

## **Understanding Performance of Insurance Companies in Nairobi City County, Kenya: The Perspective of Exploitation Capacity**

**Jeremiah Kamau Kinyua**

[jerems96@gmail.com](mailto:jerems96@gmail.com)

Department of Business Administration, School of Business, Kenyatta University

**Anne Muchemi, PhD**

[muchemi.anne@ku.ac.ke](mailto:muchemi.anne@ku.ac.ke)

Department of Business Administration, School of Business, Kenyatta University

**David Kiiru, PhD**

[kiirudavid13@gmail.com](mailto:kiirudavid13@gmail.com)

Department of Business Administration, School of Business, Kenyatta University

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### **ABSTRACT**

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The insurance industry regulates the flow of funds to various sectors of the economy thereby providing financial security to both life and property with the attendant consequence of strengthening the economic system of nations across the globe. In spite of the pivotal role played by the insurance industry in supporting the national economy, there has been a notable increase in customers' complaints relating to unsatisfactory offers, erroneous deductions and delayed settlement. Therefore, this study sought to examine the effect of exploitation capacity on performance of insurance companies in Nairobi City County, Kenya. The study was grounded on dynamic capabilities theory. The research strategy for this study was anchored on positivism research paradigm and explanatory research design. The unit of analysis and unit of observation comprised of insurance companies and heads of functional areas. A semi-structured questionnaire was used to gather quantitative and qualitative data from 216 heads of functional areas in 27 insurance companies selected using multi-stage random sampling technique. The validity and reliability of the research instrument were confirmed accordingly. The research instrument was administered using drop-and-pick later method so as to enhance the response rate. The survey was characterized by a response rate of 81 percent. Quantitative data were analyzed using descriptive and inferential statistics. Descriptive analysis involved the use of frequency count, percentages, sample mean, sample standard deviation and coefficient of variation. Simple linear regression analysis was used to estimate the population parameters and facilitate testing of hypotheses at 95 percent level of confidence. Results of data analysis were presented in tabular form as well as using figures. Qualitative data were analysed using content analysis. The study found out that exploitation capacity has a positive effect on organizational performance. Management of insurance companies should promote practices that enhance optimization of informational resources. The manager in charge of research and development should formulate policies that would particularly strengthen practices that manifest the ability to inspect and monitor events and changes in the surrounding environment, collect, accumulate, restructure and evaluate relevant information, reconfigure and redeploy resources.

**Keywords: Exploitation Capacity, Informational Resources and Organization Performance**

## 1.0 Introduction

The search for a sound and rigorous explanation to heterogeneity in performance amongst organizations in the same industry has dominated scholarly work for a couple of decades (Penrose, 1959; Porter, 1981; Ferguson, 1994; Teece, Pisano & Shuen, 1997; Jones & Hills, 2009; Barthwal, 2010). This scholarly pursuit has engendered two extreme perspectives with one school of thought emphasising endogenous factors (Penrose, 1959; Barney, 1986; Prahalad & Hamel, 1990) while the other anchoring their explanation on exogenous factors (Meyer & Rowan, 1977; Porter, 1981; Ferguson, 1994). Another stream of scholars has taken what may be considered as integrated approach (Teece, Pisano & Shuen, 1997). Irrespective of the proposition advanced by the distinct school of thought, there is consensus that contextual factors of a business enterprise play a key role in driving creation of value and realisation of organization' objectives.

The resource-based view (RBV) associates heterogeneity in performance of firms in the same industry with the stock of resources owned and controlled by such firms (Barney, 1991; Prahalad & Hamel, 1990). However, it has also been observed that tangible resources are elastic in nature and can easily be acquired by the competition from the factor market (Grunert & Hildebrandt, 2004; Jones & Hill, 2009). This eventuality raises a strategic implication on the need to leverage on intangible resources which are inherently inelastic in nature, immobile and not easy to imitate given that they are largely path dependent (Jones & Hill, 2009). Moreover, any competitive performance that is based on intangible resource may also need to be complemented with deployment of dynamic capabilities which take cognizance of the dynamism of internal and external environment (Teece, Pisano & Shuen, 1997; Teece, 2007). These dynamic capabilities is what any firm would require to effectively address the rapidly-changing environment.

