EFFECTS OF CORPORATE RESTRUCTURING ON PERFORMANCE OF INSURANCE COMPANIES IN KENYA

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DECLARATION

This Research Project is my original work and has not been presented for a Degree in any other University.

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This Research Project has been submitted for examination with my approval as the Student's University Supervisor.

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DEDICATION

This work is dedicated to my loving mother, Mrs. Alice Anyona for being the light, rock and path in this journey. Thank you for the solid foundation you built in me and the sacrifice you endured in seeing me through school. My friend and confidant Doris Karimi, and my siblings for the support, encouragement and prayers which have been the corner stone in my quest for academic excellence. May God bless you abundantly.

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LIST OF ABBREVIATIONS

CBK - Central Bank of Kenya

IRA - Insurance regulatory Authority

MBA - Master in Business Administration

ROE- Return on Equity

ROI- Return on Investment

UON - University of Nairobi

ICDC - Industrial & Commercial Development Corporation

ABSTRACT

In today's business world the word restructuring has become a common phenomenon and most organizations around the world regardless of the industry or sector have had experiences that relate to the same. Corporate restructuring refers to the reorganization, rethinking and redesigning of some or all structures of a company due to various reasons and in search of a particular outcome. Companies may decide to restructure to cope with tough economic conditions, to improve lagging performance, to become more competitive in the industry, to increase market share and to change its whole operations among other reasons. There are different types of corporate restructuring: Mergers, acquisitions, divestitures, joint ventures, buyouts and downsizing among others. In Kenya, there have been major corporate restructuring in the financial sector owing to the tough economic conditions that have prevailed in the country for the past few years. For some companies, restructuring has been the only way to ensure they are able to operate as going concerns in the industry. In the past, corporate restructuring in Kenya has mostly affected commercial banks due to the dynamic nature of the banking industry, i.e., there have often been significant changes in the sector with regards to regulation. Also, banks are major drivers of the Kenyan economy. Because of this, there has not been much emphasis on the other spheres that make up financial institutions such as microfinance institutions and insurance companies. This study will focus on insurance companies in Kenya that have undergone corporate restructuring over the years. The insurance industry has also undergone a number of changes over the years since it has developed into a major contributor to the Kenyan economy. In terms of regulation, the industry has also been subjected to a myriad of changes imposed by the insurance regulatory authority which has warranted corporate restructuring in a lot of insurance companies in the region. Most of the listed insurance companies have undergone some type of corporate restructuring in the last 12 years. It was therefore worthwhile to research on the performance of these companies post restructuring to determine the relationship between corporate restructuring and insurance companies in Kenya. The findings of the study established that there is indeed a relationship between corporate restructuring and performance of insurance companies in Kenya. Corporate restructuring generally affected performance of insurance companies positively. There was an increase in market share, competitiveness and profitability. It also increased the employee turnover rate. Corporate restructuring was especially beneficial in the first restructuring efforts where there was a significant increase in performance measures. The study also established that profitability, market share and competitiveness diminish with every restructuring effort. It therefore recommended that insurance companies should not solely rely on restructuring to solve all organizational problems whenever they arise as this is not sustainable.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Around the globe, corporate restructuring has become a common occurrence in the current business environment. It has been undertaken by many companies regardless of the industries they belong to, be it finance, manufacturing or even the service industry. Bowman and Singh (1993) point out that the restructuring wave took effect in the 1980s and has continued to make an impact in almost every sector of the US economy. The idea that corporate restructuring is a global phenomenon is therefore an accurate one. Sulaiman (2012) defines corporate restructuring as altering of ownership, asset and business treaties with the purpose of maximizing the shareholders' wealth and value addition to the organization.

Various theories have been put forward as arguments for the existence of corporate restructuring in the business world. One such theory is the agency theory which explains corporate restructuring as a lasting solution to the agency conflict as opposed to the use of a board of directors. Another theory is the life cycle theory which is to the effect that corporate restructuring is expected to occur in a company within the different stages of its life cycle but the strategy of restructuring employed is restricted to the specific stage of the life cycle. These theories are explained in more detail in chapter three.

Organizations may decide to restructure for various reasons; due to poor and declining profits, poor-performing divisions, financial distress, to increase market share, readjust corporate strategy, reduce expenses, to improve poor corporate performance due to over diversified, unprofitable capital investment, poor corporate governance and over-borrowing.(Alias, Yaacob, & Jaffar, 2017). Gilson (2010) is of the opinion that businesses in this century face more competition in their markets than they ever did in the past, and because of this, they have undergone dramatic restructuring and reorganization in order to keep up in their industries. According to Hoskinsson and Turk (1990) on the other hand, restructuring enhances the chances for improved performance for organizations. This study focused on the how restructuring affects performance, particularly in insurance companies

in Kenya. The variables that the study focused on were market share, staff turnover, competitiveness and profitability.

There are different corporate restructuring strategies which may be applied depending on the nature of business of the company intending to restructure. These are: Mergers and acquisitions, downsizing, leverage buyouts and divestitures which encompassed the independent variables of this study.

Insurance companies form a huge part of the finance industry and contribute greatly to the economy of Kenya. According to the financial services sector in Kenya report (Business-Sweden, 2016), the insurance sector is the fastest growing in Africa having attained growth of 11.9% in 2015 with gross written premiums of USD 880 million. With the growth in the industry over the years, insurance companies have undergone some changes just like the other players in the financial sector in Kenya which have necessitated corporate restructuring. The Annual KPMG Kenya Insurance Survey Report (KPMG, 2016) outlined that in the past decade has been extremely tumultuous for insurers in Kenya giving light to the new and more stringent regulatory requirements set by the Insurance Regulatory Authority, evolving customer demands and expectations, increasing competitive pressures and dynamic technologies coming up in the industry. Restructuring has therefore proved to be a necessary process in the business environment including the insurance sector and through this study, the effects of corporate restructuring on the performance of insurance companies in the context of the Kenyan insurance industry were established and better understood.

1.1.1 Concept of Corporate restructuring

Corporate restructuring can be defined as a process of breaking down or dismantling the structural confines within an organization in order to achieve certain predetermined goals. Heugens and Schenk (2004) in their article, Rethinking Corporate restructuring, describe corporate restructuring as ‘a major change in the composition of a firm’s assets combined with a major change in its corporate strategy’. Companies may have different reasons for restructuring and focus on attaining different objectives that are specific to them. Vance (2010) outlined that companies that undergo corporate restructuring are essentially

troubled companies. There are three stages that troubled companies undergo that call for restructuring: the early stage where few occurrences of process failures begin to show such as quality lapses, the intermediate stage where gross margins are considerably depleted, and the late stage where there is great financial distress and a complete breakdown in processes.

Problems within the company whether financial, operational or structural turmoil are however not the only reason for organizations to restructure. A company may simply be seeking to improve performance, expand market share or get ahead of competition. Restructuring may become necessary when it gets to the point where its original structure no longer assists in furthering its growth or objectives going forward.

