance; NFP Non-Financial Performance CDV=Entropy index FS= firm size index a=Intercept ε=Error term β_1, β_2=Regression coefficients r, t-tests, R, R² and F tests</p>	<p>Relationship exist if coefficients in the steps are statistically significant</p> <p>Significance of β_1s in steps I-III, significance β_1 in step IV</p> <p>Significance β_2 in step IV Significance of F-statistics (p<.05) fail to reject H2a/b (p >.05) reject H2a/b</p>

Objective	Hypothesis	Analytical Model	Interpretation
<p>The effect of organizational culture on the relationship between corporate diversification and firm performance of insurance companies in Kenya.</p>	<p>H3: There is no significant moderating effect of organizational culture on the relationship between corporate diversification and firm performance of insurance companies in Kenya</p> <p>H3_a: There is no significant moderating effect of organizational culture on the relationship between corporate diversification and financial performance of insurance companies in Kenya</p> <p>H3_b: There is no significant moderating effect of organizational culture on the relationship between corporate diversification and non-financial performance of insurance companies in Kenya</p>	<p>Baron and Kenny (1986) steps</p> <p>Model for sub-hypothesis 3_a $FP = a + \beta_1 CDV + \varepsilon$ $FP = a + \beta_1 CDV + \beta_2 OC + \varepsilon$ $FP = a + \beta_1 CDV + \beta_2 OC + \beta_3 CDV * OC + \varepsilon$</p> <p>Model for sub-hypothesis 3_b $NFP = a + \beta_1 CDV + \varepsilon$ $NFP = a + \beta_1 CDV + \beta_2 OC + \varepsilon$ $NFP = a + \beta_1 CDV + \beta_2 OC + \beta_3 CDV * OC + \varepsilon$</p> <p>Where; FP, NFP, CDV, a, $\beta_1\beta_2\beta_3$ and ε are as defined in H₁ above OC = Organizational Culture $CDV*OC$=Corporate diversification and organizational culture interaction</p> <p>R, t-tests, R, R² and F tests</p>	<p>Moderating effect exist if regression coefficients of the interaction term are statistically significant</p> <p>Relationship is strong if R² and F-test are P< 0.05</p>

Objective	Hypotheses	Analytical Model	Interpretation
<p>To determine the relationship between firm performance and corporate diversification of insurance companies in Kenya.</p>	<p>H5: There is no significant reversal effect between firm performance and corporate diversification of insurance companies in Kenya.</p> <p>H5a: There is no significant reversal effect between financial performance and corporate diversification of insurance companies in Kenya</p> <p>H5b: There is no significant reversal effect between non-financial performance and corporate diversification of insurance companies in Kenya</p>	<p>SEM analysis</p> <p><i>Model for sub-hypothesis 5a</i> $CDV = a + \beta_1 FP + \varepsilon$</p> <p><i>Model for sub-hypothesis 5b</i> $CDV = a + \beta_1 NFP + \varepsilon$</p> <p>Where; Firm performance is measured by Financial and Non-financial CDV as measured by <i>Entropy Index</i> α = constant β_1 = coefficient ε=Error term</p>	<p>Reversal effect exist if β_1 is statistically significant</p> <p>Significance of Z-Statistics</p> <p>($p < .05$) fail to reject H5a/b ($p > .05$) reject H5a/b</p>

CHAPTER FOUR

DESCRIPTIVE DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents descriptive data analysis results. Descriptive statistics are imperative for data visualization and also presentation, which allows easier data interpretation. The discussion includes results of pilot test, response rate, diagnostic tests and descriptive statistics of corporate diversification, firm size, organizational culture and performance of insurance companies. Frequencies, mean, standard deviation, kurtosis and skewness are discussed alongside correlation analysis.

4.2 Pilot Test

A pilot study conducted ensured that the tool was effectively structured to aid in collection of the relevant data. The instrument was discussed with supervisors preceding piloting to increase validity. The tool was then pretested with three respondents at managerial level from one insurance company. To establish the face and content validity of the tool, pilot study subjects were requested to aid in evaluating clarity of questions set to enhance the comprehensiveness of the content. Based on the feedback, few items of the preliminary draft of the questionnaire were restructured to enhance comprehension.

4.2.2 Reliability Tests

Reliability tests sought to evaluate internal consistency of the instrument were conducted. Cronbach's alpha was computed. A projection of Cronbach's alpha principle is that, greater reliability is indicated by an alpha closer to 1 (Kothari, 2004). Table 4.1 point to the reliability statistics for shared mission scale, employee involvement scale, consistency scale and adaptability scale. All the four scales were reasonably reliable with Cronbach's alpha reliability coefficient above 0.7 which is the more preferable value, although values

below 0.7 could have different meanings. The shared mission scale reported Cronbach alpha coefficient of 0.873, employee involvement scale reported Cronbach alpha coefficient of 0.892, consistency 0.873 adaptability Cronbach alpha coefficient was reported as 0.868 all indicating good internal consistency.

Table 4.1: Reliability Analysis

Scale	Cronbach's Alpha (α)	Cronbach's Alpha Based on Standardized Items	Number of Questions
Shared Mission	.873	.874	15
Employee involvement	.892	.890	15
Consistency	.873	.875	15
Adaptability	.868	.870	15

Source: *Author, 2022*

4.3 Study Response Rate

This study carried out a census of the population of 56 insurance companies licensed by Insurance Regulatory Authority (IRA). From fifty-six questionnaires issued, fifty-four questionnaires were returned. One of the returned questionnaires that was emailed was not fully filled, while another questionnaire was not filled at all and thus not useful in the final analysis. Therefore, response rate was computation was based on the fifty-two (52) fully filled questionnaires as a proportion of the study population. This response rate, totaling 92%, was presumed adequate for analysis and analogous to past studies such as Angima (2017) who reported a response rate of 69.5% and Morgan (2018) whose response rate was reported at 95%. The high response rate recorded can be ascribed to constant follow-up despite the fact that larger part information sought on organizational culture was considered

as private and confidential that upon disclosure would injure the reputation of the company. Follow-up was also boosted by the covid-19 restrictive protocols that dictated the respondents to work online therefore increased the probability of filling the questionnaire emailed to them hence allowing the researcher to reach out to the respondents through email reminders and phone calls. To assure that respondents who completed the questionnaires had the necessary knowledge of the insurance companies, the respondents indicated the current position they held in the companies (25%) of the respondents were senior managers, (9.6%) were directors, (50%) were head of departments while (15.4%) were general managers. The analysis is shown in Table 4.2 below.

Secondary data was gathered from financial reports filed with IRA, AKI, and backed with financial statements for individual companies. Information for all the years, including the companies that have since merged was available. An average was computed for the five-year data to result to one data point. Criticality of combining interval and ratio data becomes exciting since it supports a full range of statistical tests and transformations. For the interval data, utilization of averages and standard deviations was feasible, through generation of scales (Likert) where questions/items were assigned values from 1–5. Hence the data was considered to be either ordinal or ratio which allowed for harmonization with panel data and made analysis of the two sets of data feasible. Secondary data was gathered from financial reports filed with IRA, AKI, and backed with financial statements for individual companies. Information for all the years, including the companies that have since merged was available. An average was computed for the five-year data to result to one data point. Criticality of combining interval and ratio data becomes exciting since it supports a full range of statistical tests and transformations. For the interval data, utilization of averages and standard deviations was feasible, through generation of scales (Likert) where questions/items were assigned values from 1–5. Hence the data was considered to be either ordinal or ratio which allowed

for harmonization with panel data and made analysis of the two sets of data feasible.

Table 4.2: Response Rate

Response	Frequency	Percentage
Total issued	56	100
Returned	54	96.4
Valid	52	92.8

Source: *Field data, 2022*

4.4 Demographics Profile of the Respondents

The demographic characteristics were considered for the study were; level of education/academic qualification, current job position and the number of years of work in the company. The responses are shown in Table 4.3 below.

Table 4.3: Demographic Characteristics of the Respondents

Distribution of Respondents by Length of years worked		
	Frequency	Percentage
Below 2 years	1	1.92
2-5	6	11.53
6-10	11	21.15
10-15	20	38.46
More than 15 years	14	26.92
Total	52	100
Distribution of Respondents by current work position		
Senior managers	13	25.00
Director	5	9.60
Head of Department	26	50.00
General/Line manager	8	15.40
Total	52	100
Distribution of Respondents by Highest academic qualification		
Professional/ Technical	11	21.15
Diploma	27	51.93
Degree	8	15.38
Postgraduate	2	3.85
Other	4	7.69
Total	52	100

Source: *Field data, 2022*

4.5 Demographics Profile of the Respondents

The demographic characteristics were considered for the study were; level of education/academic qualification, current job position and the number of years of work in the company. The responses are shown in Table 4.3 below.

Table 4.4: Demographic Characteristics of the Respondents

Distribution of Respondents by Length of years worked		
	Frequency	Percentage
Below 2 years	1	1.92
2-5	6	11.53
6-10	11	21.15
10-15	20	38.46
More than 15 years	14	26.92
Total	52	100
Distribution of Respondents by current work position		
Senior managers	13	25.00
Director	5	9.60
Head of Department	26	50.00
General/Line manager	8	15.40
Total	52	100
Distribution of Respondents by Highest academic qualification		
Professional/ Technical	11	21.15
Diploma	27	51.93
Degree	8	15.38
Postgraduate	2	3.85
Other	4	7.69
Total	52	100

Source: *Field data, 2022*

Based on results in Table 4.3 above, distribution of respondents by level of education was considered important because it would voice up the element of employee involvement particularly their empowerment and capacity development. Distribution of respondents by length of time engaged in the company was done to indicate how long the respondents had stayed in the company to be able to interact with and adapt to the organizational culture overtime. The distribution further indicated the work position held since the study aimed at

respondents in the managerial level who are in touch with most information and they steer the organization direction. This was also to reveal whether the level of education or qualification was in tandem with the position held and how it manifested itself in relation to response on the element of organizational mission.

4.6 Characteristics of Insurance Industry in Kenya

Prevalent characteristics of the insurance industry selected for this analysis were the insurance penetration ratio, customer base, industry size and the gross written premium. Insurance penetration ratio was captured to shed light on the level of development of insurance sector in Kenya. The customer base served by the industry demonstrated the willingness of general public to buy insurance policy voluntarily as opposed to compulsory insurance. Industry size and gross written premium provide a general trend of the industry progression.

4.6.1 Insurance Penetration and Customer Base

The amount of insurance density in Kenya for all insurance companies has remained well below the average of developed countries. More precisely, the insurance penetration rate averaged 2.51% in the last five years (2016-2020) as compared to 3.07% recorded between similar periods (2011-2015) despite a significant increase in population. Whereas the total gross written premium (GWP) in the period analyzed recorded double faster growth, share in gross domestic product (GDP) remained relatively low.

Primary customer base for most insurance companies in long term and general insurance is corporate entities and individuals, the most consumed product in general insurance being motor private, motor commercial and medical cover while in the long-term insurance life assurance deposit administration and group life comprised the large share of insurance business as presented in the Table 4.4.

Table 4.4: Insurance Penetration and Customer Base

Year	General insurance					Long term			Penetration ratio	
	Motor vehicle private (%)	Motor vehicle commercial (%)	Medical (%)	Fire (%)		Deposit admn. (%)	Ord. life (%)	Group life (%)	Other (%)	(%)
2016	16.8	19.7	31.7	9.4		38.39	30.41	28.29	2.91	2.75
2017	17.07	18.43	30.48	10.42		35.10	29.75	30.17	4.98	2.71
2018	17.5	18.30	31.3	10.00		38.12	30.49	26.55	4.84	2.43
2019	17.7	18.2	31.8	9.8		39.73	33.44	25.66	3.18	2.37
2020	17.9	16.2	34.4	9.6		39.9	28.9	27.3	3.9	2.26

Source: *Field data, 2022*

Based on results in Table 4.4, it is observed that there was shrinkage in motor vehicle for commercial and fire. The analysis was conducted during the Covid-19 pandemic and the decline in consumption of the two products is attributable to reduced business activities such as transportation of persons and goods, logistics and closure of many businesses hence consumption of the insurance product decreased having adverse impact on overall penetration ratio. On the contrary, consumption on motor vehicle private and medical policies was on the rise. This can partly be explained by the fact that due to the high costs of treatment and management of the pandemic, many families saw the importance of medical cover, hence bought medical insurance. Still demand for private motor vehicle rose due to the restrictive protocols of the pandemic to avoid crowding and practice social distancing that was not achievable in public transport modes.

There was progressive trend in consumption of long term insurance products with ordinary life insurance recording a decline during 2019 and 2020. This can be explained by changing investment patterns triggered by the pandemic experience.

Based on results in Table 4.4, it is observed that there was shrinkage in motor vehicle for

commercial and fire. The analysis was conducted during the Covid-19 pandemic and the decline in consumption of the two products is attributable to reduced business activities such as transportation of persons and goods, logistics and closure of many businesses hence consumption of the insurance product decreased having adverse impact on overall penetration ratio. On the contrary, consumption on motor vehicle private and medical policies was on the rise. This can partly be explained by the fact that due to the high costs of treatment and management of the pandemic, many families saw the importance of medical cover, hence bought medical insurance. Still demand for private motor vehicle rose due to the restrictive protocols of the pandemic to avoid crowding and practice social distancing that was not achievable in public transport modes.

There was progressive trend in consumption of long term insurance products with ordinary life insurance recording a decline during 2019 and 2020. This can be explained by changing investment patterns triggered by the pandemic experience.

4.6.2 Industry Size and Gross Written Premiums

Information concerning the size of Kenyan insurance industry for both long term and non-life insurance is obtained through the number of insurance companies and the gross written premium. The values are presented in table 4.5.

Table 4.5: Number of Insurance Companies and Total Gross Written Premium in Kenya

Year		2016	2017	2018	2019	2020
Number of insurance companies	Long term	14	15	15	18	18
	General	26	27	29	30	33
	Composite	11	10	8	7	5
	TOTAL	51	52	52	55	56
Gross Written Premium (GWP)	Long term (Kshs. in Billions)	73.922	83.650	87.257	97.852	102.613
	General (Kshs. in Billions)	123.080	126.054	129.027	133.454	132.699
	TOTAL	197.002	209.704	216.284	231.307	235.312

Source: IRA data, 2022

Table 4.5 indicates that more insurance companies joined the industry in 2019. A growth trend of companies in general insurance business was recorded for the entire period of analysis with a diminishing trend found within companies offering both long-term and general insurance business. However, the companies offering long term business had a slight steady growth. The central reason for the variation can be attributed to entry of new insurers and splitting of businesses to focus on either long term or general insurance or exit through mergers and acquisitions. Growth in general insurance business is also attributable to the increase in demand for insurance products especially for motor vehicle, medical and industrial fire. In regard to the total gross written premium, a progressive growth trend averaging 4.53% per annum is evident. The details are as shown by figures 4.1 and 4.2 below.

Industry growth trend

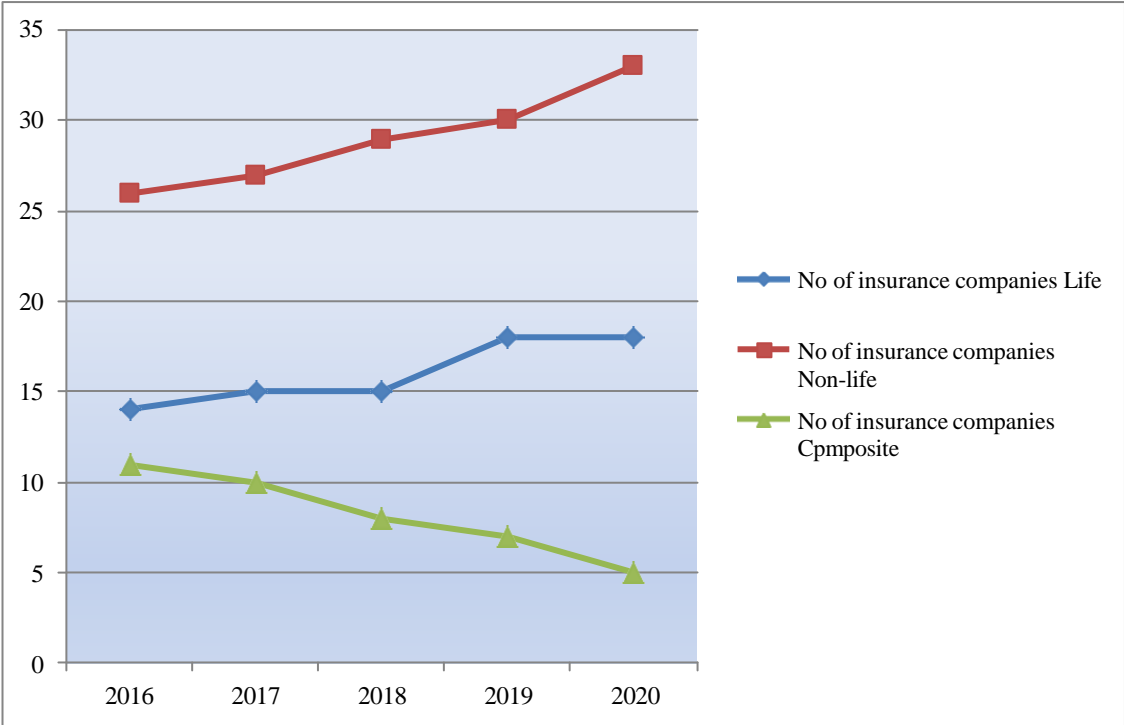


Figure 4.1: Trend of insurance companies

Source: Research data, 2022

Industry total gross written premium trend

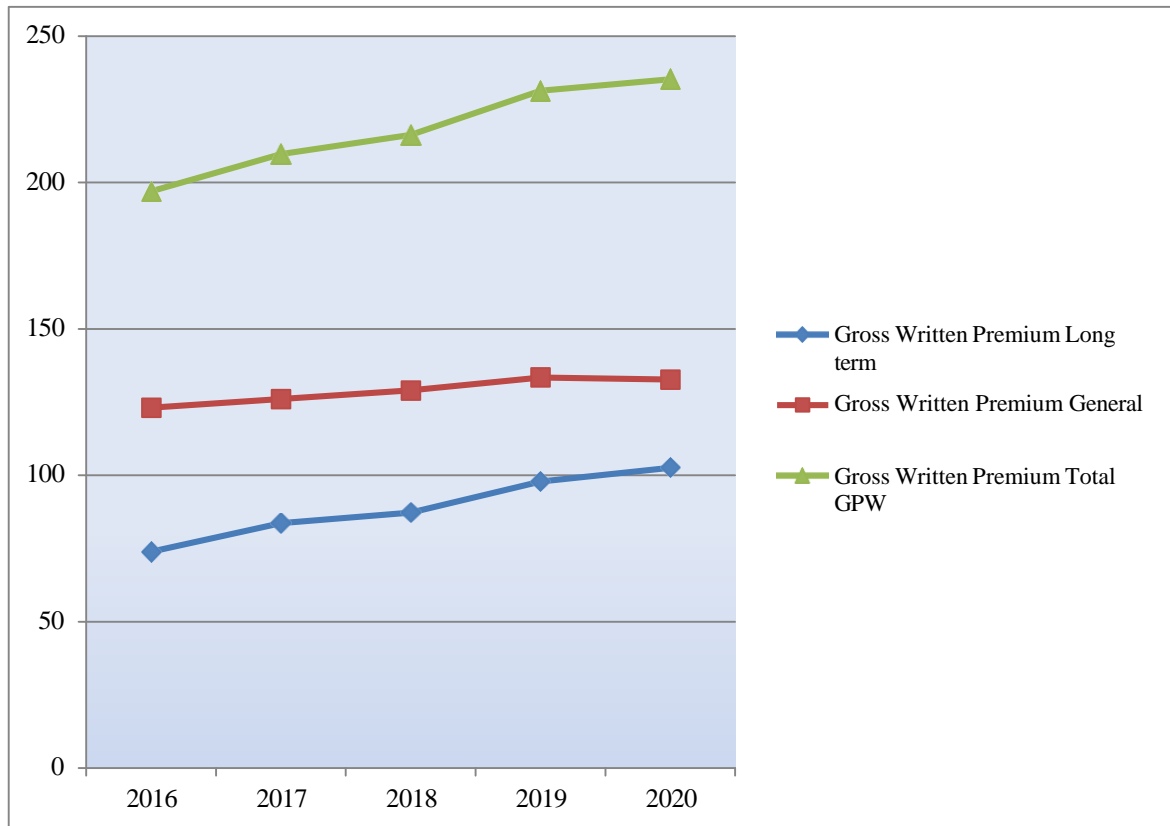


Figure 4.2: Gross written premium growth

Source: Research data, 2022

4.7 Descriptive Statistics

Descriptive statistics done on study variables were measures of mean, standard deviation, skewness, kurtosis, minimum and maximum. Mean is central tendency measure that describes the most representatives in a set of values, standard deviation is a measure of variability around the mean. Skewness statistics measures symmetry, or more specifically, the lack of symmetry of a data set. A data set or distribution is presumed symmetric if it looks similar right and left of the centre. Kurtosis measures the peakedness of a data set in relative to normal distributions (Cooper & Schindler, 2003). Descriptive statistics for corporate diversification, firm size, organizational culture, return on assets and market share were summarized and presented in Table 4.6 below.

Table 4.6 Descriptive Statistics

	N	Min	Max	Mean	Std.Dev	SK	KU
Corporate Diversification	52	0.17	2.61	1.5443	0.639	0.155	0.049
Firm Size	52	13.95	18.76	15.8675	1.048	0.052	0.538
Composite Organizational Culture	52	2.44	4.64	3.9405	0.505	0.002	0.003
Return on Assets	52	-3.44	9.32	1.0952	2.548	0.009	0.015
Market Share	52	0.45	23.05	3.6040	4.099	0.000	0.000

Source: *Research data, 2022*

To measure corporate diversification, Entropy index was computed and the descriptive statistics and summary is provided in Table 4.6. From the data, CDV reported a mean of 1.5443, and standard deviation of 0.64. These results showed that while some businesses were restricted to a small number of business lines, others operated several insurance product lines, making them very varied. When tests of kurtosis and skewness values equal to zero, it's an indication that there exist perfect normal distribution (Cooper & Schindler, 2008). There was a 0.0489 kurtosis and a 0.1549 reported skewness. This suggests that the entropy index, a measure of business diversification, is biased to the right and flatter than average, but still falls within the allowed range. Since the positive skewness score indicates that the entropy index is skewed to the right, it is symmetrical. The size of a firm as measured by the total assets is expected to reflect positively on a firm's performance. It is expected that larger firms that enjoy economies of scale and use their size as a barrier of entry to smaller insurers, gives the large sized firms an upper hand to increase sales and returns in general. Descriptive statistics of firm size are as presented in table 4.6.