Absorptive capacity is viewed as a primary dynamic capability embedded in processes and routines of a social entity (Tsai, 2001; Zahra & George, 2002). As a dynamic capability, absorptive capacity may be considered instrumental for enhancing the strategic posture for generation of new ideas, products, services and processes in a dynamic business environment by leveraging on external knowledge. Absorptive capacity has been conceptualized as multidimensional construct comprising of capacity to acquire, assimilate, transform and exploit knowledge (Zahra & George, 2002). Exploitation capacity is fundamentally concerned with routines and activities that enable an organization to incorporate knowledge that has already been acquired, assimilated and transformed into present assortment of tasks essentially providing guidance to anticipated future operations (Zahra & George, 2002; Watson, Wilson, Smart, & Macdonald, 2018). This capacity is based on firm's routines that enable refining, expansion and leveraging existing processes, competences and routines, processes, competences and knowledge, as such promoting creation of new operations, routines, and competences.

According to Cummins and Venard (2008), the insurance markets have changed radically and deeply in the last couple of years. The shift of emphasis to liberalization and deregulation of insurance institutions, coupled with adoption of electronic commerce and globalization practices have intensified competition posing significant challenges at both global and local landscapes. As has been noted by Njegomir & Malovic (2012), operations and performance of firms in the insurance industry has historically been influenced by factors that are internal as well as external nature, presenting both opportunities and threats in equal measures. Moreover, cross-industry

integration has seen commercial banks typically combining provision of insurance and banking services as they seek to provide intermediation services in financial markets consequently compounding the intensity of competition and potentially posing a great risk of financial contagion as has been demonstrated in the global financial crisis.

Even though digital transformation in the insurance sub-sector has been credited with the creation of significant opportunities and increased operational efficiency, on the flipside, there is a substantial rise in the risks associated with digital security as private information that is transacted on the digital platforms has become more prone to hacking and cyber-attacks (AKI, 2019). According to IRA (2019), the insurance industry registered a 5 percent increase in the number of complaints lodged by customers from 2,126 in 2017 to 2,233 in 2018 and 2018. These complaints consisted of erroneous deductions, delayed settlement, and unsatisfactory offers. Notably, only 63 percent of the overall complaints were resolved over the period under consideration. Moreover, the insurance coverage relative to total population was 9.0 percent in 2018 compared to 9.1 percent that characterised 2017.

## **2.0 Statement of the Problem**

The insurance industry regulates the flow of funds to various sectors of the economy thereby providing financial security to both life and property with the attendant consequence of strengthening the economic system of nations across the globe (Andrieş & Căpraru 2014). In spite of the pivotal role played by the insurance industry in supporting the national economy, IRA (2019) noted that there was a 5 percent increase in the number of complaints lodged by customers from 2,126 in 2017 to 2,233 in 2018. These complains consisted of erroneous deductions, delayed settlement, and unsatisfactory offers. Notably, only 63 percent of the overall complaints lodged in the year were resolved a majority of which involved long term insurers. In addition, the insurance coverage relative to total population was 9.0 percent in 2018 compared to 9.1 percent that characterised 2017 for life insurance. Further, there has been a marked decline in the growth of insurance activities from 6.5 to 5.2 per cent in 2017 and 2018 respectively (KNBS, 2019).

Extant literature provide substantial evidence that exploitation capacity has potential to influence the outcomes of an enterprise. Essentially, exploitation capacity satisfies the needs of action-oriented activities as well as convert knowledge advantages into competitive advantages that are essential to the process of innovation (Xun & Xuehan, 2014). This ability impels a firm to be more sensitive to identifying business opportunities and generating responses that match the market needs and trends. However, a critical review of the existing empirical literature exposes research gaps that disallow generation of inherent conclusion to the Kenyan context of the Insurance Industry (Gonzalez & Massaroli, 2018); Kombo, K'Ombonyo & Ogutu, 2018; Tajudeen, Jaafar & Sulaiman, 2019). This study therefore sought to examine the effect of exploitation capacity on performance of insurance companies in Nairobi City County, Kenya.

## **3.0 Literature Review**

### **3.1 Dynamic Capabilities Theory**

The concept of dynamic capabilities begun to gain traction amongst scholars after the publication of the seminar paper by David Teece, Gary Pisano, and Amy Shuen (Teece *et al.*, 1997) on 'Dynamic Capabilities and Strategic Management'. This concept is a developed as to address the weaknesses of the resource-based view in providing plausible explanation to the concept of competitive survival

of in the face of rapidly changing business environment (Teece, 2007). The dynamic capabilities theory is viewed as a theoretical link between the economics-based strategy literature and contemporary evolutionary approaches to organizations (Douma & Schreuder, 2013).

