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EFFECT OF STRATEGIC LEADERSHIP ON PERFORMANCE OF INSURANCE FIRMS IN KENYA

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ABSTRACT

Effective strategic leadership is essential in development of organizational goals and is key in driving the firm to achieve these goals. Due to mixed performance of insurance companies linked to leadership issues, this study interrogated the effect of strategic leadership on the performance of insurance firms in Kenya focusing on strategic direction, employee involvement, communication and ethical practices. Anchoring on Path-goal, Upper Echelons and Institutional theories, the study conducted a descriptive survey of the 55 insurance firms operating within Kenya where strategy manager/risk/human resources managers and the financial managers were targeted. Yamane formula was used to determine a sample size of 142 respondents were sampled through stratified random methods. A structured questionnaire was used to collect the quantitative data which was analysed through Statistical Package for Social Sciences version 24. Descriptive and inferential statistics were used but before conducting inferential analysis, diagnostic tests were conducted.

The findings showed that strategic direction, employee involvement and communication practices influence performance of Kenyan insurance firms positively and significantly. The adoption of ethical practices was however established to be weak to trigger a significant influence on performance of Kenyan insurance firms. The findings led to a recommendation for insurance firms to upscale adoption of strategic direction practices such as establishment of a clear communication of the mission, organization goals, and definition of the business model ; develop human resource policies aimed at increasing participation of employees, involvement of employees in decision making and increased teamwork and coordination ; adoption of communication practices such as development of a comprehensive communication structure and organizational feedback system which is specific and timely. There is also a need to advance adoption of ethical practices, revisit its modality, approach and policies in order to lead to a significant influence on performance.

Key Words: *Strategic Direction, Employee Involvement, Communication, Ethical Practices, Performance of Insurance Firms in Kenya.*

BACKGROUND TO THE STUDY

Modern management is increasing in complexity due to changes in technology, globalization, political influence, social-demographic factors, availability of resources, market and nature of workforce (Muogbo, 2013). The most critical challenge facing most organizations today is to cope and deal with a saturated market where there are many competitors and empowered and informed customers. Insurance companies besides the dynamism of the field are highly vulnerable to challenges with high failure rate as they bear the risks inherent in their operation and the risks transferred to them by way of insurance. (Ombaka, Machuki, Awino, & Wainaina, 2015). These organisations are operating in an increasingly dynamic and complex environment; thus, they require effective leadership to achieve targeted organizational goals (Olanipekun, 2015). Kelman (2012) stresses the importance of leadership in motivating employees towards attaining organizational goals (Usman, 2011), however, employee satisfaction is a product of leadership style (Voon, Lo, Ngui, & Ayob, 2011). Each leader has their leadership style thus determining how the employees will react (Erkutlu, 2008). Azhar, Ikram, Rashid and Saqib (2013) stress that all organizations need to embrace effective strategic leadership thus increasing performance, becoming competitive and sustainable in the long-term (Elenkov, Judge, & Wright, 2005).

Insurers, in their recovery from the effects of the 2008 global financial crisis have shifted their focus from sustenance to growth (Ernst & Young, 2016). The Swiss Reinsurance Company (2017) reported that as at 2017, penetration of insurance globally stood at an average of 6.1%, 3.3% representing penetration in emerging markets. Africa has a penetration rate of 3% which translates to about US $67 billion. McKinsey (2014) reports that GDP growth has surpassed the rate of growth of insurance premiums. Almatrooshi, Singh and Farouk (2016) studied the determinants of organizational performance in the United Arab Emirates. Findings indicated that cognitive, emotional, and social competencies of the firm leadership were positively related with organization performance. Yanney (2014) examined the influence of business strategy and leadership style on the organization performance of Ghanian firms. The results of the study indicated that employing competitive strategies, engaging strategic leaders and fostering management competency was positively associated with organization performance. Kitonga, Bichanga and Muema (2016) studied the effect of strategic leadership and organizational performance in not-for-profit organizations in Nairobi County. The results of the research indicated that strategic leadership practices were integral in fostering organizational performance.

STATEMENT OF THE PROBLEM

Effective strategic leadership is essential in development of organizational goals and is key in driving the firm to achieve these goals. Change is always expected and strategic leadership helps the company in adopting to these changes providing guidance on how the organization will adapt and by providing the required skill and competencies to cope with the consequences of constant change (Pearce & Robinson, 2013). Similarly lack of effective strategic leadership has the converse effect of failure to achieve the goals the organization sets for itself (Elenkov, Judge, & Wright, 2005). Cytonn Investments (2015) assessed listed insurance firms and their assessment showed that lack of direction and poor management of the insurance firms has contributed negatively to productivity among insurance firms thus lack of development in the sector. The report further indicates that penetration rate within the insurance industry has stagnated at less than 3%.