Results show that firm size indicated a mean of 15.6563 and a standard deviation of 1.06. These results suggest that almost all insurance companies held a significant number of assets that had similar value with small disparities. The results show that total assets had positive skewness of 0.519, hence symmetrical and within the normality range while firm size still indicated positive Kurtosis of 0.203. The positive kurtosis implied that distribution for firm size variable is normal.

When firms practice and uphold the right culture, the employees are expected to be motivated and therefore increase their productivity, which should have a positive impact on the firm performance. Attributes of organizational culture descriptive statistics are as shown in Table 4.6 above. The four items used to determine organizational culture included; shared mission, employee involvement, consistency and adaptability. Computed results of the four attributes were; mission reported a mean of $3.95 \pm .50$; employee involvement reported $3.91 \pm .49$; consistency $3.94 \pm .48$ and adaptability reported $3.96 \pm .51$. This inferred that the four attributes used to measure organizational culture captured elements that were almost similar in all insurance companies with small deviations. Due to the similarity in the four attributes, OC was therefore collapsed into a single score in this study and the composite score of 3.94 computed was adopted. Organizational culture was skewed to the right with values of skewness of 0.0017, 0.0031, 0.0029 and 0.0027 for mission, employee involvement, consistency and adaptability respectively. The kurtosis values of organizational culture for all indicators were also positive implying that OC was within normal range.

Performance was operationalized in two aspects: non-financial (market share) and financial aspect (ROA). Table 4.6 above indicates descriptive statistics for the two aspects of performance. Results show that ROA and market share had a mean of 1.0952 ± 2.55 and 3.60 ± 4.09 respectively. Results of ROA showed that some companies had negative income

while others were doing well profit wise. Additionally, the market share values demonstrated that a small number of enterprises held a large market share, while the majority only shared a little piece of the market. The results show ROA had positive skewness of 0.0094 hence symmetrical with the long tail skewed to the right while market share was also skewed to the right. The two measures indicated positive kurtosis with ROA being within the range and market share indicating zero value results which means that market share curve was flatter than normal at 0.000.

When firms practice and uphold the right culture, the employees are expected to be motivated and therefore increase their productivity, which should have a positive impact on the firm performance. Attributes of organizational culture descriptive statistics are as shown in Table 4.6 above. The four items used to determine organizational culture included; shared mission, employee involvement, consistency and adaptability. Computed results of the four attributes were; mission reported a mean of $3.95 \pm .50$; employee involvement reported $3.91 \pm .49$; consistency $3.94 \pm .48$ and adaptability reported $3.96 \pm .51$. This inferred that the four attributes used to measure organizational culture captured elements that were almost similar in all insurance companies with small deviations. Due to the similarity in the four attributes, OC was therefore collapsed into a single score in this study and the composite score of 3.94 computed was adopted. Organizational culture was skewed to the right with values of skewness of 0.0017, 0.0031, 0.0029 and 0.0027 for mission, employee involvement, consistency and adaptability respectively. The kurtosis values of organizational culture for all indicators were also positive implying that OC was within normal range.

Performance was operationalized in two aspects: non-financial (market share) and financial aspect (ROA). Table 4.6 above indicates descriptive statistics for the two aspects of performance. Results show that ROA and market share had a mean of 1.0952 ± 2.55 and

3.60±4.09 respectively. Results of ROA showed that some companies had negative income while others were doing well profit wise. Additionally, the market share values demonstrated that a small number of enterprises held a large market share, while the majority only shared a little piece of the market. The results show ROA had positive skewness of 0.0094 hence symmetrical with the long tail skewed to the right while market share was also skewed to the right. The two measures indicated positive kurtosis with ROA being within the range and market share indicating zero value results which means that market share curve was flatter than normal at 0.000.

4.8 Diagnostic Tests

Diagnostic tests conducted on the data included normality tests, tests for linearity, multicollinearity and heteroscedasticity. The results of the tests are as indicated in Tables 4.7-4.10.

4.7.1 Tests for Normality

To establish study data normality, the Shapiro-Wilk and Kolmogorov-Smirnov^a tests were conducted. A popular test for normality, the Shapiro-Wilk (1965) test was originally only allowed for sample sizes under 50 but commonly used in literature (Razzali & Wah, 2011). The results of the analysis for Shapiro-Wilk and Kolmogorov-Smirnov^a are presented in Table 4.7 below.

Table 4.7: Tests for Normality Results

	Shapiro-Wilk Statistic	Df	Sig.
Corporate Diversification	0.928	52	0.044
Firm Size	0.949	52	0.055
Organizational Culture	0.905	52	0.151
ROA	0.951	52	0.303
Mkt.S	0.688	52	0.077

Source: *Researcher, 2022*

The interpretation of Shapiro-Wilk test is that, if p-value is above 0.05, it indicates that data are closer to or same as normal (Yap & Sim, 2011; Razali & Wah, 2011). From Table 4.7, OC, ROA and market share had $p > 0.05$, hence data was not different from normal. The other variables (CDV and firm size) did not report extreme departures hence their normality was assumed.

4.7.2. Linearity Tests

Linearity tests were done to ascertain if the link between variables were linear. Linearity tests confirm that the confidence intervals and projections yielded by the regression models were not misleading or biased. Tests of linearity indicated a weak association between CDV and FP and similar linkage between CDV and NFP. Analysis indicated existence of linearity between study variables as indicated in the scatter plots as shown in Figure 4.3-4.5below.

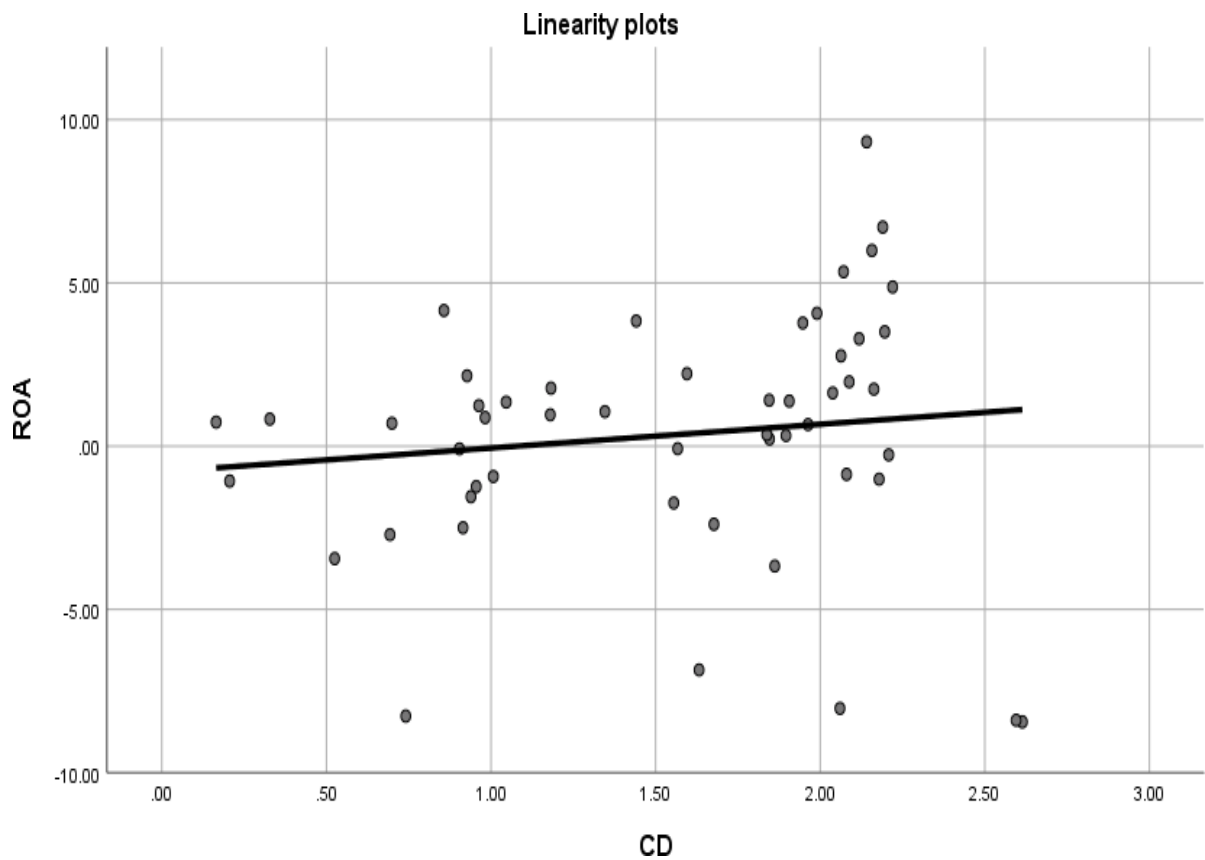


Figure 4.3: Scatter plot of Corporate Diversification (CDV) and Return on Assets (ROA)
Source: *Research Data, 2022*

Figure 4.3 shows scatter plot for corporate diversification and return on assets. The results show a weak association between the two variables. However, existence of linearity was indicated.

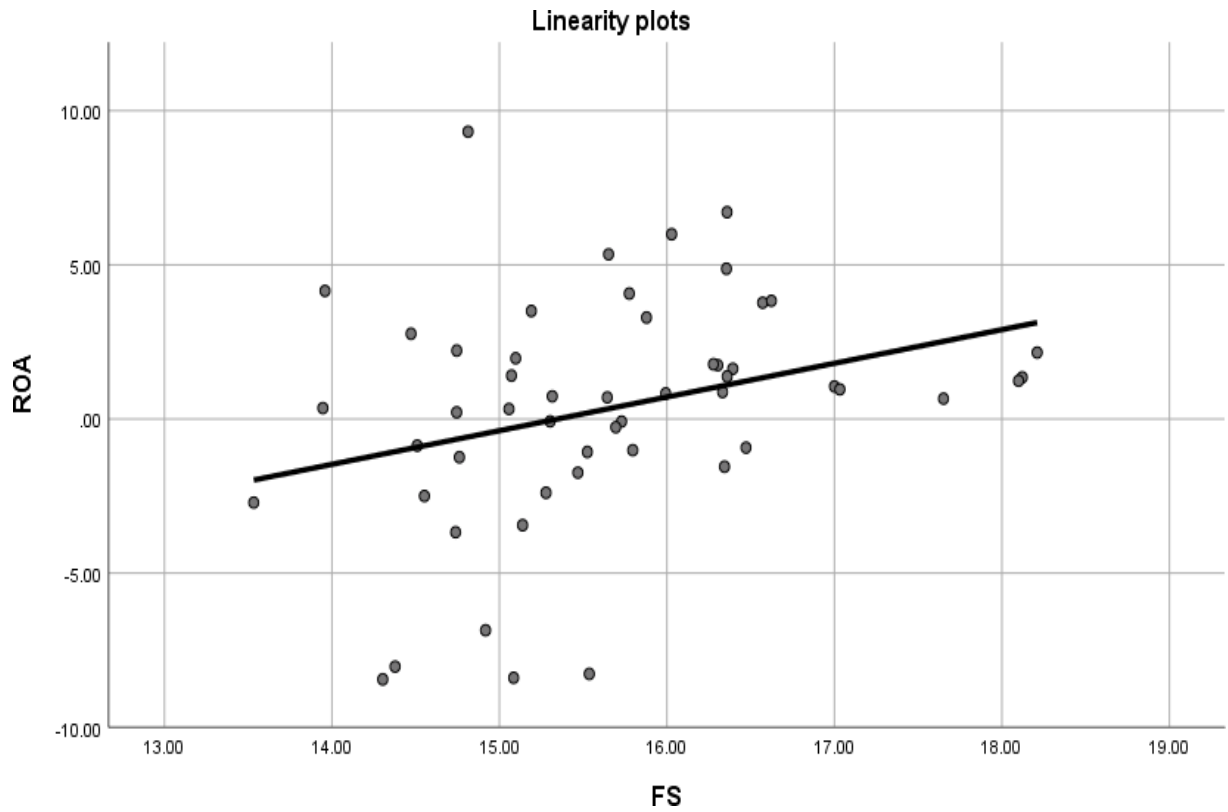


Figure 4.4: Scatter Plot of Firm Size and Return on Assets
Source: *Research Data, 2022*

Figure 4.4 scatter plot for firm size and return on assets. The results show a weak association between the two variables but still show an indication that linearity exists.

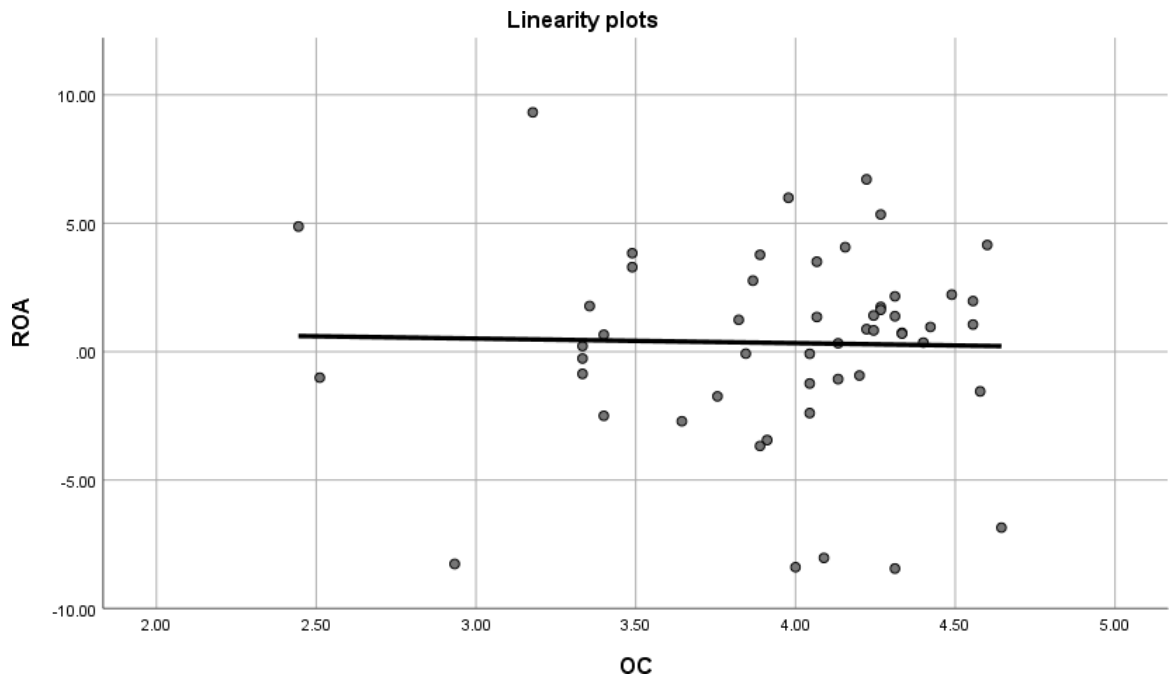


Figure 4.5: Scatter plot of Organizational Culture and Return on Assets
Source: *Research Data, 2022*

Figure 4.5 shows organizational culture and return on assets linkage. While the results show a weak association between the variables, there is existence of linearity.

4.7.3 Multicollinearity Tests

Multicollinearity is present when independent variables are found to be highly correlated. The multicollinearity presence in the data was assessed by VIF (Tolerance) tests. Results of the statistics were presented in Table 4.8 below.

Table 4.8: Financial Performance Multicollinearity Test

Variable	Coefficients	Collinearity Statistics	
		VIF	Tolerance (1/VIF)
Corporate Diversification	0.367	1.057	0.946
Firm Size	0.308	1.018	0.982
Organizational Culture	0.498	1.039	0.963

Source: *Author, 2022*

In the multicollinearity tests analysis, there were moderate statistically significant beta coefficients. When the independent variables were predicted, it was found that corporate diversification ($\beta = 0.367$) had a moderate impact on the dependent variable while firm size ($\beta = 0.308$) had high impact while organizational culture ($\beta = 0.498$) showed a small impact on the dependent variable (ROA). The results in Table 4.8 showed that the VIF (Tolerance) test indicated absence of multicollinearity among the study variables since the independent variables met the Tolerance threshold of > 0.1 (or $VIF < 10$).

Table 4.9: Non- Financial Performance Multicollinearity Tests

Variable	Coefficient Variance	Collinearity Statistics	
		VIF	Tolerance (1/VIF)
Corporate			
Diversification	0.169	1.185	0.849
Firm Size	0.331	1.150	0.872
Organizational Culture	0.010	1.070	0.937

a. Dependent Variable: NFP (Market share)

Source: Research Data, 2022

When the multicollinearity test was done with Market share as the dependent variable, corporate diversification inhibited negative beta ($\beta = -0.169$) thus a small inverse impact, firm size ($\beta = 0.331$) had high impact while organizational culture impact remained small ($\beta = 0.010$). The results in Table 4.9 showed that the VIF (Tolerance) test indicated absence of multicollinearity among the study variables since the independent variables met the Tolerance threshold of > 0.1 (or $VIF < 10$).

4.7.4 Homoscedasticity Test

The assumption of heteroscedasticity is that divergence of error term is not constant for all identifiable observations. It becomes problematic since it makes variance inept and consecutively makes estimators impartial. Breusch-Pagan test was applied to check for absence or presence of heteroscedasticity. Study results are presented in Table 4.10 below.

Table 4.10: Heteroscedasticity Test Results

Model	Chi-square	P-Value	Conclusion
Firm performance: financial performance	1.96	0.1617	Homoscedasticity present
Firm performance: non-financial performance	2.37	0.1236	Homoscedasticity present

Source: *Research Data, 2022*

Null hypothesis of Breusch-Pagan tests is that homoscedasticity is present, or the variance is constant. Assumption of the negative is presence of heteroscedasticity. To draw conclusions, a comparison was made between critical p-value (0.05) and computed p-value. When the calculated p-values is above 0.05, homoscedasticity is concluded to be present. As presented in Table 4.10, p-values reported values that were higher than 0.05. Thus, no evidence of heteroscedasticity in the data since the computed statistics for the two attributes of firm performance were higher than the threshold ($p > .05$). The variance was found to be homoscedastic and therefore the regression results were reliable.

4.9 Correlation Analysis

The study sought to establish the significance of associations of corporate diversification, firm size, organizational culture and performance in the insurance industry. Correlation analysis was utilized to assess the strength of a linear association between two study variables using (r). This was key to evaluate if any association existed before undertaking further analysis. The correlation matrix also aided in further determination of whether there was presence of multicollinearity of independent variables. The linearity linkage between any two variables under the analysis ranges from -1 to +1 and is denoted by r . The stronger the linkage of the observed variables, the closer the r , will be to either +1 or -1 if link is negative or positive (Cooper & Schindler, 2003).

According to Sekaran (2010), where the variables are assessed by interval or ratio scales, Pearson's correlation is more apt. To determine the correlation above-mentioned, the study incorporated corporate diversification which represented the predictor variable as depicted by entropy index. The intervening variable in the study was firm size indicated by total assets. The moderating variable in the study was organizational culture as indicated by a composite score of mission, employee involvement, consistency and adaptability, whereas performance was depicted by financial measure (ROA) and non-financial measure of market share. Correlation results were reported at a significant level of 0.05 and 0.01 consistent with studies such as Shi et al. (2016), Angima (2014), Ondigo (2016), Magutu (2013) and Njiraini (2020). The study summarized the correlational associations established through a correlation matrix. The results were as detailed in Table 4.11- Table 4.13 below.

Table 4.11: Correlation Results for Corporate Diversification, Firm Size, Organizational Culture and Financial Performance

Scale		CDV	FS	OC	ROA
CDV	Pearson Correlation	1.000	-0.370*	-0.290	0.367*
FS	Pearson Correlation		1.000	-0.005	.308
OC	Pearson Correlation			1.000	0.498
ROA	Pearson Correlation				1.000

Source: *Author, 2022*

From results shown in table 4.11, financial performance depicted by ROA, had a positive association with corporate diversification ($r=0.367$ and $p<0.05$). Such that, for every unit variance of diversification activity undertaken, return on assets of insurance companies varied by 0.367 units in the same direction. This implies that if insurance companies' diversification activities increased, this accelerated the overall performance perspective. Results also indicated that diversification activities had negative association with firm size ($r=-0.370$). Therefore, a unit variation in the company's diversification activities resulted to 0.370 decrease in total assets but slight improvement in ROA, an aspect indicated a positive link with the size ($r=0.308$). This implies that in every unit change in the company's total assets, there was 0.308 positive change in Return on Assets hence upturning performance of an insurance company. However, organizational culture had an overall adverse insignificant effect with CDV and firm size but a positive moderate association with ROA ($r=0.498$). Correlation results for non-financial performance were as detailed in Table 4.12 below.

Table 4.12: Correlation Results for Corporate Diversification, Firm Size, Organizational Culture and Non-Financial Performance

		CDV	FS	OC	Mkt. Share
CDV	Pearson Correlation	1.000	-0.370*	-0.289	-0.311*
FS	Pearson Correlation		1.000	-0.005	.835**
OC	Pearson Correlation			1.000	-0.341
Mkt. Share	Pearson Correlation				1.000

** . Correlation is significant at the 0.01 level

Source: *Author, 2022*

The results of correlation analysis between Market share, firm size, composite organizational culture and CDV scales are shown in Table 4.12. The correlation between market share and corporate diversification is negative ($r = -0.311$). There is a negative association between corporate diversification and composite organizational culture ($r = -0.289$). The correlation between diversification and firm size is negative ($r = -0.370$).

The association between market share and firm size is strong positive and statistically significant ($r = 0.835$, $p < 0.05$). This implies that a unit variance in total assets accelerated market share by 0.835. The correlation between the composite organizational culture had weak negative link that was not statistically significant with the market share of insurance companies ($r = -0.341$, $p > 0.05$). Cooper and Schindler (2003) opined that correlation between the variables must be more than 0.8 for multicollinearity to be considered a concern. Since only one of the correlation coefficients is more than 0.8, there is no concern of multicollinearity. Correlation results for reversal effect of firm performance on corporate diversification were as detailed in Table 4.13 below.