In the views of Grobler (2007), it is difficult for an organization to maintain its competitive advantage whenever its competitive environment is in a constant state of change. Dynamic capabilities signify organizational capacity to deliberately create, extend, or modify its resource base' (Helfat *et al.*, 2007). In essence, these capabilities are embedded on collective activities undertaken in the firm which promotes adaptation in the value creating mechanisms no matter the pace of change in environmental conditions (Helfat & Winter, 2011). Moreover, dynamic capabilities aid in modifying existing organizational capabilities and resources and /or develop new capabilities (Teece *et al.*, 1997; Winter, 2003). The underlying assumption of this theory is that firms, which are able to sense as well as seize new opportunities and in addition reconfigure their resources and capabilities in line with identified opportunities have potential to build and sustain competitive advantage (Teece, 2012).

In the theoretical perspective of dynamic capabilities, a firm is conceptualized as a social entity concerned with processing and utilizing of knowledge (Jantunen, 2005). This proposition raises a strategic implication that it is possible to create as well as maintain competitive advantage through exploiting new information and existing resources. Helfat and Winter (2011) contend that a firm that's in possession of operational capabilities is able to execute activities on an on-going basis using fairly the same resources, techniques and procedures on the same scale to support existing services and products for the same group of customer. However, dynamic capabilities are an imperative for aligning the organization with the environment and leveraging on knowledge and informational resources.

In order to discern changes in the environmental variables, threats and new opportunities, business enterprises must have relevant processes and practices for acquiring and assimilating new information into the organizational knowledge base, and acting on it (Harvey, Skelcher, Spencer, Jas & Walshe, 2010). Consequently, utilization of absorptive capacity as a primary dynamic capability provides a potent driving force for attainment of sustainable competitive advantage and enhanced corporate performance. According to Zahra and George (2002) absorptive capacity is considered as the capacity of a firm to acquire, assimilate, transform and exploit knowledge. In essence, absorptive capacity is an imperative for organizations to be able to identify, assimilate, as well as apply new knowledge to facilitate effective adaptation to changing environments (Buenstorf & Murmann, 2005).

In this study, the theory of dynamic capabilities was used to provide the theoretical grounding of the constructs of absorptive capacity as independent variable and organizational agility as mediating variable. Absorptive capacity is considered as a primary dynamic capability relating to competences of a firm in acquiring, assimilating, transforming and exploiting new knowledge (Zahra & George, 2002; Noblet, Simon & Parent, 2011; Teece, 2012) Furthermore, it has been noted that competitive, dynamic and multifaceted business landscapes require organizations to be adaptive in the process of executing strategies through allocating resources effectively and rapidly

in response to emerging opportunities and challenges in both global and local markets (Fjeldstad, Snow, Miles & Lettl, 2012; Bennett & Lemoine, 2014).

### 3.2 Empirical Literature

Tajudeen, Jaafar and Sulaiman (2019) surveyed senior managers in governmental organizations in Malaysia. In this study, 580 questionnaires were administered management employees of the target firms amongst which 153 were completed and returned for statistical analysis. Partial least square method was used for inferential analysis of the data obtained for the purpose of this statistical inquiry. The output of statistical analysis demonstrated that firm performance is positively affected by exploitation of external technology. The response rate of 26 percent that was attained in this survey does not meet the threshold for making generalization to the population.

Gonzalez and Massaroli (2018) carried out an empirical study on innovation through knowledge exploitation and exploration. The survey was conducted on 250 management-level employees in the areas of engineering, production, and human resources in automotive industry in Brazil. A structured questionnaire constructed on 6-points Likert scale was administered via email. In this study, 78 questionnaires were valid amongst the 82 that had been returned and thus the response rate was 31.2 percent. The quantitative relationship linking the research variables adopted in this survey was estimated using structural equation modeling. Output of statistical analysis demonstrated that exploitation and exploration explained 38.7 and 42.5 percent respectively of the variance of firm innovation.