IRA (2018) indicates that the poor rate of penetrationwithin the country are as a result of the poor leadership within the insurance industry in terms of market awareness, product development, customer management and innovation in the industry. AKI (2017) notes that insurance penetration was 2.71% in 2017 against 2.75% in 2016 while on a global scale, this figure stood at 6% in 2016. This indicates a decrease in the penetration levels within the insurance industry in Kenya. Atieno and Orwa (2015) notes that there is limited involvement of employees within the insurance firms and lack of decisive leadership focus has affected the performance of most insurance firms. Current empirical evidence points to yet another knowledge gap in the understanding of the link between strategic leadership and organization performance. Cadagon (2012) pointed that due to the multifaceted nature of markets today firms tend to have multiple strategic orientations. Moreover, where studies have used multi-dimensional approach there is no consistency in their findings on the influence of specific strategic leadership dimensions as determinants of firm performance and therefore substantiating the need for more empirical research to build consensus. Azhar, Ikram, Rashid and Saqib (2013) affirm that organizational performance is a result of the adopted strategy, its execution and leadership nature. Olanipekun (2015) contends that strategic leadership positively improves competitive advantage and organizational performance. Waweru and Omwenga (2015) note that failure of Kenyan companies to achieve high profitability levels can be attributed to poor management, poor adoption of strategic management practices and lack of strategic roadmaps within the structures of the organization. However, none of the above studies were specifically conducted within insurance industry firms hence the study sought to find answers to these methodological gaps by examining the effect of strategic leadership on organization performance of insurance firms in Kenya.

OBJECTIVES OF THE STUDY

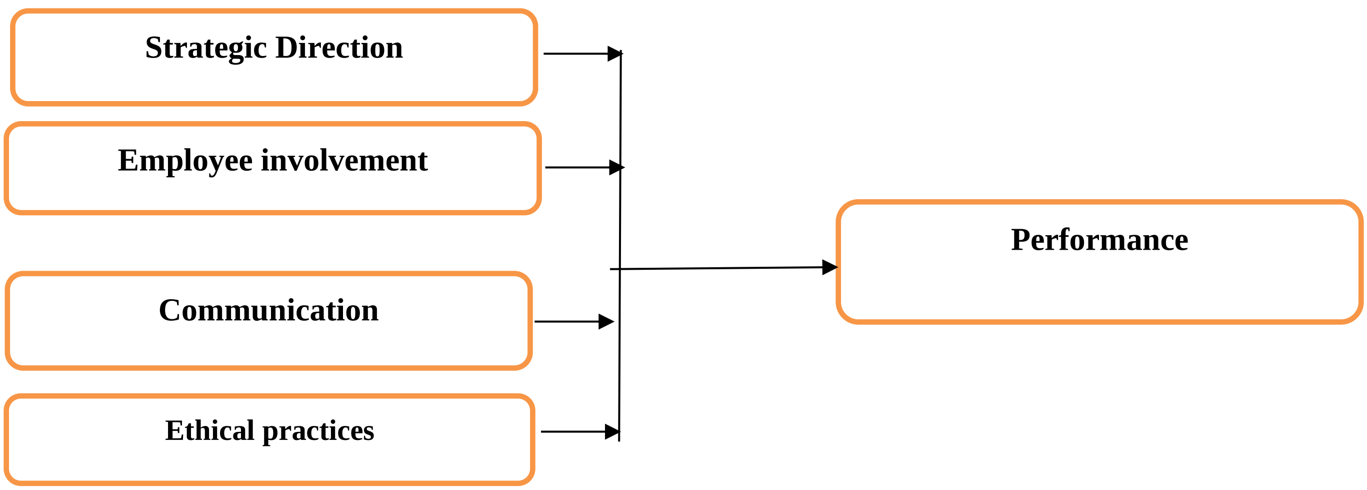
i. Determining effect of strategic direction on performance of Kenyan insurance firms.
ii. Establishing effect of employee involvement on performance of Kenyan insurance firms.
iii. Determining effect of communication on performance of Kenyan insurance firms.
iv. Examining effects of adoption of ethical practices on performance of Kenyan insurance firms.