Table 4.13: Correlation Results for Corporate Diversification and Firm Performance

Scale		FP	NFP	CDV
FP	Pearson Correlation	1.000	0.131	0.304
NFP	Pearson Correlation		1.000	-0.214
CDV	Pearson Correlation			1.000

Source: *Author, 2022*

The results between firm performance and CDV scales are shown in Table 4.13. The correlation between CDV and NFP is weak and negative ($r=-0.214$) while the association between FP and CDV was moderate positive ($r=0.304$).

4.10 Chapter Summary

Chapter four detailed the outcomes of descriptive statistics. Primary data was gathered from management of insurance companies and secondary data was sought from final accounts licensed by IRA. The final analysis was pegged on 52 data points from the 56 companies. Corporate diversification was evaluated using the Entropy Index computed from the number of lines with positive direct premium and the weighted distribution of premium in each line of business. Firm size was measured by natural log of total assets in each company. Organizational culture was measured by a composite score of four attributes. Firm performance was measured by two aspects; FP and NFP was indicated by ROA and market share respectively.

The descriptive statistics of mean, standard deviation, maximum and minimum, skewness and kurtosis of each variable are presented. From descriptive statistics, it surfaced that majority of insurers had undertaken diversification activities. CDV results reported a mean of 1.5443, a stand. Dev. of 0.64. These results projected that few companies offered a range of product

lines while a large group operated similar lines of business. Entropy Index was reported to be symmetrical as it is skewed to the right as demonstrated by the positive skewness.

ROA and market share had a mean of 1.0952 ± 2.55 and 3.60 ± 4.09 respectively. Large variations in market share revealed that a few companies occupied the big market share while majority of companies shared a small proportion of the market. The results show ROA had positive skewness of 0.0094 with the long tail skewed to the right while market share was also skewed to the right. The two measures indicated positive kurtosis. The CDV indicator adopted in the study was the entropy index used previously by Yibing et al. (2013) and Liebenberg and Lin (2019). The entropy index was found as the most suitable indicator, because of the logic of its development and application and it's also sensitive to smaller firms.

Diagnostic tests carried out on the data were detailed as; tests of normality were done by Shapiro-Wilk test, linearity was assessed using scatter plots; multicollinearity was tested using VIF; the Breusch-Pagan checked heteroscedasticity.

From results shown in correlation results presented in table 4.11 above, the aspect of FP depicted by ROA had a direct relation that was not statistically significant. Such that, for every unit variance of diversification activity undertaken, return on assets of insurers varied in the same direction. Results also indicated that a unit variation in the company's diversification activities resulted to decrease in total assets but moderate improvement in return on assets. However, organizational culture had an overall adverse insignificant effect in the relationships and on ROA. This implies that every unit variance in composite organizational culture, financial performance was enhanced.

There is a negative association between CDV and composite organizational culture which was not statistically significant. The correlation between diversification and total assets is negative and statistically significant. The association of total assets and market share is

positive and statistically significant implying that a unit variance in total assets accelerated market share. The correlation between firm size (total assets) and composite organizational culture reported a weak negative link that was not statistically significant with the market share of insurance companies.

CHAPTER FIVE

HYPOTHESIS TESTING AND DISCUSSION OF FINDINGS

5.1 Introduction

This chapter presents the result of hypothesis testing and interpretation of the study outcomes. The overall aim of the study was to determine whether the linkage between corporate diversification and performance of insurance companies was influenced by firm size and organizational culture. To attain the overall objective, four different specific objectives were set from which the four-study hypothesis were formulated for testing. The outcomes of the four tested null hypotheses in this analysis using regression models and the interpretations were presented in this section. This chapter also concludes with a discussion of findings.

5.2 Corporate Diversification and Firm Performance

The study's first objective was to assess the effect of corporate diversification on performance of insurers in Kenya. The study considered corporate diversification as the independent variable while the dependent variable of the study (FP) was measured by ROA and non- financial performance was indicated by market share for every company. To examine if corporate diversification did not significantly predict FP or NFP of insurance companies in Kenya, the analysis was carried out and a simple linear regression was done. The first null hypothesis tested was;

H₁: There is no significant effect of corporate diversification on firm performance of insurance companies in Kenya.

The above hypothesis sought to establish the effect of corporate diversification on performance of insurance companies in Kenya. Performance was measured by both financial and NFP (market share) through two sub-hypotheses. The first null sub hypothesis was:

H_{1a}: The relationship between corporate diversification and financial performance of insurance companies in Kenya is not significant.

The sub-hypothesis was tested using a modified simple linear regression model described in chapter three and the results of the first sub-hypotheses were presented in Table 5.1 below.

The model of first sub hypotheses was as follows:

$$FP = a + \beta_1 CDV + \varepsilon \dots\dots\dots 5.1$$

Note: The variables are as defined in section 3.9.1

Table 5.1: Regression Results for Corporate Diversification and Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.171122	0.876260	-1.340101	0.1865
CDV	1.466322	0.524702	2.794580	0.0072
R-squared	0.135096			
Adjusted R-squared	0.117810			
S.E. of regression	2.393411			
Sum squared residual	286.4203			
F-statistic	7.809482			
<u>Prob.</u>	<u>0.007412</u>			
Dep. Var.: FP (ROA)				
Predictors: (Constant), CDV				
Periods included: 5				
Observations: 52				

Source: *Author, 2022*

From Table 5.1 results, the link between CDV and FP was positive and significant with coefficient of 1.466 and p=0.0072. The research findings implied that CDV was a significant predictor of ROA ($\beta = 1.47, p < .05$).

Specification of the prediction equation was as follows:

$$FP = -1.0171 + 1.466CDV$$

The overall model was statistically significant. The adjusted (R^2), that indicates the amount of variation in the dependent variable explicated by the independent variable was reported at Adjusted $R^2=.1178$, $F=7.8$, and p values of 0.0074. Therefore, based on the results of overall model, there exist a statistically significant relationship between corporate diversification and FP of insurance companies in Kenya. Based on the results, the first null sub-hypothesis was rejected, and conclusion was that, CDV significantly controls FP as measured by ROA. The second null sub hypothesis was:

H1b: The relationship between corporate diversification and non-financial performance of insurance companies in Kenya is not significant.

The hypothesis was established by use of regression model defined in chapter three and the results of the second sub-hypotheses were presented in Table 5.2 below.

The model of second sub hypotheses was as follows:

$$NFP = a + \beta_1 CDV + \varepsilon \dots\dots\dots 5.2$$

Table 5.2: Regression Results for Corporate Diversification and Non-Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.693031	1.440068	4.647718	0.0000
CDV	-1.998602	0.862310	-2.317730	0.0251
R-squared	0.097001			
Adjusted R-squared	0.079036			
S.E. Estimate	3.933400			
Sum squared resid.	773.5778			
F-statistic	5.371140			
Prob.	0.024594			
Dependent Variable: NFP				
Predictors: (Constant), CDV				
Periods included: 5				
Observations: 52				

Source: *Author, 2022*

Regression results show that there was a statistically significant but inverse relationship ($\beta = -1.99, p < .05$) between CDV and NFP as evaluated by market share. This suggests that a key predictor of market share is business diversification. The prediction equation was specified as follows:

$$NFP = 6.693 - 1.998CDV.$$

The total model's results showed p values of 0.024 and a significant F value of 5.37. While 0.921 was thought to be explained by other factors not examined in this model, the adjusted R² was 0.0790. There was statistical significance throughout the entire model. Therefore, the second null sub-hypothesis was disproved, and it was determined that business diversification had substantial impact on Kenyan insurance businesses' NFP.

5.3 Corporate Diversification, Firm Size and Firm Performance

The second objective of the study tested the intervening effect of firm size on the relationship between corporate diversification and performance.

CDV was measured by the entropy index while firm size was measured by natural log of total assets. Performance was measured by ROA and market share. The following null hypothesis was formulated:

H2: The mediating role of firm size in the relationship between corporate diversification and performance of insurance companies in Kenya is not significant.

Four steps were undertaken to test the mediating effect of the firm size in line with the procedure advocated by MacKinnon (2002). In the first step of the mediation model, regression analysis assessed the association between firm performance and CDV while ignoring the firm size under the two sub-hypotheses below;

5.3.1 Mediating Effect of Firm Size on the Relationship between CDV and Financial performance

The relationship was tested by using the H_{2a} below.

H2a: The intervening effect of firm size in the relationship between corporate diversification and financial performance of insurance companies in Kenya is not significant.

In the second step of the mediating procedure, regression analysis assessed the relationship between firm size and CDV ignoring FP. The regression model used was;

$$FS = \alpha + \beta_1 CDV + \epsilon \dots \dots \dots 5.3$$

Note: *The variables are defined in section 3.9.2*

The results were presented in Table 5.3 below

Table 5.3: Regression Results for Corporate Diversification and Firm Size

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.6781000	0.228008	2.974018	0.0000
CDV	-0.5774414	0.236199	-2.431902	0.0150
R-squared	0.137001			
Adjusted R-squared	0.119700			
S.E. of Estimate	3.933400			
Sum squared resid.	245.5778			
F-statistic	6.221100			
Prob.	0.000002			

Dependent Variable: FS

Predictors: (Constant), CDV

Periods included: 5

Observations: 52

Source: *Author, 2022*

Based on results from Table 5.3, tests of the slope show that (β) value of CDV was -0.574 with a significant level ($p < 0.05$). This indicates that CDV is a significant predictor variable hence a negative link exists between CDV and firm size.

The regression model was presented as follows;

$$FS = -0.678 - 0.574CDV$$

The overall model was reported as statistically significant ($p < 0.05$). F values were reported at 6.221 and adjusted R^2 of 0.1190. Therefore, CDV explained 11.9 % of the variance in firm size.

The third step of the mediating process involves regression analysis conducted to assess the association between firm size and financial performance disregarding CDV. The regression model is as presented in Table 5.4. Results of the analysis were presented in Table 5.4 below.

$$FP = a + \beta_1 FS + \varepsilon \dots\dots\dots 5.4$$

Note: *The variables are defined in section 3.9.2*

Table 5.4: Regression Results for Firm Size and Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.2110040	0.066138	3.19035	0.1070
FS	0.2106638	0.300659	0.700673	0.4840
R-squared	0.094864			
Adjusted R-squared	0.076761			
S.E. of Estimate	3.933400			
Sum squared resid.	243.5778			
F-statistic	14.73000			
Prob.	0.341002			
Dependent Variable: FP				
Predictors: (Constant), FS				
Periods included: 5				
Observations: 52				

Source: *Author, 2022*

Results from Table 5.4 above indicated that (β) value of FS was 0.210 that was not significant ($p > 0.05$). This reveals a statistically significant link does not exist between firm size and FP. The overall model reported adjusted R^2 of 0.0767, F of 14.73 and $p > 0.05$. This implies that the link between firm size and FP is not statistically significant. The regression model was presented as follows;

$$FP = 0.2110 + 0.210FS$$

The final step of the mediating analysis was conducted to evaluate the association of FP, firm size (mediating variable) and CDV. The regression model is as presented in 5.5 and the results of the analysis were presented in Table 5.5 below.

$$FP = a + \beta_1 CDV + \beta_2 FS + \varepsilon \dots\dots\dots 5.5$$

Note: *The variables are defined in section 3.9.*

Table 5.5: Regression Results for CDV, Firm Size and Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.511007	0.16138	-3.16648	0.107
CDV	1.466322	0.514513	2.84992	0.004
FS	0.210663	0.300659	0.70067	0.484
R-squared	0.0703200			
Adjusted R-squared	0.069994			
S.E. of Estimate	3.933400			
Sum squared resid.	246.5008			
F-statistic	5.601000			
Prob.	0.294109			
Dependent Variable: FP				
Predictors: (Constant), FS				
Periods included: 5				
Observations: 52				

Source: *Author, 2022*

Results from Table 5.5 above indicated coefficients of 1.4663 and 0.2106 for CDV and firm size respectively. The CDV reported p=0.004 while firm size reported P=0.484. The overall mediation model was not statistically significant (p-value >.05). The regression model was presented as follows;

$$FP = -0.511007 + 1.4663CDV + 0.210663FS$$

Based on overall model results, corporate diversification and firm size explained 6.9% of financial variations in insurance companies registered in Kenya. The multiple regression model generated (Adjusted R^2 of 0.069; F of 5.60; $p > 0.05$). Firm size does not significantly predict return on assets (FP) even when CDV is controlled ($p > 0.05$).

Hypothesis two (H_{2a}) explored CDV, firm size and FP of insurance companies by suggesting that the relationship between CDV and FP is not mediated by the size of the firm. According to MacKinnon (2002) and Andres et al. (2014), a variable is considered as an intervener if it meets the following criteria: variations in the independent variable (CDV) significantly explain for the variation in firm size as supposed intervener; variation in firm size significantly accounts for changes in ROA; When the two variables (firm size and CDV) are assessed together in a single model, a significant relation that existed previously between independent and dependent variables is no longer of significance (full intervention) or corporate diversification and financial performance becomes weaker (partial intervention). From the result of the analysis, third and fourth conditions were not met since firm size does not predict financial performance and the significant relationship that existed between CDV and financial performance did not become weaker upon inclusion of the mediator in the model, hence no mediation. Thus, it can be deduced that firm size has no mediating effect on the link between CDV and FP. This lead to confirmation of H_{2a}.

5.3.2 Intervening Effect of Firm Size on the Relationship between CDV and Non-Financial performance

Following the MacKinnon (2002) steps, the intervening effect was also tested with NFP (market share) as the measure of performance. The results of the analysis are presented in Table 5.6 below. In testing for H_{2b} the following hypothesis was formulated.

H_{2b}: The intervening effect of firm size in the relationship between corporate diversification and non-financial performance of insurance companies in Kenya is not significant.

Table 5.6: Regression Results of Corporate Diversification, Firm Size and Non-Financial Performance

Variable	B	Std. E	T	Sig.	R ²	Adj.R ²	F
Step 1^a					.0970	.079	5.38
Constant	6.69	1.44	4.66	.000			
CDV	-1.99	.862	-2.32	.027			
Step 2^b					.1370	.1197	6.221
Constant	0.678	.228	2.97	.000			
CDV	-0.574	.236	-2.43	.015			
Step 3^c					.6972	.5102	13.02
Constant	4.25	.993	4.27	.000			
FS	4.15	.696	5.96	.000			
Step 4^d					0.2977	.2836	11.14
Constant	3.32	0.666	4.981	0.020			
CDV	-1.90	0.896	-2.121	0.018			
FS	2.17	0.379	5.725	0.000			

a. Dependent variable: Non-financial performance (Market. Share)

b. Dependent variable: Firm size

c. Dependent variable: Non-financial performance (Market. Share)

d. Dependent variable: Non-financial performance (Market. Share)

Source: Author, 2022

In step one of the mediating model, regression analysis was conducted to determine the relationship between CDV and market share while ignoring the intervener (firm size). The model was statistically significant ($p < .05$). CDV explained 7.9% of the variance in market share while 92.1% could be accounted for by other factors not in this model. The β value of CDV was -1.9986 with a significance level of ($p < .05$). Specification of the prediction equation was as follows:

$$NFP = 6.6930 - 1.9986CDV$$

In the second step of the mediating procedure, regression analysis was carried out to assess the effect of CDV on firm size disregarding the market share. The β value of CDV was -0.574 with a significance level ($p < 0.05$). This indicated that CDV is a significant predictor and thus presence of a significant effect on firm size. The model results were $F = 6.221$, $p > .05$ and adjusted $R^2 = 0.1197$. CDV explained 11.90% of the variance in firm size. Specification of the prediction equation was as follows:

$$FS = 0.6781 - 0.5740CDV$$

In step 3 of the mediating procedure, regression analysis was performed to assess the link between firm size and market share ignoring the CDV. Tests of the slope further revealed that regression coefficients (β) value of FS was 4.152 with $p = 0.000$. This revealed the existence of a statistically significant link between firm size and market share. The regression model is as presented in 5.5 above.

Specification of the prediction equation was as follows:

$$NFP = 4.25 + 4.15 FS$$

The model results were statistically significant as per Table 5.6. The regression model produced Adjusted R^2 of 0.5102; F of 13.02; and $p < .05$. This implies that the association between firm size and market share is statistically significant.

The fourth step conducted on the mediating effect of firm size on CDV-market share linkage. As shown in Table 5.6, the model results were statistically significant with the two variables reporting ($p < .05$). The overall model generated Adjusted R^2 of 0.2836, F of 11.14, and $p < .05$; confirmed a mediation effect of firm size on the link between CDV and market share.

Since the coefficient in step four were not zero, the possibility of full mediation was ruled out. Instead, step four model CDV p-values remained significant hence confirming partial mediation. Since firm size significantly predict markets share even when CDV is controlled ($p < .05$), firm size has an intervening effect on the association of CDV and market share. Thus, it can be deduced that, firm size has partial mediating effect on the link between CDV and FP.

Specification of the prediction equation was as follows:

$$NFP = 3.32B - 1.90 CDV + 2.17FS$$

When the two predictors of performance (ROA and market share) were regressed separately, their statistical values and p-values varied. It can therefore be resolved that firm size had partial mediating effect on CDV and ROA but a statistically significant mediating effect on the relationship of CDV and predictor of market share. Sub-hypothesis two (H_{2a}) failed to be rejected while sub-hypothesis two (H_{2b}) was rejected.

5.4 Corporate Diversification, Organizational Culture and Performance

The third objective of this study assessed the moderating effect of organizational culture on the link between CDV and performance of insurance companies. The study hypothesized that the association between CDV and performance was not moderated by organizational culture.

The following hypothesis was tested:

H3: The moderating role of organizational culture on the relationship between

corporate diversification and insurance performance is not significant

The moderation effect was estimated using the technique suggested by Baron and Kenny (1986). The procedure encompassed testing the direct effect of CDV on performance, the effect of organizational culture (moderating variable) on performance and lastly the effect of the interaction term between corporate diversification and organizational culture (CDV*OC) on the performance. To construct an interaction term, CDV and composite OC ratios were first centered and a single item indicator signifying the product of the two measures calculated (CDV*OC). The conception of a new variable by multiplying the scores of CDV and composite OC risked the creation of multicollinearity problems. To solve the possible multicollinearity problems, which could have an effect on the approximation of the regression coefficients for the direct effect, the two factors were standardized to Z scores with a mean of zero and std. deviation of one. The two standardized variables (CDV and OC) were then multiplied to obtain the interaction term.

A progressive-stepwise regression analysis incorporating the three models as depicted in figure 5.1 was utilized to assess composite OC as a moderator variable of the study and the results were presented on Tables 5.7 and 5.8 below.

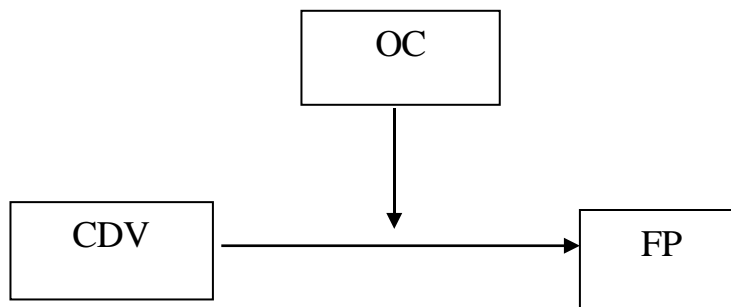


Figure 5.1: General moderation model

Source: *Researcher, 2022*

Since there were two measures of performance, sub hypotheses were tested for the moderating effect of composite organizational culture on corresponding measures of the

performance. The sub hypotheses and results of the hierarchical multiple regression predicting return on assets from corporate diversification, composite organizational culture and the interaction between corporate diversification and composite organizational culture (CDV*OC) were as reported. The moderation hypothesis would be supported if the interaction (CDV*OC) in predicting insurance performance yields a statistically significant coefficient.

The third null sub hypothesis was to test the moderating effect of composite organizational culture on the relationship of CDV and ROA. The third null sub-hypothesis tested was as follows:

H3a: The moderating effect of organizational culture on the relationship between corporate diversification and financial performance is not significant.

To establish the moderation effect of organizational culture on the relationship between corporate diversification and financial performance, regression model below was utilized. The results are indicated in table 5.6 below.

$$FP = a + \beta_1 CDV + \beta_2 OC + \beta_3 (CDV*OC) + \varepsilon \dots\dots\dots 5.8$$

Note: The variables are as defined in section 3.9.3

Table 5.7: Moderation Effect of Organizational Culture on Relationship between Corporate Diversification and Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.020033	3.007075	-1.669407	0.1024
CDV	1.525821	-0.508167	3.002597	0.0044
OC	0.883848	0.686552	1.287372	0.2040
CDV*OC	1.325784	0.496670	2.669345	0.0110
R-squared	0.2488			
Adjusted R-squared	0.2019			
S.E. of regression	2.2765			
Sum squared residual	48.7635			
F-statistic	5.3010			
Prob.	0.0031			
Dependent Variable: FP				
Predictors: CDV, OC, CDV*OC				
Sample: 2016- 2020				
Periods included: 5				
Observations: 52				

Source: *Researcher, 2022*

Table 5.7 shows the results of the hierarchical regression conducted to assess the moderating effect of composite organizational culture on the linkage between CDV and ROA. The model shows that corporate diversification, composite organizational culture and the interaction variable (CDV*OC) significantly predict financial performance ($p < 0.05$).

The results of moderation (Table 5.7) show a significant linkage between ROA and CDV ($p < 0.05$). Tests of (β) of the second model show that the inclusion of composite organizational culture as a predictor of ROA was positive but

not statistically significant ($\beta = 0.883$, $p > 0.05$). In third hierarchy model with the interaction term (CDV*OC), the p values were statistically significance ($p < 0.05$). The regression model was presented as follows;

$$FP = -5.021 + 1.525 CDV + 0.883OC + 1.325(CDV*OC)$$

Adjusted R^2 for step one was .1178 as indicated in section 5.2 (table 5.1). The overall model reported $F = 5.30$ and P value of 0.003. Model further shows that the variation in ROA explained by corporate diversification and composite organizational culture with the inclusion of regression weight of the interaction term (CDV*OC) changed to 20.19%, reporting 8.41% positive difference in adjusted R^2 which suggest that there was 8.41% increase in variation explained by addition of the interaction term. The change in R^2 quantifies the variance accounted for by the interaction term above the variance explained by the basic model without the interaction term. This implied that the conditional effect of CDV on FP depends on different levels of OC. Consequently, this suggests that the relationship between CDV and FP became more positive (strengthened) as the level of OC increases thus confirming the synergistic moderation.