Fartash, *et al.* (2018) analyzed the effect of acquisition and exploitation of technology on organizational innovation and performance among knowledge-intensive firms. The study had a sample size of 320 senior management staff in 80 knowledge-intensive companies based in Iran. Primary data for this study was collected using the questionnaire that was developed on a 5-point Likert scale as the data collection tool. Statistical analysis of the observed data confirmed that acquisition and exploitation of technology have statistically significant positive effect on organizational innovation. In addition, acquisition and exploitation of technology have a significant positive role on organizational performance. The current study considers exploitation capacity as distinct constructs as proposed by a stream of scholars (Zahra & George, 2002; Volberda, *et al.*, 2009; Noblet, *et al.*, 2011; Flatten, *et al.*, 2011)

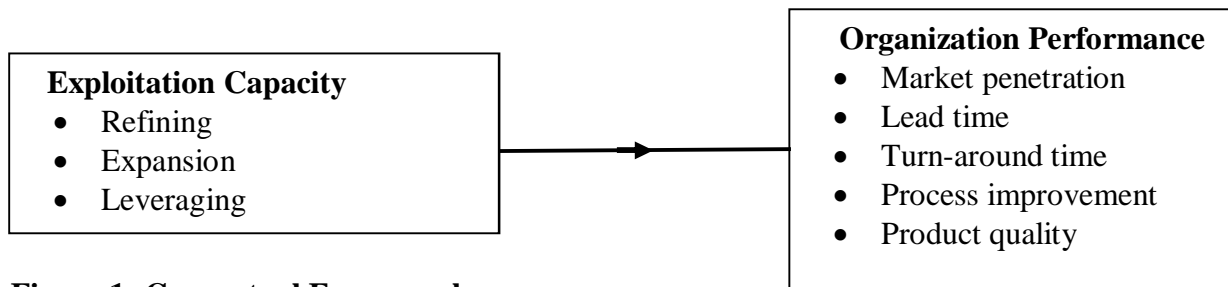
In a study carried out by Kombo, K'Ombonyo and Ogutu (2018) on manufacturing firms in Kenya. Knowledge exploitation in this study focused on internal knowledge as opposed to external knowledge. The study employed both bivariate correlation and multiple regression analysis for inferring relationships between research constructs. Knowledge exploitation was found to have a positive linear relationship with firm performance using Pearson correlation analysis. Nonetheless, results of multiple linear regression analysis demonstrated that knowledge exploitation does not affect firm performance.

Yalcinkaya, Calantone and Griffith (2007) surveyed 111 importers in the United State of America with an object of providing empirical insights into the role of exploration and exploitation capability on product innovation and market performance. The results of the survey showed that exploitation capability was influenced positively by marketing resources. Furthermore, the study concluded that

exploitation capability does not significantly influence market performance. The researcher successfully administered 564 questionnaires for the purpose of this survey. Nonetheless, 111 completed questionnaires were received from participants and processed for data analysis implying a response rate of 23.92 percent which was significantly lower than the 60 percent threshold recommended by Fincham (2008) as suitable for extrapolating the findings to the population of the study.

### 3.3 Conceptual Framework

The extensive critical review of existing theoretical and empirical literature was instrumental in the development of the conceptual framework shown in Figure 1.



**Figure 1: Conceptual Framework**  
Source: Author (2020)

The conceptual framework provides a schematic illustration of the relationship between exploitation capacity and organization performance. In Figure 1, exploitation capacity is hypothesized as an explanatory variable for organization performance amongst insurance companies. Exploitation capacity is operationalized as routines and processes that enable refining, expansion and leveraging existing routines, processes, competences and knowledge, as well as creating new operations, competences and routines. Furthermore, organization performance is operationalized as market penetration, lead time, turn-around time, process improvement and product quality.

### 3.4 Research Hypotheses

The study was guided by the following research hypotheses;

**H<sub>0</sub>:** There is no significant effect of exploitation capacity on performance of insurance companies in Nairobi City County, Kenya.

**H<sub>1</sub>:** There is a significant effect of exploitation capacity on performance of insurance companies in Nairobi City County, Kenya.

### 4.0 Research Methodology

This thesis made use of positivism paradigm for its research philosophy. Positivism paradigm is a variant of objectivism epistemology which is founded on the assumptions that the social reality that is subjected to research is external to social actors (Saunders, Lewis & Thornhill, 2009). The object of this research philosophy is to unearth the truth concerning the social world, through observation and measurement of facts, from which inferences can be made regarding the universal social reality (Gill & Johnson 2010). Insights provided by empirical inquiries that are anchored on positivism paradigm are likely to have high level of validity and reliability facilitating generalization to the population (Johnson & Onwuegbuzie, 2004; Cohen, Manion & Marison, 2011).