THEORETICAL REVIEW

The study was anchored on the Path-Goal Theory, Upper Echelons Theory and Institutional Theory. The Path-Goal Theory Originally developed by Martin Evans in 1970 and advanced by Robert House in 1971, identifies motivation as the leader's best way to make subordinated more inclined to attain organizational goals (Northouse, 2012), (Cote, 2017). It proposed that the manager psychologically develops employees leading to motivation or more on-job satisfaction and that depending on the situation, different managers bring about different results depending on the situation of the firm at the time (Polston-Murdoch, 2013). This theory proposes that the behaviour of a superior officer will reflect on the subordinates. Appropriate leadership behaviour is responsible for increased job satisfaction hence productivity (Cote, 2017). This also improves loyalty and commitment to the organization (Daft, 2005). It explains employee attitudes in relation to leadership characteristics (Northouse, 2012). The effect of directive and participative leadership perspectives will be expounded in this study. The directive style is linking the communication role of the leadership which helps in directing employees within the firm and helps in attainment of the firm objectives. The participative style is integral in examining the employee involvement since it allows for the management to observe employee attitudes and reactions towards different pressures. This is key when making decisions respective to employee neds and capabilities thus leading to positive organizational performance. Thus, the theory aid in the examination of management decisions towards communication and employee involvement as indicated above.

Upper echelons theory affirms that firm effectiveness is a product of the combines views, experiences and values of the top management (Carpenter, Geletkanycz, & Sanders, 2004), (Carpenter & Fredrickson, 2001). It views strategic actions as functions that are unique attributes of the leaders. The limit of human beings in information processing leaves them vulnerable to personal experiences, the environment and personal beliefs. This goes to show that leader's individual characteristics are a product of their observations and interpretations of the surrounding environment and this is reflected by the corporate image of the organization which they are in charge of (Carpenter, Geletkanycz, & Sanders, 2004; Van Knippenberg, De Dreu, & Homan, 2004). Further, this theory asserts that managers make decisions based on how they analyze and interpret situations encountered and how this relates to the unique experiences gained by leaders through-out their lives (Hambrick & Mason, 1994). Institutionally, logics are ideas and beliefs which make individuals behave in particular ways and how they relate with the firm, society and fellow employees (De Nooy, 2003). Typically, a leader exhibits certain traits such as effective communication, integrity and ethical conduct, strategic intent and direction as well as capacity to spur employees. Hence this theory's importance when determining dimensions of strategic leadership; strategic direction in the firm and the ethical practices and their effect on performance of insurance firms.

According to institution theorists, Meyer and Rowan (1991); DiMaggio and Powell (1983) institutional settings can largely shape the advancement of formal constitutions in a business or organization, frequently more intensely than market dynamics and pressures. This affects how organizations make decisions especially on the implementation of strategy. The theory gives helpful framework for examining organizational relationship with its environment while emphasizing on the social norms, rules, values, and expectations, as the main sources of pressure on institutions (Lawrence & Shadman, 2008). Institutional theory addresses the behavioral patterns of an organization and how its internal challenges affect strategy implementation. Institutional theory provides processes through which structures become authoritative guidelines for social behaviour (Lawrence & Shadman, 2008). This theory identifies and examines implications that support legitimacy and survival of organization's culture, including factors such as social environment, culture, regulation including, history tradition, economic motivations/incentives, and the legal environment, whilst recognizing the overall importance of resources (Al-Khouri, 2010).DiMaggio and Powell (1983) contends that the effects implanted in the organizational formations are meant to have the organizations, through the management, have a strong foundation that seek to make them stand firm in the operational environment and thus promote the profound ability of the firms to create more basis and expand for better survival capabilities. The pressures that the organizational management put among the stakeholders of the firms such as the employees are mainly meant to make them perform and be more productive for enhanced organizational performance (Al-Khouri, 2010). The relevance of this theory arises since it aims to ensure that the diverse needs of all the stakeholders in the institution are well represented. It anchored the dependent variable which is organization performance and was measured from a multidimensional approach.



Conceptual Framework

Independent Variables **Dependent Variable**

Figure 1 Conceptual Framework

EMPIRICAL REVIEW

In their study Kee-Luen et al., (2013) examined the effect of strategic planning, strategic direction and business performance and sampled 350 randomly selected SMEs whose leaders were handed or emailed questionnaires. Findings showed the existence of a positive relationship between strategic direction and their business performances (r=0.591, p=0.01). Felício and Rodrigues (2015) assessed the effect of customer motivation and organizational factors on productivity of insurance companies in Kenya. Through structural equation modelling it was established that strategic intent, new strategies implementation and customer-focus was positively related to insurance firm productivity. O'Shannassy (2016) conducted a research on strategic intent in predicting organization performance within Australian firms and showed that firms which perform exceptionally have intents which define their ambitions.

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Hogarh (2012) investigated how training influences productivity of insurance staff at Sic Insurance Company Limited. The findings of the research showed that SIC Insurance Company Limited offers both on-the-job and off-the-job training programmes thus equipping employees with necessary skills on how to attain organizational goals showing that training has positive effects on productivity of insurance staff. Additionally, Fu and Deshpande (2014) examined how job environment, impacts employee satisfaction and thus employee performance among Chinese insurance firms. It was shown that climate significantly impacts job satisfaction and thus employee productivity. Loo and Beh (2013) focused on how strategic HRM influences productivity of seven large insurance firms in Malaysia. Applying a descriptive research and using self-administered questionnaire in the data collection process, findings revealed that performance appraisal, internal communication and adequate feedback systems enhance productivity. The study was based in Malaysia and not Kenya.