Corporate restructuring is not restrictive in that it is a process that includes different strategies .that organizations may choose from. Restructuring involves selling off some parts of the business and purchasing others so as to revitalize or change the company's practices. At times, this may include a complete overhaul of the top management (Thompson, Strickland, & Gamble, 2008). Overall, strategies under that fall under corporate restructuring include: expansion- this includes mergers, acquisitions, joint ventures, takeovers an tender offers; changes in ownership- e.g. leveraged buyouts and going private in the case of public companies; contraction which may involve sell offs, split offs, downsizing and divestitures; corporate control i.e. exchange offers and share repurchases. Other scholars have gone further to break down corporate restructuring into 3 dimensions namely financial restructuring: reshuffling the debt and capital structure of the organization, portfolio restructuring: altering the configuration of the company's asset register, and organizational restructuring which affects the operations, processes and departments(Bowman, Singh, Useem, & Bhadury, 1999)

With an increasingly dynamic business environment, companies now view corporate restructuring as an opportunity for survival, growth and success and as such, it is a necessity at a certain time in the business life cycle. Due to the rapid advances of technology and reduction of trade barriers giving way to cut throat competition, "during the past twenty years, companies around the globe have dramatically restructured themselves in an effort

to cut expenses, improve internal incentives and regain their market share" (Gilson, 2010). Many companies emerge revitalized, stronger and able to adapt quickly to changes in the business environment after undergoing corporate restructuring; hence revamping competitive advantage.

Like any other strategy however, companies may face challenges when going through the process of corporate restructuring in that, results or goals set out may not be achieved. According to (Gilson, 2010) some restructurings are painful and often lead to the complete dismantling or winding up of big corporations that previously commanded large market shares in their industries and were responsible for the livelihoods of numerous workers. In this light, corporate restructuring is seen to be riddled with challenges and therefore not the best resort for corporate success. It is therefore imperative that the form of corporate restructuring that is chose suits the organization and its objectives so as to create lasting positive results both in the short term and the long run.

1.1.2 Organizational performance

Organizational performance may be described as the overall assessment of how well an organization is doing with regard to its mission, vision and objectives. In simple terms, it is a measure of whether a company is on track on the path to corporate success. It is a guide used by the organizational leaders or top management to make decisions on whether any changes are to be made. According to Carton and Hofer (2006), performance is a measure of the change of financial state of an organization, or outcomes in terms of finances as a consequence of decisions made by management and acted upon by the members of that organization. It may be measured in the short term, intermediate or long term since changes in performance may be observable in these time frames.

Carton and Hofer (2006) go further to explain that performance is a contextual concept connected to the phenomenon being studied. This means that performance may be financial or non-financial, it all depends on what an organization places value on or views as positive growth. Financial performance measures are indicators such as return on investment (ROI), return on equity (ROE), profitability, revenue generation and cash flow. Their main focus is on shareholder wealth maximization and growth. Non-financial performance measures

on the other hand are indicators such as market share, employee satisfaction and turnover, product range and corporate social responsibility. These measures are more qualitative than quantitative. Thompson (2007) purports that using financial measures alone discounts the fact that achievement of strategic objectives (which are non-financial) enables an organization to deliver better financial results. It is therefore of importance to consider both financial and non-financial performance measures.

Insurance companies, being a major part of the financial industry in Kenya, aside from using the financial performance measures such as net income, also use key indicators which are unique to insurance companies to measure how well (or otherwise) they are doing in the industry. The most common performance measures are: gross premiums, policy sales growth, claims ratio and time-to-settle.

Gross premiums refers to the total amount paid by the policy holders before any fees or expenses have been deducted. An insurance is said to have a positive performance when the gross premiums increase. Policy sales growth on the other hand refer to when policies, which are the product or output that insurance companies offer to the market and are the equivalent to the volumes being sold by any normal business, increase in number. The more units are sold, the better the company is performing. Claims ratio is the ratio of the total premiums earned by the company to claims made by the policy holders. While 'time-to-settle' is a measure of the average time it takes an insurance company to pay up a claim made by the insured.

1.1.3 The insurance industry in Kenya

The insurance industry in Kenya has grown to be a key component of the Kenyan financial sector. Unlike the other players in the financial sector however, the insurance industry is a bit more complex in its structure in that it is made up of more than just insurance companies. Reinsurance companies, brokerage companies and insurance agents, are also part of the industry. As at the time of the study, there were 55 insurance companies including reinsurance corporations, 206 insurance brokerage companies and 11 reinsurance brokerage companies. (IRA, 2016). The industry is regulated by the Insurance Regulatory

Authority (IRA) under the insurance act (cap 487). It is responsible for regulation activities e.g. licensing, supervision and developing the industry in accordance with the act.

The insurance sector in Kenya is the fastest growing industry in Africa according to Business-Sweden (2016)which places its growth at 11.9% annually as at 2015. The IRA Insurance Industry Report, Quarter 4 (2016) placed growth of the life sector for the period 2016 at 12.3%. This growth was majorly attributed to innovation in the sector which led to greater penetration into the market. The Oxford Business Group, after carrying out a series of interviews, foresaw opportunities for further growth in Kenya's insurance industry in three areas: firstly, the middle income bracket expanded to 44.9% of the total Kenyan population, which means that the number of people who will seek for insurance coverage is bound to be on the rise for both life and general insurance. Secondly, with the increasing awareness and advertising initiatives of insurance companies, younger Kenyans are likely to become more aware of the benefits of personal insurance age group has been characterized as being more risk oriented or pro- risk, there is bound to be a shift in culture with regards to awareness of insurance products.

1.2 Research problem

Corporate restructuring is a strategy that draws relevance from as far back as the 1980s, when it was used as a solution to the rising agency problem that could no longer be kept in check by board of directors. (Goldstein, 2016). Since then, corporate restructuring has been on an upward trend in terms of growth and has become a strategic option for organizations in the new millennium (Lin, Lee, & Peterson, 2006) . With the increasingly turbulent environment in which businesses today operate, there has been a high level of stress on the businesses to improve and keep up performance in order to stay afloat. Corporate restructuring may therefore be viewed as a tool for performance improvement. According to Hoskisson and Turk (1990), corporate restructuring heightens the prospects for better performance for organizations. It provides an opportunity to recapture competitive advantage and gain profits by shifting around the business structure e.g. through divestures and downsizing. Duhaime and Grant (1985) give support to this school of thought when they find that higher gains are produced by divestitures.

The insurance sector in Kenya has not been exempt from corporate restructuring. There have been a number of changes in the regulatory requirements by the IRA that have made business conditions stringent hence making it difficult for the companies in the industry to operate. According to amendments to the Insurance Act report (IRA, 2015), insurers are required to double their minimum capital requirement from KSh300m to KSh600m for short term insurers and from KSh150m to KSh400m for long-term insurers with a timeline of the year 2018. Also with the introduction of the risk based supervision (KPMG, 2016) insurers need to incorporate risk based capital in their capital adequacy requirements, meaning that the capital held must be in consideration of the insurer's size and risk profile. With all this in consideration, it is evident that a lot of pressure has mounted on insurance companies to keep up with the regulations in the market. This has in turn forced companies to look towards corporate restructuring strategies as a way to stay afloat or increase market share in the wake of the changes taking place.

Olufemi and Akaighe (2015) undertook a study on corporate restructuring and organizational productivity in Nigeria insurance industry who found that there were specific reasons that necessitated corporate restructuring in the insurance industry. Locally, there have been a number of studies carried out on corporate restructuring which include: Kithinji and Waweru (2007), who conducted a study on the effects of merger restructuring on the financial performance of commercial banks in Kenya with a sample of twenty Kenyan banks that had merged between 1993 and 2000. They found that financial performance ratios i.e. capital adequacy and solvency ratios improved post-merger but profitability ratios showed a decline in financial performance of majority of the merged banks that were studied. Riany, Musa and Odera (2012), who studied the effects of restructuring on organizational performance of mobile phone service providers concluded that that organizations' decisions to engage in restructuring are subject to a various factors consistent with changes in the social, economic and political climate.