The study findings established that composite OC has moderation effects on CDV and financial performance (ROA) since both the interaction term and the overall model are significant. This means that the insurance companies that uphold a strong organizational culture in terms of mission, employee involvement, consistency and adaptability, their effects of diversification activities on enhancing returns on assets yield greater results than companies with a weak organizational culture. Based on the findings, the third null sub hypothesis (H3a) was rejected.

The third null sub hypothesis was to test the moderating effect of organizational culture on the relationship between CDV and market share. The null sub-hypothesis tested was as follows:

H3b: The moderating effect of organizational culture on the relationship between corporate diversification and non-financial performance is not significant

In order to determine moderation influence of composite organizational culture on the link between CDV and NFP, a multiple regression model was utilized for analysis. The results are indicated in table 5.8 below.

$$NFP = a + \beta_1 CDV + \beta_2 (OC) + \beta_3 (CDV*OC) + \varepsilon \dots\dots\dots 5.9$$

Table 5.8: Moderation Effect of Organizational Culture on the Relationship between Corporate Diversification and Non-Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.049083	5.245525	1.5344	0.1310
CDV	-2.088042	0.886443	-2.3555	0.0230
OC	-0.344711	1.197619	-0.2878	0.7752
CDV*OC	0.711867	0.886389	0.8031	0.4150
R-squared	0.1164			
Adjusted R-squared	0.0612			
S.E. of regression	3.9712			
Sum squared residual	56.9656			
F-statistic	2.1110			
Prob.	0.1116			

Dependent Variable: N FP
 Predictors: CDV, OC, CDV*OC
 Sample: 2016- 2020
 Periods included: 5
 Observations: 52
Source: *Researcher, 2022*

The results moderating effect of composite organizational culture on the association of corporate diversification and market share are presented in Table 5.8. Model 1 revealed existence of an inverse but statistically significant association of CDV and NFP as measured by market share ($\beta = -2.088$, $p < 0.05$). The second step incorporating composite OC as a predictor of market share was also inverse and not statistically significant ($\beta = -0.344$, $p > 0.05$). The introduction of the interaction term (CDV*OC) in third hierarchy model shows that corporate diversification, composite organizational culture and the interaction variable (CDV*OC) reported ($\beta = 0.711$, $p > 0.05$). The model was presented as follows;

$$NFP = 8.049170 - 2.088CDV - 0.344OC + 0.711(CDV*OC)$$

Results show that introduction of OC in the model weakened (turned insignificant) the previous significant CDV-NFP relationship. The inclusion of the interaction term (CDV*OC) explain 6.12% variations in market share. The model that depicted the CDV-NFP relationship as indicated in section 5.2 (table 5.2) had suggested that CDV accounted for 7.9% of NFP variations. When the moderator is presented in the relationship, it resulted to a reduction of correlation of determination by 1.78%. Based on the results, both the interaction term and the overall model were not significant and only the first model is suitable for prediction subject to tests of the slope. The study found that composite organizational culture has no moderating impact on the linkage between corporate diversification and market share. It can therefore be inferred that the model was not suitable to predict NFP of Kenyan insurers. To insurance companies, this means that organizational culture in terms of mission, employee involvement, consistency and adaptability, has no effects on diversification activities in expanding market share, thus market share is guided by other factors not in this model. Therefore, the second null sub hypothesis failed to be rejected.

5.5 Corporate Diversification, Firm Size, Organizational Culture and Firm Performance

The fourth objective of the study was to determine combined influence of corporate diversification, firm size and organizational culture on performance of insurance companies in Kenya. The study projected that the combined influence of CDV, firm size and organizational culture on performance of insurance companies in Kenya was not significant. The following null hypothesis was formulated;

H4: The combined effect of corporate diversification, firm size and organizational culture on performance of insurance companies in Kenya is not significant.

Performance of the insurance industry is measured by two aspects; financial (ROA) and non-financial (market share). To determine the effect on the two performance indicators, two sub hypotheses formulated were tested. The first sub-hypothesis was to examine the combined effect of corporate diversification, firm size and organizational culture on FP. The first sub-hypothesis was stated below;

H4a: The combined effect of corporate diversification, firm size and organizational culture on financial performance is not significant

The null sub-hypothesis was formulated. The prediction equations are as discussed in chapter three is: Results are as indicated in Table 5.9 below.

$$FP = a + \beta_1CDV + \beta_2FS + \beta_3OC + \varepsilon \dots\dots\dots 5.10$$

Note: All the variables are as described in section 3.9.4

Table 5.9: Regression Results of Corporate Diversification, Firm Size, Organizational Culture and Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.494652	6.524890	-1.000	0.325
CDV	1.650449	0.576891	2.860	0.006
FS	0.235865	0.316737	0.744	0.460
OC	0.328303	0.695002	0.472	0.639
R-squared	0.147122			
Adjusted R-squared	0.093802			
S.E. of regression	2.425721			
Sum squared residual	282.42859			
F-statistic	2.760092			
Prob.	0.052205			
Dependent Variable: FP				
Predictors: CDV, FS, OC				
Sample: 2016- 2020				
Periods included: 5				
Observations: 52				

Source: *Author, 2022*

The β value of corporate diversification was 1.650 with a significance level ($p < .05$). The β value of firm size was 0.236 with ($p > 0.05$) while (β) value of composite organizational culture was 0.328 with a non-significant p value of 0.639. From Table 5.9 above, it can be deduced that both firm size and composite organizational culture had non-significant relationship with financial performance as measured by ROA ($p > 0.05$). The association between FP and the firm size was not statistically significant ($p > 0.05$).

The multiple regression model was presented as follows;

$$FP = -6.495 + 1.65CDV + 0.236FS + 0.328OC$$

Based on the results, the overall model reported $F= 2.76$ and p value = 0.0522 but beta coefficients of corporate diversification were statistically significant. Since at least one of the variable coefficients were statistically significant, its inferred that corporate diversification, firm size and composite organizational culture jointly have a significant association with FP of insurance companies in Kenya. The fourth null sub-hypothesis H_{4a} was rejected.

The second sub-hypothesis was stated as follows:

H4b: The combined effect of corporate diversification, firm size and organizational culture on non-financial performance is not significant.

In order to determine combined influence of CDV, firm size and composite organizational culture on NFP. The results are indicated in table 5.10 below.

$$NFP = a + \beta_1CDV + \beta_2FS + \beta_3OC + \varepsilon \dots\dots\dots 5.11$$

Results are as indicated in Table 5.10 below.

Table 5.10: Regression Results of Corporate Diversification, Firm Size, Organizational Culture and Non-Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-29.95937	8.628281	-3.47222	0.0001
CDV	-0.741526	0.762860	-0.97203	0.3363
FS	2.160418	0.418842	5.15807	0.0000
OC	-0.108659	0.919045	-0.11823	0.9063
R-squared	0.4225			
Adjusted R-squared	0.3875			
S.E. of regression	3.2076			
Sum squared residual	193.867			
F-statistic	11.7457			
Prob.	0.0000			
Dependent Variable: NFP				
Predictors: CDV, FS, OC				
Sample: 2016- 2020				
Periods included: 5				
Observations: 52				

Source: *Author, 2022*

As revealed in Table 5.10, test for significance of regression coefficient showed a positive significant link between firm size and NFP and an inverse but insignificant link between composite organizational culture and NFP. Corporate diversification also indicated an inverse effect on NFP that was not statistically significant. In addition, from the results in Table 5.10, it is evident that at least one of the predictor variables (firm size) was significant ($\beta = 2.16$, $p < .05$), this implied that the relationship was significant. The model was presented as follows;

$$NFP = -29.956 - 0.741CDV + 2.16FS - 0.108OC$$

Coefficients of variables indicated that only firm size had significant p- values ($p=0.000$). Results also indicated in table 5.10 further revealed that the overall joint effect regression model was statistically significant (F-values =11.75, P value =0.000). The value of adjusted R square was 0.3875; this meant that 38.75 percent variation in market share in Kenyan insurance industry was jointly explained by CDV, FS and OC inherent in these companies.

From the tests for significance of the value of R-square, beta coefficients and the tests for f-significance, at least one of variable coefficients was significant, suggesting that CDV, FS and OC had a significant joint effect on NFP. Thus, the rejection of null sub-hypothesis H_{4b} and deduced that CDV, FS and OC do have a positive significant pooled effect on non-financial performance of insurers in Kenya.

5.6 Firm Performance and Corporate Diversification

The study's fifth objective was to assess the reversal effect of firm performance on corporate diversification of insurers in Kenya. The study considered corporate diversification as the dependent variable while the independent variable of the study FP was measured by ROA and NFP indicated by market share for every company. To examine if FP or NFP did not have a reversal or bi-directional effect with corporate diversification of insurance companies in Kenya, the analysis was carried out. The fifth hypothesis tested was;

H₅: There is no significant reversal effect of firm performance on corporate diversification of insurance companies in Kenya.

The above hypothesis sought to establish the reversal effect of performance and CDV of insurance companies in Kenya. Performance was measured by

both financial (ROA) and market share through two sub-hypotheses. The fifth sub hypothesis was:

H5a: *The reversal relationship between financial performance and corporate diversification of insurance companies in Kenya is not significant.*

The sub-hypothesis was tested by using a model described in chapter three and the results of the fifth sub-hypotheses were presented in Table 5.11

The model of fifth sub hypotheses was as follows:

$$CDV = a + \beta_1 FP + \varepsilon \dots \dots \dots 5.12$$

Table 5.11: Financial Performance and Corporate Diversification

Variable	Coefficient	Std. Error	z	Prob.	Path
Structural					
Direct Effects					
← FP					Path (a)
CDV	1.466322	0.524700	2.794500	0.0072	
Indirect Effects					
Structural					
← CDV					Path (â)
FP	1.00613006300	0.574700	1.75100	0.00900090	

Source: *Author, 2022*

From Table 5.11 above, the research results indicated that return on assets was a significant predictor of corporate diversification ($\beta = 1.006$, $p < .05$). The model was presented as follows;

$$CDV = 1.3711 + 1.0063FP$$

Based on the results, the fifth sub-hypothesis was rejected, and conclusion was that financial performance equally has a reversal effect on corporate diversification as measured by ROA, thus presence of reversal effect between the two variables.

The second null sub hypothesis was:

H_{5b}: The reversal effect between non-financial performance and corporate diversification of insurance companies in Kenya is not significant

The hypothesis was established by use of a structural equation model defined in chapter three and the results of the second sub-hypotheses were presented in Table 5.12 below. The model of second sub hypotheses was as follows:

$$CDV = a + \beta_1 NFP + \varepsilon \dots \dots \dots 5.13$$

Table 5.12: Non-Financial Performance and Corporate Diversification

Variable	Coefficient	Std. Error	z	Prob.	Path
Direct Effects					
Structural					
← NFP					Path (a)
CDV	-1.998602	0.862310	-2.317730	0.251	
Indirect Effects					
Structural					
← CDV					Path (â)
NFP	-1.998602	0.862310	-2.317730	0.251	Path (a)

Source: Author, 2022

As indicated by Table 5.12 of SEM results, it was revealed that market share had an inverse and insignificant effect on CDV hence not significant predictor of CDV ($\beta = -1.999$, $p > 0.05$).

The model was presented as follows;

$$\text{CDV} = 1.693 + -1.998\text{NFP}$$

The fifth sub-hypothesis was therefore confirmed, and it was concluded that NFP had no reversal effect with CDV.

5.7 Discussion of Hypotheses Testing and Study Findings

This section examined the research findings in reflection to the study objectives and corresponding hypotheses tested. The general study objective was to determine the relationships among corporate diversification, firm size, organizational culture and performance of insurance companies in Kenya. This section presents a discussion of the results as well as the results of hypotheses tests. A summary of the research findings is presented at the tail end.

5.7.1 Corporate Diversification and Firm Performance

The first objective of the study sought to assess the effect of CDV on firm performance of insurers in Kenya. Two sub-hypotheses stemming from the two measures of performance were tested. The study tested the linkage between CDV, and FP as measured by ROA. When financial performance was regressed against the CDV Index it occurred that the R values were significant at 0.367, and adjusted R square value was 0.1178 which meant that 11.8 percent change in FP of insurers was explained by CDV. The study noted that the p-value of CDV was 0.007 ($t = 2.79$), and deduced that CDV had a significant effect on return on assets. The overall model was also found to be of significance ($F = 7.81$; $p = 0.0074$). The study therefore rejected the null hypothesis H_{1a} and asserted that CDV had a significant positive effect on

ROA of insurers in Kenya.

The study findings mirror those of Mashiri and Sebele (2014) who indicated that the return on sales and ROA pointed to a positive and linear diversification-performance association. Remarkable growth in two ratios tested (ROS and ROA) was attributed to growth in net profits as a resultant of diversification benefits and hyper-inflationary environment that existed in Zimbabwe at the period of the study. The concord in these findings could be attributed to commonness of measurement metrics chosen in measuring financial performance. Similarly, the impact of corporate diversification on level of returns on assets was emphasized by Palepu (1985) who noted that level of product diversification was directly manifested on the growth of returns in relation to firm assets.

As projected by Santalo and Becerra (2008), diversification is adopted by enterprises as an agency of enlarging firm's operations through enhancing prevailing business by extra products, markets, services or stages of production. The measures adopted for CDV which is sensitive to small firms could explain the harmony in these findings despite variations in context and populations of study. On the contrary, findings of Setianto (2020) indicated strong negative link between diversification and firm value. The disparity in findings is attributable to context differences in regard to country and industry of focus and while Volkov and Smith (2015) projected a strong significant negative relationship with returns on assets.

The study further tested the relationship between CDV, and NFP. When non-financial performance was regressed against the CDV Index, it occurred that the R values were significant at 0.311, and adjusted R square value was 0.0790 which meant that 7.9 percent change in NFP of insurers was explained by CDV. The study found ($t=-2.32$, $p=0.025$), construed that CDV averred significant impact on market share. Additionally, it was discovered that the entire model was significant ($F=5.37$; $p<0.05$). As a result, the analysis

disproved the null hypothesis H_{1b} and concluded that CDV significantly reduced insurers' market shares in Kenya.

The study's findings line up with those of Nyaingiri and Ogollah (2015), who pointed out that effectively executed diversification activities increase market share by opening up new markets and a broader client base. The two studies having been conducted in an emerging economy could explain the congruence in findings. Conversely, the empirical research conducted by Hoskiss, Ireland, and Hill (2016) revealed that in developed and efficient markets, unrelated multiproduct diversification is frequently employed. Their research validated the expected elliptic relationship between business performance and diversification.

Following the MPT theory conceptualization, indications point that through diversification, investors can reduce their exposure to areas where corporations can employ resources profitably and boost return on assets. Findings of this study are congruent with MPT that projects diversification to provide firms with economies of scale and potential to leverage managerial competence on a range of products. Findings of this study are also in line with the tenets of the MPT theory that guides investors and financial planners in allocating capital assets in an investment portfolio.

5.7.2 Corporate Diversification, Firm Size and Firm Performance

Objective two of the study tested the intervening effect of firm size on the association between corporate diversification and performance of Kenyan insurance companies.

Hypothesis two (H2) explored the relationship between corporate diversification, firm size and performance of insurers by suggesting that the association of corporate diversification and performance of insurance companies in Kenya was not intervened by firm size.

Performance was approached using two measures; financial (ROA) and non-financial (market share) which prompted testing of two sub-hypotheses. A four-step regression analysis

procedure was carried out to test H_{2a} and H_{2b}.

Regression results for the first step that tested CDV, and financial performance relationship showed that β value of CDV was 1.466 with a significance level of 0.007. This was an indication that CDV is a significant predictor variable ($p < .05$) and thus a linkage exists between CDV and financial performance. In step two of the mediating procedure, regression analysis was conducted to assess the link between CDV and firm size ignoring financial performance. The results presented p-value $< .05$ and CDV explained 11.97% of the variance in firm size. This indicated that CDV is a significant predictor ($p < .05$) and hence an association is present between CDV and firm size.

Results of the third step of the mediation process indicated that the model results were not statistically significant as revealed in Table 5.3. The multiple regression model generated (Adjusted R² of 0.0767 F= 14.73 and $p > .05$). Tests of the slope showed that β of FS was 0.210. This indicates that a statistically significant relationship does not exist between firm size and FP of insurance companies.

With mediation effect of firm size in the model, CDV and firm size explained 6.9% of financial variations in insurance companies registered in Kenya. In the final step of the mediation analysis, the overall mediation model results were found not to be statistically significant. The step wise model produced $p=0.294$, adjusted R² of 0.069, and F=5.60. Firm size does not significantly predict ROA even when CDV is controlled for (p -value $> .05$).

Sub-hypothesis two (H_{2a}) explored the relationship between corporate diversification, firm size and FP of insurance companies by suggesting that linkage of CDV and FP of insurance companies is not mediated by the size of the firm. Intervention occurs if CDV predicts financial performance, CDV predicts firm size, and firm size predicts financial performance (ROA) and still CDV predicts financial performance (ROA) when firm size is in the model. Since firm size does not predict financial performance as measured by ROA, from the analysis, and still the prior effect did disappear or not become weak, it can therefore be deduced that firm size has no mediating effect on CDV and FP. The study thus failed to reject the sub-hypothesis two (H_{2a}).

The absence of mediation effect can be backed by findings of Dang et al. (2018) who drew conclusions that although small size hinders organizations from responding to new opportunities or reacting to threats, large sized firms were argued to experience high level inefficiencies. From the analysis, insurance companies in Kenya invest a great deal of assets and still fail to reap maximum benefits. The failure of firm assets to have an impact on ROA can attributed to failure of insurers to align assets well which is a critical factor and could be the challenge in the Kenyan insurance industry.

Findings by Mckenzie and Geter (2013) and McGrath and Nerkar (2016) presented mixed results between firm size and firm performance relationships and reported the linkage as positive, negative, linear and curvilinear in form and direction. The above finding are in line with the study by Li and Greenwood (2004) who found that small organizations whose assets are closely-held and focus-based would perform better than large organizations that spread assets across many business segments, some of which are unprofitable in the long run. This is one feature of insurance companies where ownership is closely-held but venture into many lines of business some being unprofitable, hence depleting returns.

The absence of relationship between firm size and performance is contrary to RBT that is premised on importance of assets held by a firm to its productivity. This contradiction can perhaps be explained by the fact that, although RBT underscores the critical implication of assets for organizational growth, continued existence and overall performance, the theory also stresses that the internal resources or assets should be aligned in accordance to prioritized needs to bring performance differences. Results also contradict predictions of Freeman and Hannan's (1989) theory of organizational effectiveness which claim that an organization's ability to function is reliant on its immediate resource base. Hannan and Freeman (1989) perspective was that highly successful organizations overcome constraints that impede them from accomplishing their objectives. through productively using assets. The challenge in the Kenyan insurance sector can be seen as the inability to identify, constraints, priorities and align assets accordingly.

The second null sub-hypothesis was also evaluated using the four step-wise steps. The tests sought to find out if the linkage between CDV and non-financial performance was mediated by the firm size. As revealed in Table 5.6, the model was statistically significant with the two variables reporting ($p < .05$). The model produced Adjusted $R^2 = .2836$, $F = 11.14$, $p < .05$ and therefore firm size mediates the linkage of CDV and market share. Since firm size significantly predict markets share even when CDV is controlled, therefore firm size had an intervening impact on the relationship between CDV and market share.

When the two predictors of performance (ROA and market share) were regressed separately their statistical values and p-values varied. It can therefore be resolved that firm size had an insignificant mediating effect on the relationship between CDV and financial predictor of performance (ROA) but a statistical significance mediating effect on the relationship of CDV and NFP predictor of performance (market share). Sub-hypothesis two (H_{2a}) failed to be

rejected while sub-hypothesis two (H_{2b}) was rejected.

Findings reflect those of McGrath and Nerkar (2016) who positively linked organizational size and unrelated diversification with organizational performance. The concurrence in findings is explainable by the fact that this study also analyzed related and unrelated diversification activities. Based on the findings, it can be inferred that if enterprises leverage resources into increasingly unrelated product they could enhance their market share. The study findings are in line with the tenets of Resource based theory (RBT) advanced by Penrose (1978). RBT underscores the critical implication of assets for organizational growth, continued existence and overall performance. This theory states that different organizational resources greatly impact on firm productivity and changes in these resources or assets lead to performance differences, which could be happening in the Kenyan insurance industry.

5.7.3 Corporate Diversification, Organizational Culture and Firm Performance

The third objective of the study sought to determine whether the relationship between CDV and performance was moderated by the organizational culture (OC). The null hypothesis held that the association between CDV and performance of insurance companies in Kenya is not moderated by the organizational culture. Stemming from the third null hypothesis, two sub-hypotheses were tested. The sub hypotheses were based on the two measures of performance; financial performance as indicated by ROA and NFP.

From results in Table 5.7, the model shows that corporate diversification, composite OC and the interaction variable (CDV*OC) significantly predict FP ($F=5.30$ $p<0.05$). The model further shows that the variations in FP explained by CDV and composite OC with the inclusion of the interaction term (CDV*OC) is 20.19%. The study findings established that composite OC had a moderation impact on CDV and FP linkage. Based on the study findings, the first null sub-hypothesis (H_{3a}) was rejected.

Results of hierarchical regression analysis assessed the moderating influence of composite OC on CDV and market share relationship and the results were presented in Table 5.8. The model shows a statistically significant linkage between CDV and NFP ($p < 0.05$). The second step incorporating composite OC as a predictor of the NFP was not statistically significant ($p > 0.05$). The introduction of the interaction variable (CDV*OC) in third hierarchy model shows F values of 2.11 and insignificantly predicted market share ($p > 0.05$). The model further indicates that corporate diversification, composite organizational culture and the inclusion of the interaction term (CDV*OC) explain only 6.12% of variations in market share.

Based on the findings, composite organizational culture had no moderating effect on the relationship between corporate diversification and market share. It can therefore be inferred that the model was not suitable to predict NFP of Kenyan insurers. Thus, the second null sub-hypothesis failed to be rejected.