In a related study, Raza, Kanwal, Rafique, Sarfraz and Zahra (2017) focused on examining how HRM practices and communication affect productivity among service industry employees in Vehari, Pakistan. The findings showed that communication significantly influenced productivity at work. In addition, Raina and Roebuck (2016) explored how organizational culture influences communication within the organization and sampled 105 employees working in India's insurance sector. It was revealed that downward communication significantly influences satisfaction among employees, their commitment, and rate of retention. The study limited itself to firms in India.

Qi and Ming-Xia (2014) examined how compliance to ethical requirements influences performance in the Chinese insurance industry. It was indicated that ethical leadership positively influences productivity. The research was Chinese-based. Similarly, Kavousi and Mansouri (2015) examined how ethical considerations and innovation influences productivity among Iranian Insurance Companies and indicated that adopting and adhering to clearly-defined ethical guidelines and reliance on ethical practices improved individual employee performance. Ahmed (2013) studied non-financial factors which influence productivity of insurance firms which follow the sharia law in Kenya. Using open and close-ended questionnaires, findings showed that unethical practices such as delayed payments of claims, loss of company reputation and poor and execution of ethical codes led to poor productivity. The study was centred on Takaful insurance limited.

RESEARCH METHODOLOGY

A descriptive research design was adopted due to its ability to evaluate related patterns from wide ranges of the population. The unit of analysis consisted of the 55 insurance firms operating within Kenya with the unit of observation for the study being strategy manager/risk/compliance managers and the financial managers as shown in Table 1.

Table 1 Population of the Study

Personnel	No. of registered firms	Population
Strategy managers	55	55
Risk managers	55	55
Human Resource Managers	55	55
Finance managers	55	55
Total population		**220**

Respondents from chosen category were selected through stratified sampling technique, giving all respondents equal chances of participating in the study (Mugenda & Mugenda, 2003). The sample size of 142 for this study was determined using the Yamane formula as shown below

n = sample size, N = population size and e =level of precision.

$$n = \frac{N}{1 + N(e)^2}$$

The study utilized a structured questionnaire to collect primary data and had close-ended questions. Structured questionnaires were adopted since they offered the researcher an opportunity to collect quantitative data which made it easy to conduct analysis and to draw inferences, while at the same time offered the respondents an opportunity to clarify their answers in the structured section. Before the use of the questionnaire, a pilot test consisting of 10% of the sample respondents (142) represented by 14 respondents who were not involved in the main study was carried out as proposed by Mugenda and Mugenda (2003), who found 10%-20% is adequate for the pretesting of the research instrument. Internal consistency measure of reliability was tested through Cronbach Alpha at a threshold of 0.7. All the variables attained a value above 0.7 implying that they were reliable. In regard to validity, three types of validity were established in this study, that is face, content and construct validity. Face validity was tested through expert and non-expert opinion, content validity was tested through both exhaustive literature review and expert opinion and construct validity was tested through exploratory factor analysis at a threshold of 0.4. The exploratory factor analysis results showed that the variables met the construct validity since the results demonstrated factor loadings above 0.4. The quantitative data was analysed using descriptive and inferential analysis techniques with descriptive analysis consisting of percentages, means, and standard deviations. Inferential statistics consisted of multiple regression analysis and correlation analysis in determining the variable's relationships. Figures and tables were used to present the findings. The multiple regression equation used is presented below;

$$\mathbf{Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$$

Where; Y = Dependent variable (Performance of insurance firms in Kenya), α = the model intercept, β_{1-4} = Coefficient of independent variables, $\mathbf{X_1}$ – Strategic Direction, $\mathbf{X_2}$ – Employee Involvement, $\mathbf{X_3}$ – Effective Communication, $\mathbf{X_4}$ – Ethical Practices and $\boldsymbol{\varepsilon}$ = Error Term. The research adopted the collinearity testing, normality testing, autocorrelation and heteroscedasticity as the measures of testing linear regression assumptions before running the regression.

RESEARCH FINDINGS

In the study, a total of 142 respondents were targeted from 55 insurance firms. Out of the issued questionnaires, 94 of them were well filled without blank spaces. This represented an overall response rate of 66 percent which is satisfactory given that Cooper and Schindler (2014) mentioned that a response rate above 50 percent is satisfactory.