While the effects of corporate restructuring on performance have been researched with regards to other firms in other industries, there has been no conclusive study conducted on the effects of restructuring on performance of insurance industries. What then is the effect of corporate restructuring on performance of insurance companies in Kenya?

1.3 Research objectives

The objective of this study was to establish the effects of corporate restructuring on performance of insurance companies in Kenya.

1.4Value of the Study

This study was first of all useful in closing the knowledge gap that existed on the implication of corporate restructuring on performance of insurance companies in Kenya. Some focus had been given to this impact on commercial banks but as much as they are both financial institutions, insurance companies operate very differently and are regulated by different bodies. It was therefore important for such a study to be carried out.

This research was also of great value to researchers in the future, insurance regulators, strategists and in the academic front. Researchers would be able to use this study in their literature review in that there would be more information on the topic and should a researcher decide to venture into a related study there would be more theoretical material on the subject. The study would also assist to inform strategists on the most suitable strategies of corporate restructuring in the insurance industry because they would have information on the implication of those different strategies As a result, Insurance regulator when establishing and implementing regulations and guidelines in the insurance sector would have knowledge the repercussions of all restructuring strategies and hence steer companies in the right direction. Finally, investors would have more knowledge when making investment decisions with regard to the different products offered by the different insurance companies.

CHAPTER TWO: LITERATURE REVIEW

2.1Introduction

This chapter focuses on drawing information from theoretical and empirical evidence through the relevant available literature so as to establish a basis upon which the relationship between corporate restructuring and performance of insurance companies in Kenya was set. The aim was to foster an understanding of the concept of restructuring, the different forms of corporate restructuring that exist, implications on performance post restructuring, circumstances that promote restructuring, measures of performance and empirical outcomes.

2.2 Theoretical foundation of the study

This section focused on the theories that gave guidance to this study. These theories that have been researched and advanced by various scholars provided a backing for the essence of corporate restructuring as a strategy to improve performance in organizations.

2.2.1 Life cycle theory

The life cycle theory which was synthesized by Franco Modigliani is to the effect that people make consumption decisions based on which stage they are in their life and what resources are available to them at that stage. Individuals therefore have different consumption patterns during the different stages of their lives. Likewise, organizations undergo different stages in the corporate lifecycle. As mentioned earlier, the different stages in the life cycle are birth, growth, maturity, decline and death. Each stage in the corporate life cycle is different and has different characteristics which affect the decisions an organization makes, particularly in circumstances of financial distress and even bankruptcy (Koh, Dai, & Chang, 2012).

During the birth stage, which is the first stage, the organization's actions are geared towards development and expansion. Towards the growth stage, expansion has been successful and the organization focuses on growing the business in terms of generating cash flows and strengthening the business e.g. its culture and practices. In the next stage, maturity, the

company is financially stable, and concentrates its efforts on low risk ventures. At decline stage the organization is on a downward slope in that the investment opportunities are scarce to none and it is generally incapable of generating sufficient resources to sustain itself. According to the lifecycle theory, an organization is faced by different challenges at each stage in the corporate life cycle and management must therefore make decisions that cater for these differences. The type of corporate restructuring strategy that may be employed by an organization is limited to the life cycle stage it is in (Koh, Dai, & Chang, 2012)especially when undergoing financial distress. For instance, organizations in financial distress at decline stage are also more likely to employ organizational and portfolio restructuring strategies as compared to those at the birth stage.

2.2.2 Agency theory

Agency theory basically explains the relationship between a principal and an agent in business whereby the agent acts and makes business decisions on behalf of the agent. According to Jensen and Meckling (1976) who are considered to be the founding fathers of the agency theory, the organization is viewed as a 'nexus of contracts' i.e. a series of connections between the various stakeholders of the firm. The various agency relationships are organized through a set of internal and external market transactions, governed by written or implied contracts. The owners of the business (shareholders) are thought of as principals by virtue of their role as residual risk-bearers, while the managers are the agents who act on behalf of the owners. Other stakeholders however such as suppliers, distributors etc. also qualify as agents though managers are considered to be the ultimate agents in the agency relationship. The agency problem arises due to the fact that both parties may not have the same motive driving their actions. The managers may not have the owners' interest which is profit maximization as their priority.

Goldstein (1997) points out that before the 1980's, the shareholders used board of directors to solve the agency problem in that the board was in charge of monitoring and keeping the managers in check. However in the 1980's era, institutional and market changes such as slow growth and increased international competition began to cause a break down in shareholder monitoring and contracting safeguards. In response, there was a financial

restructuring uprising whose aim was to counter the effects of this agency problem. This came to be largely accepted in the business community and today, massive capital structure changes, often accompanied by managerial replacement (which are essentially financial and organizational restructuring respectively) are thought to drive out inefficiency by implementing drastic changes in the explicit and implicit terms of agents' contracts throughout the organization.

2.3 Corporate restructuring in organizations

Restructuring may be simply defined as change. In the professional world, it may be defined as the process of breaking down the current structure of a company in all aspects for the purpose of making it suit the objectives and the strategy set out for it. Bowman and Singh (1993) define restructuring as changes in the composition of a firm's set of businesses and/or financial structure. Over the years there have been a number of books, articles, theories and general works that have been advanced to explain, support and go against the concept of corporate restructuring. The different scholars who have been behind them have been instrumental in bringing about understanding of the concept and have furthered the improvement of corporate restructuring as a process and strategy.

According to Lazonick (2006), corporate restructuring is an evolutionary process that reflects the past decisions made by a company during its business life cycle. The strategic investments decisions that the top management make are a direct manifestation of whether a company will undergo restructuring in the future or not. This means that corporate restructuring is a consequence of the company's actions and not a stage in the business life cycle or external conditions.

Vance (2010) purports that corporate restructuring is proof of a troubled company, i.e. companies that are at risk of failure are the ones that undergo restructuring. According to these deductions, it follows that corporate restructuring can only be an option to pursue if a company is in a state of failure or poor performance. Companies go through three stages of failure before a radical decision on the way forward can be made (including restructuring). As mentioned earlier, the first stage is the early stage, where minor financial distress is experienced. Intermediate stage is the second, where material problems in

operations and finances become visible and the last stage is the late stage where there is a complete breakdown of management and reporting systems.

The term corporate restructuring is not a new one in the world of business. In fact, the process of corporate restructuring can be traced to as far back as the 19th century although it has undergone a metamorphosis overtime to become what it is today. Chandler (1990) describes four dimensions of the growth process of business enterprises: horizontal growth, which may be through mergers and acquisitions, vertical integration, diversification, diversification and geographic expansion. These four dimensions fall under the definition of corporate restructuring e.g., if a company goes through horizontal integration, it is said to have restructured. In the 19th century, there was massive growth recorded in the production, transportation and communication technology sectors in the United States, Britain and Germany. Companies had begun to expand and mass markets emerged i.e. mass producers, distributors and retailers in the manufacturing industries (Chandler, 1962; 1977; 1990).