This study made use of explanatory research design to ensure that the empirical evidence obtained in the research process sufficiently addresses the research problem by testing the research hypotheses that have been formulated. As has been observed, explanatory research design is useful for addressing the questions ‘why’ and ‘how’ by providing corresponding explanations as well as accounting for descriptive information regarding social phenomena (Saunders, *et al.*, 2009; Grey, 2014). In particular, explanatory research design seeks to provide empirical explanations on existence of associations between research variables and if the relationship is causal. It’s necessary to make use of the explanatory research design as the researcher sought to sufficiently respond to the dominant questions ‘why’ and ‘how’ concerning the research variables adopted in this study. Explanatory research design has been adopted and successfully used in empirical study (Kimaru & Kinyua, 2018; Kiprotich, Kahuthia & Kinyua, 2019; Gatuyu & Kinyua, 2020; Ontita & Kinyua, 2020).

The researcher targeted 59 insurance companies whose head offices are in Nairobi City County. The choice of insurance companies was supported by the revelation of existence of problem of performance through the review of contextual literature and the fact that the head offices of these companies are in Nairobi City County. These companies that comprises the target population of this study are further classified into non-life insurance, life insurance, reinsurance and composite insurance.

The unit of analysis in the proposed theses is insurance companies. However, the unit of observation comprises functional areas in insurance companies including information technology, research and development, finance, human resource management, strategy and innovation, public relations, operations and sales. These functional areas are headed by senior managers who sit in the head office and are directly answerable to the chief Executive officer or managing director. In addition, the functional heads are essentially involved in making strategic decisions and thus informing the practices and behavior of employees in these companies. In this case, 472 heads of functional areas in the 59 insurance companies constituted the population size.

Multi-stage sampling technique was adopted for the purpose of selecting a representative sample in this study. In particular, proportionate stratified random sampling and simple random sampling was successively executed to attain an appropriate sample for the purpose of collecting empirical data. Since the sample size is above 5% of the target population, the appropriate sample size was established using Yamane formula which assumes a normal distribution, 95% level of confidence and precision level of 0.05 (Yamane, 1967) and has been used widely in empirical studies (Muthoni & Kinyua, 2020; Ochora & Kinyua, 2021)

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

Where; n = Sample size,  
N = Population size  
e = level of precision

The Yamane formula is appropriate for parametric tests such as linear regression which essentially obeys the assumption that sample data set is drawn from a population that can be sufficiently modelled using a probability distribution with fixed set of parameters (Neideen & Brasel, 2007).

In the case where the population, level of confidence and level of precision are 472, 95 percent and 0.05 respectively, the sample size is thus given;

$$n = \frac{472}{1 + 472(0.05)^2} = 216$$

Consequently, the sampling factor that was employed in the process of selecting the sample is given as follows;

$$k = \frac{n}{N} = \frac{216}{472} = 0.46$$

This sampling factor was used for establishing the number of insurance companies that were involved in this study on the basis of the categories established by the Insurance Regulatory Authority.

**Table 1: Distribution of the Sample**

Category	Total Number of Companies	Sampling Factor	Number of Companies Sampled	Percentage
Non-life	28	0.46	13	48.2
Life	17	0.46	8	29.6
Reinsurance	5	0.46	2	7.4
Composite	9	0.46	4	14.8
<b>Total</b>	<b>59</b>		<b>27</b>	<b>100</b>

**Source: Author (2020)**

The proportions of the sample attained in the respective categories fairly agree with the distribution of the target population as depicted in Table 1. The 27 insurance companies comprising the sample and spread across the four categories were systematically chosen using simple random sampling technique and all managers of the identified functional areas participated in this study. This implies that data was gathered from a total of 216 corporate level managers in the head offices of the sampled 27 insurance companies.

This study predominantly relied on primary data which were gathered using a semi-structured questionnaire. Notably, semi-structured questionnaire is the most widely used research instrument, since its mixed format involving closed-ended and open-ended questions makes it suitable for use in a diverse range of situations (Ngetich & Muchemi, 2018; Muthaura & Kinyua, 2021). Expert opinion was sought to verify that the research instrument had face validity. In accordance with



Kothari (2004), sound instrument for purpose of collecting research data must meet the criteria of validity and reliability. Content validity signifies the degree to which items on a test are a fair representation of the domain of the construct of interest (Kothari, 2004; Bölenius, Brulin, Grankvist, Lindkvist & Söderberg, 2012). Moreover, construct validity is appraised the degree to which scores on a test can be attributed or associated with the explanatory constructs of a sound theory for purpose of supporting transformation of a given concept into a functioning reality (Kothari, 2004; Taherdoost, 2016). In this study extensive review of existing and relevant body of theoretical and empirical literature was used to ensure both content validity and construct validity.