The findings on effect of composite OC on CDV and financial performance linkage are backed by those of Olson and Tomas (2016). They concluded that a strong corporate culture allows goal alignment and if closely followed, culture can positively impact on how individuals and groups apply the available resources towards goal achievement. From the viewpoint of stakeholder theory, organizational culture can be broadly viewed as the purpose of the firm that extends the economic value creation to include societal interests. Stakeholder theory becomes central in this study as it focuses overtly on balance between stakeholder interests as key influencer of corporate policy, whether in emphasizing culture, deciding on firm size, and steering corporate diversification activities or firm performance and largely ensures that the mission of business is achieved.

However, findings of Aamah (2012) found positive strong impact on performance while and Goll and Rakesh (2016) indicated a negative but strong effect of OC thus support strategic

focus. The findings of this study could be explained by the fact that all insurance companies or the entire industry had similar OC practices as indicated by OC scores in the four attributes that measured OC.

5.7.4 Corporate Diversification, Firm Size, Organizational Culture and Firm Performance

The fourth objective of the study was to establish the joint effect among CDV, FS and OC on performance. The study prediction was that combined effect of CDV, FS and OC on performance of insurance companies in Kenya was not significant. Based on the two measures of performance (financial and non-financial) two sub-hypotheses (H4a and H4b) were formulated and tested.

The results for Sub-hypothesis one was (adjusted $R^2 = 0.0938$, $F = 2.76$, and $p > 0.05$). The results of the overall model inferred that there is significant statistical link between CDV, FS, composite OC and financial performance with CDV, FS and composite OC jointly accounting only for 9.38% of the differences in performance. However, the individual beta values were significant, and only the p-values of CDV was statistically significant ($P < .05$). From the results, H4a was rejected implying that the pooled effect of CDV, FS and composite OC on FP of insurance companies in Kenya was statistically significant.

As shown in Table 5.10, the test for significance of the coefficient, revealed a significant link among the variables. The value of adjusted R Square was 0.3875; this meant that 38.75 % variation in market share in Kenyan insurance industry was jointly explained by CDV, FS and OC inherent in these companies. Findings indicated in the table 5.10 further revealed that the prediction model was fit and statistically significant for joint effects of CDV, FS and OC on NFP of insurance companies in Kenya.

Although the influence in combined effect is not a straight one, it was evident that the three variables (CDV, FS and composite OC) collectively explained variations in non-financial performance, inferring that at least majority of variables had a contribution to NFP. Further, the joint impact of CDV, FS and OC on non-financial performance in the model was evidently greater than individual effects of CDV, FS and composite OC on non-financial performance, thus rejecting hypothesis four. Thus, the study rejected fourth null sub-hypothesis H_{4b} and deduced that CDV, FS and composite OC do have a significant joint effect on NFP of insurance companies in Kenya. Findings resonate those of Howard and Walters (2014).

The findings are in line with the RBT which accentuates the vital significance that assets of a firm put on growth, long term survival and general performance. Particularly, RBT perspective on diversification provides an internal resource viewpoint that emphasizes the motivation of organizations to maximize assets by diversifying business activities. This premise represents an important theoretical broad view in this study particularly and offers theoretical lens to view corporate diversification as a source of profitability. However, since managers are not static in RBT the element of organizational culture comes into play to enhance insurance companies to package and leverage valuable assets uniquely to maximize contribution towards performance.

5.7.5 Firm Performance and Corporate Diversification

The fifth objective of the study sought to assess the reversal effect of firm performance on CDV on of insurers in Kenya. Two sub-hypothesis stemming from the two measures of performance were tested. The study tested the relationship between FP (ROA) and CDV. When ROA was regressed against CDV Index, it occurred that the study results indicated p-value of FP was ($P < .05$) and deduced that Return on Assets and CDV have a feedback effect.

The study hence rejected the null sub-hypothesis H_{5a} and asserted that FP had a significant positive reversal effect on CDV of insurers in Kenya.

The study findings mirror those of Guo (2011) which indicated that in comparison to industry peers, firms that reported lower EBIT-to-sales ratio and Tobin's q ratio among others were more likely to diversify than firms that stayed focused. It was also found that firms that enjoyed a larger internal capital market, probably through recouping excess returns were more probable to evade external financing and curb underinvestment setbacks thus more open to embrace diversification. Study findings are premised on the propositions of MPT theory which describes how the emergence of new products in diverse markets allows investors to maximize wealth and minimize exposures. portfolios that are well performing. As such, portfolio returns from prior investments can be exploited through diversification activities to give investors and firms maximum benefits.

Results are also hinged on findings of Jia et al. (2007) who analyzed why, when, and how to diversify through theoretical lens of Western theories and the cognition of Chinese enterprises. To address the cognition of the timing of diversification, Jia et al. (2007) connoted that Western theories maintained that enterprises ought to embrace diversification when they meet threats, whereas practice of the Chinese enterprises was resolute that diversification would be probable when corporations have adequate strength.

The study further tested the linkage between NFP and CDV. When non-financial performance (market share) was tested against CDV Index, it occurred that the p-value of NFP was ($p > 0.05$). Therefore, it can be deduced that market share does not have a feedback effect on CDV. The study therefore confirmed the fifth sub-hypothesis H_{5b} and asserted that NFP had no significant reversal effect on CDV of insurers in Kenya.

The presence of reversal effect needs to satisfy certain criteria. Independent and dependent variables or vice versa can be correlated although the correlation can also be spurious and fail to explain how the variables relate to each other. Therefore, for causality to be ascertained, first, both the correlation model and individual coefficients must be significant (first criteria was satisfied in H5a). Second, the relationship must be explained by a well-founded theory that projects the direction of the relationship, as explained by projections of MPT or third, the clarity of timeliness (on which comes first). In this study, diversification activities can be said to be embraced by companies that have strength (from returns or earnings) although the explanation is not exhaustive since poorly performing companies can opt for diversification as a mean of improving sales or earnings. Therefore, the fifth sub-hypothesis (H5a) satisfies criteria for causality presence. Sub hypotheses H5b fails to meet any requirement for causality, hence market share does not influence activities of corporate diversification.

5.8 Summary of the Hypotheses Tests and Discussion of Results

Five null hypotheses were tested in this study. Related sub-hypotheses were also formulated and tested. The summary of results demonstrated by the variables as summarized indicated that corporate diversification significantly affects both financial and NFP of insurance companies in Kenya (H1a/b). Secondly, firm size does not mediate the relationship between corporate diversification and FP (H_{2a}) but has full mediating effect on CDV and Non-financial performance. Thirdly, organizational culture moderates CDV – FP relationship (H_{3a}) but does not moderate CDV-NFP relationship (H_{3b}). Fourthly, combined effects of CDV, firm size and composite organizational culture significantly influence financial performance (H_{4a}) while the combined effect has a significant effect on NFP of insurance companies in Kenya as demonstrated by (H_{4b}).

Diversification activities help companies to expand operations, create new or improve

markets by offering a variety of products. Still, it allows companies introducing related lines of business to share production costs across different business lines that offset their disadvantages. Such companies are able to offer variety of products that contributes to steady returns even when some product(s) is not performing well. CDV reported both positive and negative linkage between the two measures of firm performance as per predictions of MPT theory and some empirical evidence therewith. This could be explained from the viewpoint of choice of measures of the dependent variable that were carefully selected based on those used in finance literature and those appropriate for the insurance industry. The Entropy Index, which is more accurate in assessing corresponding and unrelated diversity, was also used to measure diversification. and its applicability and sensitivity when measuring very small firms. The Entropy Index was also computed without difficulty because as per practice of insurance industry in Kenya, sales/ premium from each product are clearly reported in AKI reports every year hence estimation of contribution to total company sales was probable.

The size of the firm has been projected in literature as twofold. Large sized firms have been associated with wastage and inefficiencies. This could be the contributing factor that has been confirmed by this study that found an insignificant link between firm size and return on assets. Further, large sized firms that opt for capital investment can result to deepening of returns before the investment costs are recouped and become profitable. Small sized firms could also have challenges of grabbing opportunities when they come, thus the lack of connection to performance. Still firms could possess large asset base but fail to align the assets with priorities.

The diminishing market share reported when the moderating effect of organizational culture is introduced into the model can be attributed to antagonizing effect of culture practiced in the insurance industry that lead to apathy of insurance product by potential and existing

consumers. It can therefore be deduced that organizational mission, engagements with employees, consistency in operations and its adaptability capacity does not play a big role in explaining how diversification activities influence market share as contrary to predictions of the stakeholder's theory. This contradiction can be explained by the fact that consumption of insurance product is mainly on compulsory insurance such as motor vehicle and medical insurance hence the companies that offer appealing compulsory products, gain market dominance.

5.9 Revised Conceptual Framework

Diversifying into new products and markets may augment firm performance especially when internal stakeholders are willing to optimally use assets to work towards a shared mission. The study found that the influence of corporate diversification on both FP and NFP firm performance measure was statistically significant, consequently, it follows that, as companies' diversification activities increase, financial and non-financial performance aspects change too. Diversification activities are an important source of competitive edge that allows large insurers to enjoy economies of scale (Setianto, 2020) and therefore investments in the more products and venturing into new services may change market share and financial returns (Selcuk, 2015; Liebenberg & Lin, 2019).

There is a significant and weak link between CDV and firm size. To actualize diversification of body corporate, use of assets is inevitable. Organizations venture into more products to enhance their business portfolio thus contributing to larger asset base in the long term. From the past literature, large sized firms result to higher performance. The study found that firm size influences NFP significantly. Composite organizational culture was found not to moderate the influence of corporate diversification on NFP. The test results confirmed a moderating effect of OC on corporate diversification and FP relationship. The study also

found that the pooled effect of corporate diversification, firm size and composite organizational culture on NFP was greater than singular effects of CDV and firm size and composite organizational culture on non-financial performance. Based on the two measures of performance, two empirical models with only significant variables have been proved as outlined in Figure 5.2 and Figure 5.3 therewith.

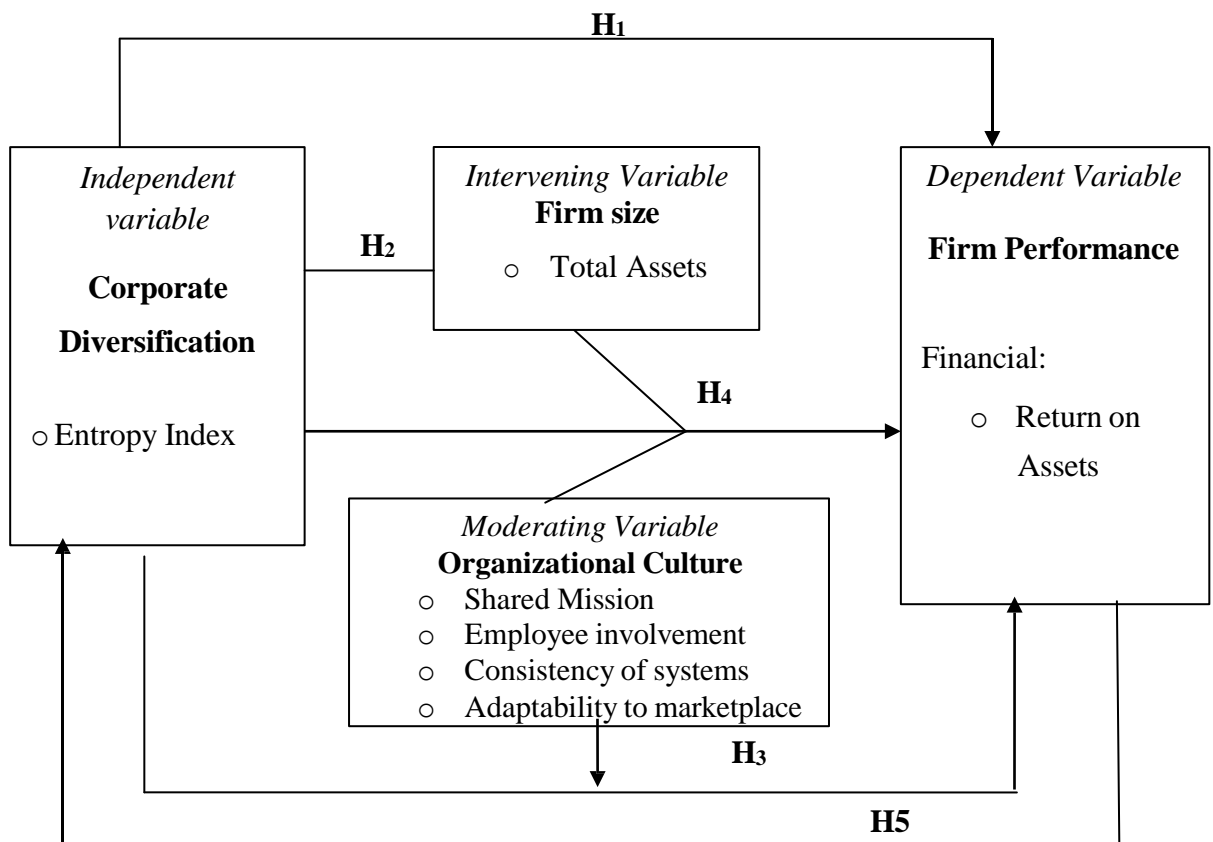


Figure 5.2: Empirical Model (a)
Source: Author, 2022

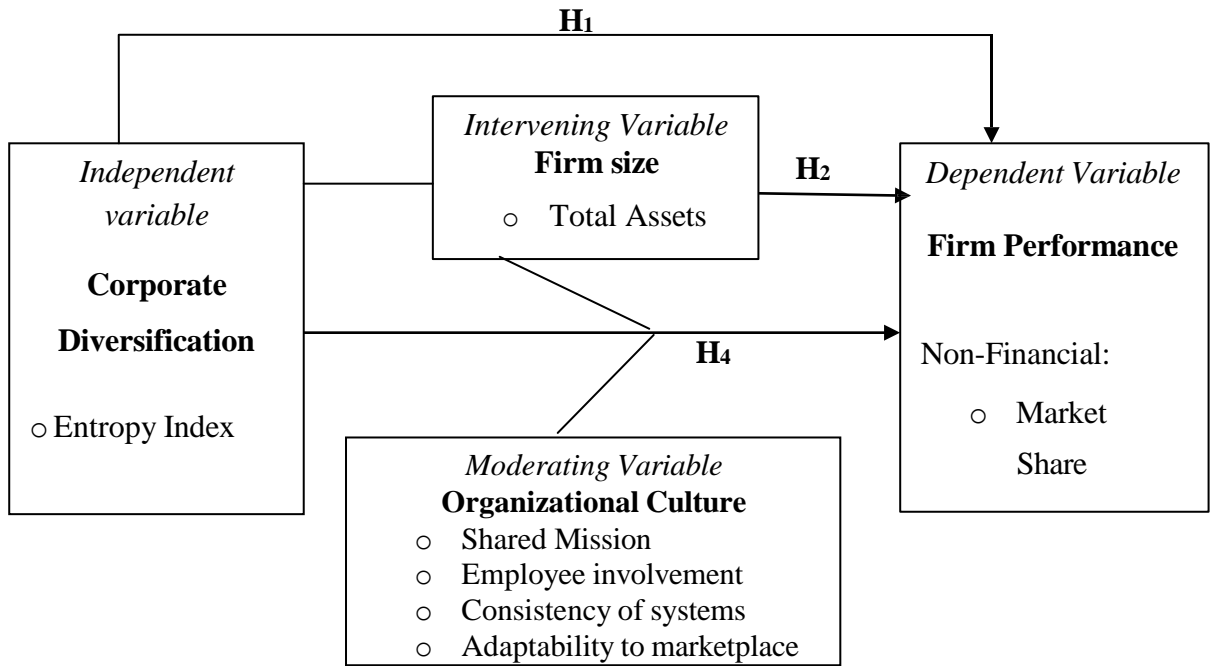


Figure 5.3: Empirical Model (b)
Source: Author, 2022

CHAPTER SIX

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter summarizes the main findings of the study and presents study conclusions. This chapter as well discusses the study implications, limitations identified and suggestions for further research directions. This study set forth to establish the relationship among corporate diversification, firm size, organizational culture and performance of insurance companies, Kenya.

6.2 Summary of the Research Findings

Four specific objectives guided this study with the first specific objective seeking to examine the effect of corporate diversification on performance of insurance companies in Kenya. Derived from the first specific objective, the first hypothesis and two sub-hypotheses were formulated and tested. Hypothesis one (H_{1a}) tested the association between CDV and FP with hypothesis (H_{1b}) testing CDV against the aspect of NFP. For the two sub-hypotheses tested P values were less than 0.005. The regression results rejected null hypothesis (H_{1a}) that stated; there is no significant association of CDV and FP. For the hypothesis (H_{1b}) the null hypothesis was also rejected. Therefore, it was concluded that there exists a significant link between CDV and FP and significant association between CDV and NFP.

The second study objective tested the mediation effect of firm size on the association between CDV and performance. Hypothesis (H_{2a}) and (H_{2b}) tested the mediation effect on FP and NFP respectively. For (H_{2a}), the overall mediation model was not statistically significant ($p\text{-value} > .05$) firm size did not significantly predict ROA even when CDV was controlled ($p\text{-value} > .05$). Intervention occurs if CDV predicts financial performance,

CDV predicts firm size, and firm size predicts FP and still CDV predicts FP when firm size is in the model. Since firm size does not predict FP as measured by ROA, from the analysis, it was therefore deduced that FS had no mediating effect on the link between CDV and financial performance. For (H_{2b}), the model was statistically significant with the two independent variables reporting (p-value < .05). It can therefore be inferred that FS had an insignificant effect on the link of CDV and financial predictor (ROA) but a statistical significance effect on the association of CDV and NFP predictor (market share). Hypothesis (H_{2a}) was confirmed while Hypothesis (H_{2b}) was rejected.

The third objective examined the moderation effect of organizational culture on the association of CDV and performance. H_{3a} tested the effect on FP. Corporate diversification, composite organizational culture and the interaction variable (CDV*OC) significantly predicted ROA (F = 5.30 p < 0.05). Findings established that composite OC had a moderation influence on the association of CDV and financial performance. Null hypothesis (H_{3a}) was rejected. Model showed statistically significant link between CDV and NFP (p < 0.05). The second step incorporating composite OC as a predictor of NFP was not statistically significant (p > 0.05). The introduction of the interaction variable (CDV*OC) insignificantly predicted NFP (p > 0.05). Based on the findings, composite OC presented no moderating effect on the association between CDV and NFP. Therefore, the null hypothesis (H_{3b}) failed to be rejected.

The fourth objective sought to determine the joint influence of the three variables: CDV, FS and OC on performance of the insurers. The study predictions were that there existed no significant combined effect of CDV, FS and OC on performance of insurance. Two sub-hypotheses (H_{4a} and H_{4b}) were formulated and tested. H_{4a} overall model results (Adj. R² = 0.0938, F = 2.76, and P = .052) infer a statistically significant association between CDV, FS, OC.

However, the individual beta values for CDV were significant, the p-values for the two variables (FS and OC) were not statistically significant ($P > .05$). From the results, H_{4a} was rejected implying that the pooled effect of CDV, FS and composite OC on financial performance of Kenya insurance companies was statistically significant. Tests for H_{4b} indicated statistically significant effect with the F-values 11.75, $p < 0.000$). Thus, the study rejected the fourth null sub-hypothesis H_{4b} and deduced that CDV, FS and OC do have a significant joint effect on NFP of insurance companies in Kenya.

The fifth specific objective sought to examine reversal effect of firm performance and corporate diversification of insurance companies in Kenya. Stemming from the fifth specific objective, the fifth hypothesis was formulated and tested. Hypothesis one (H_{5a}) tested the association between financial performance and corporate diversification with hypothesis (H_{5b}) testing the aspect of NFP against CDV. For the first sub hypothesis tested, P values were less than 0.005. Based on the regression results, null hypothesis (H_{5a}) that stated; there is no significant association of financial performance and CDV was rejected. For the hypothesis (H_{5b}) the null hypothesis was confirmed. Therefore, it was concluded that there exists a significant reversal effect between FP and CDV and insignificant association between non-financial performance and CDV.

6.3 Conclusions

The study set out to examine the association between CDV and performance of insurance companies in Kenya; the mediating effect of firm size on the link between CDV and performance; the moderation effect of organizational culture on the CDV performance relationship and the combined effect of CDV, firm size and organizational culture on performance of insurance companies, Kenya.

Study was anchored on MPT theory and also guided by the stakeholder's theory, RBT theory and the theory of organizational effectiveness. The positivist philosophy guided the study in the hypothesis testing. The study analyzed primary and secondary data gathered from the insurance companies with a response rate of 92.6% on the organizational culture questionnaire. Research outcomes related to four specific objectives and four conforming hypotheses were found to be varying. The fifth hypothesis that sought to test possible reversal effect of performance on corporate diversification was pegged on fifth objective also produced varied results for the two indicators of performance. The research outcomes for hypotheses tested were analyzed and the conclusions drawn as discussed.

The outcome of the data analysis depicted that CDV was statistically significant to FP as well as to NFP. Hence the study rejected H_{1a} hypothesis that stated; the connection between CDV and FP of insurance companies is not significant. H_{1b} hypothesis that stated that the association between CDV and NFP is not significant was also rejected. Therefore, it can be concluded that the more the lines of business activities or products with positive premium, the better the return on assets and market share of insurance companies.

The current study draws numerous conclusions based on the empirical findings of the first hypothesis. Apparently, there is convergence in findings in regard to the link between CDV, firm size, OC and performance. The findings support the theoretical propositions of MPT, stakeholder, resource based theory and theory of organizational effectiveness. The study established a positive significant linkage between CDV and FP; and a significant negative link between CDV and NFP. A conceivable explanation is that engagement in CDV activities translates into both monetary and non-monetary gains which has a positive effect on FP.

Investing in CDV allows sharing of production costs and human capital across business units as well as enjoying economies of scale that aid in offsetting diversification disadvantages that arise, thus making it easier for firms to offer affordable variety of products and enhance higher sales and return to investors. This consequently has a positive implication on FP. Overall, it can be concluded that CDV has a positive influence on financial performance. Based on second sub-hypothesis results, it is plausible that when firms diversify into newer areas, they take time before acceptance of the new product by consumers, hence tend to loose market grip. When CDV increases, market share declines, this infers that consumers are only inclined towards compulsory insurance and not the number of insurance policies on offer; although many lines consolidate earnings.