Demographic Characteristics

The results summarized in Table 2 showed that majority of the respondents, 43 percent, had a work experience between 11 and 20 years, 22 percent had a work experience between 21 and 30 years and only 18 percent had a work experience below 10 years. The results imply that the respondents had diversified work experience. In addition, they had a high institutional know-how and thus in a better position to give finer details on the strategic leadership practices of their firms. The results also showed that a quarter of the respondents were strategic managers, 26 percent were HR managers, 28 percent were risk managers and 21 percent were finance managers. This shows diversity in the responses given from a diversified group of respondents. There was no sampling bias based on positions.

Table 2 Demographic Characteristics

Factor	Category	Percentage Response
	1-10 years	18%
	11-20 years	43%
	21-30 years	22%
Work Experience	Over 31 years	17%
	Strategic Manager	25%
	HR Manager	26%
	Risk Manager	28%
Position	Finance Manager	21%

Descriptive Statistics

The descriptive description of the data based on the central tendency and dispersion measures is presented in this subsection. The mean and standard deviation of the responses is described per objective in this section.

Strategic Direction

The study established the extent to which various strategic direction practices had been implemented by insurance firms in Kenya on a scale of 1 to 5. The mean and standard deviation results in Table 3 show that insurance firms in Kenya have clear communication of the mission of the insurance firm to a high extent (M = 4.10; SD = 1.19), organization goals within insurance firms to a high extent (M = 3.99; SD = 1.13), clear definition of the business model within the insurance firms to a high extent (M = 3.93; SD = 1.07) as well as a clear communication of the evaluation of the organization objectives within the insurance firms to a high extent (M = 4.06 ; SD = 1.19).

It was also agreed that the insurance firms in Kenya have adopted a clear detailed organization plans for attainment of organization goals within insurance firms to a high extent (M = 3.89 ; SD = 1.22) but the employees are aware of the products on offer within the firm to a moderate extent (M = 3.01 ; SD = 1.48) as well as knowledgeable of the insurance firm market strength to a moderate extent (M = 3.15 ; SD = 1.50). On average, it was indicated that the insurance firms in Kenya have adopted strategic direction practices, that is mission, vision and strategic intent to a high extent. This corresponds to that findings by Kee-Luen et al., (2013) who demonstrated that arcticulating the firm vision, directing strategy execution and commitment to implement strategies enhanced business performance.

Table 3 Descriptive Statistics of Strategic Direction

Statement	Mean	Standard Deviation
Mission		
Our firm has clear communication of the mission of the insurance firm	4.10	1.19
Our firm has clear communication of the organization goals within insurance firms	3.99	1.13
Vision		
Our firm has clear definition of the business model within the insurance firms	3.93	1.07
Our firm has clear communication of the evaluation of the organization objectives within the insurance firms	4.06	1.19
Strategic Intent		
Our firm has a clear detailed organization plans for attainment of organization goals within insurance firms	3.89	1.22
I am aware of the products on offer within the firm	3.01	1.48
I am knowledgeable of the insurance firm market strength	3.15	1.50
Average	**3.73**	**1.25**

Employee Involvement

The study also sought to find out the extent to which employees are involved in various activities among the insurance firms in Kenya on a scale of 1 to 5. The mean and standard deviation results in Table 4 demonstrated that there is increased participation of employees within the insurance firms in Kenya to a high extent (M = 3.88 ; SD = 1.23), there is involvement of employees in decision making within the insurance firms in Kenya to a high extent (M = 3.60 ; SD = 1.09) as well as increased teamwork and coordination within the insurance firm to a high extent (M = 4.02 ; SD = 1.09). In addition, it was revealed that the organizations have put in place suitable measures to match job and skills to a high extent (M = 3.88; SD = 1.17) as well as job rotation being encouraged in the firms to ensure that employees are matched with the right task to a high extent (M = 4.00; SD = 1.10). However, there is a continuous training and development schedule within the insurance firm to a moderate extent (M = 2.44; SD = 1.33) and also the robust recruitment process within insurance firms in Kenya is conducted to a moderate extent (M = 2.32; SD = 1.33). Employee involvement was generally established to have been implemented among the insurance firms in Kenya to a moderate extent. The findings are consistent with Hogarh (2012) who indicated that employee involvement through trainings and decision making enhance performance.