A small-scale preliminary study was carried out on twenty subjects drawn from the management team that is directly answerable to the heads of functional areas. The object of this pilot study was to provide empirical data for the purpose of testing the reliability level of the instrument for collecting empirical data. Reliability is particularly concerned with the internal consistency of assortment of test items constructed for measuring a given research variable (Tomioka, Iwamoto, Saeki & Okamoto, 2011). The results of reliability test are depicted in Table 2.

**Table 2: Reliability Statistics**

Research Variable	Cronbach's Alpha	Decision
Exploitation Capacity	.729	Reliable
Organization Performance	.732	Reliable
Aggregate Score	.731	Reliable

**Source: Pilot Data (2021)**

The reliability statistics for the research variables ranged between 0.729 for exploitation capacity to 0.732 for organization performance. The aggregated Cronbach's alpha index for the seven research variables was 0.731. The index reported for the distinct research variables as well as the overall reliability statistics exceeded the adopted threshold of 0.7 considered appropriate for confirming reliability of a research instrument for purposes of statistical inquiries (Cooper & Schindler, 2006; Field, 2009). Accordingly, the set of items for the distinct research variables were therefore found to be reliable for use in the final study. The benchmark alpha index of 0.7 has been adopted by past research for making decision on reliability of research instrument (Njeru, Muathe & Muchemi, 2013; Kinyua, Njoroge, Wanyoike & Kiiru, 2015; Gacheru & Muchemi, 2016; Gituma, Kimencu & Muchemi, 2018; Mogaka & Muchemi, 2021).

The letter of approval of thesis proposal from Kenyatta University was used for processing a research permit from the National Council of Science, Technology and Innovation. In return, the research permit and researcher's letter of introduction were helpful in securing the letter of research authorization from the Education Offices in Nairobi City County. The researcher also sought informed consent for taking part in the research study from the heads of functional areas in the sampled insurance companies before embarking on collection of research data. The data collection instrument was administered by the researcher through drop-and-pick latter method so as to accord the participant sufficient time to relate with and complete the research instrument. The researcher maintained a register of questionnaires to facilitate tracking of movement of the research instrument.

Empirical modelling provides a useful approach for analysis of different problems across numerous fields of knowledge. This study made use of multiple linear regression to model the relationship among the predictor and response variables. Linear regression model is considered appropriate for statistical inquiries involving a single continuous outcome variable and at least two categorical or continuous predictor variables (Thompson, 2006). The empirical model adopted for this study is displayed in equation 3.1.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where:  
 $Y$  = Organization Performance  
 $X_1$  = Exploitation Capacity  
 $\beta_0, \beta_1$  = Beta coefficients  
 $\varepsilon$  = error term

In model, exploitation capacity was regressed on organization performance. This regression analysis was useful for testing research hypotheses  $H_0$  and  $H_1$  respectively.

## 5.0 Descriptive Results

### 5.1 Response Rate

The research instrument was administered to a total of 216 corporate level managers in the head offices of the sampled 27 insurance companies. Amongst the selected 216 participants, the researcher collected 176 questionnaires for analysis. The response and non-response rates were 81% and 19% respectively. This proportion of response exceeded the 60% that allows for extrapolations of sample characteristics to the entire population as recommended by Fincham (2008). Consequently, the effective proportion of participants in this research facilitated statistical analysis and generalization of findings to the population of interest.

### 5.2 Descriptive Characteristics for Exploitation Capacity

Exploitation capacity was measured on the basis of activities that enable refining, expansion and leveraging existing routines, processes, competences and knowledge, as well as creating new operations, competences and routines in insurance companies. The measures of central tendency and spread for exploitation capacity are presented in Table 3.

**Table 3: Descriptive Measures for Exploitation Capacity**

Exploitation Capacity	n	Mean	Std. Dev	CV
There is continuous improvement of operational routines	176	3.71	0.79	0.21
Company's problems are solved with ease	176	3.01	0.95	0.32
External information is integrated in product features	176	3.85	0.82	0.21
Informational resources have strengthened problem diagnosis ability	176	4.13	1.05	0.25
Informational resources are used in generation of practical solutions	176	3.75	0.81	0.22
Company's informational resources have promoted enhancement of skills, knowledge and abilities for task performance	176	4.26	1.09	0.26
The company's informational resources inform changes in product design	176	4.32	1.25	0.29
External knowledge is integrated in changes in process design	176	3.93	0.72	0.18