Comparable to findings of Setianto (2020), it can be deduced that beyond an optimal level of diversification, the effect turns negative. This can partly be explained by the stagnating penetration ratio of insurance industry to the Kenyan market that has remained below 3% for long time. Thus, however firms venture into more insurance products, behold an optimal level, effects of diversification tend to turn negative and fail to improve on the share they have in the market.

The confirmation of hypothesis H_{2a} indicates that there was no intervention effect of firm size on the association between corporate diversification and insurers financial performance. Therefore, it can be concluded that holding large asset base does not necessarily enhance financial wellbeing of insurers. This is in contradiction of RBT theory that underscores the critical implication of assets for organizational growth, continued existence and overall performance. This implies that the managers of insurance companies need to intensely consider how assets are aligned to prioritized needs and how the size of the firm aid in

understanding the relation of CDV and FP. The rejection of H_{2b} implies existence of mediating influence of firm size on the CDV non- financial performance link. The study contradicts with the findings of Ngware, Olweny and Muturi (2020) who exposed a positive significant impact of bank size pegged on both ROA and ROE and found that size was key in portfolio diversification versus financial performance linkage of Kenyan banks

Present study evidenced that firm size significantly mediates the linkage of CDV and NFP. Investments in CDV activities often triggers growth and expansion of firm assets. Findings can be comparable to Goddard et al. (2008) who demonstrated how large firms' negative indirect exposure impacts outnumbered their good direct exposure effects, leading researchers to conclude that revenue diversification benefited US credit unions of all sizes. Favorable asset base in turn is an important corporate resource which allows access to capital, ability to grab opportunities or react to threats and heightens gaining market dominance. This gives a firm a competitive edge thus resulting into superior performance. The conclusion is that firm size is a crucial variable that indirectly connects CDV to NFP and therefore, firm size can be put into consideration by insurance company managers when seeking to understand how diversification activities will shift their market share.

The rejection of H_{3a} further implies that OC had a moderation effect on the association of corporate diversification and FP of insurers in Kenya. Further, OC had significant moderating effect on CDV-FP association. The findings of this study support the argument that when firms diversify and become larger, they need to align with the right culture that impact on stakeholders and internal stakeholders who have a direct impact on output or superior performance. Consequently, it can be concluded that OC matters in either strengthening, weakening, reversing or changing the relationship between CDV and FP. Therefore, when making decision on matters that concern CDV and financial performance associations,

organizational culture is regarded as a subject of consideration.

On the contrary, the confirmation of H_{3b} implies that composite organizational culture did not depict moderating effect on corporate diversification and NFP association of Kenyan insurance companies. It can therefore be deduced that organizational mission, engagements with employees, consistency and its adaptability capacity does not play a big role in explaining how diversification activities influence market share as contrary to predictions of the stakeholder's theory. This contradiction can be explained by the fact that consumption of insurance product is mainly on compulsory insurance such as motor vehicle and medical insurance, hence companies that do well in the compulsory products, gain market dominance.

Hypothesis H_{4a} was rejected implying that there existed significant statistical relationship of combined effects of corporate diversification, firm size and composite organizational culture on FP. Therefore, it can be resolved that the combined effect of the three independent variables could be considered by managers who sought to understand the dimensions that sway financial performance in the insurance companies. These findings can be backed by arguments of proponents of stakeholder theory such as Hillman and Keim (2001) who view the purpose of the firm as broader than economic value creation and include societal interests that need to be considered. Explanation can also be pegged on critics of MPT who argue that the MPT model of financial markets differ with real investment world since investors make estimations from historical data.

Hypothesis H_{4b} was rejected implying that the combined effect of corporate diversification, firm size and composite organizational culture explain the differences in non-financial performance of Kenyan insurers. Guided by MPT as the ascendant paradigm, the

conclusion on H_{4b} the theory helps to explain that investors could optimize their wealth and reduce their exposures through diversifying to different products in various portfolios. Finally, the study concluded that CDV, firm size, and OC have a significant collective influence on firm performance.

The outcome of the data analysis depicted that financial performance was statistically significant to CDV. Hence the study rejected H_{5a} hypothesis that stated; the link between FP and CDV of insurance companies in Kenya is not significant. H_{5b} hypothesis was confirmed, and it indicated that there is no significant reversal effect association between NFP and CDV of insurance companies in Kenya. Therefore, it can be concluded that the more strength a company has in terms of Return on Assets, the more the insurer can venture into lines of business activities or products with positive premiums.

6.4 Implications of the Research Findings

The findings of this analysis form important basis of making recommendations. The recommendations are made in terms of theoretical, knowledge, policy and practice implications. The study contributes to the growing literature on the role of corporate diversification on performance of organizations and the influence exerted by the size of the firm in the diversification activities for enhancement of performance. The analysis emphasizes the critical importance of organizational culture as indicated by mission, employee involvement, consistency and adaptability in enhancing Returns on Assets.

6.4.1 Contributions to Theory and Knowledge

This study contributes to finance theory and broadens the existing knowledge of CDV and particularly it's interconnectedness with the size of the firm and effect of organizational culture in explaining their influence on performance of the insurance industry. The predictive insights of the theories has been expanded on criticized in this study based on

findings as;

Anchoring the research on the MPT, the study contributes to finance theory and broadens the existing knowledge of corporate diversification and particularly its interconnectedness with the size of the firm and effect of organizational culture in explaining their influence on performance of the insurance industry.

RBT: In regard to CDV, FS and NFP aspect, the study supports tenets of RBT that underscore the importance of organizational assets in steering productivity, growth and overall performance.

Stakeholder theory: Findings on CDV, FS and the aspect of financial performance, the study joins the critics of stakeholder theory that organizations should not be perceived as economic value creation vehicles that focus only on monetary returns but should address interests of all stakeholders and societal interests. The study established that diversification into various services/products whether they had positive premiums written on them or not solely depended of firms' short term or long term goals to enhance returns. This study has revealed that market share can be enhanced with optimal diversification activities beyond which the returns diminish if diversification activities are not managed properly.

While past research has focused on accounting and financial measures of performance in finance literature, this study has blended both financial and non-financial indicators that are industry specific, thus, a contribution to methodology knowledge in reference to measurement. Previous studies have also opted for Rumelt's categorical measures to evaluate diversification that is argued as easy to calculate and understand and allows assessment of firms that only meet certain industry criteria. This study measured corporate diversification by entropy index that incorporates different business segments and quantify unrelated product diversification. The entropy index is argued to be sensitive to smaller firms and does not

have upper limit thus does not call for elimination of firm based on size.

The study has also indicated that the linkage between corporate diversification and NFP is mediated by the size of the firm (total assets). The direct effect of CDV on performance could be understood by first assessing how CDV affects firm size and how firm size in turn sways non-financial performance. The study to has also contributed to knowledge conceptually by incorporating the moderating effect of organizational culture in CDV-performance association.

While most studies test direct relationship of diversification and performance, this study has contributed to the literature by revealing the reversal effect of corporate diversification-financial performance concepts at insurance industry setting.

Studies on corporate diversification are evident in developed contexts as well as in emerging economies and mostly inclined on diversifying a single product. Assessment of diversification in broad sense to number of products and their weighted contribution to income of a company has been understudied in the Kenyan context and developing economies in general. Contextually, this study contributes to the existing body of knowledge of corporate diversification undertakings and opens more areas for further research in other industry contexts. Stemming from the basis of this study, academicians can explore interests in this area to quest more research questions that may arise.

6.4.2 Implications for Policy

Empathy for insurance products has been steady and experienced across the globe. Particularly in African countries, the insurance market has remained small with diminishing returns as companies fold away or merge in quest for improving performance. It is therefore imperative to identify factors that can help this essential service sector to enhance performance and compensate the investors in the insurance sector.

The study contributes to policy decision makers especially the stakeholders such as insurance regulatory bodies and the government on formulating policies that regulate and uphold the insurance sector activities.

Evidence indicates that firm size is significantly associated with NFP. In reflection to these findings, insurance regulators can sell and encourage the idea of business mergers or acquisitions of insurance companies that set a higher minimum capital base threshold to control many entrants who bring about many culture related issues that cause empathy of insurance products.

6.4.3 Implications for Practice

Based on the evidence of the study, managers of the insurance companies can be guided on logical and well thought diversification agenda coupled with the right organizational culture that can alleviate challenges of the insurance sector such as fraudulent activities, theft by insurance agents or brokers, failure to honour claims which result to poorly performing companies or exit from insurance business.

As evidenced by study findings, organizational culture has a positive effect on CDV-FP link. Since the right ethics and culture can only be sponsored from the top, managers can use the insights gained from study findings to create a framework that will direct participants' actions and teach the right mindset and conduct in workers or agents. Managers should therefore set and reinforce the key drivers of culture that is appealing to insurance product consumers. Corporate executives, insurance managers, and practitioners will benefit from having a foundation upon which to establish critical aspects to consider when devising strategies to direct firm performance, owing to the study's documentation of the effects of CDV on performance. According to the study's findings, corporations that have expanded into new product categories have reported higher entropy indices than those that remained with fewer

categories and have done well. As a result, managers of insurance companies should concentrate on creating and selling more enticing products as well as strengthening their market penetration into sizable unexplored segments.

6.5 Limitations of the Study

Limitations were encountered in the course of this study although the researcher ensured that the limitations were curtailed to circumvent significant impact on the study findings. Among the limitations were the proxies selected to estimate the variables. In regard to methodology, dissimilar proxies were used by previous studies to indicate similar variables as those adopted and used in this study that would lead to difference while interpreting the results. This study carried out operationalization of variables to resolve those multiplicities. To achieve this, methodologies found to be in tandem with the study purpose were selected. For that reason, the study was restricted to the proxies employed in insurance context and finance literature that are realistic and suitable.

Another limitation arose from the fact that primary data was gathered at the prime of Covid-19 lock down. Due to the restrictive Covid-19 protocols, the participant responses were sought through emails and follow-up was by phone calls hence reliance on the respondents reporting was inevitable. It would have been appropriate if the researcher exercised some form of contact with respondents, which would present an opportunity for direct observations especially of the organizational culture views studied. This was also prone to the shortcoming that events being reported could be subjected to systematic bias where the respondents are influenced by their wish to appear as leading organizations affiliated to good organization culture. This shortcoming was however minimized by validity and reliability tests done on the items in the research instruments.

Another limitation in is relation to context of the study. Insurance business is mostly privately owned with unique ownership structure and not publicly traded thus lacks market value. Generalization and comparability of study results to others financial sectors is therefore limited particularly to give meaningful guidance to potential investors in the financial sector.

6.6 Directions for Future Research

It's apparent insurance corporations commit considerable asset investments. A great deal of them continue posting losses or at least declining profits in their annual financial reports. Surprisingly, the number of new participants in this industry seems to be growing each year. This poses the question of what drives investment in this sector? Does the launch of new companies always result in the creation of a new pool of customers? It is necessary to undertake a qualitative study that can address such issues.

Measures used for performance were market share and ROA. Result for the firm size indicated statistically insignificant intermediation effect against CDV-FP linkage. These results were against the theoretical expectations and therefore it can be recommended that a replica study to be done guided by different financial performance metrics such as loss ratio or claims ratio measures.

A number of future research prospects arise based on the study findings. Methodologically, this study utilized both longitudinal and cross-sectional data sets and analyzed corporate diversification and performance attributes across different entities overtime. Further studies could exploit longitudinal research design to follow alterations over time to provide robust assessment of how diversification activities impacted on performance of insurance industry over time.

This study found no intervening effect of firm size on the association between CDV and the aspect of FP. This analysis did not put into consideration effects of other external elements that may explain this link hence a call for analysis on this interesting issue, particularly in the emerging markets contexts, by considering other probable elements external to a firm such as operating environment or market dynamics that would trigger diversification activities. Such external factors might provide deeper insights into the situations under which diversification is implemented more effectively by organizations.

The moderating effect of OC on the aspect of NFP was also not significant. A similar study can be done to include different mediating and moderating variables that may influence insurance company FP to enhance robustness and generalizability of findings. A replica study is necessary that focuses either companies in life insurance business or those in non-life that would target explicit issues within the two categories of operations.

By assessing the diversification index that is appropriate for them, similar research can be expanded to contexts within the realm of developing economies as well as other financial service sectors and non-financial industries, offering additional insights into the relationships

REFERENCES

- Aamah, E. (2012). Corporate culture and organizational effectiveness. A study of Nigerian banking industry. *Journal of Finance and Economics*, 94(101), 1089-1095.
- Adebayo, O., & John, O, A. (2017). Effect of firm's size on performance of listed manufacturing firms in Nigeria. *Prime Journal of Business Administration and Management*, 3(9),1171-1175.
- Afza, T., Slahudin, C., Nazir, M. S. (2008). Diversification and corporate performance: an evaluation of Pakistani firms. *South Asian Journal of Management*, 15(3), 7-18.
- Ali, H. Y., Danish, R. Q., & Asrar-ul-Haq, M. (2020). How corporate social responsibility boosts firm financial performance: The mediating role of corporate image and customer satisfaction. *Corporate Social Responsibility and Environmental Management*, 27(1), 166–177.
- Almajali, A. Y., Almaro, S. A., & Al-Soub, Y. Z. (2012). Factors affecting the financial performance of Jordanian insurance companies listed at Amman stock exchange. *Journal of Management Research*, 4(2), 1-24.
- Andres, P., Fuente, G. & Velasco, P. (2014). Growth opportunities and the effect of corporate diversification on value. *The Spanish Review of Financial Economics*, 12, 72-81.
- Andrew, J. W., Jeffrey, P. K., Ronald, G. D., & Kathleen, G. R. (2010). Organizational size, firm performance and the role of industry. *Journal of Managerial Issues*, 22(1), 70-87.
- Angima, B. C (2017). Actuarial risk management practices, underwriting risk, firm characteristics and performance of property and casualty insurance firms in East Africa. PhD thesis in business administration, University of Nairobi.
- Arkadiy, V. S. (2020). Corporate diversification, economies of scope, and the risk-return relationship. University of Illinois at Urbana-Champaign
- Association of Kenya Insurers (2019). Insurance industry annual report, 1(34), 1-68.
- Barney, J. (2002). *Gaining and sustaining competitive advantage* (2nded.). Upper Saddle River. New Jersey: Pearson Education, Inc.
- Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: conceptual, strategic, and statistical considerations. *Journal*

of Personality and Social Psychology, 51(26), 1173–1182.

- Beckmann, P., Heuskel, D., Pidun, U., Rubner, H., Rudolph, C., & Schwetzler, B. (2012). The power of diversified companies during crises. The Boston Consulting Group – HHL Leipzig Graduate School of Management. <http://www.bostonconsulting.com.au/documents/file96362.pdf>
- Berger, A., Paul, A., & Mais, F. (2014). Conglomeration versus strategic focus: Evidence from the corporate diversification and firms' value in emerging economy: the role of growth opportunity
- Bergh, D. D., Johnson, R. A., & Dewitt, R. L. (2008). Restructuring through spin-off or sell-off: Transforming information asymmetries into financial gain. *Strategic Management Journal*, 29, 133–48.
- Berson, A., & Samato, K. (2017). Diversification strategy, size and firm performance.
- Bertin, M., Iturriaga, F., & Espinosa, L. (2015). Diversification and control in emerging markets: the case of Chilean firms. *Business Research Quarterly*, 18, 259-274.
- Blumberg, B., Cooper, D., & Schndler, P. (2005). *Business research methods*. McGraw-Hill Inc.
- Bryman, A., & Bell, E. (2015). *Business research methods* (4 th ed.). Oxford University Press, US.
- Cameron, K. S., & Quinn, R. E. (2006). *Diagnosing and changing organizational culture: Based on the competing values framework*. San Francisco: Jossey-Bass
- Campa, J. M., & Kedia, S. (2002). Explaining the diversification discount. *The Journal of Finance*, 47, 1731–1762.
- Central Bank of Kenya (2011). Bank supervision annual report 2011. CBK, Nairobi.
- Chakrabarti, A., Singh, K., Mahmood, I. (2007). Diversification and performance: evidence from East Asian firms. *Strategic Management Journal*, 28(2), 101-120.
- Che, X., & Liebenberg, A. P. (2017). Effects of business diversification on asset risk-taking: evidence from the U.S. property-liability insurance industry. *Journal of Banking and Finance*, 77, 122-136.
- Chen, G., & Keung, E. (2018). Corporate diversification, institutional investors and internal control quality. *Accounting and Finance*, 58(3), 751–786.

- Coles, J. L., Daniel, N.D. & Naveen, L. (2008). Boards: Does one size fit all? *Journal of Financial Economics*, 87(2), 329-356.
- Conner, K. R. (2008). A historical comparison of resource-based theory and five schools of thought in industrial economics. *Journal of Economics*, 17(1), 121-154.
- Cooper, D., & Schndler, P. S. (2008). *Business research methods*. 8th.ed. Tata McGraw, India.
- Creswell, J. W., & Creswell, J. D. (2018). *Research Design. Qualitative, Quantitative and Mixed Methods Approaches*. Thousand Oaks, CA. Sage Publishers, Inc
- Cronbach, L. J., & Shavelson R. J. (2004). My current thoughts on coefficient alpha and successor procedures. *Educational and Psychological Measurement*, 64(3), 391-418.
- Cummins, J. D., & Nini, G. (2002). Optimal capital utilization by financial firms: evidence from the property-liability insurance industry. *Journal of Financial Services Research*, 21, 15-53.
- Dang, C., Zhichuan, F. L., & Chen, Y. (2018). Measuring firm size in empirical corporate finance. *Journal of Banking & Finance*, 86, 159–176.
- Datta P. M. (2017). Diversification and performance in turbulent times. *Journal of Management Studies*, 60(7), 229-258.
- Deephouse, J. P., & Richman, W. (2015). Alternative explanations for accounting risk-return relations. *Journal of Economic Behavior and Organization*, 42(4), 463-482.
- Delai, H., & Daip, P.C. (2019). Firm performance and focus: long-run stock market performance following spinoffs. *Journal of Financial Economics*, 154, 75-101.
- Dellos, A., Xu, D., & Beamish, P. W. (2018). Within-country product diversification and foreign subsidiary performance. *Journal of International Business Studies*, 39(4), 706-724.
- Deng, X., & Long, X. (2019). Financial performance gaps and corporate social responsibility.
- Denison, D. (1990). *Corporate culture and organizational effectiveness*. New York: John Wiley & Sons, Inc
- Denison, D. (2003). Corporate culture and organizational effectiveness: is there a similar pattern around the world? *Advances in Global Leadership*, 3, 205–27.

- Denison, D., Daniel, Levi, N., & Lindsey, K. (2015). Diagnosing organizational cultures: A conceptual and empirical review of culture effectiveness surveys. *European Journal of Work and Organizational Psychology* 23, 145–161.
- Dogan, M. (2013). Does Firm Size Affect the Firm Profitability? Evidence from Turkey. *Research Journal of Voulgaris, F., & Lemonakis, C. (2014). Competitiveness and profitability: The case of chemicals, pharmaceuticals and plastics. The Journal of Economic Asymmetries*, 11, 46-57. *Finance and Accounting*, 4(4), 53-59.
- Easterby-Smith, M., Thorpe, R., & Lowe, A. (2002). *Management research*. Sage Publications.
- Egan, T. M., Yang, B., & Bartlett, K. R. (2014). The effects of organizational learning culture and job satisfaction on turnover. *Human Resource Development Quarterly*, 15, 279-301.
- Elango, B., & Pope, N. (2008). An investigation into diversification-performance link in U.S. property-liability insurance industry. *The Journal of Risk and Insurance*, 75(3), 567-591.
- Elsas, R., Hackethal, A., & Holzhauser, M. (2010). The anatomy of bank diversification.
- Erdorf, S., Hartmann-Wendels, T., Heinrichs, N., & Matz, M. (2013). Corporate diversification and firm value: a survey of recent literature. *Financial Markets and Portfolio Management*, 27(2), 187-215.
- Fisher, J. C. (2016). *Linking culture to bottom line business performance*. John Wiley & Sons Publications.
- Fowler, F. J. (2013). *Survey Research Methods*. New York, NY: SAGE Publications.
- Freeman, R. (1989). Divergent stakeholder theory. *Academy of management review*, 24(2), 233-236.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*, Boston, MA: Pitman.
- Gabaix, X., Landier, A. & Sauvagnat, J. (2014). CEO pay and firm size: An update after the crisis. *The Economic Journal*, 124(574), 40-59.
- Goddard, J., McKillop, D., & Wilson S. (2008). The diversification and financial performance of US credit unions. *Journal of banking and finance*, 30(2), 1836

- Goll, I., & Rakesh, B. (2015). Corporate ideology, diversification, and firm performance.
- Guerras-Martín, L., Ronda-Pupo G., Benito-Osorio, D., & Zúñiga-Vicente, J. (2020). Half a century of research on corporate diversification: A new comprehensive framework. *Journal of Business Research*, 114, 124-141.
- Gujarati, D. N., & Porter, D. C. (2009). *Basic Econometrics*. 5th ed., Singapore: The McGraw Hill Companies, Inc
- Guo, R. (2011). What drives firms to be more diversified? *Journal of Finance and Accountancy*, 6, 1-10
- Hamann, P., Schiemann, F., Bellora, L. & Guenther, T. (2013). Exploring the dimensions of organizational performance: A construct validity study. *Organizational Research Methods*, 16(1), 67-87.
- Hann, R. N., Ogneva, M., & Ozbas, O. (2013). Corporate diversification and the cost of capital. *Journal of Finance*, 68(5),1961-1999
- Hannan, M.T., & Freeman, J. (1989). *Organizational Ecology*. Cambridge, MA: Harvard University Press.
- Hardwick, P., & Adams, M. (2012). Firm size and growth in the United Kingdom life insurance industry. *The Journal of Risk and Insurance*, 89, 577–593.
- Harker, P. T., & Zenios, S. A. (2013). *Performance of financial institutions: Efficiency, innovation, regulation*. Cambridge University Press.
- Hirschman, A. (1964). The paternity of an index. *American Economic Review*, 54 (5), 761-770.
- Hitt, M., Lawrence, R. D. & Hoskisson, R. E. (2017). *Strategic management: Competitiveness & globalization: concepts and cases*. Stamford, CT: Cengage Learning
- Hoechle, D., Schmid, M., Walter, I., & Yermarck, D. (2012). How much of the diversification discount can be explained by poor corporate governance? *Journal of Financial Economics*, 103, (1),41-60.
- Hofstede, G. (2010). Measuring organizational cultures: A qualitative and quantitative study across twenty cases. *Administrative Science Quarterly* 35, 286-316
- Hofstede, G. (2011). Dimensionalizing cultures: The Hofstede model in context. *Online*

Readings in Psychology and Culture, 2,1–26.