2.4 Reasons for corporate restructuring

There are other reasons as to why a company may decide to restructure apart from risk of failure. A company may decide to undergo significant structural changes so as to create better organizational fit with strategy (Bowman & Singh 1993, Bowman et al. 1999). This may be done so as to create a leaner structure that enables the company to focus more on the core activities and less on the support activities i.e. outsourcing. This may lead to downsizing which is another strategy of corporate restructuring. Downsizing is the act of reducing the workforce in a company so as to cut back on expenses, reduce overlapping of duties among other reasons. According to Shalhoub (1999), in the past downsizing was mainly restricted to the blue collar industries, but now, virtually all industries are faced with the same and employees of all levels and skill are exposed. This is because of the chaotic environmental changes that have been encountered in the business world over the years. In Kenya, in 2016 alone, over 20 companies laid off an estimated 10,000 workers in a bid to downsize operations due to the tough economic conditions plaguing the country (Omondi, 2016).

Restructuring may also be undertaken when the company seeks to change the strategy itself (Bateman & Zeithaml, 1990). This may be manifested through the company's decision to open up a new division, acquire a new business through diversification or sell out current businesses, completely shift the way business operations are performed or adopt new management philosophies. Gilson (2010)owes corporate restructuring to the fact that the world has become a global village due to the rapid advancement of technology, increase in global competition and exposure to discipline of the global market place.

The use of information technology (IT) is another reason for companies to undertake corporate restructuring. Over the years information technology has grown to become extremely influential the point that it is virtually all existing businesses interact with or have had an interaction with IT at almost all stages of their life cycles. Technology is a significant external force that influences how businesses operate regardless of whether they contribute to its advancement or otherwise. According to the contingency theory (which claims that organizational behavior vis-a-vis leadership is dependent on external situations), the structure that an organization decides to employ will affect how it adapts to chaotic changes in the business environment. Certain types of structure enable organizations to adapt positively and survive turbulent market conditions.

Blatz, Kraus and Haghani (2006) view corporate restructuring not as a tool to help salvage poorly performing companies but as a means to even better results for companies that have adequate results. According to them, corporate restructuring is a solution for large companies such as multinationals that have subsidiaries or branches to achieve adequate overall consolidated results. A company may be performing well in the region where it is headquartered but the subsidiaries left lagging behind. Corporate restructuring may therefore be a solution to bringing all the company's decisions to par. The point is, there is no single specific reason as to why a company may undergo corporate restructuring. There are many different circumstances that may lead up to corporate restructuring as a strategy.

2.5 Modes of corporate restructuring

Corporate restructuring strategies are divided into three broad categories: portfolio restructuring, financial restructuring and organization restructuring. The types of corporate

restructuring mentioned earlier such as mergers, acquisitions, downsizing, expansion etc. all fall under three categories: Portfolio restructuring, financial restructuring and organizational restructuring.

Portfolio restructuring can be defined as a process of making significant alterations or modifications in the composition of assets owned by an organization or the lines of business in which a company controls. This may include liquidation, divestitures, asset sales, demergers, acquisitions and spin-offs. Ruigrok, Pettigrew, Peck and Whittington (1999)state that portfolio restructuring activities focus on reducing the scope of companies business i.e., divestiture. Mergers and acquisitions may also fall under portfolio restructuring and they involve consolidation of two or more companies through either equal partnership or takeover. Ray (2010) gives reference to three theories to explain the reasons behind mergers and acquisitions. The valuation theory supports the idea that companies undertake mergers and acquisitions in speculation of corporate and business values. Companies make investment decisions that they hope will increase value to the shareholders. The efficiency theory suggests that the aim of mergers and acquisitions is to create a concerted effort, to achieve a level of efficiency and synergy that was impossible before the merger or acquisition. Lastly, the monopoly theory, which is to the effect that, when companies merge, their market share increases, market strength and control grows, and competitors have a harder time accessing the market.

Financial restructuring involves alteration of the firm's capital structure which means changing the composition of debt and equity of a company. While some people may hold the notion that debt financing is not a wise decision, Berman and Knight (2009) hold that debt financing is actually a benefit to the company. First off, debt financing may be quite enticing when the government includes interest on debt from corporate income taxes as an allowable deduction, which is a huge saving for corporations. Secondly, debt financing is less risky and cheaper than equity financing on terms of the rate of return(Berman & Knight, 2009). A company may however need to restructure its capital mix if one of the two components of the capital structure extremely outweighs the other.

Financial restructuring may take place in the form of equity swaps, leveraged buyouts, management buyouts or recapitalization (Bowman, Singh, Useem, & Bhadury, 1999) whereby a company borrows funds when acquiring another company to supplement the cost of the sale.

Organizational restructuring is the process of altering the original organizational setup to form a new one. Bowman et al (1999)define organizational restructuring as making substantial changes in the organizational structure of the company. The different types of organizational restructuring include contraction of the organization structure such as downsizing, down scoping, layoffs and expansion of the structure through, mergers, acquisitions and amalgamations. Scholars such as Bowman et al (1999) are of the opinion that organizational restructuring has the smallest impact on the performance of companies.

2.6 Corporate Restructuring and performance

The purpose of this study was to examine the relationship between corporate restructuring and performance in insurance companies, i.e. how restructuring affects performance. As mentioned earlier. Companies decide to restructure for various reasons; to enhance performance of the company, to focus more on the core activities, to cut back on expenses, to align themselves with the strategy, to avoid insolvency etc. all these reasons however relate to performance in one way or the other, for instance if the company decides to downsize, it will manage to cut back on expenses which eat into its profits which means that performance will have improved in essence. Also, downsizing may affect performance in that the workforce needed to drive activities so as to achieve objectives will not be sufficient hence leading to poor performance. According to Hoskisson and Turk (1990), Restructuring enhances the prospects for improved performance for firms. It is viewed as a chance for the company to reorganize and revitalize itself so as to achieve the objectives set. Of the three strategies of corporate restructuring, Bowman et al (1999)found empirical evidence to the effect that financial restructuring has the biggest effect on the performance of organizations.

There are different measures of performance with regard to corporate responsibility. Depending on the strategy of restructuring used, the performance measure will vary. In the case of organizational restructuring, the performance measures would be higher employee satisfaction, reduced turnover, improved communication and increased efficiency in task performance. For financial restructuring, the performance measures would include higher profits after tax, changes in managerial incentives, emphasis on cash flows (Bowman, Singh, Useem, & Bhadury, 1999) and changes in the share price in the case of listed companies. Bowman et al also puts forward two measures of company performance in the as a result of corporate restructuring: as: Market performance i.e. movements in the firm's stock in terms of share price either to a higher or lower position just after the restructuring is made public, and Accounting performance in relation to return on equity and return on investment and earnings after tax.

As much as the goal of restructuring is to achieve better performance or overall positive outcome, this is not always the case, with some companies not reaping the benefits of restructuring. Munjuri (2011), conducted a study on impact of restructuring on the employees with a focus on commercial banks in Kenya and the results of the study were that retrenchment of the employees was the most popular restructuring practice. This may be seen as a positive outcome in that costs of wages and salaries which in practice take up a huge portion of expenses, but this may be a two edged sword in that the human resources of the company may be highly depleted as a result of restructuring, leaving the company without capacity to carry out its core activities. It is therefore not cast in stone that once a company undergoes corporate restructuring, its overall performance is deemed to improve. The International Monetary Fund (IMF) working paper, (Zoli, 2001)carried out a study to establish the relationship between restructuring costs in banks and improved performance post restructuring. The study revealed that while some countries that had relatively high costs of restructuring experienced a significant increase in performance, other countries made very little or insignificant progress in banking sector performance despite prioritizing on restructuring.