External knowledge resources have facilitated formulation of company's strategies	176	3.83	0.93	0.24
Informational resources have supported alignment of the company with environmental conditions	176	4.07	0.89	0.22
<b>Aggregate Measures</b>	<b>176</b>	<b>3.89</b>	<b>0.93</b>	<b>0.24</b>

**Source: Survey Data (2021)**

The descriptive statistics in Table 3 show that the mean response of participants in relations to the set of aspects measured for exploitation capacity varied from 3.01 for ease of solving organization's problems to 4.32 for informational resources informs changes in product design. It's evident from the pattern of respective mean responses that insurance companies have entrenched informational resources in their processes and operational practices as the least recorded sample means response for this aspects is 3.75 and corresponding coefficient of variation is similarly low. The participants had divergent responses to the aspect that the company's problems were solved with ease as demonstrated by the sample mean of 3.01 and corroborated by the relatively large standard deviation resulting in a high variability of 32 percent.

The aggregated descriptive measures consisting of sample mean of 3.89 and sample standard deviation of 0.93 signifies that typically aspects measured for exploitation capacity were considered integral to creation of value amongst the insurance companies observed. The reported overall variability of 24 percent is notably narrow confirming that participants' responses were typically clustered around the mean response. This notable behaviour of variability of response demonstrates the appropriateness of the sample mean for estimating the population parameter of exploitation capacity.

### 5.3 Descriptive Characteristics for Organization Performance

Organization performance was operationalized as outcomes operational practices in insurance companies relating to market penetration, lead time, process improvement, turn-around time and product quality. The measures of central tendency and variation for organization performance are displayed in Table 4.

**Table 4: Descriptive Measures for Organization Performance**

<b>Organizational Performance</b>	<b>n</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>CV</b>
Bundled protection is used to enhance customer benefits	176	3.93	0.82	0.21
Sufficient resources have been made available to support the operations of the company's agencies	176	4.16	0.76	0.18
Collaborative initiatives have been used to enhance the company's market reach	176	4.03	0.94	0.23
The company is continuously enhancing its presence and visibility in social media platforms	176	4.18	0.73	0.17
The company is using referral marketing to enhance its market reach	176	4.09	0.93	0.23
Informational resources have been used to generate new processes that are friendly to end users	176	4.16	0.58	0.14

There is continuous improvement of operational processes in the company	176	3.98	0.84	0.21
Customers complaints are attended to in a timely manner	176	3.97	0.70	0.18
There is reduction of time taken to offer services to our stakeholders.	176	3.99	0.84	0.21
There is reduction of delays in receiving of supply of essential inputs to the company	176	4.13	0.66	0.16
Informational resources have aided the inclusion of product features that matter to the company's customers	176	4.30	0.72	0.17
The company is continuously introducing new innovative products	176	4.08	0.47	0.12
<b>Aggregate Measures</b>	<b>176</b>	<b>4.08</b>	<b>0.75</b>	<b>0.18</b>

**Source: Survey Data (2021)**

The results in Table 4 show that the sample mean response in respect of observed aspects of organization performance had a narrow range of between 3.93 for bundled protection and 4.30 for the role of informational resources in inclusion of product features. The implication of this typical behaviour is that there was agreement amongst the research participants that the performance outcomes under consideration were manifest in the observed insurance companies. The highest variability amidst the observed aspects of organizational outcomes was 23 percent signifying that these responses were generally clustered around the reported sample means.

It was evident from the responses gathered that observed insurance companies were keen on introducing innovative products aided by informational resources as demonstrated by the sample mean of 4.30 and corresponding low variability of 17 percent. Presence and visibility of insurance companies in the social media is noted as a fundamental concern as denoted by the respective sample mean of 4.16 and narrow variability of 17 percent associated with responses to this aspect of organizational performance. Moreover, all aspects of performance of insurance companies measured had aggregate sample mean of 4.08 and sample standard deviation of 0.75. Notably, the aggregate variability of responses regarding organizational performance was narrow at 18 percent signifying that the observed sample mean is appropriate for estimating the respective population parameter.