- Hoskiss, P., Ireland, S., & Hill, H. (2016). Performance of focused versus diversified firms.
- Hoskiss, S., Maria, M., & Ronald, I. (2016). Relationships among corporate level distinctive competencies, diversification strategy, corporate structure and performance. *Journal of Research and Management Studies*, 103, 201-216.
- Howard, D., & Walters, P. (2004). Emergent patterns of strategy, environment and performance in a transition economy. *Journal of Finance and Economics*, 25, 347-364.
- Humphrey, C. J. (2018). Navigating through money markets and the role of market share.
- Hurry, H., & Bowman, E. D. (2015). An integrated view of resource investments and the incremental-choice process. *Academy of Management Review*, 20(7), 760-782.
- Huynh, Z., Lee, J. P., & Yu, M. T. (2021). Catastrophe risk, reinsurance and securitized risk-transfer solutions: A review. *China Finance Review International*, 11(4), 449-473.
- Ibragimov, R., Jaffee, D., & Walden, J. (2011). Diversification disasters. *Journal of Financial Economics*, 99(2), 333-348.
- Inder S. Y., Debasis, P., & Rajesh, G. (2021). The nexus between firm size, growth and profitability: new panel data evidence from Asia–Pacific markets
- Insurance Regulatory Authority (2017). Life insurance industry statistics, 20(3), 201-214. *International business and finance*, 6(3), 103–114
- Isik, O., Unal, E. A., & Unal, Y. (2017). The effect of firm size on profitability: evidence from Turkish manufacturing sector. *Journal of Business, Economics and Finance (JBEP)*, 6(4), 301-308
- Jacquemin, A. P. & Berry, C. H. (1979). Entropy measure of diversification and corporate growth. *The Journal of Industrial Economics*, 27(4), 359-369.
- Jansson, M., & Biel, A. (2011). Motives to engage in sustainable investment: a comparison between institutional and private investors. *Sustainable Development*, 19(2), 135-142.
- Jay, B., & Jeffrey, P. (2017). Corporate diversification and the value of individual firms: A Bayesian approach. *Strategic Management Journal*, 38, 322–341.

- Jia, L., Zhang, J., Qian, H., Cui, R., & Chen, Y. (2007). Why, when, and how to diversify? A comparison between Western theories and the cognition of Chinese enterprises. *Front. Bus. Res. China*, 1(1), 102–122
- Kerschbamer, R., & Tournas, Y. (2013). In-house competition, organizational resources, and the business cycle. *European Economic Review*, 47(3), 505-520.
- Khemiri, W., & Noubbigh, H. (2020). Size-threshold effect in debt-firm performance nexus in the sub-Saharan region: A Panel Smooth Transition Regression Approach. *Quarterly Review of Economics and Finance*,
- Kim, C., Kim, S., & Pantzalis, C. (2001). Firm diversification and earnings volatility: An empirical analysis of US-based MNCs. *American Business Review*, 19(1), 26–38.
- Kirkman, B., Kevin, L., & Cristina, G. (2016). A retrospective on culture's consequences: The 35-Year Journey. *Journal of International Business Studies*, 48, 12-29.
- Kothari, C. R. (2018). *Research Methodology: Methods and Techniques* (4th ed.). New Delhi: New Age International (P) Limited
- Kumar, K. B., Raghuram, G. R., & Luigi, Z. (2001). What determines firm's size? University of Chicago. CRSP Working Paper No. 496.
- Kuppuswamy, V., & Villalonga, B. (2015). Does diversification create value in the presence of external financing constraints? Evidence from the 2007–2009 financial crisis. *Management Science*, 62, 905–923.
- Lee, H., & Xia, X. (2016). Firm size for organizational advancement. *Journal of Administration and Social Sciences*, 11, 209-223.
- Leedy, P. D., & Ormrod, J. E. (2015). *Practical research: planning and design*. (11th ed): Boston. Pearson.
- Leithy, W. (2017) Organizational culture and organizational performance. *International Journal of Economic & Management Sciences*, 6 (4)1-6.
- Li, S. X., & Greenwood, R. (2004). The effect of firm size-industry diversification on firm performance: Synergy creation and market structuration. *Strategic Management Journal*, 25, 1131–1153.
- Liebenberg, A.P., & Sommer, D.W. (2008). Effects of corporate diversification: Evidence from property-liability insurance industry. *Journal of Risk and Insurance*, 75(4),

893-919.

- Liebenberg, I. A., & Lin, Z. (2019). Diversification under different ownership structures and economic conditions: evidence from the great recession. *Journal of Risk and Financial Management*, 12(82), 2-26.
- Lien, Y. C., & Li, S. (2013). Does diversification add firm value in emerging economies? Effect of corporate governance. *Journal of Business Research*, 66(12), 2425-2430.
- Lin, H. Y., & Graduate, N. A. (2017). The Relationship between corporate social performance and financial performance: Evidences from Indonesia and Taiwan. *European Journal of Business and Social Sciences*, 5(7), 28-40
- Liu, Y. (2018). Firm Age, Size, and Employment Dynamics: Evidence from Japanese firms (RIETI Discussion Paper Series 18-E-006). The Research Institute of Economy, Trade and Industry.
- Lüthge, A. (2018). The concept of relatedness in diversification research: Review and synthesis. *Review of Managerial Science*, 1-35.
- MacKinnon, D. P., Lockwoog, W. M., Hoffman, J. M., West, S. G., & Sheets, V. (2002). A comparison of methods to test mediation and other intervening variable effects. *Psychological Methods*, 7(1), 83-104.
- Magutu, P. O. (2013). Supply chain strategies, technology and performance of large-scale manufacturing firms in Kenya. Unpublished PhD Thesis in Business Administration, University of Nairobi.
- Marcoux, A. (2013). A fiduciary argument against stakeholder theory. *Business Ethics Quarterly*, 13(1), 1-24.
- Markowitz, H. (1952). Portfolio selection. *Journal of Finance*, 7, 77-91.
- Mashiri, E., & Sebele, F. (2014). Diversification as a corporate strategy and its effect on firm performance: A study of Zimbabwean listed conglomerates in the food and beverages sector. *International Journal of Economics and Finance*, 6(5), 182-195.
- Matvos, G., & Seru, A. (2014). Resource allocation within firms and financial market dislocation: Evidence from diversified conglomerates. *The Review of Financial Studies*, 27, 1143-1189.
- McBurney, D. & White, T. (2009). *Research Methods*. New York, NY: Cengage Learning.

- Mckenzie, C. E., & Geter, M. A. (2013). The dynamic-resource based vision: capability lifecycle. *Strategic Management Journal*, 24(10), 997-1010.
- Miller, D. J. (2004). Firms' technological resources and the performance effects of diversification: a longitudinal study. *Strategic Management Journal*, 25(11), 1097-1119.
- Mojibi, T., Somayeh, H., & Yacob, K. (2013). Organizational culture and its relationship with knowledge management strategy: A Case Study. *Knowledge Management Research & Practice*, 13, 281-88.
- Monika, S., Richter, A., & Amit, K. (2019). Does the diversification–firm performance relationship change over time? A meta-analytical review. *Journal of Management Studies*, 56(1), 270-298.
- Monsen, E. R & Horn, L. V. (2007). *Research: Successful Approaches*. New York: American Dietetic Association.
- Morgan, G. (2012). *Images of organization* (3rd edition). Thousand Oak, CA: Sage Publications
- Mudaki, A. L., Wanjere, D., Ochieng, I., & Odera, O. (2012). Effects of operational factors on organizational performance in Kenyan insurance industry. *International Journal of Business and Social Science*, 3(17), 237-241.
- Naranjo-Valencia, N., Julia, P., Daniel, J., & Raquel, S. (2016). Studying the links between organizational culture, innovation, and performance in Spanish Companies. *Revista Latinoamericana de Psicología*, 48, 30–41.
- Ndung'u, S., Kibati, P., & Sella, M. (2019). Product diversification and the Financial Performance of Manufacturing companies in Kenya. *Journal of Economics and Finance*, 10, 43-50.
- Ngware, S., Olweny, T., & Muturi, W. (2020). Do bank sizes moderate the relationship between banks' portfolio diversification and financial performance of commercial banks in Kenya? *Journal of management*, 3(2), 14–30 1849
- Nisar, S., Peng, K., Wang, S., & Ashraf, B. (2018). The impact of revenue diversification on bank profitability. *International journal of financial studies*, 6(2), 1–25.
- Njiraini, W. W. (2020). Electric power outage dynamics, investment in back up generation,

- firm characteristics and performance of manufacturing firms in Kenya. Unpublished PhD thesis in business administration, University of Nairobi.
- Norbert, S. (2014). Empirical research on organizational effectiveness. *Strategic Management Journal*, 48(8), 222-246.
- Nyaingiri, S., & Ogollah, K. (2015). Influence of unrelated diversification strategy components on corporate performance: Case of Sameer Group in Kenya. *IOSR Journal of Business and Management*, 17(4), 78-83.
- Nyamute, W. I. (2016). Investor behaviour, investor demographic characteristics, investment style and individual investor portfolio performance at the Nairobi Securities Exchange. PhD thesis in business administration, Jomo Kenyatta University of Agriculture and Technology
- Oberföll, K., MaríaElena, C., & MaríaLuisa, S. (2018). Relationship between organizational culture and performance among German multinational companies in Mexico. *Journal of Business* 10, 24-47.
- Odundo, O., & Orwaru, M. (2018). Bank size and financial stability of commercial banks in Kenya: empirical evidence. *Journal of emerging issues in economics, finance and banking*, 7(1), 2667–2680.
- OECD (2021), GDP (indicator). doi: 10.1787/d98b8cf5-en
- Olson, G., & Tomas, M. H. (2016). The moderating influence of organizational orientation on the resource-performance relationship. *Financial Times Journal*, 23, 1221-1231.
- Ombaka, B. E. (2014). *Resources, external environment, innovation and performance of insurance companies in Kenya*. PhD thesis. University of Nairobi. Retrieved December 15, 2019, from University of Nairobi Digital Thesis
- Owino, J., & Kibera, F. (2019). Organizational culture and performance: Evidence from Microfinance Institutions in Kenya. *SAGE Journals*, 9, 1–11
- Oyelade, A. O. (2019). The impact of firm size on firm's performance in Nigeria: a comparative study of selected firms in the building industry in Nigeria. *Asian Development Policy Review*, 7(1)76, 335- 344
- Ozigbo, N. (2013). Impact of organizational culture and technology on firm performance in the service sector. *Communications of the IIMA*, 13(1), 69-81.

- Palepu, K. (1985). Diversification strategy, profit performance, and the entropy measure.
- Penrose, E. (1959). *The theory of the growth of the firm*. New York: John Wiley
- Peters, W. (1982). A brief history of the 7-S McKinsey Model
- Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A Resource dependence perspective*. New York, Harper and Row
- Research article
- Ronald, H. H., & George, A. M. (2016). Organizational culture and performance: Proposing and testing a model. *Organization Science*, 12(4), 209-225.
- Rudolph, C., & Schwetzler, B. (2013). Conglomerates on the rise again? A cross-regional study on the impact of the 2008–2009 financial crisis on the diversification discount. *Journal of Corporate Finance*, 22,153–165.
- Rumelt, R. P. (1982). Diversification strategy and profitability. *Strategic Management Journal*, 3(4),359-369.
- Sabbadini, T. (2010). Manufacturing portfolio theory. *International Institute for Advanced Studies in Systems Research and Cybernetics*, 120-160.
- Santalo, J., & Becerra, M. (2008). Competition from specialized firms and the diversification-performance linkage. *Journal of Finance*, 63(2), 851 – 883.
- Saunders, M. N. K., Lewis, P., & Thornhill, A. (2016). *Research methods for business students* (7th ed.). Harlow: Pearson Education Ltd.
- Schuldt, K., & Giancarlo, G. (2020). Influence of organizational culture on the environments of innovation and organizational performance. *Gestão & Produção*, 27.
- Sekaran, U. (2003). *Research methods for business. A skill-building approach*. 4thed. John Wiley & Sons, Inc.
- Selcuk, E. A. (2015). Corporate diversification and firm value: Evidence from emerging markets. *International Journal of Emerging Markets*, 10, 294-310.
- Setianto, R. H. (2020). Corporate diversification and firms' value in emerging economy: the role of growth opportunity. *Journal of Asian Business and Economic Studies*, 8, 1-14.
- Shi, B., Baranoff, E. G., & Sager, T. W. (2016). Product diversification in health insurance

- with comprehensive coverage benefits U.S. health insurers. *Journal of International & Interdisciplinary Business Research*, 3(3), 13-28.
- Skerlavaj, M., Stemberger, M. I., Skrinjar, R., & Dimovski, V. (2007). Organizational learning culture? The missing link between business process change and organizational performance. *International Journal of Production Economics*, 12(7), 346-367.
- Stowe, J. D., & Xing, X. (2006). Can growth opportunities explain the diversification discount? *Journal of Corporate Finance*, 12(4), 783-796
- Strategic Management Journal*, 6, 239-255.
- Tulcanaza-Prieto, A. B., Iliana, E. A., & Carlos, A. (2021). Organizational culture and corporate performance in the Ecuadorian environment. *Administrative Sciences*, 11, 132
- Vijh, A.M., & Yang, K. (2013). Are small firms less vulnerable to overpriced stock offers?
- Villalonga, B. (2004a). Diversification discount or premium? New evidence from BITS establishment level data. *The Journal of Finance*, 59(2), 479-506.
- Volkov, N. I., & Smith, G. C. (2015). Corporate diversification and firm value during economic downturns. *The Quarterly Review of Economics and Finance*, 55, 160- 175
- Wijnberg, N. (2008). Normative stakeholder theory and Aristotle: The link between ethics and politics. *Journal of Business Ethics*, 25(4), 329-342.
- William, P., Robert, E., & Jeremy, C. (2011). Resource-Based theory and corporate diversification: accomplishments and opportunities. *Journal of Management*, 37(5), 1335-1368.
- Williamson, P. (2013). Organizational culture. *International Journal of Business*, 3(5), 76-87.
- Yan, M., Talavera, O., & Fahretdivona, A. (2016). The effects of product diversification on Bank performance: Evidence from Azerbaijan. *Elsevier*, 1-37
- Yibing, C., Xianhua, W., Lingling, Z., & Yong, S. (2013). Sectoral diversification and the banks' return and risk: evidence from Chinese banks. *Procedia Computer Science*, 18, 1737-1746.
- Yiğita, I., Nihal K., & Emre İ. (2013). An assessment of the diversification-performance linkage: An empirical comparison between Turkish and Italian firms. *Review of*

Applied Management Studies (11,76-82

Yin, R. K. (2009). *Case Study Research: Design and Methods*. New York, NY: SAGE Publications.

Zikmund, W. G. (2003). *Business Research Methods*, 7th ed. Thomson South-Western

APPENDICES

APPENDIX I: ORGANIZATIONAL CULTURE QUESTIONNAIRE

Purpose

This survey is designed to solicit your confidential input on your company/department culture, and it will be used for academic purpose only.

For this survey to be helpful and accurate in describing your organization, it is important that you answer each question as honestly as possible.

Confidentiality

Your responses to this survey will be kept completely anonymous.

Please do not sign your name. As further safeguard of your confidentiality, no one outside the research team will access your completed survey. The research team will collect and compile the surveys and the candidate will present the results to your organization on request.

DIRECTIONS

1. Read each item carefully
2. Tick one number for each item.
3. Please strive to complete your survey within seven days

PART A: GENERAL INFORMATION

This questionnaire seeks to collect data on the aspects of the study, and it will only be used for the study purpose. Kindly respond to all questions honestly and to the best of your knowledge

- i. Name of company (optional).....
- ii. Indicate the highest level of education or training attained.
Professional/Technical () Diploma () Bachelor's Degree () Post graduate ()
other ()
- iii. Who is your primary customer base? (Tick one)
 - a). Individuals
 - b). Government institutions
 - c). Corporate entities
 - d). SMEs
 - e). Others (specify).....

PART B: ORGANIZATIONAL CULTURE

The following statements relate to organizational cultural characteristics. Kindly indicate extent to which each of the statements below match cultural traits in your organization.

Statements	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
MISSION					
Vision					
1. Our shared vision guides on how company will be in future					
2. Our leadership have long-term plans					
3. We are barred by short-term decisions that compromises longstanding dream					
4. Our vision is exciting and motivational to employees					
5. Short-term demands are met short of compromising long-term vision					
Goals and objectives					
6. Agreement about goals is widespread					
7. Leaders establish challenging yet doable objectives.					
8. The leadership has "gone on record" regarding the goals we are attempting to achieve.					
9. We regularly assess our performance in relation to our stated objectives.					
10. People are aware of what to be done in order for us to prosper over the long-term.					
Strategic direction and intent					
11. There is a directive and long-term goal.					
12. Our approach influences other businesses to alter how they fight in the market.					
13. Our job has a distinct mission that provides direction and significance.					
14. A well-defined work strategy is in place for the future.					
15. I'm not sure what our strategic direction is.					

EMPLOYEE INVOLVEMENT					
Empowerment					
16. The majority of workers actively participate in their jobs.					
17. Typically, decisions are made at the highest degree of information availability.					
18. To ensure that everyone has access to information when needed, it is broadly shared.					
19. Everyone thinks they can make a good difference.					
20. Planning a business is a continuous process that involves all parties.					
Team orientation					
21. Collaboration between various departments within the organisation is strongly desired.					
22. Individuals work as if they are members of a team					
23. Instead than using hierarchy, teams work together to complete tasks.					
24. Our core building components are teams.					
25. Every worker sees how work relates to the organization's aims thanks to the way it is organized.					
Capability development					
26. People are granted authority so they can take independent action.					
27. Worker's abilities are always rising.					
28. Employee growth in skills is consistently funded.					
29. People's abilities are seen as a key source of edge over others.					
30. Issues often happen as we lack the abilities required to complete task.					

ADAPTABILITY					
Creating change					
31. The procedure at work is very flexible and simple to change.					
32. We adjust well to shifts in the business landscape.					
33. Every day, more and better ways to complete chores are embraced.					
34. Usually, efforts to bring about reform encounter resistance.					
35. Multiple organisational components frequently work to bring transformation.					
Customer focus					
36. Comments and suggestions of customers are prioritized					
37. Client input has a direct impact on our choices.					
38. Each member is keenly aware of aspirations of the customers.					
39. The interest of customers often get overlooked in decisions					
40. We empower our staff to uninterruptedly communicate with our clients.					
Organizational learning					
41. Failure serves as a chance for growth and development.					
42. Taking chances and remaining innovative are rewarded.					
43. In my department, many issues are Overlooked					
44. Among the many goals we have for our daily work is learning.					
45. We ascertain 'right hand knows what the left hand is doing'					
CONSISTENCY					
Core values					
46. Leaders "practice what they advocate for"					
47. set of management style and practices is outstanding					
48. Clear, consistent set of values is at place to govern activities					

49. When we disregard our essential ideals, problems arise.					
50. Our behaviour is governed by an ethical code that instructs us on what is good and wrong.					
Agreement					
51. When there are conflicts, we put a lot of effort into finding "win-win" solutions.					
52. We espouse strong culture					
53. Convergence is simple to achieve, even on challenging topics.					
54. We rarely have trouble reaching agreement on key issues					
55. There is unambiguous accord regarding the proper path of action.					
Coordination and Integration					
56. Our method of conducting business is highly trustworthy and reliable.					
57. Individuals from all sections of our company have a shared viewpoint.					
58. It is simple to oversee projects across multiple organisational units.					
59. Harmony across all units is key at work					
60. Goals are well-aligned at all layers.					

PART C

Responses to the following questions will help us understand how major employee groups view things. These and all responses will be kept confidential. However, if you feel uncomfortable answering these questions, you don't have to.

1. Please indicate your current classification.
 - a. Senior Management
 - b. Director
 - c. Head of Department
 - d. General/Line manager
 - e. Other
2. How long have you worked for the company?

1. Below 2 years
2. 2-5 years
3. 5-10 years
4. 10-15 years
5. More than 15 years

Please use the space below to write additional comments about any topic, whether or not it was covered in the questionnaire. For example, you may want to discuss your department's major strengths or major problems or suggest some possible improvements. Or you may have suggestions for improving your work group's procedures, policies and other areas.

Your comments will be typed and edited to protect your identity.

Thank you for your input.

It will contribute tremendously to the success of this research.