Table 4 Descriptive Statistics of Employee Involvement

Statement	Mean	Standard Deviation
Decision Making		
There is increased participation of employees within the insurance firm	3.88	1.23
There is involvement of employees in decision making within the insurance firm	3.60	1.09
Training and Development		
There is a continuous training and development schedule within the insurance firm	2.44	1.33
There is a robust recruitment process within insurance firm.	2.32	1.33
There is increased teamwork and coordination within the insurance firm	4.02	1.09
Matching Job and Skills		
The organization has put in place suitable measures to match job and skills within the insurance firm	3.88	1.17
Job rotation is usually encouraged in the firm to ensure that employees are matched with the right task	4.00	1.10
Average	**3.45**	**1.19**

Communication

The study also sought to find out the extent to which communication practices were being implemented by the insurance firms in Kenya on a scale of 1 to 5. The mean and standard deviation results in Table 5 indicate that among the insurance firms in Kenya, there are clear lines of communication to a high extent (M = 3.60; SD = 1.35). The firms have also developed a comprehensive communication structure to a high extent (M = 3.50; SD = 1.20). The firms have also developed organizational feedback system which is specific and timely to a high extent (M = 4.09; SD = 0.97), goal-oriented to a high extent (M = 4.14; SD = 0.95) as well as one which has focused on the future to a high extent (M = 4.09; SD = 0.92). On the contrary, it was indicated that there is well laid down chain of command within the insurance industry to a moderate extent (M = 3.26; SD = 1.34) as well as existence of a precise communication of delegation of duties within the insurance firm to a moderate extent (M = 3.41; SD = 1.36). Overall, it was indicated that insurance firms in Kenya have implemented communication practices to a high extent. This is consistent with Loo and Beh (2013) who indicated that various communication practices such as internal communication and adequate feedback systems enhance performance.

Table 5 Descriptive Statistics of Communication

Statement	Mean	Standard Deviation
Communication Structure		
There are clear lines of communication within the insurance firm	3.60	1.35
The firm has developed a comprehensive communication structure within the insurance firm	3.50	1.20
Chain of command		
There is well laid down chain of command within our insurance firm	3.26	1.34
There is precise communication of delegation of duties within the insurance firm	3.41	1.36
Feedback Systems		
The organizational feedback system is specific and timely	4.09	0.97
The organizational feedback system is goal-oriented	4.14	0.95
The organization's feedback system focuses on the future	4.09	0.92
Average	**3.72**	**1.15**

Ethical Practices

The extent to which various ethical practices have been implemented by the insurance firms in Kenya was interrogated on a scale of 1 to 5. The mean and standard deviation results in Table 6 direct that there is a comprehensive code of conduct within insurance firms in Kenya to a high extent (M = 3.57; SD = 1.09). The firms have also put in place mechanisms for the review of code of conduct to a high extent (M = 3.61; SD = 1.15), to detect fraud and ensure professionalism among personnel to a high extent (M = 4.11 ; SD = 1.00) as well as continuously update and communicate new compliance guidelines to a high extent (M = 3.88 ; SD = 1.29).

It was also established that even though the insurance firms adhere to the standards advanced by the regulator to a high extent (M = 3.65 ; SD = 1.50), they have created a reward structure (bonuses, promotion and prizes) for good ethical behaviors to a moderate extent (M = 3.24; SD = 1.41) as well as put in place a system to reward ethical behaviour within the organization to a moderate extent (M = 3.17; SD = 1.33). Overall, it was indicated that the insurance firms have implemented ethical practices to a high extent. The findings are consistent with that of Qi and Ming-Xia (2014) who indicated that ethical practices are related to firm performance.

Table 6 Descriptive Statistics of Ethical Practices

Statement	Mean	Standard Deviation
Development of code of ethics		
There is a comprehensive code of conduct within insurance firm	3.57	1.09
The firm has put in place mechanisms for the review of the insurance firms code of conduct	3.61	1.15
Compliance to code of ethics		
The firm has put in place mechanisms to detect fraud and ensure professionalism among personnel	4.11	1.00
The firm continuously updates and communicates new compliance guidelines	3.88	1.29
Rewarding Ethical Behaviour		
The firm has put in place a system to reward ethical behaviour within the organization	3.24	1.41
The firm adheres to the standards advanced by the regulator	3.17	1.33
The organization has created a reward structure (bonuses, promotion and prizes) for good ethical behaviour	3.65	1.50
Average	**3.60**	**1.25**

Performance

The descriptive statistics of performance were also established. Specifically, the secondary information on profitability, customer satisfaction and market share were established. The results in Table 7 indicate that the insurance firms have been improving in the market share proportion. In the market share between 11 percent and 25 percent, between 40 and 50 percent of the insurance firms have maintained this market proportion. In addition, those firms with a market share above 25% have improved from 29 percent to 40 percent in the year 2019. This implies that the insurance firms have put in place effective measures of improving their market share.

Table 7 Market Share Analysis

Market Share Range	2015	2016	2017	2018	2019
Below 10%	26%	22%	18%	21%	16%
11%-25%	45%	43%	48%	52%	44%
Above 25%	29%	35%	34%	27%	40%

The profitability range of the insurance firms was also established and presented in Table 8. It was indicated that corresponding with market share, the firm's profitability has also been improving considerably. The number of firms making below 50 Million decreased significantly from 9 percent to 6 percent to signal a good performance.