2.7 Empirical studies and research gap

There are various studies that have been carried out in the past to explain the relationship between corporate restructuring and performance in organizations. This section therefore sought to give more guidance in accordance with the empirical evidence collected.

Onyango (2009) sought to establish the effects of various forms of restructuring on development finance institutions in Kenya with a focus on the Industrial and Commercial Development Corporation (ICDC). He found that all forms of restructuring employed i.e. financial, portfolio and organizational restructuring had a positive impact on performance of the corporation at first instance. Operating profits, interests earned, total assets and staff costs all registered positive figures. However with every next restructuring effort, performance declined since the corporation underwent restructuring three times between 1992 and 2005.

Jarso (2013) also found that the financial performance of commercial banks in Kenya generally improved post restructuring as compared to the period just before restructuring. She however noted the same concern as Onyango (2009) whereby restructuring, undertaken subsequently did not lead to improvement in performance of the companies under study. Her recommendation was for further studies to establish means of ensuring that restructuring was sustainable and the impact of restructuring does not decline with time.

There have been a number of studies carried out to establish the effect of restructuring on performance of financial institutions such as commercial banks and development finance institutions as mentioned above. There was no conclusive study that had been conducted on insurance companies and while the insurance sector is part of the financial industry, it would have been incorrect to assume that the effects experienced on commercial banks world replicate themselves in insurance companies. This was therefore a research gap that this study sought to close.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines how the research was conducted. It explains in detail the research design that was employed, the population to be used, the sample selection procedure and the sample size chosen. In addition the method of data collection used is explained together with the method of data analysis and finally, presentation of the findings.

3.2 Research design

The research design employed on the study was a descriptive cross-sectional survey. Cross-sectional surveys have been described as snapshots of the populations about which they gather data. This research design was appropriate because it focused on a certain determined period before and after restructuring thus bringing out the critical success factors of the strategy of restructuring adopted by the insurance company.

The cross sectional study was descriptive since there was a whole population whose features were to be described as opposed to case studies where the focus in on only one subject. This study therefore focused on performance of the insurance companies five years before the restructuring and three years after the restructuring. In this cross sectional study, the primary data collection method used was questionnaires.

3.3 Population

The population comprised of all the insurance companies in Kenya. According to the Insurance Regulatory Authority (IRA) annual statistics report (2016) there are 55 registered insurance and reinsurance companies in Kenya, therefore all 55 companies formed part of the population.

As mentioned earlier in chapter one, the insurance industry in Kenya is multifaceted. This means that the industry includes insurance companies and reinsurance companies. For purposes of the scope of study, the two were analyzed as one under the general term

‘insurance companies’. The whole population formed part of the study therefore, no representative sample was selected.

3.4 Data collection

Data was collected from both primary and secondary sources. Primary data was collected through a questionnaire. The target respondents were management staff in various departments in the insurance companies. The questionnaire was semi-structured in that it contained both open ended and closed questions. This was an appropriate technique as it ensured that the information received from the respondents was conclusive since respondents could expound their answers further. The questionnaires were distributed to all the 55 insurance companies using a ‘drop and pick’ method.

The questionnaire was then pilot tested to ensure it was appropriate for the study. Secondary data was obtained from the annual published financial reports of the insurance companies for the periods prior to and after restructuring. An introductory letter was also prepared to accompany the questionnaires so as to give validity to the research and explain the purpose of the survey to the respondents.

3.5Data analysis

The collected data was first tested for completeness, consistency and accuracy. The data collected through questionnaires was analyzed using descriptive statistics analysis which is a method that describes the basic features of the data in a study and the variables to be measured. Descriptive statistics was an appropriate data analysis technique for this study as it has the ability to measure data from a large population and give quantitative descriptions in a manageable form and give summaries that enable comparison across fields or other similar studies.

Descriptive statistical analysis has the ability to summarize large amounts of quantitative data so as to derive meaningful information for use by the researcher. The tools of analysis used included percentages, mean and standard deviations where appropriate. After the data had been analyzed, it was presented in tabular format.

CHAPTER FOUR: DATA ANALYSIS, RESULTSAND DISCUSSION

4.1: Introduction

This chapter focuses on the analysis of the collected data, and interpretation and discussion of the findings of the study. The findings were presented according to the described methodology and the study objectives such that the research questions were answered. The analysis conducted was representative of all the insurance companies in Kenya.

The results in this section are from analysis of data collected from the questionnaire handed out to the respondents. 55 questionnaires were distributed targeting the corporate strategy management of the respective insurance companies due to their presumed involvement in corporate restructuring in the various organization.

4.2 Response rate

The study was focusing on the total population therefore 55 questionnaires were handed out to the managers of different departments that were involved in the restructuring directly or indirectly in all the insurance companies. Out of the 55, 30 questionnaires were completed which was a 55% response rate. This was considered to be an appropriate response rate to enable conclusions and recommendation.

The insurance companies that did not give their responses had not undergone any form of restructuring as at the time of this study and therefore were not in a position to respond to questions that addressed the implication of corporate restructuring on their performance while some insurers were unwilling to give any information as they considered it confidential.

4.3 Demographic information

In the bio-data section, the study sought to determine the age of the insurance company, the working duration in terms of years of the respondents, the number of employees in the organizations and whether the organizations were locally or foreign owned. According to

the table below, 13% of the insurance companies were in existence for less than 10 years, while 20% were in existence between 11 to 20 years. 10% of the organizations were in operation between 21 to 30 years and 17 which form the bulk of the respondents (56.67%) were in existence for over 30 years. This shows that insurance companies have been in existence long enough to allow a comprehensive study to be conducted. According to the collected data and company websites, the reason for their existence for over 30 years is the fact that many of these organizations were started as subsidiaries or branches of foreign insurance companies that wanted to explore the African market before being incorporated as locally owned insurance companies.

Table 4.1: Age of the Bank

Duration	No. of organizations	Percentage
Less than 10 years	4	13.33%
11-20 years	6	20%
21-30 years	3	10%
Over 30 years	17	56.67%
Total	30	100%

Source: Research data (2012)

The study also determined how long the respondents had worked for the insurance companies. The purpose of this information was to determine whether the respondents had been with the organizations long enough to have received experience that would enable them to give reliable information regarding the subject of the study. According to the findings, majority of the respondents had worked for the organizations for 6 to 10 years. This was 60% of the total 30 respondents. 7 respondents had worked for less than a year, which was 23% of the total respondents while 5 of the respondents had been with the organizations for 11 to 20 years. There was no respondent who had worked for over 30 years.

All the targeted respondents were in top management in various departments that were involved in any of the restructuring efforts and therefore were considered to have sufficient

knowledge and understanding in strategic issues, the restructuring processes and the impact they had on the insurance companies' performance.

The study also found that, the insurance companies were considered medium to large since 18 companies has a workforce of 300 to 400 employees and 5 had 400 to 600 employees and 4 had over 600 employees countrywide. Only 3 organizations had a workforce of less than 200 employees. Lastly, the study sought to establish the ownership of the insurance companies i.e., whether they were locally or foreign owned, or a combination of both. According to the collected data, most of the insurance companies were locally owned with a percentage of53.33% followed by a combination of both local and foreign ownership of 36.67%. 3 insurance companies, making 10% of the respondents were purely foreign owned.

Table 4.2: Demographics of the respondents

Ownership	**No. of organizations**	**Percentage**
Locally owned	16	53.33%
Foreign owned	3	10%
Combination of local and foreign	11	36.67%
Other	-	-
Total	30	100%

4.4 Corporate restructuring and performance

The second section of the questionnaire focused on the actual restructuring strategies and forms that were employed in the different insurance companies, the years that the restructuring was executed and the effects of the restructuring efforts on the different performance variables that were being examined in the study. These variables were, market share in the insurance industry, competitiveness, profitability of the organizations and level of staff turnover.

Out of the 30 respondents that completed the questionnaires, 20 organizations had restructured at some point in the business life cycle while 10 had never undertaken

restructuring. The findings further revealed that of the 20 insurance companies that had undergone restructuring in the past, 13 companies had restructured once in their lifetime, 6 had restructured twice and only one insurance company had restructured three times. All the companies had undertaken corporate restructuring between 2004 and 2016. During the first corporate restructuring effort, 50% of the insurance companies undertook organizational restructuring while 35% went with financial restructuring. One organization undertook portfolio restructuring as the first effort and 10% of the respondents mentioned a combination of both organizational and financial restructuring.

The most common form of organizational restructuring was mergers and acquisitions whereby two insurance companies came together to form one company but still maintained different books of accounts and reported their financials as separate entities. Downsizing was also mentioned as another form of organizational restructuring. Financial restructuring included divestitures, mergers and acquisitions whereby the assets of the merged companies were joined and reported as being owned by one entity in the financial statements.

4.4.1 Corporate restructuring and market share

Table 4.3: Market Share change

Restructuring effort	**Significant increase (5)**		**Increase (4)**		**No change (3)**		**Decrease (2)**		**Significant decrease (1)**		**Mean**
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	
1st	11	55%	7	35%	1	5%	1	5%			4.4
2nd	1	16.67%	3	50%	1	16.67%	1	16.67%			3.6
3rd			1	100%							4
4th											

Note: Rating scale applied 1-5. Where 1=significant decrease and 5= significant increase

F - Denotes Frequency

Source: Research data (2017)

Findings were analyzed by taking into account the frequency of the responses on a rating scale of 1 to 5 whereby 5 was showed significance increase of market share and 1 was a significant decrease in market share. The study's focus was to establish the how market share was affected after each restructuring effort. According to the findings on table 4.3 above, corporate restructuring generally brought about an increase in market share for the insurance companies to a great extent. The majority of the respondents experienced significant rise in the market share after corporate restructuring.

The findings also show that subsequent restructuring efforts brought about an increase in market share but at a decreasing rate. I.e. the trend of increasing market share began to reduce from the second towards the third restructuring efforts. This is evidenced by the average which decreases from 4.43 in the first effort of restructuring to 3.6 in the second restructuring effort. The third restructuring effort is also lower than the first. It is higher than the first because only 1 company restructured three times and experienced an increase in market share. .

4.4.2 Corporate restructuring and competitiveness

In this section, the researcher sought to determine how corporate restructuring affected the level of competitiveness of insurance companies in the market. This was analyzed by rating each of the responses on a rating scale and assigning percentages to the frequencies of the responses. An average was then calculated to show the trend of competitiveness after each restructuring effort.

Similar to market share, corporate restructuring caused a significant increase in competitiveness of the insurance companies as per table 4.4 below. This is evidenced by the mean recorded after the first restructuring which was 4.55. The second and third restructuring efforts which had means of 4.3 and 4 respectively caused an upsurge in the competitiveness but not as high as the first restructuring effort. It is therefore clear that level of competitiveness increased but at a decreasing rate upon subsequent restructuring efforts.

Table 4.4: Level of competitiveness

Restructuring effort	Significant increase (5)		Increase (4)		No change (3)		Decrease (2)		Significant decrease (1)		Mean
	F	%	F	%	F	%	F	%	F	%	
1st	13	65%	6	30%			1	5%			4.55
2nd	3	50%	2	33.33%	1	16.67%					4.33
3rd			1	100%							4
4th											

Note: Rating scale applied 1-5. Where 1=significant decrease and 5= significant increase

F - Denotes Frequency

Source: Research data (2017)

4.4.3 Corporate restructuring and employee turnover

Employee turnover was another variable that the study was investigating and the researcher sought to establish whether there was a relationship between corporate restructuring and employee turnover and the trend during subsequent restructuring efforts. Employee turnover refers to the rate at which workers leave the organization and are replaced by new employees. Table 4.4 shows that majority of the respondents stated that after the first restructuring effort, there was a significant increase in employee turnover whereby 12 out of the 20 companies that restructured experienced very high turnover. In the second restructuring effort which was undertaken by 6 companies, 83% stated that the employee turnover rate still increased significantly and 16% mentioned that turnover increased though not significantly. There was no decrease in employee turnover after any of the restructuring efforts.

The averages show that after every restructuring effort the employee turnover rate increased. The mean of the first restructuring effort was 4.55, which increased to 4.83 on the second restructuring and finally to 5 at the third restructuring. This is evidence that the

more the insurance companies restructured, the more employees left the organizations and new ones came in. this may be attributed to the fact that according to the respondents, organizational restructuring was the most common strategy that was undertaken and mergers, acquisitions and downsizing were the most employed forms.

Table 4.5: Employee turnover

Restructuring effort	Significant increase (5)		Increase (4)		No change (3)		Decrease (2)		Significant decrease (1)		Mean
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	
1st	12	60%	7	35%	1	5%					4.55
2nd	5	83.33%	1	16.67%							4.83
3rd	1	100%									5
4th											

Note: Rating scale applied 1-5. Where 1=significant decrease and 5= significant increase

F - Denotes Frequency

Source: Research data (2017)

4.4.4 Corporate restructuring and profitability

The study also focused on the financial performance of the insurance companies in the population in terms of profitability. The study concentrated profitability in terms of the returns after expenses and operations had been catered for. Table 4.5 below shows the level of profitability after the first three restructuring efforts were undertaken. After the first restructuring the level of profitability increased but not significantly as per the mean of 4.15. The second restructuring caused a slight increase in profitability as evidenced by the average of 3.83. By the third restructuring effort, there was no change in the level of profitability. The trend is therefore a diminishing increase in the level of profitability with every restructuring effort.

Findings for this variable are however not conclusive seeing as profitability levels varied depending on the period after restructuring. Profitability may have increased in the year immediately after corporate restructuring had been undertaken but reduced greatly three years after the restructuring effort. Also, seeing as there are different financial performance measures such as return on equity and return on investment, the results on profitability may have been conflicted if these other measures were considered. The study was however focused on profitability alone as a variable. The findings for the effects of corporate restructuring on the level of profitability were in line with Dong et al., (2004), whose study concluded that restructuring might not result in enhanced performance.

Table 4.6: Level of profitability

Restructuring effort	Significant increase (5)		Increase (4)		No change (3)		Decrease (2)		Significant decrease (1)		Mean
	F	%	F	%	F	%	F	%	F	%	
1st	6	30%	12	60%	1	5%	1	5%			4.15
2nd			5	83.33%	1	16.67%					3.83
3rd					1	100%					3
4th											

Note: Rating scale applied 1-5. Where 1=significant decrease and 5= significant increase

F - Denotes Frequency

Source: Research data (2017)

4.4.5 Motivators and Objectives of Restructuring

The researcher sought to determine the forces that compelled insurance companies in Kenya to undertake corporate restructuring and what they hoped to achieve at the end of the restructuring efforts. It was established that there were three main motivators for corporate restructuring. The first was the stringent regulatory environment that the regulatory authority introduced to the industry. The introduction of risk based supervision and increase in capital requirements brought about the increase in mergers and acquisitions between insurers so as to meet the capital obligations and risk requirements (IRA, 2015).

The second reason increasingly dynamic and competitive market in which the insurance industry operates. The respondents noted that insurers were seeking to increase market share and penetrate new markets so as to ensure they have competitive advantage over their rivals. The third driver according to the data collected was the threat of insolvency. A number of insurance industry restructured due to difficult financial situations that could only be remedied through acquisitions by other insurance companies or downsizing to cut down on costs.

The main objectives of corporate restructuring were to increase market share, to penetrate into the East African market and establish a firm competitive advantage and to venture into other financial services such as investments.80% of the respondents who had restructured had expanded into investment services in at least one of the restructuring efforts.

4.5 Discussion of the findings

4.5.1 Comparison with theories

According to the life cycle theory, individuals make different consumption decisions depending on the stage of life they are in. this is why different people have different consumption patterns. Similar to individuals, organizations make decisions based on the stage of the life cycle they are in i.e. birth, growth, maturity and death. The study revealed that different organizations restructure at different times and stages in the life cycle. From the respondents, there were 17 organizations that had been in existence for over 30 years and 4 that had been in existence for less than 10 years though all the companies had restructured between the years 2004 and 2016. This means that while some of the organizations were restructuring at the maturity stage, others were restructuring while still at their growth stage. There were some organizations which despite having been in operation for over two decades had never restructured. This is therefore concurrent with the theory synthesized by Franco Modigliani.

The study revealed that organizational restructuring was the most common corporate restructuring strategy among the respondents’ organizations. In addition, some of the respondents indicated in the open ended questions that the main drivers for restructuring

were financial distress. This is in line with the agency theory which is of the opinion that corporate restructuring, particularly organizational restructuring was the most effective way of keeping the agency problem in check. If an organization is experiencing financial distress due to management not maximizing shareholders' profitability objective, then corporate restructuring may amend the situation through change of management which is part of organizational restructuring.

4.5.2 Comparison with other studies

The findings of the study established that there is indeed a relationship between corporate restructuring and performance of insurance companies in Kenya. It was evidenced that the relationship was a direct one whereby restructuring yielded positive results. Ochira (2009) was of the opinion that most financial institutions globally resort to restructuring when faced with low returns as a way of responding to the decline in profits and ensuring sustainable performance improvements. This is in line with the study because the findings showed that the insurance companies that were studied restructured with the motive to increase market share, and to find a solution to financial distress.

Onyango (2009) conducted a study on the effects of the various forms of restructuring on the Industrial and Commercial Development Corporation (ICDC) which is a development finance institution and found that all corporate restructuring strategies i.e. portfolio, financial and organizational caused a positive impact on the performance of the organization after the first restructuring effort. Subsequent restructuring efforts however yielded lower performance results. This is concurrent with the study since as per the recorded averages, performance in terms of market share, competitiveness and profitability significantly increased in the first restructuring effort but diminished with subsequent efforts.

Lastly the study established that restructuring generally leads to an improvement in performance of insurance companies. This is in line with a study conducted by Akintunde & Akaighe (2015) who found that restructuring in insurance companies in Nigeria improved performance although there were specific reasons that motivated restructuring.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This section seeks to evaluate the entire research project in order to determine whether the objectives of the study were fulfilled. It provides a culmination of the research outcomes, deductions and recommendations as observed by the researcher. It also brings out the limitations that came up during the study and points out suggestions for further research as well as implication of the study on policy and practice.

The data collected and analyzed in chapter four was used to give a brief overview of what the researcher concluded in this study and if these conclusions were in line or in contradiction with any related earlier study.

5.2 Summary

The Kenyan Insurance industry had been in existence for over 3 decades with 17 organizations out of the 30 that responded having been in operation for more than 30 years. Although this is the case, the insurance industry was found to be still very young in terms of corporate restructuring. From the data in that from the 30 respondents that completed the questionnaire, 33% had never undertaken any form of corporate restructuring. 20 insurance companies had restructured once, 6 had restructured once and only one company had undertaken restructuring efforts three times. The restructuring rate therefore in the insurance industry according to this study was only 67%.

The most employed corporate restructuring strategy was organizational restructuring with 50% of the respondents stating that this was the strategy undertaken. 35% undertook financial restructuring while 10% of the organizations employed a combination of organizational and financial restructuring. Portfolio restructuring was the least common strategy with only 3%.

Overall, the study established that corporate restructuring generally affected performance of insurance companies positively. There was an increase in market share, competitiveness

and profitability. It also increased the employee turnover rate. The study also established that profitability, market share and competitiveness diminish with every restructuring effort. Based on the averages calculated in the analysis, market share reduced from a significant increase mean of 4.4 in the first restructuring to a mean of 3.6 in the second restructuring. Competitiveness had decreased from a mean of 4.55 in the first restructuring effort to a mean of 4.33 in the second effort. There was no change in profitability by the third restructuring effort from a mean of 4.15 in the first restructuring effort. Employee turnover was the only variable that increased with subsequent restructuring efforts and this may not be beneficial to the organization. This therefore means that numerous restructuring proved not to be sustainable in the long run if profits, market share and competitiveness diminished every time a subsequent restructuring was undertaken. With all this in consideration it is still true that there was a direct relationship between corporate restructuring and the performance variables.

5.4 Conclusion

The conclusion of this study was that there was a relationship between corporate restructuring and performance of Kenyan insurance companies. Corporate restructuring was especially beneficial in the first restructuring efforts where there was a significant increase in performance measures. Restructuring was used as a boost to performance whereby the motive behind restructuring for the organizations was to increase market share, to penetrate the East African market and to solve financial distress issues. The most common restructuring forms were mergers and acquisitions, together with downsizing strategies. These followed the restructuring objectives of increasing market share, expanding to other markets and reducing operational costs respectively.

It was also established that corporate restructuring was not the answer to organizational problems or goals at all instances. During the third restructuring there was no change in profitability while competitiveness and market share also diminished. Employee turnover increased which means the employees were more unsettled with every restructuring effort. All in all, corporate restructuring was a strategy worth undertaking in order to improve performance.

5.5 Recommendations for Policy and Practice

Findings revealed that the insurance industry is very dynamic and is undergoing a myriad of changes in terms of regulation. The insurance companies therefore need to be proactive in ensuring that they are moving at the same pace as the market so as to operate as a going concern into the future. Restructuring is aimed at increasing efficiency, enhancing competitive advantage, and improving organization performance. Restructuring pursues the profitability, liquidity and solvency objectives of an organization. Insurance companies should therefore view corporate restructuring as a means to achieve their goals and a key to competitive advantage. They should however not solely rely on restructuring to solve all organizational problems whenever they arise as this is not sustainable, otherwise the purpose of corporate restructuring will be defeated.

The company also established that the form of corporate restructuring strategy employed mattered when it came to determining performance. Most of the insurance companies in the study underwent organizational restructuring and were able to record a significant increase in performance. There should therefore be policies that govern the form of restructuring effort employed specific to the type of organization so as to achieve maximum positive results.

5.6 Limitations of the Study

There were several limitations that the researcher encountered during this study. First, some of the respondents did not answer all the questions in the questionnaires which made it somewhat difficult to analyze the data in some sections thus putting the results at risk in terms of reliability or lack thereof to a small extent.

Another limitation is the fact that not all questionnaires were filled and sent back to the researcher for analysis. The response rate was at 54% but had it been at 100% the results would have been more clearly defined. Some of the respondents were not willing to share the information as they found it to be confidential in nature and thus not for public scrutiny.

5.7 Suggestions for further research

In accordance with the findings of the study, research should be conducted on how to maintain sustainability of corporate restructuring in organizations in the future. This will ensure that the impact of restructuring does not diminish after every subsequent restructuring effort as evidenced in the study. In addition, there should be a study conducted to determine the exact time frame of the impact of restructuring so as to determine the most suitable timing for a subsequent restructuring effort so as to ensure positive results are achieved.

Organizations would therefore be able to plan for subsequent corporate restructuring efforts in advance so as to avoid negative results after investing a lot of funds in restructuring. There should also be a study on the most suitable restructuring strategies for different organizations and industries specific to the goals that the organizations seek to achieve.

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APPENDIX I

Insurance companies licensed to operate in Kenya as at 21st February 2017

	INSURANCE COMPANIES (INSURERS)
1	AAR Insurance Company Limited
2	Africa Merchant Assurance Company Limited
3	AIG Kenya Insurance Company Limited
4	Allianz Insurance Company of Kenya Limited
5	APA Insurance Limited
6	APA Life Assurance Company Limited
7	Barclays Life Assurance Kenya Limited
8	Britam General Insurance Company (K) Limited
9	Britam Life Assurance Company (K) Limited
10	Cannon Assurance Company Limited
11	Capex Life Assurance Company Limited
13	CIC General Insurance Company Limited
13	CIC Life Assurance Company Limited
14	Continental Reinsurance Limited (Kenya)
15	Corporate Insurance Company Limited
16	Directline Assurance Company Limited
17	East Africa Reinsurance Company Limited
18	Fidelity Shield Insurance Company Limited
19	First Assurance Company Limited
20	GA Insurance Limited
21	GA Life Assurance Limited
22	Geminia Insurance Co. Limited
23	ICEA Lion General Insurance Company Limited
24	ICEA LION Life Assurance Company
25	Intra Africa Assurance Company Limited
26	Invesco Assurance Company Limited
27	Kenindia Assurance Company Limited
28	Kenya Orient Insurance Limited
29	Kenya Orient Life Assurance Limited
30	Kenya Reinsurance Corporation Limited
31	Liberty Life Assurance Kenya Limited
32	Madison Insurance Company Kenya Limited
33	Mayfair Insurance Company Limited
34	Metropolitan Cannon Life Assurance Limited

35	Occidental Insurance Company Limited
36	Old Mutual Assurance Company Limited
37	Pacis Insurance Company Limited
38	Phoenix of East Africa Assurance Co. Limited
39	Pioneer General Insurance Company Limited
40	Pioneer Assurance Company Limited
41	Prudential Life Assurance Company Limited
42	Resolution Insurance Company Limited
43	Saham Assurance Company Kenya Limited
44	Sanlam General Insurance Company Limited
45	Sanlam Life Assurance Company Limited
46	Takaful Insurance of Africa Limited
47	Tausi Assurance Company Limited
48	The Heritage Insurance Company Limited
49	The Jubilee Insurance Company of Kenya Limited
50	The Kenyan Alliance Insurance Company Limited
51	The Monarch Insurance Company Limited
52	Trident Insurance Company Limited
53	UAP Insurance Company Limited
54	UAP Life Assurance Company Limited
55	Xplico Insurance Company Limited

Source: Insurance Regulatory Authority

APPENDIX II

Questionnaire

Section A: Organization Bio-data

1. Name of the Insurance company____

2. How long has the organization been in operation?
   [ ] Less than 10 years [ ] 11-20 years [ ] 21 -30 years [ ] Over 30 years

3. Job title of the respondent in the organization_________________________________

4. How long have you been with this organization?
   [ ] 0 - 5 years [ ] 6 - 10 years [ ] 11-20 years [ ] Over 20years

5. How many employees are in the organization? [ ] 1-200 [ ] 301-400 [ ] 401 -600 [ ] Over 600

6. How would you classify your organization in terms of ownership?
   [ ] Locally owned [ ] Foreign owned [ ] Combination of local and foreign
   [ ] Other: Please specify__________________

Section B: Aspect of Corporate restructuring

7. Has your organization been through a restructuring process during the past 5-10 years? [ ]Yes [ ]No

8. If yes, how many times has the organization restructured? _____________________

9. If yes, Please specify the periods when corporate restructuring was undertaken. (i.e. if the organization has restructured more than once) e.g. 1st restructuring, year 1998, 2nd restructuring 2002,e.t.c

Corporate restructuring effort	Year
1st	
2nd	
3rd	
4th	

10. Please indicate the restructuring strategy undertaken in each particular period as indicated above. Note: Restructuring mode: Portfolio, Financial or Organizational.

Corporate restructuring effort	Restructuring strategy
1st	
2nd	
3rd	
4th	

11. Please specify the form of restructuring strategies used.
    Note: Restructuring strategies- Downsizing, leverage buyout, divestiture, Mergers and acquisition

Corporate restructuring effort	Restructuring form
1st	
2nd	
3rd	
4th	

12. What would you consider to be the main drivers, motives or pressures for the corporate restructuring efforts?

    i. ______________________________

    ii. ______________________________

    iii. ______________________________

    iv. ______________________________

13. What were the specific objectives of each corporate restructuring effort?

    i. ______________________________

    ____

    ii. ______________________________

    ____

    iii. ______________________________

    ____

iv. ____

____

14. How would you describe the change in market share of the organization after each corporate restructuring effort was executed? (Please tick appropriate box for every option)

Corporate restructuring effort	Significant increase (5)	Increase (4)	No change (3)	Decrease (2)	Significant decrease (1)
1st					
2nd					
3rd					
4th					

15. How would you describe the level of competitiveness of the organization after each corporate restructuring effort? (Please tick appropriate box for every option)

Corporate restructuring effort	Significant increase (5)	Increase (4)	No change (3)	Decrease (2)	Significant decrease (1)
1st					
2nd					
3rd					
4th					

16. How would you rate the level of turnover of employees after each corporate restructuring effort? (Please tick appropriate box for every option)

Corporate restructuring effort	Significant increase (5)	Increase (4)	No change (3)	Decrease (2)	Significant decrease (1)
1st					
2nd					
3rd					
4th					

17. How would you describe the level of profitability of the organization after each corporate restructuring effort? (Please tick appropriate box for every option)

Corporate restructuring effort	Significant increase (5)	Increase (4)	No change (3)	Decrease (2)	Significant decrease (1)
1st					
2nd					
3rd					
4th					

THANK YOU FOR YOUR TIME AND ASSISTANCE.