## 6.0 Inferential Analysis

In this study linear regression was used as an approach for modelling the relationship between the set of research variables chosen. The research hypotheses drawn from the independent and dependent variables were modelled on the basis of simple linear regression analysis. As a result, exploitation capacity was regressed on organizational performance. The output of this regression analysis is displayed in Table 5

**Table 5: Multiple Regression for Direct Relationship**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.671 <sup>a</sup>	.450	.412	.42193	1.811	
ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
Regression		8.668	4	2.167	12.172	.000 <sup>b</sup>
Residual		29.908	171	.178		
Total		38.575	175			
Coefficients						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
(Constant)	.388	.581		.668	.505	
Exploitation Capacity	.356	.074	.328	4.807	.000	

a. **Dependent Variable:** Organizational Performance

b. **Predictors:** (constant), Exploitation Capacity

**Source: Survey Data (2021)**

The model summary in Table 4.13 reveals that the adjusted R-square is 0.412 implying that exploitation capacity explains 41.2 percent of performance of insurance companies. Conversely 58.8 percent of performance of insurance companies can be attributed to other factors outside the scope of this study. The F-test on overall statistical significance of the estimated model and signified by the output of analysis of variance (ANOVA) reveals an F statistic of 12.172 at 0.001 level of significance. This statistical test confirms that the estimated model provides the best fit for the observed data, and is statistically significant at 95 percent level of confidence and  $p \leq 0.05$ . The estimated statistical model is depicted by equation 4.1.

$$\text{Organization Performance} = 0.388 + 0.356\text{Exploitation Capacity}$$

In this model it's evident that when all the independent variables are held at a constant value of 0, organization performance would be 0.388. However, the corresponding p value is 0.505 exceeding the 0.05 threshold for affirming statistical significance of the respective parameter. Consequently, estimated value of beta coefficient for the intercept is not statistically significant at 95 percent level of confidence.

The study sought to determine the effect of exploitation capacity on performance of insurance companies in Nairobi City County, Kenya. The respective output of multiple linear regression analysis reveal a beta coefficient of 0.356 and p value of 0.001 for exploitation capacity. Considering that the calculated p-value is less than 0.05, the parameter for exploitation capacity is determined to be statistically significant. Subsequently, there is no enough statistical evidence to fail to reject the null hypothesis that there is no significant effect of exploitation capacity on organizational performance.

The foregoing statistical findings have the implication that at 95 percent level of confidence exploitation capacity has a positive effect on performance of insurance companies in Nairobi City County, Kenya. In essence, a unit increase in exploitation capacity is associated with an increase of 0.328 in organizational performance. Relatively, exploitation capacity has the greatest positive contribution to performance of insurance companies.

The conclusion of this study corroborates the inferences that organizational performance is positively affected by exploitation of knowledge and technology (Tajudeen, *et al.*, 2019). In the local setting, the findings of this study are inconsistent with the inference made by Kombo, *et al.* (2018) that knowledge exploitation does not affect firm performance. In regards to theoretical literature, the findings of this study confirms the proposition associated with dynamic capabilities theory that it is possible for an organization to create as well as maintain competitive advantage through exploiting new information and existing informational resources (Jantunen, 2005).

### **7.0 Analysis of Qualitative Data**

The study sought the opinion of respondents on whether exploitation of external knowledge helps in matching the needs of the customers. It was noted that customers were encouraged to share information, insights and issues about their experiences with processes, product and services of insurance companies. Similarly, the documented customer complaints are carefully interrogated and typical pattern drawn from key issues of concerns are used to improve product features and operational processes in the insurance companies. Generally, customer information is considered integral to competitive performance of firms in the insurance industry.

### **8.0 Conclusion**

The study intended to determine the effect of exploitation capacity on performance of insurance companies in Nairobi City County, Kenya. Resultant evidence from inferential analysis indicated that the parameter for exploitation capacity was statistically significant. As such, these statistical results corroborated the expectation that exploitation capacity has a positive effect on organizational performance. Therefore, there was no sufficient statistical evidence to fail to reject the null hypothesis that there is no significant effect of exploitation capacity on organizational performance.

### **9.0 Recommendations**

Management of insurance companies should promote practices that enhance optimization of informational resources. The manager in charge of research and development should formulate policies that would particularly strengthen practices that manifest the ability to inspect and monitor events and changes in the surrounding environment, collect, accumulate, restructure and evaluate relevant information, reconfigure and redeploy resources. These activities are important for enhancing the ability of the insurance companies to leverage on exploitation capacity to reduce the turn-around time, improve operational processes and enhance quality of offerings relative to others in the market place. Management of insurance companies should promote practices that enhance optimization of informational resources.

This study was confined to exploitation capacity and organizational performance as independent and dependent variables respectively. The coefficient of determination manifested by the regression analysis confirmed that besides exploitation capacity there are a host of other factors that are



integral to explaining variation in performance of insurance companies. As such, future researches can be directed towards unearthing these other factors in order to enhance the empirical literature on the concept of organizational performance.

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