The number of firms making less than Kshs. 100 Million also decreased from 24 percent to 13 percent while those making above Kshs.100 Million increased from 67 percent to 81 percent. These findings demonstrate that insurance firms have significantly improved their profits margin for the last 5 years.

Table 8 Profitability Analysis

Profit Range	2015	2016	2017	2018	2019
Below 50 Million	9%	10%	7%	7%	6%
51M – 100 M	24%	20%	22%	15%	13%
Above 100 M	67%	70%	71%	78%	81%

Analysis of customer satisfaction was also conducted whereby the customers complaints were analysed for the last five years. Using a range, it was established that the number of firm's recording less than 15 customer complaints has significantly increased from 10 percent in 2014 to 35 percent in 2019. Correspondingly, the number of firm's recording less more than 30 customer complaints has significantly decreased from 68% to 17% in the year 2019. This shows a substantial improvement. The results are presented in Table 4.8.

Table 8 Customer Satisfaction

Customer Complaints	2015	2016	2017	2018	2019
Below 15	10%	22%	26%	32%	35%
16 to 30	22%	34%	46%	40%	48%
Above 30	68%	44%	38%	28%	17%

Correlation Analysis

A correlation analysis was conducted to establish the association between the study variables. The results in Table 9 below indicates that strategic direction is positively and significantly associated with performance of insurance firms in Kenya ($r = 0.702$; Sig < 0.05). The implication of the results is that increasing strategic direction practices would result to a significant improvement in performance of insurance firms in Kenya. The findings are consistent with that of Felício and Rodrigues (2015) who indicated that strategic intent, new strategies implementation and customer-focus was positively related to insurance firm productivity. The result also indicates that employee involvement is positively and significantly associated with performance of insurance firms in Kenya ($r = 0.687$; Sig < 0.05). The implication of the results is that increasing employee involvement would result to a significant improvement in performance of insurance firms in Kenya. The findings correspond that of Ogbu and Idowu (2017) who indicated that employee involvement through training and development is significantly related to employee productivity.

It was also shown that communication is positively and significantly associated with performance of insurance firms in Kenya ($r = 0.623$; Sig < 0.05). This implies that an improvement in communication practices would result to a significant improvement in performance of insurance firms in Kenya. The findings contradict that of Raza, Kanwal, Rafique, Sarfraz and Zahra (2017) who indicated that communication significantly influenced productivity at work. Lastly, it was shown that ethical practices are positively and significantly associated with performance of insurance firms in Kenya ($r = 0.616$; Sig < 0.05). This implies that an improvement in communication practices would result to a significant improvement in performance of insurance firms in Kenya. Kavousi and Mansouri (2015) similarly failed to find evidence that ethical practices affected firm performance.

Table 9 Correlation Matrix

		Strategic Direction	Employee Involvement	Communication	Ethical Practices	Performance
Strategic Direction	Pearson Correlation	1				
	Sig. (2-tailed)					
Employee Involvement	Pearson Correlation	.805**	1			
	Sig. (2-tailed)	0.00				
Communication	Pearson Correlation	.803**	.721**	1		
	Sig. (2-tailed)	0.000	0.000			
Ethical Practices	Pearson Correlation	.780**	.771**	.637**	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
Performance	Pearson Correlation	.702**	.687**	.623**	.616**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	94	94	94	94	94
** Correlation is significant at the 0.01 level (2-tailed).						

Regression Analysis

After ascertaining that no assumptions of an OLS regression model would be violated, the study conducted a multiple regression model. In this regression, the model summary, ANOVA and model coefficients were established and discussed. Table 10 gives the model summary results. The results indicate that strategic leadership practices that is, Ethical Practices, Communication, Employee Involvement and Strategic Direction explain up to 54 percent of variations in performance of insurance firms in Kenya. The remaining percentage can be explained by other factors not considered in this study.

Table 10 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.735	0.54	0.519	0.125
Predictors: (Constant), Ethical Practices, Communication, Employee Involvement, Strategic Direction			
Dependent Variable: Performance			

The model fitness was similarly established as shown in Table 11. The ANOVA results showed that the regression model connecting strategic leadership to performance of insurance firms in Kenya was a good fit since F statistic was significant (0.000 < 0.05). In that case, the model was suitable to predict performance of insurance firms in Kenya.

Table 11 ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.63	4	0.408	26.077	.000
Residual	1.391	89	0.016		
Total	3.021	93			
Dependent Variable: Performance					
Predictors: (Constant), Ethical Practices, Communication, Employee Involvement, Strategic Direction					

The influence of each strategic leadership practice on performance was established and presented in Table 12. The results indicate that strategic direction has a positive and significant influence on performance (Beta = 0.07; Sig < 0.05). This implies that a unit increase in strategic direction practices would significantly lead to an improvement in performance of insurance firms in Kenya by up to 0.07 units. The findings are consistent with that of Abdi (2014) who showed that formulation of a vision and mission statement, situational analysis and strategic decision influences firm performance. The results also demonstrate that employee involvement has a positive and significant influence on performance (Beta = 0.063; Sig < 0.05). This implies that a unit increase in employee involvement practices would significantly lead to an improvement in performance of insurance firms in Kenya by up to 0.063 units. Njenga (2018) also established that employee involvement through training and development significantly influenced firm performance.

Correspondingly, the influence of communication on performance was positive and significant (Beta = 0.056; Sig < 0.05). This implies that a unit increase in communication practices would lead to a significant improvement in performance of insurance firms in Kenya by up to 0.056 units. The findings are inconsistent with that of Rintari and Moronge (2014) who showed that communication had least effect on firm performance. On the contrary, the influence of ethical practices on performance was however positive but not significant (Beta = 0.015; Sig > 0.05). This implies that a unit increase in ethical practices would lead to an insignificant improvement in performance of insurance firms in Kenya by up to 0.015 units. Abongo, Mutinda, Senaji and Rintari (2019) similarly indicated that ethical values, ethical guidance and ethical reporting positively affect firm productivity.

Table 12 Model Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.562	0.075		20.801	0.000
Strategic Direction	0.070	0.033	0.331	2.115	0.037
Employee Involvement	0.063	0.028	0.299	2.220	0.029
Communication	0.056	0.026	0.103	2.154	0.031
Ethical Practices	0.015	0.030	0.062	0.497	0.621
Dependent Variable: Performance					

CONCLUSIONS

The study concluded that adoption of strategic direction practices such as establishment of a clear communication of the mission, organization goals, clear definition of the business model, clear communication of the evaluation of the organization objectives and clear detailed organization plans for attainment of organization goals would lead to a significant improvement in performance of the insurance firms in Kenya. Another conclusion of the study is that implementation of employee involvement practices such as increased participation of employees, involvement of employees in decision making, increased teamwork and coordination, matching job and skills, job rotation, continuous training and development schedule as well as robust recruitment process within insurance firms in Kenya would significantly lead to an improvement in performance of insurance firms in Kenya.

The findings also led to the conclusion that adoption of various communication practices such as clear lines of communication, comprehensive communication structure, organizational feedback system which is specific and timely , goal-oriented as well as one which has focused on the future, having a well laid down chain of command as well as existence of a precise communication of delegation of duties would lead to an improvement in performance of insurance firms in Kenya significantly. The study also concluded that even though adoption of various ethical practices such as development of a comprehensive code of conduct, mechanisms for the review of code of conduct, detection of fraud and ensure professionalism, continuously updating and communicating new compliance guidelines, adhering to the standards advanced by the regulator, creation of a reward structure (bonuses, promotion and prizes) for good ethical behaviors as well establishment of a system to reward ethical behaviour within the organization would improve performance of insurance firms, its impact is not significant.

RECOMMENDATIONS

Based on the findings that strategic direction practices would significantly improve performance of insurance firms in Kenya, the study recommends the insurance firms to upscale its adoption. The firms can aim to further improve some of the practices to a high extent such as establishment of a clear communication of the mission, organization goals, clear definition of the business model, clear communication of the evaluation of the organization objectives and clear detailed organization plans for attainment of organization goals. Since it was indicated that implementation of employee involvement practices would significantly improve performance of insurance firms In Kenya, the study suggests that the management of insurance firms in Kenya should develop human resources policies aimed at increasing participation of employees, involvement of employees in decision making, increased teamwork and coordination, matching job and skills, job rotation and continuous training and development.

Based on the findings that adoption of various communication practices has a significant impact on performance of insurance firms in Kenya, this study calls for enhanced adoption of these practices to a high extent in order to realise even better performance results. Some of the practices to be adopted to a high extent are development of a comprehensive communication structure, organizational feedback system which is specific and timely, goal-oriented as well as one which has focused on the future, having a well laid down chain of command as well as existence of a precise communication of delegation of duties. Similarly, since the existing ethical practices among insurance firms in Kenya currently don't impact performance of these firms, the study recommends an improvement in the extent to which these practices have been adopted. Some of the practices that need improvement are development of a comprehensive code of conduct, mechanisms for the review of code of conduct, detection of fraud and ensure professionalism, continuously updating and communicating new compliance guidelines and adhering to the standards advanced by the regulator, creation of a reward structure (bonuses, promotion and prizes) for good ethical behaviors as well establishment of a system to reward ethical behaviour within the organization.

CONFLICT OF INTEREST

No potential conflict of interest was recorded by the authors.

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