APPENDIX II: DATA COLLECTION FORM

	Year/Item	2016	2017	2018	2019	2020
Fm. 1	Net Income					
Fm. 2	Total Assets					
Fm. 3	Number of lines/products					
Fm. 4	Share from each line					
Fm. 5	Company gross written premium/Sales					
Fm. 6	Company market share					
Fm. 7	Industry turnover (GWP)					

**APPENDIX III: LIST OF INSURANCE COMPANIES IN KENYA AS AT DECEMBER
2021**

	COMPANY NAME
1	AAR Insurance Kenya Limited
2	Absa life
3	Africa Merchant Assurance Limited
4	AIG Kenya Insurance Company Limited
5	Allianz
6	APA Insurance Company Limited
7	APA life assurance
8	Britam Insurance Company Limited
9	Britam life
10	Canon Metropolitan General
11	Capex Life Assurance Company Limited
12	CIC General Insurance Company Limited
13	CIC Life Insurance Company Limited
14	Corporate Insurance Company Limited
15	Direct line Assurance Company Limited
16	Fidelity Shield Insurance Company Limited
17	First Assurance Company Limited
18	GA Insurance Company Limited
19	GA life assurance
20	Geminia Insurance Company Limited
21	Heritage Insurance Company Limited
22	ICEA LION General Insurance Company Limited
23	ICEA LION Life Assurance Company Limited
24	Intra Africa Assurance Company Limited
25	Invesco Assurance Company Limited
26	Jubilee Insurance Company Limited
27	Jubilee general 186
28	Jubilee health
29	Kenindia Assurance Company Limited
30	Kenya Orient Insurance Company Limited

31	Kenya orient life
32	Kenyan Alliance Insurance Company Limited
33	Liberty life
34	Madison Insurance Company Limited
35	Madison general
36	Mayfair Insurance Company Limited
37	Metropolitan cannon
38	Monarch Insurance Company Limited
39	MUA
40	Occidental Insurance Company Limited
41	Old Mutual Life Assurance Company Limited
42	Pacis Insurance Company Limited
43	Pioneer Life Assurance Company Limited
44	Pioneer general insurance
45	Prudential assurance co
46	Resolution
47	Saham assurance
48	Sanlam Life
49	Sanlam general insurance
50	Takaful Insurance of Africa Limited
51	Tausi Assurance Company Limited
52	Trident Insurance Company Limited
54	UAP Insurance Company Limited
55	UAP Life Assurance Company Limited
56	Xplico Insurance Company Limited

Source: AKI, 2022

APPENDIX IV: RESEARCH DATA

COMPANY	YEAR	Income/Profit After Tax	Total Assets	No. of Business Lines (Pdots)	Sales/Gross premium	Mrkt Share
		Sh'000'	Sh'000'		Sh'000'	
AAR	2016	218,245	5,160,166	2,3,4,5,6,7,8, 9	6,489,197	5.27
	2017	-342,483	3,603,889	10,11,12,13, 14	5,799,296	4.65
	2018	-252,548	3,858,843		5,608,947	4.4
	2019	517,230	4,787,268	13	5,861,920	4.39
	2020	234,459	4,995,443		5,683,964	4.28
AMACO						
	2016	-37,444	4,595,239	2,3,4,5,6,7,8	3,162,248	2.57
	2017	-33,426	4,587,925	9,10,11,14	2,530,083	2.01
	2018	39,599	4,087,857	11	2,179,261	1.69
	2019	-76,217	4,000,262		1,474,182	1.1
	2020	-409,020	4,308,789		1,069,452	0.82
AIG Ins.co						
	2016	202,855	5,668,842	1,2,3,4,5,6,7,8	3,669,939	2.98
	2017	416,854	7,086,889	9,10,11,13,14	3,725,594	2.96
	2018	377,753	8,154,582	13	3,634,716	2.82
	2019	269,721	7,856,933		3,618,271	2.71
	2020	189,465	6,715,368		3,045,832	2.3
Allianz Ins. Co						
	2016	-63,974	1,089,052	1,2,3,4,5,6,7,	63,060	0.05
	2017	-127,057	1,257,582	8,9,10,11,12,	346,888	0.28
	2018	-135,087	1,652,232	13,14	703,858	0.55
	2019	-48,193	2,257,622	14	910,744	0.68
	2020	-300,887	1,887,051		929,347	0.7
APA InS ILtd						
	2016	649,578	16,333,074	1,2,3,4,5,6,7,	8,995,974	7.31
	2017	638,057	16,279,700	8,9,10,11,12,	8,303,076	6.59
	2018	493,247	15,270,365	13,14	9,558,670	7.42
	2019	734,820	15,523,407	14	9,337,232	7
	2020	459,753	15,279,397		9,508,915	7.3
APA Life						
	2016	-15,170	3,979,417	31,32,33a,33b	1,223,846	1.66
	2017	-66,345	4,682,760	34,35,37a,37b	1,493,426	1.79
	2018	-30,596	5,315,044	8	1,497,771	1.71
	2019	68,865	5,949,868		1,512,182	1.55
	2020	54,272	6,778,718		1,765,429	1.72
ABSA Life						
	2016	-432,641	1,941,068	31,34,35	1,252,818	1.69
	2017	35,073	2,802,756	3	1,380,330	1.65
	2018	40,332	3,333,853		1,776,742	2.04
	2019	76,883	4,663,220		2,196,141	2.86

	2020	133,075	6,026,092		3,270,088	3.19
Britam General						
	2016	422,080	10,316,043	2,3,4,5,6,7,	6,997,226	5.69
	2017	469,608	11,819,360	8,9,10,11,12,	8,042,402	6.38
	2018	-52,033	12,065,331	13,14	8,048,802	6.25
	2019	-185,400	12,114,973	13	8,208,739	6.15
	2020	363,650	13,884,118		8,253,939	6.22
Britam Life						
	2016	3,127,080	52,863,086	31,32,33a,33b	17,179,319	23.24
	2017	272,890	63,176,279	34,35,36,37a	18,297,485	21.87
	2018	-394,503	70,815,623	37b	20,618,668	23.63
	2019	2,561,924	87,746,623	9	23,255,006	23.77
	2020	-1,876,024	96,062,205		23,313,172	22.72
Cannon metro Assurance						
	2016	-564,840	4,692,260	2,3,4,5,6,7,	1,725,575	1.4
	2017	-1,190,119	3,201,097	8,9,10,11,12,	1,366,022	1.11
	2018	81,072	3,154,238	13	1,023,188	0.79
	2019	49,558	3,204,752	12	885,463	0.66
	2020	110,490	3,536,460		1,130,828	0.85
Capex Life						
	2016	2,552	471,636	31,32,33a,33b	56,647	0.08
	2017	-46,507	668,357	34,35	313,340	0.38
	2018	-13,783	805,660	6	333,912	0.38
	2019	-48,102	878,928		310,511	0.32
	2020	343	944,457		394,359	0.38
CIC General						
	2016	5	11,982,280	2,3,4,5,6,7,	8,407,498	6.38
	2017	398,459	13,116,624	8,9,10,11,12,	10,141,108	8.05
	2018	380,290	12,848,839	13,14	10,210,133	7.92
	2019	278,110	13,618,345	13	10,654,093	7.98
	2020	15,355	14,268,883		10,196,748	7.68
CIC Life						
	2016	110,026	8,352,836	31,32,33a,33b	4,427,734	5.99
	2017	182,772	10,285,064	34,35,37a,37b	5,002,203	5.99
	2018	12,437	12,256,221	8	6,098,547	6.99
	2019	118,599	14,579,491		6,089,917	6.22
	2020	60,204	16,452,096		5,928,179	5.78
Corporate Ins.						
	2016	125,896	2,320,334	2,3,4,5,6,7,8	608,380	0.65
	2017	30,141	2,382,324	9,10,11,14,31	632,497	0.62
	2018	-102,984	2,383,851	34	569,802	0.54
	2019	-317,512	2,744,866	13	913,630	0.76
	2020	-252,142	2,749,390		1,192,421	1.05

Directline Assurance						
	2016	145,232	5,176,081	7,8	3,224,739	2.62
	2017	119,673	6,178,880	2	3,086,232	2.45
	2018	87,052	5,566,869		3,002,685	2.33
	2019	-270,698	5,679,784		3,353,253	2.51
	2020	-345,705	5,018,843		2,628,800	1.98
Fidelity Shield						
	2016	60,631	3,237,779	1,2,3,4,5,6,7,	1,717,327	1.4
	2017	18,244	3,690,505	8,9,10,11,12,	2,389,615	1.89
	2018	57,009	3,433,938	14	2,273,702	1.76
	2019	-33,748	3,483,778	13	2,409,159	1.81
	2020	-49,696	3,457,010		2,060,190	1.55
First Assurance						
	2016	-62,367	6,985,831	2,3,4,5,6,7,8	4,034,402	3.33
	2017	-25,252	6,556,087	9,10,11,12,14,	3,151,855	2.57
	2018	-175,590	6,985,468	34,35	3,898,997	3.07
	2019	121,114	6,094,789	14	3,765,605	2.86
	2020	28,934	6,109,328		4,144,460	3.12
GA Insurance						
	2016	522,862	10,610,239	1,2,3,4,5,6,7,	4,782,084	3.89
	2017	757,110	11,455,491	8,9,10,11,12,14	5,611,152	4.45
	2018	983,607	12,429,838		6,042,556	4.69
	2019	1,118,379	13,655,810	13	6,605,860	4.95
	2020	912,293	15,453,657		7,840,649	5.91
GA Life						
	2016	22,456	4,121,254	31,32,33a,33b	1,525,304	2.06
	2017	55,334	5,989,797	34,35	1,618,442	1.93
	2018	50,260	7,799,537	6	1,671,883	1.92
	2019	114,208	11,125,089		2,924,019	2.99
	2020	150,738	15,056,534		3,449,047	3.36
Gemina Insurance						
	2016	157,530	5,649,790	2,3,4,5,6,7,8	2,511,165	2.2
	2017	272,319	6,735,498	8,9,10,11,12,14	3,589,738	2.91
	2018	193,131	8,155,777	31,34,35,36,37b	5,090,154	4.66
	2019	281,539	9,119,488	17	6,312,010	4.85
	2020	403,276	9,669,001		6,273,833	5.04
ICEA Lion General						
	2016	313,149	11,880,352	1,2,3,4,5,6,7,8	6,304,587	5.12
	2017	801,847	12,860,725	9,10,11,12,13,14	6,103,330	4.85
	2018	442,589	11,996,071		5,609,278	4.36
	2019	894,322	13,069,643	14	5,855,812	4.39
	2020	672,887	13,560,594		6,057,394	4.56

ICEA Lion Life						
	2016	3,021,231	57,785,492	31,32,33a,33b	9,525,606	12.89
	2017	875,438	70,301,946	34,35,37a,37b	13,015,713	15.56
	2018	-310,998	80,012,897		12,113,887	13.86
	2019	2,962,499	93,503,361	8	13,040,901	13.33
	2020	1,581,851	103,561,378		14,820,254	14.44
Intra-Africa Assurance						
	2016	37,811	1,754,207	2,3,4,5,6,7,8,9	1,014,260	0.82
	2017	32,240	1,861,263	10,11,14	1,034,428	0.82
	2018	99,667	1,904,071	11	1,213,688	0.94
	2019	59,755	2,083,684		1,216,768	0.91
	2020	37,269	2,036,772		1,105,383	0.83
Invesco Assurance						
	2016	-15,046	3,891,774	2,3,4,5,6,7,8,9	2,300,894	1.87
	2017	-282,850	4,107,084	10,11,14	2,070,194	1.64
	2018	-93,254	3,975,307	11	1,531,029	1.19
	2019	722	4,111,482		1,354,338	1.01
	2020	-	-		-	-
Jubilee General						
	2016	337,502	15,747,095	1,2,3,4,5,6,7,8,9	14,089,298	11.45
	2017	1,457,164	16,672,771	10,11,14	11,476,229	9.1
	2018	884,119	16,245,912	12	11,089,507	8.61
	2019	-652,473	8,235,672		4,341,129	3.25
	2020	-101,364	6,749,411		3,061,778	2.31
Jubilee Health						
	2016					
	2017					
	2018			12		
	2019	624,421	7,013,849	1	7,953,848	5.96
	2020	881,320	7,878,739		8,336,808	6.28
Kenidia Assurance						
	2016	277,057	36,422,524	1,2,3,4,5,6,7,8	6,942,989	7.77
	2017	528,069	40,724,247	9,10,11,12,14	7,655,847	7.93
	2018	329,157	46,305,206	31,32,33a,33b	8,401,449	8.56
	2019	-190,387	51,937,077	34,35,37b	8,080,639	7.96
	2020	503,431	56,227,747	20	9,842,876	9.04
Kenya Orient Insu						
	2016	55,071	3,290,496		2,525,565	2.05
	2017	2,163	3,038,790	2,3,4,5,6,7,8	1,887,710	1.5
	2018	-506,539	2,717,986	9,10,11,12,14	1,446,514	1.12
	2019	-305,340	2,565,060	13	1,303,038	0.98
	2020	-187,992	3,435,136		1,444,259	1.09

Kenya Orient Life						
	2016	33,077	554,218	31,32,33a,33b	290,023	0.39
	2017	42,322	734,877	34,35	422,987	0.51
	2018	-12	996,560		597,857	0.69
	2019	61,872	1,286,340	6	697,940	0.71
	2020	92,967	2,195,459		1,132,992	1.1
KUSSCO Mutual Ass						
	2016			31,32,33a,33b		
	2017			34,35,37a,37b		
	2018					
	2019	5,960	799,998	8	449,631	0.46
	2020	90,669	1,461,242		791,561	0.77
Liberty Life Assurance						
	2016	201,574	23,463,165	31,32,33a,33b	4,253,610	5.75
	2017	574,417	24,494,824	34,35,37a,37b	4,502,799	5.38
	2018	308,469	23,702,935		4,511,752	5.17
	2019	320,089	24,581,210	8	5,102,682	5.21
	2020	174,096	24,501,204		5,277,772	5.14
Madison Life						
	2016	99,440		31,32,33a,33b	2,381,168	3.22
	2017	240,924	10,381,682	34,35,37a,37b	2,604,248	3.11
	2018	-510,680	12,685,710		3,163,919	3.63
	2019	-386,273	14,318,383	8	3,683,018	3.76
	2020	-692,035	15,801,805		3,971,903	3.87
Madison Gen.						
	2016	-35,925		2,3,4,5,6,7,8	3,102,441	2.52
	2017	80,266	4,106,342	9,10,11,12,14	3,930,293	3.12
	2018	-106,709	4,910,224	13	4,480,216	3.48
	2019	14,367	4,867,189		4,211,585	3.16
	2020	32,449	5,008,265		4,228,697	3.19
Mayfair Ins						
	2016	285,124	4,905,426	1,2,3,4,5,6,7	2,302,051	1.87
	2017	321,190	5,377,403	8,9,10,11,14	2,431,420	1.93
	2018	328,538	6,343,434	12	3,004,593	2.33
	2019	332,688	6,831,176		3,017,305	2.26
	2020	385,224	7,897,325		3,300,417	2.49
Metropolitan Cannon Life						
	2016	-79,111	1,043,166	31,34,35,37a,37b	393,864	0.53
	2017	-183,381	2,733,571	5	1,052,346	1.26
	2018	28,336	2,324,074		298,888	0.3
	2019	-137,038	2,202,016		341,045	0.35
	2020	-512	2,139,679		391,459	0.38

Occidental Ins Co						
	2016	141,302	2,959,944	1,2,3,4,5,6,7	2,033,090	1.65
	2017	93,111	3,769,398	8,9,10,11,14	2,597,392	2.06
	2018	244,880	3,943,017	12	2,602,359	2.02
	2019	248,118	4,314,754		2,810,253	2.11
	2020	-80,963	4,782,633		2,812,055	2.12
Old Mutual Assurance						
	2016	-257,184	13,436,670	31,33a,33b,34,35	2,038,363	2.76
	2017	-230,464	14,461,599	37a,37b	1,919,636	2.3
	2018	277,797	13,995,196	7	2,024,617	2.32
	2019	247,065	15,322,667		2,163,140	2.21
	2020	-662,878	14,019,672		2,211,260	2.15
Pacis Insurance Co						
	2016	44,305	2,054,231	2,3,4,5,6,7,8,9	1,042,138	0.85
	2017	43,925	2,313,106	10,11,12,13,14	1,217,078	0.97
	2018	45,357	2,477,439	13	1,307,287	1.01
	2019	-253,163	2,779,664		1,480,964	1.11
	2020	130,593	3,033,652		1,445,833	1.09
MUA/Phoenix (K) Ltd						
	2016	-396,633	1,843,113	1,2,3,4,5,6,7,8,9	438,726	0.36
	2017	-14,867	1,854,759	10,11,14	557,912	0.45
	2018	-97,143	1,747,530	12	750,195	0.52
	2019	8,374	1,786,287		796,147	0.60
	2020	-195,759	12,752,198		828,146	0.62
Pioneer Gen. Ins						
	2016			2,3,4,5,6,7,8,9		
	2017	3,143	1,046,355	10,11,14	326,297	0.26
	2018	-8,657	1,180,787	11	591,857	0.46
	2019	21,102	1,405,120		860,493	0.64
	2020	9,885	1,411,687		883,816	0.67
Pioneer Ass.						
	2016	172,164	4,514,387	31,32,33a,33b,34	5,292,115	7.16
	2017	34,595	5,288,954	35,37a,37b	5,213,923	6.23
	2018	-70,817	7,007,859	8	5,568,988	6.39
	2019	142,489	7,618,773		5,479,485	5.6
	2020	-122,257	6,691,328		4,106,016	4.0 +S
Prudential Life						
	2016	-376,493	923,443	31,32,33a,33b,34	158,781	0.21
	2017	-207,530	1,377,523	35,37a,37b	318,189	0.38
	2018	-239,885	1,482,797	8	400,873	0.46
	2019	-183,261	1,792,466		638,246	0.68
	2020	-271,024	1,957,569		777,366	0.76

Resolution Ins						
	2016	-424,887	4,225,900	1,2,3,4,5,6,7,8	3,926,111	3.19
	2017	-911,836	4,730,271	9,10,11,12,13,14	4,947,645	3.93
	2018	-357,885	6,313,052	14	5,701,730	4.42
	2019	-523,133	6,953,972		5,357,624	4.01
	2020	67,410	5,725,814		4,287,042	3.23
Saham Assurance						
	2016	46,209	3,024,383	2,3,4,5,6,7,8,9	1,813,675	1.61
	2017	77,526	3,766,901	10,11,12,14,31	2,372,738	1.97
	2018	95,653	4,037,146	32,33a,33b,34,35	2,594,525	2.05
	2019	75,628	3,690,411	18	2,312,248	1.75
	2020	64,108	3,488,739		2,064,444	1.66
Sanlam General						
	2016	-36,792	2,585,232	2,3,4,5,6,7,8,9	1,002,200	0.8
	2017	68,700	3,169,019	10,11,12,14	2,154,916	1.71
	2018	115,667	3,528,706	12	2,202,961	1.97
	2019	4,418	3,513,626		2,859,045	2.14
	2020	137,789	4,768,861		4,066,095	3.06
Sanlam Life						
	2016	412,234	24,473,796	31,32,33a,33b,34	4,669,644	6.32
	2017	307,668	24,911,553	35,37a,37b	4,738,729	5.66
	2018	-626,660	24,324,175	8	4,521,343	5.17
	2019	635,564	24,727,051		4,579,718	4.68
	2020	498,513	26,301,605		5,910,436	5.76
Takaful Insu. Africa						
	2016	122,961	1,704,209	2,3,4,5,6,7,8,9	869,107	0.73
	2017	-188,002	1,867,274	10,11,12,13,14	906,722	0.74
	2018	-100,092	2,104,050	31,34,35	1,020,110	0.81
	2019	-4,103	2,440,191	16	1,280,897	0.96
	2020	65,072	1,887,164		796,591	0.60
The Heritage Insu.						
	2016	498,192	7,211,284	1,2,3,4,5,6,7,8,9	5,340,182	4.34
	2017	577,247	8,876,808	10,11,12,14	5,943,097	4.71
	2018	380,648	9,200,333	13	5,435,642	4.21
	2019	609,133	9,431,305		5,634,335	4.22
	2020	654,574	10,981,519		5,765,208	4.34
Tausi Assurance						
	2016	171,608	2,206,713	2,3,4,5,6,7,8,9	963,338	0.78
	2017	248,935	2,574,139	10,11,12,14	1,061,069	0.84
	2018	252,727	2,651,735	12	1,174,177	0.91
	2019	272,618	2,992,699		1,203,619	0.9
	2020	328,784	3,127,821		1,180,206	0.89

The Jubilee Life						
	2016	603,518	51,591,603	31,32,33a,33b,	10,360,845	14.02
	2017	725,821	63,307,134	34,35,37a	12,643,723	15.11
	2018	799,581	71,922,004	7	12,653,248	14.5
	2019	1,407,208	83,363,707		14,133,786	14.44
	2020	996,398	92,353,816		13,323,398	12.98
The Kenya Alliance						
	2016	36,415	6,241,844	2,3,4,5,6,7,8,9,10	2,311,806	2.53
	2017	425,780	6,843,460	11,12,14,31,32	2,217,131	2.24
	2018	-228,139	6,738,095	33a,33b,34,35,37a	1,741,754	1.53
	2019	-42,790	8,389,259	19	2,501,286	2.12
	2020	-639,372	8,015,709		3,119,784	2.57
The Mornach						
	2016	3,247	1,925,379	2,3,4,5,6,7,8,9,10	1,104,146	0.92
	2017	55,066	2,157,118	11,12,13,14,31	1,253,414	1.02
	2018	160,575	2,521,477	34,35	1,371,642	1.11
	2019	85,290	2,792,305	16	1,502,265	1.18
	2020	-34,174	3,268,249		1,720,755	1.35
Trident Insu						
	2016	-20,656	5,286,000	1,2,3,4,5,6,7,8,9	1,259,551	1.02
	2017	-142,281	5,625,883	10,11,12,13,14	1,331,853	1.07
	2018	-256,866	5,317,552	13	537,730	0.42
	2019	-71,604	5,050,206		653,680	0.49
	2020	22,262	4,822,752		705,287	0.53
UAP Insurance						
	2016	621,494	17,972,233	1,2,3,4,5,6,7,8,9	10,982,070	8.92
	2017	969,215	16,702,154	10,11,12,13,14	9,804,897	7.78
	2018	171,615	15,640,575	14	9,255,348	7.18
	2019	970,443	15,914,358		9,71,847	7.02
	2020	452,820	16,658,572		10,605,343	7.99
UAP Assurance-Life						
	2016	-23,681	10,818,304	31,32,33a,33b,34	2,525,956	3.42
	2017	1,052,701	11,006,057	35,37a,37b	2,365,621	2.83
	2018	175,783	11,264,415	8	2,227,754	2.59
	2019	-42,782	12,721,199		2,399,630	2.45
	2020	-484,367	12,815,382		1,786,005	1.74
Xplico Ins.						
	2016	125	2,092,379	1,2,3,4,5,6,7,8,9	1,229,298	1.00
	2017	52,717	2,285,596	10,11,12,13,14	804,371	0.64
	2018	-78,051	2,412,103	14	1,169,908	0.91
	2019	-58,977	2,784,224		1,440,828	1.08
	2020	-104,159	3,296,446		1,074,558	0.81
Source: Field data, 2022						

APPENDIX V: RESEARCH PERMIT



**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: **304432**

RESEARCH LICENSE

Date of Issue: **13/July/2022**



This is to Certify that Ms. DOLREEN MURITHI of University of Nairobi, has been licensed to conduct research in Nairobi on the topic: CORPORATE DIVERSIFICATION, FIRM SIZE, ORGANIZATIONAL CULTURE AND FIRM PERFORMANCE OF INSURANCE COMPANIES IN KENYA for the period ending: 13/July/2023.

License No: **NACOSTI/P/22/18720**

304432

**Director
General**

**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY
& INNOVATION**

Applicant Identification Number

Verification QR Code



NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner

