SERVICE QUALITY MANAGEMENT PRACTICES, ORGANIZATIONAL CHARACTERISTICS, INDUSTRY COMPETITION AND PERFORMANCE OF INSURANCE COMPANIES IN KENYA

PETER W. GICHURU

A THESIS SUBMITTED IN FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2018

DECLARATION

This thesis is my original work and has not been submitted to any other university or institution for award of a degree

Signed …….. Date……

Peter W. Gichuru

Registration Number D80/68876/2013

This thesis has been submitted with our approval as University supervisors.

Signed …….. Date……

Prof. Francis N. Kibera, PhD

Department of Business Administration

University of Nairobi

Signed …….. Date……

Prof. Justus M. Munyoki, PhD

Department of Business Administration

University of Nairobi

Signed …….. Date……

Prof. James M. Njihia, PhD

Department of Management Science

University of Nairobi

DEDICATION

This thesis is dedicated to my dear wife Mercy, my three sons, John, Martin and Anthony, my parents John Gichuru and Alice Wairimu and my late grandmother Ruth Wanjiru Wandoho for their moral support and encouragement.

ACKNOWLEDGEMENT

My greatest appreciation goes to the Almighty God for providing His grace without which this work would not have been concluded. I will forever be indebted to my supervisors Professor Francis Kibera, Professor Justus Munyoki and Professor Muranga Njihia. Your support, guidance and encouragement have made completion of this Thesis possible. I further appreciate Dr. Joseph Owino for finding time to read my work. The contribution of the entire academic staff of the School of Business who sacrificed their precious time to critique my document and to chair my defence is highly appreciated. May God bless you all as you continue guiding other students.

My family members have been a source of inspiration throughout the academic journey. Special appreciation goes to my parents for taking me to School against hard economic environment. We spent many hours with my classmates analyzing concepts and exploring various options of approaching every challenge that unfolded before us. In particular, I wish to thank Lydia Kerubo and Muriithi Ndegwa for ensuring that we completed and submitted group work in time.

Finally, I extend my gratitude to the Association of Kenya Insurers, Insurance Regulatory Authority and Institute of Insurance Practitioners of Kenya for supporting this study with the relevant data without which concrete conclusions could not have been drawn. I cannot forget to thank all the respondents who took time to complete the questionnaire. God bless you all.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

AKI: Association of Kenya Insurers

BSC: Balanced Score Card

CV: Coefficient of Variation

DCT: Dynamic Capabilities Theory

DF: Degrees of Freedom

FP: Firm Performance

GDP: Gross Domestic Product

IC: Industry Competition

IDRC: International Development Research Centre

IIK: Insurance Institute of Kenya

IRA: Insurance Regulatory Authority

ISO: International Organization for Standardization

KMO: Kaiser-Meyer-Olkin

LAPSSET: Lamu Port-Southern Sudan-Ethiopia Transport

MDG: Millennium Development Goals

OC: Organizational Characteristics

QMP: Quality Management Practices

SD: Standard Deviation

SDG: Sustainable Development Goal

SERVQUAL: Service Quality

SME: Small and Medium Enterprise

SQMP: Service Quality Management Practices

TQM: Total Quality Management

USA: United States of America

VIF: Variance Inflation Factor

ABSTRACT

The general objective of this study was to establish the effect of service quality management practices, organizational characteristics and industry competition on performance of insurance companies in Kenya. The specific objectives were to establish the relationship between service quality management practices and performance of insurance companies in Kenya; determine the effect of organizational characteristics on the relationship between service quality management practices and performance of insurance companies; assess the effect of industry competition on the relationship between service quality management practices and performance of insurance companies and to establish the joint effect of service quality management practices, organizational characteristics and industry competition on the performance of insurance companies. Existing studies have used different conceptualization and methodology besides posting mixed results. The study adopted a descriptive cross-sectional survey with primary data collected through semi-structured questionnaires. The Cronbach's Alpha Coefficient ranged from 0.783 to 0.853 showing the reliability of all the scales used in the study. Data was analyzed using descriptive statistics and regression analysis. The results of the study revealed a statistically significant relationship between service quality management practices and performance of insurance companies in Kenya ($R=0.758$, $F=31.066$, $P<0.05$). The results further revealed that organizational characteristics and industry competition have no statistically significant moderating effect on the relationship between service quality management practices and performance of insurance companies. Finally, the study established that there is a statistically significant joint effect of service quality management practices, organizational characteristics and industry competition on the performance of insurance companies in Kenya (Adjusted R square=0.575, $F=8.659$, $P<0.05$). The results of the study have implications on theory, policy and managerial practices. Service quality management practices have been found to influence performance of insurance companies. The study further established that there exists a joint effect of service quality management practices, organizational characteristics and industry competition on the performance of insurance companies thereby extending the knowledge of Service Quality Theory which contends that service quality depends on the nature of the discrepancy between expected service and what is perceived. Adoptions of service management practices appear to render the influence of organizational characteristics and industry competition on the relationship between service quality management practices and performance irrelevant. The implementation of service quality management practices by the policy makers assist in meeting the dual responsibility of insurance companies which are risk mitigation measures and national economic growth. At the managerial level, the implementation of service quality management practices increases performance. The study concludes that insurance companies should adopt service quality management practices to improve performance taking cognizance of the organizational characteristic and industry competition which have joint influence on performance. One of the main limitations of the study was the use of cross sectional research design where the survey data was collected at a single point in time. A longitudinal research design would better capture dynamic causal effects of the variables. The study recommends investigation of the effects of other factors like ownership structure, marketing capabilities, corporate image and organizational resources on the relationship between service quality management practices and performance of insurance companies in Kenya.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

International pressures of customers demanding better services at lower costs have made the global market place very competitive thereby causing many organizations to adopt the best service quality management practices. Many scholars have established that service quality management practices can be implemented in any organization and in any sector of the economy (Wang et al., 2012; Bloom & Van Reenen, 2010). The outcome of service quality management practices are improved services, fulfilled customers, motivated employees, reduced expenses, enhanced performance and increased output (Kaynak, 2003).

Previous studies have established a positive relationship between service quality management practices and performance (Sila & Ebrahimpour, 2005). In addition, organizational characteristics have been observed to influences performance (Alnaif, 2014) while other studies have demonstrated the moderation effect of industry competition on the relationship between service quality management practices and performance (Kohli & Joworski, 1990). Top management commitment, people management, employee involvement, customer focus and information analysis are among the mostly widely used quality management practices as concluded by Wahjudi et al. (2011). Performance has been measured in different ways including financial viability, relevancy, employee satisfaction, customer satisfaction and customer retention (Cho & Pucik, 2005).

This study was supported by the Service Quality Theory, Competitive Advantage Theory and Dynamic Capabilities Theory. The Service Quality Theory contends that service quality is evaluated through the discrepancy between expected service and perceived service (Parasuraman et al., 1985). The Competitive Advantage Theory sets out four factors of competitive advantage that interact with each other to create conditions where novelty and competitiveness occur (Van den Bosch, 1994). Dynamic Capabilities Theory (DCT) on the other hand suggests that each organization is endowed with unique attributes of resources and capabilities and these attributes account for variations in firm's competitiveness and performance (Shoemaker, 1993; Peteraf & Barney, 2003).

According to Skipper and Klein (2002), the insurance industry enhances trade and industry through indemnification of risks; promotion of financial stability and mobilization of savings in a market. It further enables efficient management of risk, besides mitigation of loss and complementation of government's security programs. At the global level, insurance industry contributes to achievement of the sustainable development goals in hunger and poverty eradication, provision of universal primary education and improving maternal health care (Osborn et al., 2015). The insurance industry is one of the sub-sectors of the financial pillar identified under Kenya Vision 2030 to drive economic growth, create employment and eradicate poverty (Kenya Vision 2030, 2007). In addition, the government is able to generate revenue from the insurance industry and the businesses that have been provided coverage by the insurance companies to finance their operations that raise the standards of living of its population (Madaki et al., 2012). Performance of insurance companies in Kenya is therefore of great importance because of their contribution to economic development.

1.1.1 Service Quality

The construct of quality as conceptualized in service literature involves perceived quality. As Halbrook and Cortman (1985) notes, consumers perceive the term quality differently from marketers and researchers who perceive it conceptually. The theoretical description distinguishes mechanistic quality from humanistic quality. According to Halbrook and Cortman (1985), humanistic quality entails the skewed reaction of individuals to items, features and is extremely relativistic experience that varies among the judges. On the contrary mechanistic qualities, is objective aspect of a feature, mostly apply to the physical commodities and not services. A service can be interpreted differently depending on the context. For instance it can imply an industry, a performance, an offering or a process.

Different authors have defined service quality differently in various service industries (Johns, 1999). For example, Parasuraman et al. (1985) have defined service quality as the gap between the perception of consumer on the service offered and what they expected. Cronin and Tylor (1992) on the contrary have defined service quality as the gap between expectations and performance with Gronroos (1999) stating that service quality is often assessed by measuring customer's attitudes. Toran (1993) argues that quality should be an essential element of a service.

Stafford et al. (1998) points that service providers are putting increasing emphasis on service quality. Mathew (2003) posits that although service quality is being prioritized by the service industry, employees who are not fully trained on customer service and completely persuaded of supremacy of the service themselves are normally located in the front desks where they are in direct contact with customers leading to increased grievances about the anticipated service and what is actually delivered. Sherden (1987) concludes that superiority service is rare but increasingly being sort for by potential buyers. According to Gronroos (1984), a company that anticipates to compete effectively, it necessary for it to appreciative the customers' view of the quality and the various methods of influencing it. According to Dowling (2004), firms are interested in establishing how features of a service drive performance and consequently need to develop models of service delivery in their search for competitive advantage.

1.1.2 Service Quality Management Practices

The International Organization for Standardization (ISO) has described service quality management as an aggregate of all the activities undertaken by the management function to determine the quality policy and objectives. Deming (1982) concludes that quality is an expected level of uniformity and reliability at manageable costs. In generalizing service quality management practices, Willborn and Cheng (1994) argue that service quality management practices encompasses continuous improvement, upholding of long-range thinking, enhances employees involvement, promotes team work, re-engineers processes, encourages benchmarking, relationship building mechanisms with suppliers and constant monitoring of results. However, Temtime and Solomon (2002) focused on service quality management practices as a continuous improvement of the standard of services through participation of the entire staff. On their part Zahari et al. (2008) claim that service quality is the degree to which services meets or surpass customer desires and expectations. Walton (1986) points out that quality management leads to better provision of services, reduction of costs, customer satisfaction enhancement, employees' motivation and improvement of firm's performance.

Wahjudi et al. (2011) identified some of the most widely used quality management practices in the last six years and cited corporate governance, staff management and involvement in quality issues and focusing of the customer needs and preferences as the soft factors while strategic initiatives, information analysis, process administration as hard quality managements practices. Lewis et al. (2006) contend that soft quality management practices deals with humanistic attributes while hard quality management practices confine themselves to tools and systems that are required to support the realization of soft factors. Research has concentrated on three main methods of measuring service quality in the recent past. The ISO 9000 focuses on business processes rather than outcome and SERVQUAL views quality as the result of customer assessment between anticipation and apparent service (Zeithaml, 1987). In contrast, total quality management (TQM) approach emphasizes on the quality management system, supporting systems, information systems and operations systems (Husam & Feridum, 2006). This study assumed senior management's commitment to quality, focusing on customers' needs and preferences, staff involvement, information analysis, and service design as being critical to performance of insurance companies.

1.1.3 Organizational Characteristics

Organizational characteristics constitute firm's attributes and managerial variables that make up the firms' internal environment (Zou & Stan, 1988). Cainelli et al. (2004) contend that organizational characteristics like age and ownership structure make it likely for large firms to invest in technology, innovation, Research and Development while Hendricks and Singhal (2000) assert that financial performance is influenced by organizational attributes like size, the extent of resources employed and the extent of diversification undertaken by an organization. As organizations complexity increases, the demand for the board's strategic guidance by the senior management also increases resulting to larger board size (Alnaif, 2014).

Chen et al. (2009) observe that different organization ownership brings about different corporate objectives which affect the corporate investment strategies. According to Nguyen et al., (2004), the diverse capabilities and formal procedures of large companies make their operations more effective and that size is correlated with superior performance. Older firms perform better than younger ones as age indicates firm's experience and stability which has a

positive impact on performance (Shadbegian & Gray, 2006). Firm size is probably the most important single influential variable of firm characteristics as it has been shown to be linked to industry-sunk costs and overall firms profitability as larger firms are likely to have increased specialization skills and functions than smaller ones (Kipesha, 2013). On the contrary big firms have been found to be slow in adapting to environmental changes (Roberts, 19920). In this study, size and age were assumed to influence performance of insurance companies in Kenya.

1.1.4 Industry Competition

Competition is a range of undertakings targeted to ensuring realization of organization goals while restraining actions of its rivals (Saviotti & Krafft, 2004). Intensity of Industry competition prompts organizations to adopt total service quality management practices to enable managers to confront the threats posed by the competition at controlled costs of production and marketing (Chong & Rundus, 2004). Competition however has a wide range of benefits to both customers and organizations which include incentives to innovate new and improved products/services that meet customers' needs and preferences at a particular time, offers consumers with choices among the various firms and among products/services and enhance efficient operations targeted to lower prices (Wilcox, 2015).

According to Porter (2008) a firm's performance in the market place is highly influenced by the characteristics of the industry in which it operates. This model discusses five competitive forces perceived as threats to the firm returns. These forces are threat of entry by additional firms to the market, risk of alternative products, negotiating muscles of buyers, the negotiating ability of suppliers and contention among current players. When new firms enter into a market they introduce new competence and the aspiration to capture a share of the market which constraint prices, costs and the level of investment needed to compete. When new firms are leveraging from other markets they can gain competitive advantage from existing c competences and cash flows to agitate competition. The threat of entry to a market varies depending on the elevation of initial barriers that exist and on the response entrants can anticipate from current players. If the initial barriers are low and fresh comers anticipate revenge from the well-established challengers, the risk of entry is soaring and the profitability is restrained.

When the risk of substitutes is soaring, an upper limit of the industry prices is imposed thereby limiting the profitability. The industry must take a unique position from the one taken by the substitutes through quality service and promotion. Strong buyers push prices down by negotiating for improved quality or additional deliverables and playing the industry members off against each other at the expense of market returns. Buyers are strong if they have bargaining capabilities in relation to industry members. Consumer groups have higher bargaining capabilities where the number of buyers is low, the products are standardized, buyers' face few switching costs, buyers can threaten to integrate backwards, the buyer groups earns little profit and the quality of the buyer's product is little affected by the industry product.

Powerful suppliers tilt the bargaining powers to by charging higher prices, lowering quality, hence limiting the industry margins especially where the industry is constrained to pass on the costs to the consumers. Rivalry among the competitors takes many forms like price discounting, innovations, promotion campaigns and service enhancement. Intensified rivalry limits the industry profitability. Price competition is likely to occur if services are undifferentiated, predetermined costs are high and incremental costs are low or the product is fragile. Competition should focus on other dimensions other than costs like product features, support services, delivery time, brand image or serving a different market segments. Porter (1980) states that the combined effect of these forces dictate the degree of the industry competition and consequently influences the firm's ability to post profits.

1.1.5 Firm Performance

Different authors have perceived the concept of performance differently. For instance Chakravarthy (1986) defines performance as a multidimensional construct composed of various related elements while Hofer (1983) on the other hand views performance as a contextual concept related with the phenomenon being studied. Combs et al. (2005) on the contrary describe performance as the economic outcome resulting from the interplay among organization's attributes, actions and environment. Venkatraman and Ramanujan (1986) present a performance model that has two domains namely financial and non-financial domains. The financial domain can be represented by profitability, growth and market value while the non-financial one can be represented by aspects like customer satisfaction, quality, and employee satisfaction.

Several studies have used different measures of performance. Cho and Pucik (2005) for instance suggest that financial performance can be represented by profitability, growth and market share while Wahjudi et al. (2011) conclude that Performance measures should include short-term and long term goals and a balance between internal and external perspectives. The use of financial data has been criticized on the grounds that it encourages optimization of short term and long term goals that neglects the envisaged long term upgrading of strategy and environmental consideration like competition (Kaplan & Norton, 1992). The use of balanced score card (BSC) has been recommended to address this shortcoming brought about by over concentration of financial measures of performance. Balance Score Card is a set of benchmarks that give senior managers a snapshot of the business status and includes both financial and non-financial measures already undertaken to enhance customer satisfaction and smoothen internal processes (Kaplan & Norton, 1992).

Lusthaus et al. (1995) on their part present four components of measuring performance under International Development Research Centre Organization (IDRC) model namely; effectiveness, efficiency, relevance and financial viability. The degree to which an institution moves towards achievement of its mission is its effectiveness while efficiency relates to provision of exceptional services within acceptable cost arrangement. Relevance is the ability of an organization to adapt to changing environments while keeping its undertakings agreeable to its key stakeholders. Finally, organizations ability to keep its inflow resources greater than the outflow ensures that the organization is financially viable. This study adopted the IDRC model in measuring performance.

1.1.6 Insurance Industry in Kenya

There are various players in the insurance industry in Kenya which includes insurance companies, reinsurance companies, insurance intermediaries and service providers who support the provision of insurance services (Association of Kenya Insurers, 2014). Insurance companies assume financial responsibility for losses that may result from specific risks at a fee. A risk is an uncertainty associated with a future outcome. According to Abor and Akotey (2013), the demands of managing hazards have undergone considerable changes due to

emerging new risks as a result of technology development. Risk administration decisions are mainly influenced by the size and nature of the company. Peril financing is about the payment of premiums to an institution in exchange of payments of losses which are expected to occur. This is after undertaking risk control measures and elimination of fundamental risks. There are various mechanisms of handling risks which include elimination, reduction, retention and transfer. Insurance companies are examples of the institutions where risks are transferred to.

The governance of insurance industry in Kenya is as provided for by the laws of Kenya particularly the Insurance Act Cap 487 with the Insurance Regulatory Authority (IRA) playing the oversight role. It is further self-regulated by the Association of Kenya Insurers (AKI) which was created under the Society Act Cap 108 as a consultative and regulatory body to the member companies. The Insurance Institute of Kenya (IIK) is the insurance professional body which promotes training and professionalism among the members. According to IRA (2017), there were 50 insurance companies in Kenya as at December 2016, out of which 12 were composite, 24 transacted general insurance and 14 transacted life business only. Underwriting insurance business in Kenya is characterized by intense competition over established business segments due to very little efforts being geared towards new products and service delivery leading to poor performance IRA (2015). In addition, local insurance companies lack the financial capacity to underwrite huge risks like LAPSSET project, Standard Gauge Railway, expansion of power generation, oil and gas exploration which are creating more demand for insurance coverage (AKI, 2014).

Stiff competition has also accelerated the poor performance of insurance companies in Kenya especially through price undercutting on the short term contracts while annuities on the long term contracts are constrained by the reserving requirements at discounted rates below the long term risk free interests rates (Insurance Sector Outlook, 2015). This has led to low penetration of insurance in Kenya which stood at 3.0% in year 2017 compared to 13% in some African countries like South Africa (IRA, 2017).

1.2 Research Problem

Explaining why performance of firms in the same industry differs has remained a fundamental question within strategic management circles (Teece et al., 1997). Such a variation can partly be explained by a number of variables like SQMP, OC and IC. According to Bloom and Van Reenen (2010) service quality management practices are positively correlated to performance. Stevenson (2002) supports this view and asserts that improving service quality will result to client fulfillment and effective expenditure management that will lead to enhanced performance. Wang et al. (2012) concluded that service quality has become one of the major concerns of both manufacturing and non-manufacturing organizations due to increasingly exaggerated antagonism for customers in today's customer centered age forcing many institutions to turn to improving service quality management practices. Porter (1991) asserts that industry competition influences performance of a firm with Skipper and Klein (2002) explaining that government policy on new entrants to a market is the most significant factor affecting the state of competition in an industry and ultimately performance. Alnaif (2014) on his part underscores the positive associations between organizational characteristics and profitability.

Risk administration is the method of appraising the hazards faced by an organization and then mitigating the costs associated with the identified perils (Abor & Akotey, 2013). The two authors appreciate that every hazard entails two types of costs. The first cost is incurred by occurrence of the actual loss while the second cost is incurred in an attempt to reduce or eliminate the risk of potential loss through transferring it to an external institution like an insurance company. However, although insurance is an important part of risk management, it is not the only means of dealing with risks as other methods may be less costly while some risks are uninsurable (Skipper & Klein, 2002). Insurance companies are therefore important as they take financial burden for losses that may result from specific risks at a fee. In addition, the insurance industry in Kenya is among the sectors that are expected to spur economic growth and help in realization of Vision 2030 whose aim is to achieve an average economic growth rate of 10% of the country's GDP (Kenya Vision 2030, 2007). However, this industry only contributes 2.9% compared to the expected 6.7% of the GDP (Economic Survey, 2015). Stiff competition has accelerated the poor performance of some insurance companies in

Kenya especially through price undercutting (AKI, 2014). Insurance companies must address current challenges on quality management practices while closely monitoring actions of competition if they are to realize the anticipated growth (AKI, 2015).

Empirical studies on service quality management practices (SQMP) and performance have focused on direct linkage or have adopted different conceptualization from the ones undertaken by this study (Sim et al., 2015, Kisengo & Kombo, 2014, Kinoti, 2012). In addition, these studies have adopted different methodologies (Ochola et al.,2006, Sim et al. 2015, Belay & Takala, 2001) besides finding mixed results (Stevenson, 2002, Njeru , 2013, Kisengo & Kombo, 2014, Patia & Mia, 2009, Owino, 2014).

At the global level for example, Sim et al. (2015) carried out a study on service quality, service recovery and financial performance using longitudinal research design and established that the recovery efforts in reducing mishandled baggage in the US airline industry were associated with improved financial and non-financial performance. On the contrary, Friebel and Schwiger (2011) established that SQMP had no significant influence on performance of manufacturing companies in their study on the effect of management quality, performance and market forces in Russia while Patier et al. (2012) in their study to investigate the joint influence of total quality management and industry competition on performance of hotels in Australia and India found a direct significant influence of Total Quality Management (TQM) on their non-financial performance but an indirect influence on the relationship between total quality management and industry competition on financial performance.

Locally, Ochola et al. (2006) carried out a study in Nairobi City County to find out the influence of weather conditions on the performance of insurance companies and concluded that extreme weather conditions have a direct impact on the performance of insurance companies due to increase in claims on fire and related perils. This study adopted a longitudinal research design and conveniently sampled six insurance companies. On the other hand Ombaka (2014) analyzed the effect of resources, external environment and innovation on performance of insurance companies in Kenya and established that both tangible and intangible resources had statistically significant influence on non-financial performance of insurance companies. Mose (2014) investigated the effect of service quality management

practices, market productivity, firm characteristics and industry competition on the hotels performance in Kenya and found a significant influence of quality management practices and industry competition on performance.

Mose (2014) however did not investigate the moderating effect of organizational characteristics on the relationship between service quality management practices and performance. On her part, Njeru (2013) investigated the effect of market orientation, firm characteristics, marketing practices and external environmental factors on firm performance of tour companies in Kenya and found that the joint effect of the three variables on performance was greater than that of the individual variables. Other studies have been contextualized in different industry sectors. For instance Njeru (2013) and Mose (2014) confined themselves to the hospitality industry while Frebel and Schwiger (2011) focused on the manufacturing industry.

As indicated above, there have been several studies that have been conducted on SQMP and performance in the past. However, there still remain unresolved issues along the conceptual, contextual and methodological spheres in the relationship among the variables. Furthermore, there is an absence of an integrated framework that relates SQMP, organizational characteristics, industry competition and performance besides the mixed findings. From the foregoing, it is apparent that the effect of service quality management practices, organizational characteristics, industry competition and performance has received inadequate attention. This study therefore sought to bring together SQMP, organizational characteristics, industry competition and performance. The study was guided by the following research question: What is the effect of SQMP, organizational characteristics and industry competition on performance of insurance companies in Kenya?

1.3 Research Objective

The main objective of this study was to establish the effect of Service Quality Management Practices, Organizational Characteristics and Industry Competition on Performance of Insurance Companies in Kenya. The specific objectives were to:

i. Establish the association between Service Quality Management Practices and Performance of insurance companies.
ii. Determine the influence of Organizational Characteristics on the association between Service Quality Management Practices and Performance of insurance companies.
iii. Determine the effect of Industry Competition on the relationship between Service Quality Management Practices and Performance of insurance companies.
iv. Establish the joint effect of Service Quality Management Practices, Organizational Characteristics and Industry Competition on the Performance of insurance companies.

1.4 Value of the Study

The findings of this study provide evidence-based integrated structure that relates SQMP, organizational characteristics, industry competition and performance. The direct linkage of service quality management practices and performance has been studied before. However, very little focus has been given to the effect of the organizational characteristics and industry competition on the relationship between service quality management practices and performance of the service industry.

It was concluded that service quality management practices is the main influencing factor of performance and that effective adoption of service quality management practices makes industry competition and organizational characteristics appear to have little influence on performance. The outcome of this study confirms the premises of Service Quality Theory and Competitive Advantage Theory that service quality relies on the nature of the variation between the anticipated and apparent service which makes a significant impact in the field of management and further extend the Service Quality Theory.

Policy makers will directly benefit from the outcome of this study in developing strategies that improve risk mitigation and economic growth of the insurance industry. The conclusion that service quality management practices is the main influencing factor of performance and that good service quality management practices makes industry competition and organizational characteristics appear to have little influence on performance will guide the

policy makers in allocating larger proportions of the budget to the implementation of service quality management practices thereby enhancing performance of insurance companies. The industry regulating bodies will use the results of this study to strengthen the corporate governance of the insurance industry to enhance penetration of insurance.

The study findings serve to inform the implementation of service quality management practices in any type of organization. In particular it helps managers of insurance companies to prioritize the implementation of service quality management practices that positively influence performance giving the organizations characteristics and industry competition moderate attention. The involvement of staff in quality decisions, designing products that focus on customer needs and differentiating these products at a premium price will enhance performance of the insurance companies.

1.5 Chapter Summary

This chapter has briefly reviewed the background of the study, described the main study variables before discussing the insurance industry in Kenya. Specifically, the chapter has elucidated on SQMP, organizational characteristics, industry competition, firm performance and insurance industry in Kenya. The research problem and objectives of the study have also been discussed.

The next chapter reviews the theoretical foundation of the study which is founded on the Service Quality Theory supported by Competitive Advantage Theory and Dynamic Capabilities Theory. Empirical literature on the relationships among the variables, summary of knowledge gaps, conceptual model and the study hypotheses are also discussed in the next chapter.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter discusses the theoretical structure that guided the study. The chapter further presents theoretical and empirical literature on the direct relationship between SQMP and performance. In addition, the chapter reviews theoretical and empirical studies on the moderating effect of organizational characteristics and industry competition on the relationship between service quality management practices and performance. The presentation of the conceptual model showing the linkages among the variables of the study, and the conceptual hypotheses guiding the study are also outlined in this chapter.

2.2 Theoretical foundation of the Study

This study was founded on the Service Quality Theory and supported by the Competitive Advantage Theory and Dynamic Capability Theory (DCT). The Service Quality Theory contends that service quality is the discrepancy between the perception of consumer on the service offered by a particular firm and their expectations (Parasuraman et al., 1985). The Competitive Advantage Theory examines why some firms within the same industry are more competitive than others (Porter, 1990) while the Dynamic Capability Theory explains how firms gain competitive advantage by utilizing the unique recourses they possess to influence performance (Teece et al., 1997).

2.2.1 Service Quality Theory

Service quality theory was advocated by Gronoroos (1982) and later publicized by Parasuraman et al. (1985). It is founded on the consumer behaviour theory fronted by Howard and Sheth (1969) which posits that the buyer decision making process can be explained through different approaches among them the psychodynamic, behavioural, cognitive and humanistic approaches (Bray, 2008). Gronoroos (1984) classified service quality into three components which were technical, functional and image.

Technical component is concerned on what service is delivered to the consumer. This function is important to the customer in the evaluation of the service and it can frequently be measured through objective methods.

Functional component confines itself to how the quality of the service is delivered and may influence how a given customer will perceive the service. The service is basically intangible and can be distinguished as an activity where production and consumption to a considerable extent takes place simultaneously. The functional quality cannot be measured objectively as the technical dimension as it is very subjective. This function is important to the customer in the evaluation of the quality of the service and may in one way or another influence the judgment. The perceived service is a result of customer's view of a bundle of service dimensions some of which are technical while others are functional in nature. When the perceived service is compared to the expected service the outcome is the perceived service quality (Gronoroos, 1984).

Technical and functional qualities do not take place in a vacuum and therefore the image of the firm is equally important. Image component confines itself on how customers see the firm and its resources during buyer-seller interaction making corporate image of utmost importance to most service firms. The most important part of the firm which customers see and perceive is its services which are made up of technical and functional qualities. Other factors that influence image are either external or internal factors. External factors include firm's traditions, ideology or word-of-mouth while internal factors include marketing activities such as advertising, pricing and public relations.

Parasuraman et al. (1985) proposed generic determinants of service quality as (SERVQUAL); reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibility. After establishing a high extent of association in some of the elements, Parasuraman, Bery and Zeithaml (1989) consolidated them into five determinants; tangibility, reliability, assurance, empathy and responsiveness. The importance of SERVQUAL model as the mostly used approach for measuring service

quality was underscored by Parasuraman et al. (1985). It evaluated the customers' outlook before they came across the service and their opinion after the consumption of the actual service. A echelon of concurrence or non- concurrence with a specified item is ranked on a Likert-type scale. The degree of service quality is shown by the difference between the actual and anticipated service.

Dowling (2014) is of the view that there are three factors that shape customers' expectations. The cultural norm creates expectations in customers minds like in Japan where the customer is elevated to quite a high level in society and the expectations is that very high service levels are the norm. The position of the product or service also sets levels of expectations. Terms like 'first class', '5-star','economy', 'standard' are all designed to create some level of expectations. The posted price of a service in a range of similar services creates expectations. There is however a need to balance between the cost of attempting to delight the customers on one hand and attracting enough customers for the organization on the other hand. If marketers elevate the expectations too high, customers are likely to be disappointed when the performance levels are not met and if the company sets the expectations too low it will not attract enough buyers.

The SERVQUAL model has since been improved through publications and numerous models across the globe (Robledo, 2001). Aldridge and Rowley (1998), however endorse the SERVQUAL instrument as the base on which other models have been developed. SERPERF (performance based service quality) model for example was developed by Cronin and Tylor (1992) who argues that performance is the gauge that best elucidates customers' discernment of service quality and therefore expectations should be excluded in the service quality measurement. The SERVQUAL model has been criticized mostly on its validity, reliability, operationalization of expectations and dimensional structure (Carman, 1990; Teas, 1994).

Sureshchandar et al. (2002) argues that five factors identified by Parasuraman et al. (1988) are not comprehensive and have left out certain important constituents of service quality. Armistead (1990) splits the determinants of service quality and reclassifies them into firm and soft dimensions where firm dimensions are time and flexibility while soft dimensions are style, steering and safety. However there is a general agreement that SERVQUAL items are

reliable predictor of overall service quality (Khan, 2003). SERVQUAL scale has also been criticized for its use of gap scores (Samen et al., 2102), measurement of expectations, positively and negatively worded items, the generalizability of its dimensions and defining of a baseline standard for good quality (Hutchinson et al., 2007).

This theory was found important for this study as it links Service Quality Management Practices, Industry Competition and Performance. Identification of quality gaps guides redeployment of resources into areas that are underperforming for optimum competitive advantage. This theory has however been criticized for focusing on the service delivery and failing to address the service- encounter outcomes (Gronroos, 1990).

2.2.2 Competitive Advantage Theory

Porter (1980) offered a model that examines why some firms within the same industry are more competitive than others. He discusses four determinants of competitive advantage namely factor conditions and asserts that these factors interact with each other to form conditions where innovation and competitiveness occur. These determinants are, demand conditions, related and supporting industries and the firm's strategy, structure and rivalry and finally the related suppliers and industries. The Competitive Advantage Theory states that these factors are complemented by the government and chance (Van den Bosch, 1994)

According to Porter (1991), the first determinant consists of the production factors which can either be basic or advanced with advanced factors being preferred as they are hard to imitate. Demand conditions on the other hand are forces imposed by buyers' demanding improved quality at competitive prices for services in a particular industry. The existence of related industries which interact with the target sector is an important determinant of a firm's competitiveness and firms strategies must be in congruent with such interactions. The pattern of rivalry is also considered as major attribute that shape competitive advantage as competing firms stimulate companies to upgrade their production process. Benefits of competition among firms to customers include incentives to produce new and better products/services, offering choices among firms and among products/services and efficient operations that lead to lower prices (Wilcox, 2015).

The Competitive Advantage Theory states that these basic factors are complemented by the government and chance (Van den Bosch, 1994). Government factors include subvention, investment in education, regulating the market, creating competitive infrastructure and being a major consumer of the industry goods and services. All the policies and regulations made by the government can benefit or adversely influence the competence of an industry. For instance, provision of subsidies, taxation, financial incentives, capital market regulation will all influence the performance of a sector. Chance factors include wars, major changes in international financial markets, and changes in cost of production, political decisions and pure inventions. This theory was found suitable for this study as it explains why some firms in the same industry are more competitive than others. The Competitive Advantage Theory however has been criticized in that today's organizational goals are not only to protect the five forces, but also to team up and develop innovative products and services in line with the change in technologies (Karagiannopoulos et al., 2005). Furthermore, it has been argued that Porter's five forces elucidate only 20% of the differences in market share, growth and competition (Grant, 2011).

2.2.3 Dynamic Capabilities Theory

Teece et al. (1997), define dynamic capability as the organization's capacity to renew its competencies to achieve consistency in a changing environment. The Dynamic capabilities theory builds on the fundamental understanding of the Resource Based View in which competitiveness is derived from utilization of the firm's definite resources and potential possessions (Peteraf & Barney, 2003). Hult and Ketchen (2001) interpreted organizational capability as the ability of a firm to organize its assets to undertake an activity to enhance returns. Teece et al. (1997) on their part noted that competitiveness emerges from uninterrupted enlargement and reconfiguration of firm-specific resources and as a result, firms that are able to predict and plan for foreseeable changes in the environment have better opportunities to grow than their rivals.

The Dynamic Capabilities Theory was considered suitable for this study as it explains how firms gain competitive advantage by utilizing the unique capabilities they posses to influence performance. For instance, Dynamic Capabilities Theory (DCT) suggests that each firm is endowed with unique assets which either could be tangible or intangible and that this

uniqueness can explain the differences in organization's competitiveness and performance (Shoemaker, 1993; Barney, 1991). Organizational characteristics can be regarded as resources that account for the differences in competitiveness and firm returns. This theory however has been criticized of having descriptions that makes it difficult to understand the construct (Barreto, 2010).

2.3 Service Quality Management Practices and Firm Performance

Extant literature reveals enhanced performance resulting from implementation of quality management practices (Kaynak, 2003). The focus of firms that implement quality management practices are customer satisfaction, process efficiency, improvement of quality offered, enhanced productivity, decrease in costs, boost in sales and market share and better image (York & Miree, 2004). Mose and Kibera (2015) conducted a study on the influence of service quality management practices on the performance of hotel firms in Kenya and established that service quality management practices significantly influenced hotel performance. In this study service quality management practices were measured by top management support, customer orientation, workforce management, quality information, reward and recognition and product/service design. The firm performance was represented by profitability, sales revenue, market share, employee loyalty, customer satisfaction and customer loyalty. The study used a descriptive cross-sectional survey and was conducted in the hotel industry. A review of literature indicates that senior management involvement to quality, staff involvement in quality matters, information analysis, focus on customers, leadership, product and service design process are the most cited measures of Service Quality Management Practices (Jose et al., 2009).

Belay and Takala (2001) scrutinized the effects of quality management practices and concurrent engineering on performance in Finland and found a direct link between the two variables. The study adopted a longitudinal research design with a case study of one of the Brewery Companies. It however used financial aspects to measure performance and ignored the non-financial part. On the contrary, Friebel and Schwiger (2011) established that service quality management practices had little influence on performance in Russia in their study on management quality, performance and forces. The study adopted a cross-sectional research design where one thousand and nine hundred manufacturing companies with less than 5,000 employees in ten transition countries were surveyed. This study was however carried out in the manufacturing industry leaving out the service industry.

On her part, Kinoti (2012) investigated the effect of green marketing practices on performance of ISO 9000 and 14000 certified organizations in Kenya and found that green marketing practices influence performance. The cross sectional descriptive research design study was a census on the ISO 9000 and 14000 certified organizations then. The non- ISO 9000 and 14000 certified organizations were however not considered. Saleem et al. (2011) carried out an inquest on the impact assessment of ISO 9000 series on firm performance, empirical evidence from SMEs sector in Pakistan. The inquest adopted a cross-sectional survey research design and a questionnaire was used to collect information from 300 conveniently sampled organizations. The study established a positive association between ISO 9000 series with business and operational achievement. This study however used convenient sampling design besides being conducted in a developed economy. This study hypothesized that performance is influenced by service quality management practices adopted by an organization.

2.4 Service Quality Management Practices, Organizational Characteristics and Firm Performance

Bloom and Van Reenen (2010) confirmed the existence of large variety of management practices among organizations and the output of such organizations is highly dependent on these practices. Literature contains conflicting results on whether age of a firm influences performance with some arguing that older firms perform better than young ones as age is an indicator of experience (Kipesha, 2013) while others conclude that older firms are less capable to adapt to changes and therefore less productive (Shadbegian & Gray, 2006). Shetty (1999) asserts that service quality enhances competition and profitability. Kroll et al. (1999) declares that product quality increases performance.

Njeru (2013) investigated the effect of firm characteristics and external environment on performance of tour firms and established that, firm characteristics (measured in terms of size and age of tour firms) had no significant influence on performance. This study conducted a census survey on the tour firms in Kenya that were registered by July 2012 using a descriptive cross-sectional research design. It however used different conceptualization than those used in this study which is SQMP, organizational characteristics, industry competition and

performance. In their study to investigate the influence of firm characteristics and performance of micro-finances in Kenya, Kisengo and Kombo (2014) established a significant relationship between the two variables. This study used a cross sectional research design and confined itself to all the micro-finances in Nakuru. Although literature has demonstrated a direct relationship between service quality management practices and performance, this study hypothesizes that this relationship may be moderated by organizational characteristics.

2.5 Service Quality Management Practices, Industry Competition and Performance

Several studies have established a strong relationship among the constructs of SQMP, industry competition and performance. For instance Mose (2014) confirmed the existence of this joint relationship on his study purposed to establish the influence of SQMP, OC and IC on the performance of hotels in Kenya. However, Sorensen (2008) in his study on why competitors matter for market operations found that competition is positively related to market share while customer focus is detrimental to a firms return on assets. The study was conducted in Denmark and adopted cross-sectional research design where 308 manufacturing firms were surveyed. . Jia (2006) in the same vain established that on average, entry by either a K-Mart or a Wal-Mart store displaces forty to fifty percent of the small discount firms. The study used a cross sectional research design with a sample of 2065 small- and- medium sized counties in United States.

Mazzeo (2003) investigated the influence of competition on service quality in the United States Air-lines and established that the future profit consequences of deferred flights were less where the airline was the only carrier serving a particular route. However increase in competition provided incentives for the airlines whose short term objective was profit maximization to invest in delay prevention mechanisms as the cost of delays were higher were competition was stiff and consumers had options. Patiar et al. (2012) purposed to establish the joint influence of total quality management, industry competition and performance of hotels and found a direct interactive effect of total quality management and industry competition on hotel non financial performance but an indirect effect on the financial performance. The study targeted four and five star hotels in Australia and India through a

cross sectional research design. The study however had different conceptualization from the ones undertaken by the current study. This study hypothesized that although SQMP influences performance, this association is influenced by industry competition.

2.6 Service Quality Management Practices, Organizational Characteristics, Industry Competition and Performance

Service excellence has turned out to be a key area of focus to both practitioners and researchers during the past two decades because of its significant influence on performance, though management of costs, profitability to shareholders and customer (Seth & Deshmukh, 2005). Industry competition is central in the performance of firms in the same industry as established by Owino (2014) who found a positive link between industry competition and performance in a study of organizational culture, industry competition and performance of microfinance institutions in Kenya. This position was further supported by Chong and Rundus (2001) who concluded that the tools an organization adopts to improve quality through total quality management are influenced by its competitors and the intensity of the industry competition.

Tunuraharjo (2015) investigated the joint influence of drivers of industry competition, competitive strategy and performance of Minimarkets Networks in Indonesia and confirmed that there were simultaneous effects of drivers of competition and unique capabilities on performance through competitive strategy. Review of literature indicates that service quality management practices influences performance, however this study hypothesized that this relationship is moderated by organizational characteristics and industry competition.

2.7 Summary of Knowledge Gaps

The conceptual gaps are about how variables in this study differ from variables in the previous studies. Methodological gaps are about population of study, research design and sampling methods while contextual gaps relate to different environments under which the variables have been studied.

Table 2.1 provides a summary of how the previous studies conducted, stressing the results found, the methodology used and knowledge gaps identified in terms of conceptual, contextual and methodological. It concludes by demonstrating how the current study addressed the identified gaps.

Table 2.1: Summary of Knowledge Gaps

Study	**Focus of Study**	**Methodology Used**	**Knowledge Gaps**	**Focus of the Current Study**
Sim et al., (2015)	The influence of service quality, service recovery and performance, an analysis of the US airline industry	Longitudinal Research design on ten domestic airlines	The inquest was carried out in a developed economy- US	This study was conducted in a developing economy- Kenya.
Kisengo & Kombo (2014)	The effect of OC on performance of microfinance sector in Kenya	Census on all certified microfinance institutions	The study did not investigate the moderating effect of IC on SQMP & performance	The inquest Investigated the influence of IC on SQMP and FP
Mose, J. (2014)	The influence of SQMP, market productivity, firm characteristics, industry competition on the performance of hotel firms in Kenya	Descriptive cross sectional survey with a sample of 209 hotels	The study focused on the hotel industry and did not address itself to the influence of OC on the link between SQMP and FP	The study focused on insurance industry and inquired the influence of OC on the link between QMP and FP
Ombaka, E. (2014)	The effect of resources, external environment, innovation and Firm Performance of the insurance companies in Kenya	Descriptive cross sectional survey. Census on all the 46 insurance companies	The study did not inquire the influence of IC on SQMP and FP and OC on the link between SQMP and FP	The study inquired the influence of OC on the link between SQMP and FP and further established the influence of IC on the link between SQMP and FP

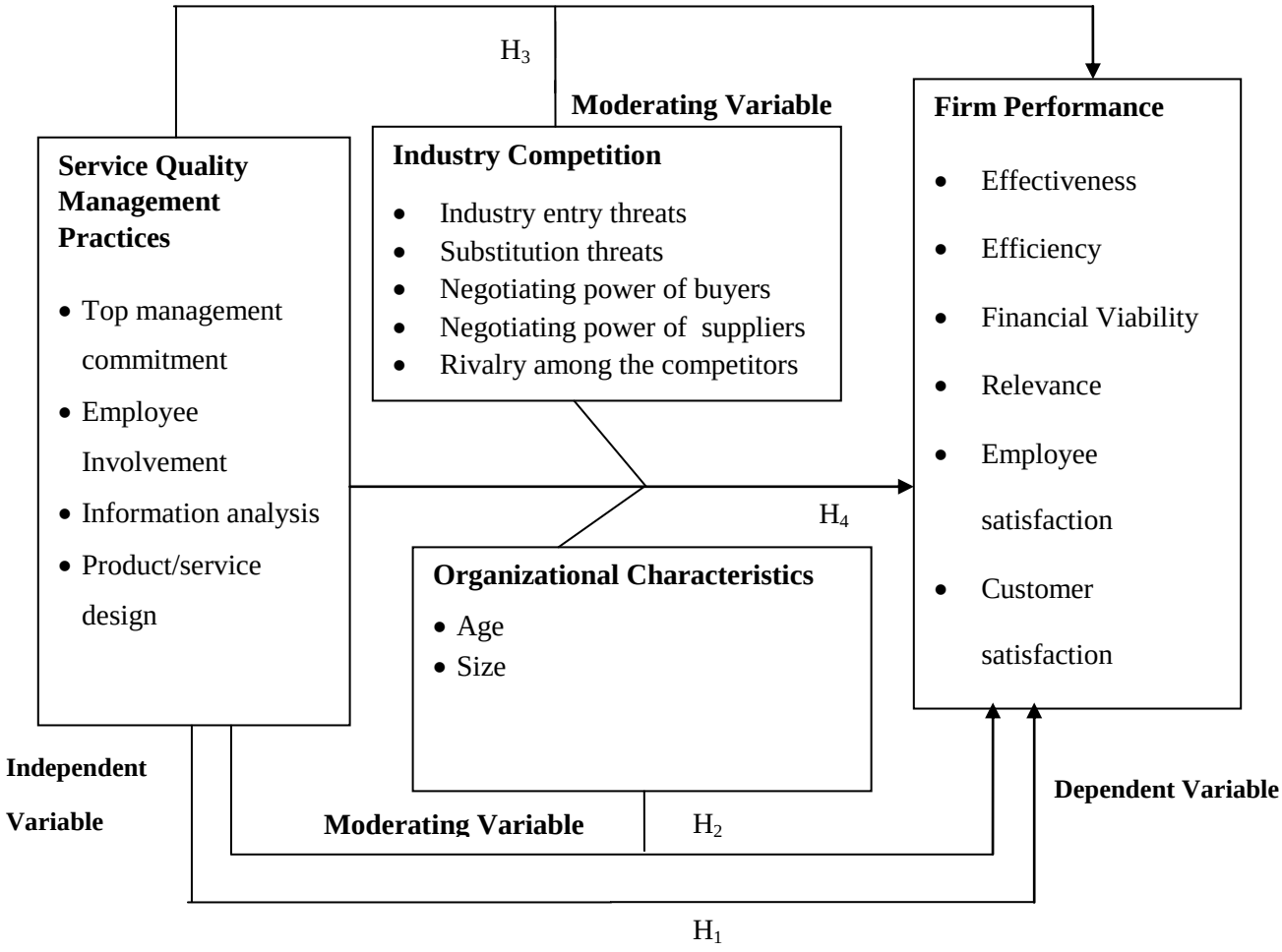
Study	Focus of Study	Methodology Used	Knowledge Gaps	Focus of the Current Study
Patiar et. Al, (2012)	The effect of total quality management, industry competition and performance, evidence from upscale hotels in Australia and India	Descriptive cross sectional survey with 165 hotels sampled	The study did not investigate the moderating effect of OC on the relationship between TQM and performance The study was conducted in a different environment	This study investigated the influence of Organizational Characteristics on the link between SQMP and FP in a Kenyan context
Kinoti, M. (2012)	The effect of green marketing practices, on performance of ISO 9000 and 14000 certified organizations in Kenya	Descriptive cross sectional survey. Census on all the ISO 9000 and 14000 certified organizations	The study did not consider the non ISO 9000 and 14000 certified organizations	The study considered both ISO and non- ISO 9000 and 14000 certified organizations
Frebel & Schwige, (2011)	Management quality, firm performance and market pressure in Russia	Descriptive cross sectional survey.	This study was conducted in a different market environment The study focused on the manufacturing industry	This study focused on the Kenyan context and confined itself to the service sector
Ochola et al. (2006)	The influence of weather conditions on performance of insurance industry in Nairobi County	longitudinal research design and conveniently sampled six insurance companies	The study adopted convenient sampling method	The study was a census
Belay & Takala, (2001)	The effects of SQMP and concurrent engineering in business performance	Case Study longitudinal research design	The study used only financial aspect to measure performance	The study adopted both financial and non-financial measures of performance.

Source: Author, 2018

2.8 Conceptual Model

The study model was presented to depict the link between Service Quality Management Practices and Performance moderated by Organizational Characteristics and Industry Competition as illustrated in Figure 2.1.

Figure 2.1: Conceptual Model



As shown in Figure 2.1, Service Quality Management Practices (SQMP) was hypothesized as the primary driver of performance as shown by the arrow direction of hypothesis H_1. It was also hypothesized that Organizational Characteristics (OC) and Industry Competition moderates the relationship between SQMP and Performance as demonstrated by the arrow direction of hypothesis H_2 and H_3 respectively. Consequently, the model hypothesized a joint effect of SMQP, Firm characteristics (FC) and Industry Competition (IC) on performance as shown by the direction of the arrow H_4.

2.9 Conceptual Hypotheses

This study proposed the following null hypotheses which are a derivative of the literature and depicted in the conceptual model (Figure 2.1).

$H_{1:}$ Service Quality Management Practices have no significant influence on the performance of insurance companies in Kenya.

$H_{2:}$ Organizational Characteristics have no significant moderating effect on the relationship between Service Quality Management Practices and Performance of insurance companies in Kenya.

$H_{3:}$ Industry Competition has no significant moderating effect on the relationship between Service Quality Management Practices and Performance of insurance companies in Kenya.

$H_{4:}$ There is no significant joint effect of Service Quality Management Practices, Organizational Characteristics and Industry Competition on Performance of insurance companies in Kenya.

2.10 Chapter Summary

A brief review of the theoretical foundation of the study was discussed by presenting the theories anchoring the study. This chapter has further explored relevant theoretical and empirical literature of the previous studies to show the relationship between the study variables. The chapter has concluded by summarizing the knowledge gaps, illustrating the relationships that were investigated in a conceptual model and presenting the four study hypotheses.

The next chapter discusses the study philosophy under which the study assumptions were based and research design used in this study. It further presents the population of the study and data collection techniques besides explaining how reliability and validity of the study instruments were assessed. The diagnostics tests undertaken in the study are also discussed before presenting a summary of the study objectives, hypotheses and data analytical models.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the belief that guided the study. It addresses the what, the how and the why questions and the procedural choices that were adopted pertaining to the study. Specifically, the chapter explains the research structure, population of the study, data gathering techniques that were adopted, reliability and validity tests, and operationalization of the inquest variables. It concludes with a summary of study objectives, hypotheses and statistic diagnostic models.

3.2 Research Philosophy

According to Mugenda and Mugenda (2003), research philosophy is about the development of Knowledge. Knowledge is a group viewpoints about definite sectors of reality. This develops to what is reality (Ontology) and method about knowledge concerning a truth can be made accessible (epistemology). Epistemology is the study of theories which aids in appreciating what it implied by knowing the process to a state of knowledge concerning a given observable fact (Mugenda & Mugenda, 2003). A research philosophy is a conviction about how a certain phenomenon should be studied. These convictions include phenomenology, positivism, pragmatism, realism, idealism among others. Phenomenology is about theory creation and focuses on the immediate experience where the researcher draws meanings by interpreting experiences that are observed during the researcher's involvement in the phenomena (Blau, 1997). Phenomenology research is more subjective, assumes the existence of multiple realities and information is usually gathered through inductive and qualitative methods.

Pragmatism philosophy presents various method designs through which a researcher can relate both qualitative and quantitative approaches. Realism embraces the opinion that reality exists autonomous of the researcher's mind and may subsist notwithstanding science or study and there is legitimacy in distinguishing realities that are simply asserted to survive whether demonstrated or not (Sobh & Perry, 2006; Blaike, 1993). The realism philosophy acknowledges that information flows from rationale than practice while functionalism

suggests that that social institutions and practices can be appreciated in terms of tasks they conduct in sustaining the larger social system (Uddin & Hamiduzzaman, 2009).

Positivism adopts the view that truth is constant and can be experienced and explained from an ideal perspective, without hampering with the fact being investigated, and that phenomena should be isolated and observations should be similar under the same circumstances (Levin, 1988). Positivism endeavor to expand extrapolative and expounding knowledge of the external world through creation of theories that consist of highly universal statements articulating the regular relationships (Uddin & Hamiduzzaman, 2009). Positivist researchers infer and devise research through variables, hypotheses and operational definitions supported by the existing theories.

The broad fundamentals of positivist philosophy have implications for social research. These implications are adopted from Easterby-Smith et al. (1991) who authoritatively specify them as methodological, value-freedom, causality, operationalization, independence and reductionist. Furthermore, inquests under positivistic philosophy pursue a model of devising hypotheses in which postulation of social authenticity are made followed by scientific verification or rejection of the said hypotheses (Buttery & Buttery, 1991). The current study adapted the positivist research philosophy which integrated developing a conceptual framework developed from existing strategic management and marketing literature objective falsification of empirical hypotheses that were formulated to predict assumptions of the phenomena being studied. Hypotheses testing were undertaken with the intent of collecting sufficient evidence to reject or not to reject the null hypotheses. Through this philosophy the researcher established the character of the links within the variables, tested the devised hypotheses and made overviews from the study outcomes.

3.3 Research Design

Research design is a map and configuration of the inquest with an objective of obtaining the answers to a research questions. It is a structure for specifying the affiliations among the inquest variables. The design selected for this inquest was directed by the objective and type of the inquest, the degree of researcher participation, the duration within which data is to be collected and the kind of analysis. This study used a descriptive cross-sectional survey.

Cross-sectional study takes a snap-shot of a population at a certain instance, allowing conclusions about the subject being studied across a wide population to be drawn (Cooper & Schindler, 2006). A descriptive inquest is carried out in order to confirm and explain distinctiveness of the variables of concern in a state of affairs (Sekaran, 2003). In the view of Sultan and Wong (2010), expressive cross-sectional investigation allows for quantitative account of the antecedents of service quality management practices and hence found suitable for this study. Kerlinger (1986) underscores the usefulness of survey method in acquiring data helpful in evaluating current practices and providing grounds for drawing conclusions.

Kang and James (2004) refer to experiential literature as confirmation to the adoption of quantitative study methods in probing practical superiority of services. Cooper and Schindler (2006) confirm the appropriateness of cross-sectional studies where the general objective is to scrutinize the significance of relationships among the variables at a particular point in time. Cross-sectional design was used to inquire about the link among the study variables. Other studies (Munyoki, 2007; Kinoti, 2012; Njeru, 2013; Owino, 2014; Mose, 2014) have used cross-sectional surveys and found them suitable and dependable to explore similar studies.

3.4 Population of the Study

The intended population comprised all the insurance companies in Kenya while the unit of analysis was the insurance company. The Insurance Regulatory Authority classifies insurance companies depending on the category of insurance intended to be transacted. There are broadly three classifications of insurance companies known as general, life and composite. An insurance company seeks license from the authority for the classes of insurance it intends to transact. General insurance companies are licensed to transact short term insurance contracts for one year at most while Life insurance companies on the contrary, transact long term insurance contracts mostly from two years and beyond. Composite insurance companies transact both general and life business and they tend to hire more employees due to the different specialization required to transact business.

Cainelli et al. (2004) affirm that organizational characteristics like age make it likely for firms to invest in technology, innovation, Research and Development while Nguyen et al. (2004) argue that formal procedures of large companies make their operations more effective. According to IRA (2017), there were 50 insurance companies in Kenya as at 31st December

2016. According to IRA (2017) twenty four insurance companies were certified to transact short term business and therefore were general insurance companies, while fourteen underwrote life insurance only and only twelve were composite. This study adopted a census survey.

3.5 Data Collection

Data was gathered through semi-structured questionnaires which were designed on a five point likert- kind gauge with a span of 1 to 5 where 1= Not at all, 2= To a small extent, 3= To a moderate extent, 4= To a large extent and 5= To a very large extent. A questionnaire was selected due to the nature of respondents who were senior managers in the insurance industry. This tool was deemed fit due to the high literacy levels among the staff selected to participate in this inquest. Cooper and Schindler (2003) advocates for self-administered questionnaires for respondents who require enough time to cautiously think about their responses like the case of this inquest. The opinion poll was subdivided into four parts where part A captured information on demographic profile of the respondents and the Organizational Characteristics, part B focused on Service Quality Management Practices, part C confined itself to Industry Competition while part D sought information on the performance of the insurance company.

To enhance internal consistence, this study used scales previously used by other studies with slight modification to fit the context. For example, questions used in service quality management practices, were adopted from Wahjudi et al. (2011) while those used under organizational characteristics were adopted from Kinoti (2012). Some of the questions used in Industry Competition were adopted from Rundus (2004) while part of those used in firm performance was adopted from Munyoki (2007).

The target respondents were either the Chief Executive Officers or head of marketing, strategy, risk or actuarial departments or any other manager in an equivalent position. Though some scholars support the use of multiple informants, other researchers argue that single informants provide data that are more reliable and valid (O'cass et al., 2004; Lin, 2011; Narver & Slater, 2000). This assists in providing reliable and valid data besides avoiding information inconsistencies that may arise from multiple responses from a single unit (Saunders et al., 2007). The top managers were approached to complete the questionnaires since they are assumed to participate in the firm's strategic planning and execution in line

with Campell (1995). The survey forms accompanied by the universities introduction letter were dropped and picked up later after an introduction telephone call. The introduction letter explained the objective of the data collection being solely for academic purses only besides assuring the respondents of the confidentiality of the information provided and the identity of their institutions.

3.6 Reliability and Validity Test

Reliability and validity investigations were undertaken to confirm that the device developed to measure a specific concept precisely measured it. Reliability gauges the extent to which a study tools yields constant outcome (Mugenda & Mugenda, 2003). Validity on the other hand confines itself with whether a research instrument is computing what it is proposed to compute. Each test is briefly described in the following section.

3.6.1 Reliability test

Reliability addresses itself to the extent to which a gauge is free from random, uneven error and hence ensures consistent measurement across time and across the various items in the instrument (Cooper & Schindler, 2006). To enhance the reliability of the survey instrument, a pilot study was conducted with 5 organizations and Cronbach's Alpha Coefficient computed to establish the consistence of the instrument. Cronbach's Alpha is employed to gauge the dependability of study where likert category measurement gauge with numerous answers is used to collect data (Nachmias & Nachmias, 2004). Cronbach's Alpha Reliability Coefficient values range from 0 to 1. Internal consistency of the item increases as the coefficient value approaches 1. This study considered an alpha value of 0.70 as the cutoff point as advocated by (Nunally, 1978)

3.6.2 Validity Test

Validity addresses itself on whether the research outcomes are truly on the subject of what they appear to be about (Saunders et al., 2007). Other authors have viewed validity as extent to which the outcomes obtained from the examination of the data actually represent the phenomenon under study (Mugenda & Mugenda, 2003; Sekran, 2000). Validity is of various kinds namely: construct validity, content validity and face validity (Sekaran, 2003). Construct

validity tests how well the results obtained from the use of the measure fit the theories around which the test was designed. It was tested through factor analysis; Content validity ensures that the measure includes adequate and representative set of items that tap the concept. It was improved by using well-known scales that were acknowledged in the literature. Face validity was tested using senior members of staff in marketing.

3.7 Operationalization of Study Variables

This part presents how variables under the study were operationalized as portrayed in the conceptual model. Operationalization aids in the description of constructs into apparent activities that can be computed (Sekran, 2003). They included SQMP, organizational characteristics, industry competition and firm performance. The dependent variable (firm performance) included effectiveness, efficiency, financial viability, relevance, employee satisfaction, customer satisfaction and customer retention which were measured by use of primary data that was collected through semi-structured questionnaires. A dependent variable is the one relies on other variables.

The independent variable, SQMP included top management commitment, staff management, quality information and product design. The moderating variable is the one that influences the relationship between independent and dependent variables. Cooper and Schindler (2003) posits that moderating variables are second independent variables that should be incorporated because they are thought to contribute conditional effect to the initially stated independent-dependent association. In the study organizational characteristics and industry competition were depicted as moderating variables. Organizational characteristics included age and size of the respective organizations while industry competition comprised; threats of new entrants, threat of substitutes, power of buyers, power of suppliers, and rivalry among the competitors. These variables were measured by use of primary data that was collected through a semi-structured questionnaire. Table 3.1 summarizes the study variables, operational indicators, measurement scales and the respective questionnaire items.

Table 3.1: Operationalization of the Study Variables

	Variable	Operational Indicators	Measurement Scale	Supporting Literature	Questionnaire Items
1	SQMP (Independent Variable)	Top management commitment Customer focus Staff management Quality information Product service design	A five point rating scale where:- 1=Not at all 2=To a small extent 3=To a moderate extent 4=To a large extent 5=To a very large extent	Wahjudi et al., (2011) Mose, (2014)	Section B Question No 10 (a) to 10 (e)
2	Organizational characteristics (Moderating Variable)	Age since incorporation in Kenya Size in number of employees	Direct Measure (ratio scale)	Kinoti (2012), Mose (2014)	Section A Question No. 1 to 11
3	Intensity of Industry Competition (Moderating Variable)	New entrant Substitute service Influence of buyers Influence of suppliers Rivalry among the competitors Number of competing firms Aggressiveness in marketing	A five point rating scale where:- 1=Not at all 2=To a small extent 3=To a moderate extent 4=To a large extent 5=To a very large extent	Chong & Rundus, (2004) Owino, (2014). Pecotich et al.,(1999)	Section D Question No. 12 (a) to 12 (e)
4	Firm Performance (Dependent Variable)	Effectiveness Efficiency Financial Viability Relevance Employee satisfaction Customer satisfaction Customer Retention	A five point rating scale where:- 1=Not at all 2=To a small extent 3=To a moderate extent 4=To a large extent 5=To a very large extent	Munyoki, (2007) Ombaka, (2014) Njeru (2013)	Section E Question Nos. 13 & 14

3.8 Diagnostic Tests and Data Analysis

Statistical tests depend on assumptions about variables used in the analysis. Osborne and Waters (2002) observe that when these assumptions are not met, the results may not be valid. Assumptions of linearity, multicollinearity, normality and homogeneity were tested in this study as outlined by Osborne and Waters (2002). Linearity of data indicates that the values of the outcome variable for each increment of predictor variable lie along a straight line and were tested using scatter plots. Multicollinearity occurs when there is a high extent of connection between independent variables and was determined using Variance Inflation Factor (VIF) and tolerance test. Hair et al. (2010) assert that VIF should be less than 10 while tolerance should be more than (0.10).

Normality in this study was tested using Shapiro-Wilk test. According to Field (2009), when the Shapiro-Wilk significant value is less than 0.05 it indicates a deviation from normality otherwise data will be approximately normally distributed. Homoscedasticity occurs when the variance of the errors of the dependent variable is not the same across the data and it can lead to grave misrepresentation of the outcome increasing the chances of type 1 error (Hair et al., 2010). In this study the assumption of homoscedasticity was evaluated by using scatter plot residuals.

Data was analyzed using descriptive statistics such as average scores and standard deviation. Multivariate statistical analysis was used to test the patterns of relationships between constructs of SQMP, OC, IC and FP. Moderating effect of organizational characteristics and industry competition on the relationship between service quality management practices and performance was tested using regression analysis (Baron & Kenny, 1986). In order to assist multivariate scrutiny as well as correlation and regression, a composite index was computed for the four variables.

Table 3.2: Research Objectives, Hypotheses and Data Analytical Models

Objective	**Hypotheses**	**Analysis Method**	**Analysis Method and Interpretation**
Objective i: Scrutinize the link between SQMP on Performance of insurance companies.	H_1: Service Quality Management Practices have no significant influence on Performance of insurance companies in Kenya	Simple Regression analysis $Y= \alpha + \beta_1 X_{1.} + \varepsilon_1$ Where: Y=Composite score of performance α= Regression constant (intercept) $X_{1\ =}$ Composite score of SQMP $\beta_{1=}$ Regression coefficient ε_1-is the error term	R^2 assessed the quantity of change in FP as a result of SQMP. F-(Analysis of Variance) test assessed the entire strength and significance of the regression model t-test determined significance of SQMP P-Value < 0.05 checked statistical significance
Objective ii: To Determine the effect of Organizational Characteristics on the association between SQMP and Performance of insurance companies.	H_2: Organizational Characteristics have no significant moderating effect on the relationship between SQMP and Performance of insurance companies in Kenya	Multiple Regression analysis Step 1: $Y_2= \alpha + \beta_{21} X_{2.} + \varepsilon_{21}$ Step 2: $Y_2= \alpha + \beta_{22} X_{2.} + \beta_{22} C_2 + \varepsilon_{22}$ Step 3: $Y_2 = \alpha + \beta_{23} X_2 + \beta_{22} C_2 + \beta_{22} U_2 + \varepsilon_{23}$ Where: Y_2= Composite score of FP α= Regression constant $\beta_{21\ ----}\ \beta_{24-}$ = Regression coefficients X_2=Composite score of SQMP C_2= Composite Score of OC U= Interaction term of SQMP and OC ε_{21}---- ε_{24} = error terms	Adjusted R^2 assessed how much change of firm performance was due to SQMP. F-test assessed the entire strength and significance of the regression model A significant change in adjusted R^2 upon introducing the interaction term U confirmed moderation effect P-Value < 0.05 assessed whether step 1-3 are statistically significant

Objective	**Hypotheses**	**Analysis Method**	**Analysis Method and Interpretation**
Objective iii To investigate the influence of Industry Competition on the link between SQMP and Performance of insurance companies.	H_3: Industry Competition has no significant moderating effect on the relationship between SQMP and Performance of the insurance companies in Kenya.	Multiple Regression analysis Step 1: $Y_3= \alpha+ \beta_{31} X_3 + \varepsilon_{31}$ Step 2: $Y_3= \alpha+ \beta_{32} X_3+ \beta_{32} M_3+ \varepsilon_{32}$ Step 3: $Y_3= \alpha+ \beta_{33} X_3+ \beta_{33} M_3+ \beta_{33} Z + \varepsilon_{33}$ Where: Y_3= Composite score of FP α = Regression constant $\beta_{31,-----,} \beta_{33}$= Regression coefficients X_3=Composite score of SQMP M_3=Composite score of IC Z= Interaction term of SQMP and IC $\varepsilon_{31------} \varepsilon_{33}$= error term	Adjusted R^2 assessed the quantity of change in FP caused by SQMP. F-test assessed the entire strength and significance of the regression model A significant change in adjusted R^2 upon introducing the interaction term Z confirmed a moderating effect. Beta (β) determined the contribution of each predictor variable to the significance of the model P-Value < 0.05 assessed whether step 1-3were statistically significant
Objective iv: To establish the joint effect of SQMP, OC and IC on Performance of insurance companies.	H_4: There is no significant joint effect of SQMP, Firm Characteristics and Industry Competition on the performance of insurance companies in Kenya.	Multiple Regression analysis $Y_4= \alpha + \beta_{41} X_4 + \beta_{41} C_4 + \beta_{41} M_4+ \varepsilon_{41}$ Where: Y_4=Composite score of performance α= Regression constant X_4=Composite score of SQMP C_4 = Composite score of OC M_4= Composite score of IC. $B_{41----} \beta_{43=}$ Regression coefficients ε_{41}= error term	Change in adjusted R^2 assessed how much variance in dependent variable's disparity was due to predictor variables. F-test assessed the entire strength and significance of the multiple regression model t-test to determined significance of individual variables P-Value < 0.05 to checked on statistical significance

3.9 Chapter Summary

This chapter has described the research methodology adopted in conducting this study. Specifically, this chapter has highlighted the inquest philosophy, design, data gathering instrument, reliability and validity of the data instruments. It has further described the operationalization of the study variables and statistical data techniques that were used which included descriptive statistics and regression analyses. The chapter has concluded by illustrating analytical models that were used for data analysis and hypotheses testing.

The next chapter discusses the study findings which comprised the response rates, the respondents' characteristics, correlation analysis and a summary of the descriptive analysis. The chapter further presents the results of normality tests, linearity tests and homoscedasticity before discussing the outcome of the regression analysis and hypotheses testing.

CHAPTER FOUR

STUDY FINDINGS AND DISCUSSION

4.1 Introduction

This study's primary objective was to scrutinize the influence of SQMP, organizational characteristics and industry competition on the performance of insurance companies. This chapter elucidates the outcome of analyzing the data commensurate with the survey objectives which comprised three steps, data preparation, examination and reporting. Data from the field was coded then cleaned before being analyzed via the Statistical Package of Social Sciences.

Four confirmation tests were undertaken to assist in drawing the conclusions which included descriptive statistics, factor and regression analysis and analysis of variation of mean. Descriptive statistics was used to describe the population; factor analysis assisted in condensing the huge quantity of variables in order to find out the most important ones, the significance of the model was verified by use of one way ANOVA while regression analysis assisted to assess the hypotheses and establish statistical significance of the respective hypotheses at 95% confidence level.

4.2 Response Rate

This study adopted a descriptive cross-sectional survey with insurance industry being the targeted population while insurance companies were the unit of analysis. According to IRA (2017), there were 50 insurance companies in Kenya as at 31st December 2016. Copies of the questionnaire were sent out to all the 50 insurance companies, however, 33 responded representing 66% response rate. Notably one of the companies that failed to respond was under statutory management.

The response rate of 66% was considered acceptable. Other studies had more or less the same response rates with 60% for Njeru (2013), 67.7% for Kinoti (2012) and 58.7% for Murgor (2014). According to Mugenda and Mugenda (2003) and Saunders et al., (2007) a response rate of 50% is adequate, 60% is good while 70% is considered very good for analyzing and

presenting data. The study targeted one respondent who was either the Chief Executive Officer or head of marketing, strategy, risk, actuarial departments or any other manager in an equivalent position. Single informants provide data that are more reliable and valid (O'cass et al., 2004; Lin, 2011; Narver & Slater, 2000).

4.3 Reliability and Validity Tests

Reliability and validity tests are measures to confirm that the device developed to gauge a particular concept is precisely measuring that concept that was set out to be measured. This in return guarantees no important dimensions of perceptual and attitudinal variables are overlooked or irrelevant ones included during operationalization (Sekaran, 2003).

4.3.1 Reliability Test

Reliability approximates the extent a gauge is free of chance and uneven error (Cooper & Schindler, 2006). To enhance the reliability of the survey instrument, a pilot study was conducted to five organizations and Cronbach's Alpha Coefficient calculated to assess the device's consistency. Reliability of measurement scales was assessed by computing Cronbach Alpha coefficient. Although this study adopted established scales from the literature, it was still necessary to measure the internal consistency due to the modifications made to suit this study. Table 4.1 delineates the outcome.

Table 4.1: Summary of Reliability Tests

Variable	No of Item	N	Cronbach's Alpha Coefficient
Service Quality Management Practices	23	30	0.853
Industry Competition	31	31	0.783
Firm Performance	43	33	0.851

Source: Primary Data, 2018

From Table 4.1, service quality management practices had the highest Cronbach's Alpha Coefficient of 0.853, followed by firm performance which had a coefficient of 0.851. Competition had the least Cronbach's Alpha Coefficient of 0.783. However, these values were above the cut off 0.7 as advocated by (Nunally, 1978) and therefore acceptable.

4.3.2 Validity Tests

Factor Analysis test was employed to measure construct validity. This examination shows how well the measure targets a construct. Factors were extracted using the Principal Component Analysis and rotated through Varimax rotation approach. The results indicated that five factors loaded on service quality management practices, eight factors loaded on industry competition while nine factors loaded on firm performance. It was observed that all of the variables in this study were un-dimensional which confirmed the validity and reliability the measures of the construct used in this study. Detailed outcome of factor analysis is as presented in Appendix V.

4.4 Diagnostic Tests

The data collected was subjected to tests of normality, linearity, multicollinearity and homoscedasticity before statistical analysis were conducted and the results were as briefly discussed in this section.

4.4.1 Normality Test

Shapiro- Wilk test was used to evaluate whether the data was normally distributed. Statistical procedures require that the assumption of normality is tested. The lower limit of Shapiro-Wilk test 0.05, above this cut off point then the data is normally distributed (Shapiro-Wilk, 1965). This test is appropriate for small sample sizes and the results were as demonstrated by Table 4.2.

Table 4.2: Tests for Normality

Variable	Shapiro-Wilk Results		
	Statistic	Df	Sig.
Service Quality Management practices	.940	19	.264
Industry Competition	.947	19	.344
Firm Performance	.888	19	.030

Source: Primary Data, 2018

From the outcome detailed in Table 4.2, a conclusion was drawn that service quality management practices, industry competition and firm performance data were normally distributed since the significant value of the Shapiro-Wilk test for each valuable is above 0.05.

4.4.2 Linearity Test

Linearity of data implies that any adjustment in the predictor variable results to a corresponding adjustment in the dependent variable. The linearity of data was tested through plotting of a Quantile - Quantile (Q-Q) graph where any violation of the linearity assumption would lead to standardized residuals scattering randomly around the horizontal line. The results indicated that the values were along the best line- of- fit as shown in Appendix VI.

4.4.3 Multicollinearity

Multicollinearity occurs when there is a high extent of association between predictor variables and was determined through Tolerance and Variance Inflation Factor. The quantity of discrepancy in the predictor variable that is unexplained by other predictor variables is what is referred to as Tolerance while Variance of Inflation Factor (VIF) shows how much of the regression factors are affected by multicollinearity leading to overestimated errors. According to Hair et al. (2010), the value of tolerance should be more than (0.10) while that of Variance Inflation Factor should be less than 10 when there is no multicollinearity among the predictor variables. Table 4.3 depicts the results of the two tests.

Table 4.3: Multicollinearity Tests

Model	**Collinearity Statistics**	
	Tolerance	**VIF**
Service Quality Management Practices	0.933	1.072
Industry Competition	0.996	1.004
Organizational Characteristics	0.653	1.532

a. Dependent Variable: Firm Performance

Source: Primary Data, 2018

Table 4.3 narrates the values of Tolerance test among all the three predictors (service quality management practices, industry competition and organizational characteristics) are above 0.10 while the value of VIF is below 10. It can therefore be deduced that there is no multicollinearity among the predictor variables.

4.4.4 Homoscedasticity

Homoscedasticity is central to linear regression models. It describes a situation in which error term in the relationship between the independent variables and the dependent variables is the same across all values of the independent variable. Assumptions of parametric analysis and others is that the within-group standard deviations of the groups are the same implying that they display homoscedasticity, if the standard deviation reveal homoscedasticity, the likelihood of getting a false affirmative result even though the null hypothesis is acceptable may be greater than the expected alpha level (McDonald, 2014). This inquest assumed Bartlett's test for homoscdasticity to establish the null hypothesis that standard irregularity of the measurement variable are the same for the different groups (Montgomery, 1997). The findings are depicted in Table 4.4, 4.5 and 4.6.

Table 4.4: KMO and Bartlett's Test for SQMP

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.692
Bartlett's Test of Sphericity	Approximate Chi-Square	32.212
	Df	6
	Sig	.000

Table 4.5: KMO and Bartlett's Test for Industry Competition

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.460
Bartlett's Test of Sphericity	Approximate Chi-Square	45.975
	Df	10
	Sig	.000

Table 4.6: KMO and Bartlett's Test for Firm Performance

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.872
Bartlett's Test of Sphericity	Approximate Chi-Square	164.626
	Df	21
	Sig	.000

Source: Primary Data, 2018

The KMO and Bartlett's test outcome as displayed in Table 4.4, 4.5 and 4.6 shows the fitness of the data for factor analysis. Kaiser-Meyer- Olkin measure of sampling adequacy for the three variables (Service Quality Management Practices, Industry Competition and Performance) is around 0.5. Kaiser (1974) recommends 0.5 and above as acceptable value for KMO.

4.5 Respondent Characteristics

The study purposed to establish the duration the participants of the survey had served the organizations and the highest level of academic and professional qualifications attained. The target responds for this study were the Chief Executive Officer or head of marketing, strategy, risk or actuarial departments or any other manager in an equivalent position. The distribution of the individual respondents characteristics were as narrated in Table 4.7.

Table 4.7: Individual Respondent Characteristics

Description	Frequency	Percent (%)
Individual's duration of Service in years		
Below 5 years	16	48.5
6-10	7	21.2
11-15	7	21.2
Over 20	3	9.1
Total	**33**	**100.0**
Individual respondents academic qualifications		
Diploma	1	3.0
Bachelors Degree	18	54.5
Masters Degree	14	42.4
Total	**33**	**99.9**
Individual respondents professional qualifications		
Certificate of Proficiency	1	3.0
Craft Course in Insurance	2	6.1
Diploma in Insurance	14	42.4
Advance Diploma in Insurance	9	27.3
Any Other	7	21.2
Total	**33**	**100.0**

Source: Primary Data, 2018

Table 4.7 depict that approximately 51.5% of the respondents had served in the same organization for more than five years with 48.5% serving the same organization for less than five years. The number of years a manager serves in an organization is associated with knowledge and experience which can have some impact on performance and therefore good for the insurance industry. However the big proportion of employees serving the organization for less than 5 years could suggest a high turnover of the newly employed staff. Indeed the results in Table 4.7 could further suggest the absence of a clear career growth path of the graduate trainees leading to high turnover. It further demonstrates that 3% of the respondents had acquired a Diploma while 54.5% had a Bachelors degree and 42.4% had a Masters degree. This shows that the respondents had the necessary knowledge to conceptualize issues that may have arisen in their respective areas of operations.

The results in Table 4.7 also indicate that the respondents had a very high level of professional qualifications with 69.74% being holders of diploma in insurance and only 3% holding certificate of proficiency (COP) which is the minimum professional qualification in insurance. This is good for the industry as the professional body (IIK) can instill professionalism to its members which is likely to influence performance. The high level of qualifications can be attributed to the regulatory requirements that senior personnel in an insurance company must be professionals in insurance. The minimum qualification required is a diploma in insurance for persons heading underwriting and claims. However the personnel in actuarial, compliance, finance and any other supporting functions require professional qualifications from their various disciplines.

4.6 Respondents Organizational Characteristics

Age and size of the organizations were the two factors the inquest used to test the influence of the organizational characteristics on the affiliation between SQMP and performance. The firm's age was operationalized by the number in years the firm had existed since inception while the number of employees the firm had employed was used to estimate the size of the organization. Cainelli, et al. (2004) contend that organizational characteristics like age make it likely for large firms to invest in technology, innovation which impacts on performance. Table 4.8 presents the results of insurance companies that were surveyed.

Table 4.8: Respondents Organizational Characteristics

Description	Frequency	Percent (%)
Length of company existence in years (age)		
Up to 5	2	6.1
6-10	4	12.1
11-15	4	12.1
16 to 20	4	12.1
Over 20	19	57.6
Total	**33**	**100.0**
Staff establishment in a company (Size)		
Less than 100	9	27.3
101 to 300	13	39.4
301 to 500	4	12.1
Above 500	6	18.2
Total	**33**	**100.0**
Category of insurance underwritten		
Life	4	12.1
General	5	15.2
Composite	24	72.7
Total	**33**	**100.0**

Source: Primary Data, 2018

As summarized by Table 4.8, approximately 57.6% of the insurance firms surveyed had operated in Kenya for over 20 years while 36.3% had operated between 6 and 20 years. Only 6.1% had operated for less than 5 years. This shows that most of the firms surveyed had acquired experience of doing business in the country for over 20 years. This is good for the insurance industry as the consumers look for experience before signing long term insurance contracts like pension administration. However the small proportion of insurance companies that had operated below five years could be as a result of entry barriers from the regulatory bodies.

Most of the insurance companies are large organizations with 69.7% of the institutions surveyed employing more than 100 personnel and only 27.3% with below 100 employees. This diversity in size can be explained by the category of insurance companies depending on the kind of business they underwrite. For instance, 24 insurance companies surveyed were composite with 5 underwriting general insurance and only 4 underwriting life business. The wider the underwriting scope of an insurance company the more employees it is likely to employ due to the different specialization required.

4.7 Service Quality Management Practices

This concept of SQMP was operationalized through establishing the top management commitment to quality, employees' involvement, information analysis and product or service design. The participants of the survey were requested to state the degree to which they concurred with the attributes allied with each service management practice and to rate their opinion along a number of constructs on a range of 1 to 5 where 1 represented "Not at all" and 5 "To a very large extent". The following section briefly describes the results.

4.7.1 Top Management Commitment

Top management commitment is the express involvement by the highest level of leadership in an organization in all important aspects of quality. The participants of the survey had been requested to point out the degree of their concurrence with regard to precise executive commitment statements. Table 4.9 narrates the summary of the six items that were used to estimate the level of commitment of the senior management.

Table 4.9: Top Management Commitment

Description	N	Mean Score	SD	CV (%)
Commitment of senior management to quality performance	33	4.36	.699	16.0
Provision leadership for quality services and improvement by senior management	33	3.91	.631	16.1
Evaluation of senior management on quality performance	33	3.76	.751	19.9
Major departments participate in quality improvement	33	3.91	.765	19.6
Quality issues are reviewed in management meeting	31	3.77	.805	21.4
Top management has quality management objectives	32	4.16	.767	18.4
Overall	**33**	**3.98**	**.736**	**18.5**

Source: Primary Data, 2018

As outlined by Table 4.9, the six statements' average score ranged between 4.36 and 3.76. Commitment to quality performance by senior management had the highest mean score (Mean Score= 4.36, SD= 0.699, CV =16.0%). The lowest mean score was on the evaluation of top management on quality performance (Mean Score=3.76, SD= 0.699, CV =19.9%). The reviewing of quality issues in management meetings had the highest standard deviation of 0.805 showing the variability of the respondents' responses. The results further revealed that although to a large extent top management has quality objectives and it is committed to quality performance, the evaluation and subsequent follow up of quality concerns was only done to a moderate extent. This was further supported by the fact that top management providing leadership had a similar mean score with major departments participating in quality improvement process. The average mean score of 3.98 implies that top management is to a large extent committed to quality performance.

4.7.2 Employee Involvement

Employee involvement is the direct participation of the workforce to assist an organization realize its undertaking and meet its goals by applying their own ideas, knowledge and hard work towards resolving problems and making judgments. The participants of the survey had been requested to point out their concurrence with precise employee involvement statements. Table 4.10 presents the results.

Table 4.10: Employee Involvement

Description	N	Mean Score	S D	CV (%)
Training of managers on quality	33	3.61	.747	20.7
Training of staff on quality	33	3.45	.711	20.6
Induction of staff on problem-solving techniques	33	3.48	.667	19.2
Induction of team work techniques to staff	32	3.50	.803	22.9
Staff get feedback on their quality achievement	33	3.52	.712	20.2
Employees are involved in quality assessment	33	3.18	.769	24.2
There is top-down bottom-up & horizontal communication among staff	33	3.18	.983	30.9
Overall	**33**	**3.42**	**.770**	**22.5**

Source: Primary Data, 2018

As illustrated by Table 4.10, the average mark for the seven scales was between 3.61 and 3.18. Training of managers on guidelines assumed the highest score (Mean Score= 3.61, SD= 0.747, CV= 20.7%). The lowest mean score was on the existence of top-down bottom-up and horizontal communication among staff (Mean Score=3.18, SD= 0.983, CV=30.9%). There was no big variability in the responses as indicated by the small range of standard deviation between 0.667 and 0.983. Although managers receive quality training to a great extent, employees' participation is to a reasonable extent. This is reflected in the low mean score in employees being involved in quality assessment and the absence of all round communication among the staff. The average mean score of 3.42 suggests that employees were moderately involved in quality practices.

4.7.3 Information Analysis

Information analysis is the process of converting and modeling data by translating it into actionable knowledge that can support drawing of conclusion to improve the management process. The participants of the survey had been requested to point out their degree of agreement with particular information analysis statements. Six statements were used and the outcome tabulated in Table 4.11.

Table 4.11: Information Analysis

Description	N	Mean Score	S D	CV (%)
Quality data are available in the company	32	3.75	.803	21.4
Availability of quality data to senior management	33	3.97	.918	23.1
Availability of data to junior staff	33	3.00	1.090	36.3
Timely availability of data	32	3.41	1.073	31.5
Management by use of quality data	33	3.52	1.034	29.4
Performance evaluation of senior managers by use of quality data	33	3.55	1.063	29.9
Overall	**33**	**3.53**	**.990**	**28.3**

Source: Primary Data, 2018

As detailed in Table 4.11, the mean score of the six statements had a lower limit of 3.97 and an upper limit of 3.00. Availability of quality data to senior management had the highest score (Mean Score= 3.97, SD= 0.918, CV=23.1%). The lowest mean score was on the accessibility of quality data to the juniors (Mean Score=3.00, SD= 1.09, CV=36.3%). Availability of data to subordinate had the highest standard deviation of 1.09 showing the variability of the responses among the respondents. This summary is a confirmation of lack of employee involvement in quality decisions. Although quality data is available to the managers to a large extent, it is only to a moderate extent that it is available to the subordinates. The results further show the restrained use of the data to manage and evaluate performance.

4.7.4 Product/Service Design

Product or service development is a complex process that involves data gathering, involvement of customers, staff and various departments in an organization. The survey participants' had been requested to point out their concurrence with explicit product or service design statements. The results of the four scales undertaken to measure this construct were narrated in Table 4.12.

Table 4.12: Product/ Service Design

Description	N	Mean Score	S D	CV (%)
Research before introduction of a new product	33	3.79	.927	24.5
Multiple departments coordinate product/service development process	33	3.64	.653	17.9
Involvement of staff in product development	33	3.73	.911	24.4
Consideration of customer needs in product development process	33	3.91	1.042	26.6
Overall	**33**	**3.77**	**0.880**	**23.3**

Source: Primary Data, 2018

As displayed by Table 4.12, the mean score for the four statements was within a range of 3.91 and 3.64. Undertaking a research before production of a new product had the highest mean score (Mean Score= 3.91, SD= 1.042, CV=26.6%). The lowest mean score was on the coordination of multiple departments in product development process (Mean Score=3.64, SD= 0.855, CV=17.9%). Emphasizing of customer needs in the design process had the highest standard deviation of 1.042 showing the variability of the responses given by the respondents. Thorough review of new products design before production and emphasize of customer needs are undertaken in the design process; however multiple departments do not coordinate the development process. This challenge could lead to poor products adoption as product development process in the insurance industry is complex and involves many departments like actuarial for pricing, risk and compliance to ease regulatory approvals, marketing department to develop marketing strategies and finance to avail resources for promotion activities.

4.8 Summary of Descriptive Statistics of Service Quality Management Practices

Customers globally are demanding superior quality products and services at lower costs making the global market place to be very competitive. This has forced most of the organizations to adopt the best service quality management practices. Table 4.13 presents a summary of the descriptive analysis of SQMP as operationalized in this study.

Table 4.13: Summary of Service Quality Management Practices

Description	N	Mean Score	S D	CV (%)
Top Management commitment	33	4.00	0.74	18.5
Employee involvement	33	3.50	0.77	22.0
Information Analysis	33	3.53	0.99	28.0
Product/service design	33	3.77	0.88	24.9
Overall	**33**	**3.70**	**0.85**	**23.0**

Source: Primary Data, 2018

From the summary illustrated in Table 4.13, commitment of senior managers had the highest average score (Mean Score=4.00, SD=0.74, CV=18.5). This was followed by product/service design (Mean=3.70, SD=0.74, CV=24.9%). Employee involvement had the lowest mean score (Mean= 3.50, SD=0.77, CV=28.0%). Information analysis had the highest standard deviation while employee involvement had the least standard deviation. Top management had the least coefficient of variation (CV=18.5%) while information analysis had the highest (CV=28.0%).

This implies that insurance companies have their top management committed to service quality management practices while the employees are left out in most of the quality decisions. This was further supported by the fact that employee involvement in quality decision making process and information analysis had the lowest mean scores. As noted earlier, although top management is commitment to quality and insurance companies have quality objectives, quality is not used to apprise the top management neither is it used to make decisions. Insurance companies can enhance performance if data was availed to the relevant persons or departments on time, subordinates are involved in making quality decisions and quality was used to evaluate performance and to make decisions.

4.9 Industry Competition

Porter's (1980) five competitive forces structure concludes that analyzing the competitiveness of the industry is about both the behavior of the existing firms and the model of industry environment**.** This model identifies five basic competitive forces perceived to influence performance; as threat of entry, threat of substitute products, bargaining power of buyers, bargaining power of suppliers and rivalry among current competitors. The survey participants were requested to state their level of agreement with the attributes allied to industry competition and to rate their opinion along a number of constructs on a range of 1 to 5 where 1 represented "Not at all" and 5 "To a very large extent". The following section briefly describes the results.

4.9.1 Threat of Entry

Threat of entry is the risk posed by new competitors entering an industry. A high threat of entry can lead to the change of product or service design. Such an entry is likely to encounter barriers by the players. The survey participants were requested to state their degree of concurrence with explicit threat of entry statements. The results are as illustrated in Table 4.14.

Table 4.14: Threat of Entry

Description	N	Mean Score	S D	CV (%)
New entrants risks reaction from existing firms	33	3.61	.933	25.8
Established firms have resources to erect barriers to entry	33	3.12	1.053	33.8
Huge unrecoverable capital must be spent by new entrants	33	4.03	.918	22.8
New entrants face strong retribution by existing firms	32	3.09	1.201	38.9
Heavy expenditure by new firms in building brands	33	4.21	.893	21.2
Acceptance of cost disadvantage by new small firms	33	3.97	.810	20.4
Large capital outlay is required for entry into the industry	32	4.38	.707	16.1
Overall	**33**	**3.77**	**.804**	**21.3**

Source: Primary Data, 2018

Table 4.14 reviews that average score ranged between 4.38 and 3.09. Requirement of large outlay of capital for industry entrance had the highest average score (Mean Score= 4.38, SD= 0.7071, CV=16.1%). The lowest mean score was on the retribution by existing firms on new entrants (Mean Score=3.09, SD= 1.201, CV=38.9%) which had the highest standard deviation of 1.201 indicating the variability of the responses provided by the respondents.

New entrants spending large amount of capital is a regulatory requirement. New insurance companies are required to raise a minimum capital of six hundred million to be registered as general insurance companies and an additional four hundred million to operate life business (IRA, 2017). New contestants in the market are required to spend heavily to raise the capital needed and also establish their brand in order to break existing brand allegiance through advertisement, research and development before they gain customers trust. The threat of existing firms seems to be moderate as shown by the low mean scores on erection of barriers to entry and existence of strong retaliation by established firms on new entrants.

4.9.2 Threat of Substitutes

Substitutes are services perceived by consumers to be similar. The participants of this survey had been requested to point out their level of concurrence with explicit threat of substitute statements. Table 4.15 summarizes the outcome.

Table 4.15: Threat of Substitutes

Description	N	Mean Score	S D	CV (%)
There is considerable pressure from substitute products	33	3.15	1.121	35.6
Companies are aware of strong competition from substitutes	33	3.30	1.104	33.5
Substitutes products limits industry's potential returns	33	3.30	1.403	42.5
Needs served by industry may be satisfied by services from other sources	33	2.55	1.325	52.0
Substitutes services limit profitability in the industry	33	3.09	1.128	36.5
Services provided within the industry are difficult to find substitutes	33	2.97	1.237	41.6
Overall	**33**	**3.06**	**1.22**	**39.9**

Source: Primary Data, 2018

Table 4.15 depicts that the mean score ranged between 3.30 and 2.55. Substitutes products limiting industry's potential returns had the highest mean score (Mean Score= 3.30, SD= 1.403, CV=42.5%). The lowest mean score was on the satisfaction of the needs served by the industry by other services (Mean Score=2.55, SD= 1.325, CV=52%). The average mean score of 3.06 implies that threat of substitutes was moderate.

This low mean score under the threat of substitutes can be interpreted to imply the diversity of risk mitigation measures. For instance, the low mean score on the satisfaction of insurance needs by other services from other sources suggests the uniqueness of insurance products while the low mean score under "services provided within the industry are difficult to find substitutes" suggests the availability of alternative risk mitigation measures other than insurance. For instance, in most communities in Kenya, extended family is still practiced where members of this family provide support to one of their own when they encounter calamities like fire, flood, death or even draught.

4.9.3 Power of Buyers

Power of buyers is the force exerted by buyers to on an organization to compel it to offer the same goods and services at a lower cost or additional services at the same cost or both. The survey participants had been requested to point out the level of concurrence with specific power of buyers' statements. Table 4.16 presents the findings.

Table 4.16: Power of Buyers

Description	N	Mean Score	SD	CV (%)
Powerful buyers	33	4.03	.883	21.9
Small proportion of buyers to large proportion of sales	33	4.03	1.015	25.2
Buyers in the industry create & determine demand of business	32	3.91	.928	23.7
Ability of industry buyers to insist on indulgence	33	4.18	.683	16.3
Overall	**33**	**4.04**	**.877**	**21.7**

Source: Primary Data, 2018

Table 4.16 indicate that the average rating for the four statements was between 3.91and 4.18. Ability of industry buyers to insist on indulgence had the highest average rating (Mean Score= 4.18, SD= 0.683, CV=16.3%) while the lowest mean score was on the ability of buyers in the industry to create and determine demand of business (Mean Score=3.91, SD= 0.928, CV=23.7%).

The responses can be looked into from corporate business perspective. Under this line of business buyers are very powerful due to the limited buyers that constitute large percentage of industry's sales and hence buyers find themselves in a better place to demand concessions. This is further supported by the fact that these corporate institutions have insurance and legal departments who provide professional advice. In addition, they are able to engage brokers who are also professionals to offer insurance advice where necessary. Since the number of these institutions does not fluctuate by large margins, the suppliers of insurance services tend to compete over them making them very power. Most of the corporate business is offered as a free benefit by the employers to employees. As such they are able to create and determine demands in terms of selecting the benefits they will offer and the magnitude. The industry statistics suggest that faster growth is being realized in retail as opposed to corporate business (IRA, 2017).

4.9.4 Power of Suppliers

Power of suppliers is the pressure the providers of goods or services apply on buyers to improve their negotiating power. This can be achieved through price controls, value reduction and availability of the goods or services. The survey participants had been requested to point out the extent they concurred with explicit power of suppliers' statements. The results were as shown in Table 4.17.

Table 4.17: Power of Suppliers

Description	N	Mean Score	S D	CV (%)
Suppliers can affect the final quality of service in the industry	33	3.73	1.206	32.2
Supplier of service is important input into product/service	33	3.76	1.251	33.3
Suppliers can raise prices of products/services	33	3.27	1.039	31.8
Suppliers are very powerful	31	3.32	1.275	38.4
The disproportionate number of suppliers to the number of consumers	33	3.00	1.173	39.1
Suppliers in the industry can demand special treatment	33	3.24	1.275	39.4
Overall	**33**	**3.39**	**1.030**	**30.4**

Source: Primary Data, 2018

Table 4.17 indicates that average rating for the six statements ranged between 3.76 and 3.00. Supplier of services is an important input into service had the highest mean score (Mean Score= 3.76, SD= 1.251, CV=33.3%). The lowest mean score was on the disproportionate number of suppliers to the number of consumers (Mean Score=3.00, SD= 1.173, CV=39.1%). The average mean score of 3.39 implies that power of suppliers in the industry is moderate.

The suppliers of insurance services are the insurance companies. They are important in product development, underwriting of claims and customer service. They however don't seem to have control of prices due to the strong relationship between the intermediaries and the customers. Consequently, they seem to have no much power from the opinion provided by the respondents.

4.9.5 Rivalry among the Competitors

Rivalry among the competitors is the degree of pressure applied by organizations in the same industry on one another limiting each other's profit potential. The participants of the survey had been requested to point out their level of agreement with specific rivalry among the competitors statements. The results were summarized in Table 4.18.

Table 4.18: Rivalry among the Competitors

Description	N	Mean Score	S D	CV (%)
There is intense competition to hold/increase market share	33	4.58	.663	14.5
Competitive moves are noticeable and incite retaliations & Counter moves	33	4.00	.750	18.8
There is frequent & highly intense advertising battles in the Industry	32	3.03	.967	31.9
There is high & intense price competition within the industry	33	4.24	.792	18.7
Price wars are common competitive action in the industry	33	4.45	.833	18.7
Competition in the industry is described with terms as 'war like'/'bitter' or 'cut-throat'	33	4.21	.960	22.8
Firms have resources for vigorous & sustained competitive action	33	3.06	.933	30.5
There is diversity of competition in the industry	33	3.73	1.039	27.9
The role played by foreign firms in industry competition is crucial	33	3.30	.984	29.8
Aggressive marketing of products by foreign firms	29	3.31	.761	23.0
Many firms have similar product/service offerings in the market	29	4.21	.978	23.2
Overall	**33**	**3.83**	**.878**	**22.9**

Source: Primary Data, 2018

Table 4.18 indicates that the average score for the eleven statements ranged between 3.06 and 4.58. The existence of intense competition to hold/increase market share had the highest average scale (Mean Score= 4.58, SD= 0.663, CV=14.5%). The lowest mean score was the frequent and highly intense advertising battles in the industry (Mean Score=3.03, SD= 0.933, CV=31.9%). The average mean score of 3.83 insinuates that that rivalry among the competitors exists to a great extent.

The results can be classified into three categories namely price competition, promotion and product differentiation. To a large extent, there is intense pressure to increase market share which is achieved through price-cutting. This is further supported by the high mean scores in, high and intense price competition within the industry and the notice ability of intense price competition and competitive moves. However the respondents appreciate that firms do not have capital for strong and continued competitive battle opting for price competition. This is well illustrated by the low mean score on aggressiveness of firms to market their products and services. Finally, there seems to be very little efforts towards product differentiation in the industry as indicated by the low values of mean score and standard deviation in the response on the frequency and intensity of advertising battles in the industry response. The respondents seem to rule out the interference of foreign firms in the competition confirming the regulatory barriers erected in both underwriting and reinsurance services.

4.10 Summary of Descriptive Statistics of Industry Competition

Intensity of Industry competition prompts organizations to adopt service quality management practices to enable managers to deal with threats and challenges presented by the competition and achieve better performance (Chong & Rundus, 2004). The summary of the descriptive statistics of the industry competition are as demonstrated in Table 4.19.

Table 4.19: Summary of Industry Competition

Description	N	Mean Score	S D	CV (%)
Entrance threat	33	3.77	0.804	21.3
Threat of substitutes	33	3.06	1.220	39.9
Buyers' power	33	4.04	0.154	3.8
Suppliers' power	33	3.39	1.030	30.4
Rivalry amongst competitors	33	3.83	0.878	22.9
Overall	**33**	**3.62**	**0.818**	**22.6**

Source: Primary Data, 2018

From the summary of the results in Table 4.19, bargaining power of buyers had the highest average scale of 4.04 followed by rivalry among the competitors with a mean score of 3.83. Threat of substitutes had the least mean score of 3.06. Bargaining power of buyers had the lowest standard deviation of 0.154 as well as the lowest coefficient of variation (CV=3.8%). This implies that the respondents perceive buyers to a large extent as having high bargaining power in the insurance industry as further supported by the low level of deviations of the perceptions of the respondents from the mean score. Industry competition to a moderate extent is perceived to exist among the insurance companies as shown by the average mean score of 3.62.

4.11 Firm Performance

Performance is the financial output as a result of the interaction among organization's characteristics, actions and surroundings (Combs et al. 2005). Performance in this study has been operationalized through effectiveness, efficiency, relevance, financial viability, employee satisfaction, customer satisfaction and retention. Respondents were requested to state the degree to which they agreed with the attributes constituting firm performance and to rate their opinion along a number of constructs on a range of 1 to 5 where 1 represented "Not at all" and 5 "To a very large extent". The following section briefly describes the results.

4.11.1 Effectiveness

Effectiveness is the degree to which a firm moves towards the accomplishment of its mission and realization of its goals. The survey participants had been requested to point out the level of agreement to which their respective firms were effective by completing a set of nine items. A detailed summary of the results are displayed in Table 4.20.

Table 4.20: Effectiveness

Description	N	Mean Score	SD	CV (%)
Mission statement & other documents provide the reasons for firm existence	33	3.61	.827	22.9
Mission statement is operationalized through training,	33	3.33	1.051	31.6
Qualitative & quantitative indicators utilized to capture mission statement essence	33	3.39	.747	22.0
There is a systems to assess the firm effectiveness	33	3.48	.667	19.2
Close monitoring of effectiveness by firms	33	3.61	.747	20.7
Use of feedback by firms to improve	32	3.47	.761	21.9
High rating of firm's services	33	3.24	1.119	34.5
Meeting of all its customers' needs by a firm	30	3.07	1.143	37.2
Knowledge and agreement of mission statement staff	33	3.18	.846	26.6
Overall	**33**	**3.16**	**.919**	**29.1**

Source: Primary Data, 2018

As illustrated by Table 4.20, the average scale of the nine statements was between 3.07 and 3.61. Mission statement and other documents providing the reasons for firm existence had the highest mean score (Mean score= 3.61, SD= 0.827, CV= 20.7%). The lowest mean score was on whether the firm is able to meet all its customers' needs (Mean score=3.07, SD=1.143, CV=37.2%) and it had the highest standard deviation of 1.143 showing the variability of the respondents' responses against the mean.

The results in Table 4.20 confirm the lack of innovation among the insurance companies as the mean score under the ability to meet all the customers' needs was the lowest. This is further supported by the appreciation of the respondents of the moderate rating of the insurance products and services and the moderate use of the feedback. The results further support the poor involvement of staff as reflected by the low mean score under the appreciation and consensus of the mission statement.

The high scores under the provision for reasons of existence in the mission statement and the monitoring of firms effectiveness could be explained by the use of external parties like consultants to draft the mission statement and the auditors to evaluate the financial performance otherwise the mean scores are relatively low where operationalization is left to the management like training and assessment.

4.11.2 Efficiency

Efficiency relates to provision of exceptional services within an appropriate cost structure. The survey participants had been requested to state their level of agreement to explicit statements on efficiency. Six items were used and the outcome was tabulated in Table 4.21.

Table 4.21: Efficiency

Description	N	Mean Score	S D	CV (%)
Utilization of staff ability to the maximum	33	3.42	.663	19.4
Maximum utilization of physical facilities	33	3.76	.708	18.8
Optimization of financial resources & monitor staff absenteeism & turnover rates	33	3.79	.740	19.5
Service delivery timelines monitored	33	3.70	.883	23.9
High quality admin systems are in place to support firm efficiency	33	3.45	.833	24.1
Benchmarking of the achievement made	33	3.48	.795	22.8
Overall	**33**	**3.60**	**.770**	**21.4**

Source: Primary Data, 2018

Table 4.21 illustrates that the average scale of the six statements was between 3.42 and 3.79. The optimization of financial resources, monitoring of staff absenteeism and turnover rates of staff had the highest mean score (Mean Score= 3.79, SD= 0.740, CV= 19.5%). The lowest mean score was on whether members were utilized to the best of their ability (Mean score=3.42, SD=0.663, CV= 19.4%). The monitoring of service delivery timelines had the highest standard deviation of 0.154 showing the variability of the respondents' responses against the mean.

The results in Table 4.21 portray insurance firms as good in monitoring staff absenteeism but very poor in utilizing staff to the best of their ability. This was further supported by the low mean score in the rating of the presence of high quality administration system to support efficiency which compares very well with the mean score on bench marking comparisons of the achievements made in the firm. The high monitoring of service delivery timelines may be caused by the power of buyers noticed earlier. In the absence of such monitory systems the buyers might transfer their business to other providers. The maximum utilization of the physical facilities could be part of the staff dissatisfaction as noted under the low mean score on the commitment of staff to the employee that is further elaborated in section 4.10.5.

4.11.3 Financial Viability

Financial viability is the capability of an organization to continue achieving its operational objectives and eventually achieving its mission over the long term. The survey participants had been requested to point out their concurrence with explicit financial viability statements. Table 4.22 displays the results.

Table 4.22: Financial Viability

Description	N	Mean Score	S D	CV (%)
Finances monitored regularly	33	4.33	.777	17.9
Assets are more than liabilities	33	4.39	.704	16.0
Reasonable surplus retained for use during lean financial times	33	4.15	.939	22.6
Consistency of surplus revenue over expenses	33	3.94	.933	23.8
Growth of profits over the years	33	3.33	1.315	39.5
Diversification of funding sources	33	3.33	.990	29.7
Uncommon short or long term funding	32	3.34	1.335	40.0
Staff among the best paid in the industry	33	2.70	.847	31.4
Firm pays suppliers on time	33	3.24	1.146	35.4
Overall	**33**	**3.64**	**.998**	**27.4**

Source: Primary Data, 2018

The results in Table 4.22 illustrate that the average scale of the nine statements was between 2.70 and 4.39. The organizations having more assets than liabilities had the highest average scale (Mean score= 4.39, SD= 0.704, CV= 16.0%). The lowest mean score was on whether the staff were among the best paid in the industry (Mean score=2.70, SD=0.847, CV= 31.4%). Whether firm rarely gets short or long term loans from financial institutions had the highest standard deviation of 0.236 showing the variability of the respondents' responses against the mean. The results show that most of the organizations are perceived to a large extent to be financially viable with an average mean score of 3.64.

The results in Table 4.22 show that the insurance companies are sustainable in the long run as indicated by the high mean score under excess of assets over liabilities and retention of surplus for use during lean financial times. This was further supported by the moderate score rating under the consistent growth in profits over the years and diversification of levels of funding. This is important for insurance companies as a certain proportion of the contracts they get into run for the entire life span of employees like pension schemes. The monitoring of finances regularly was rated with a high mean score as it is a regulatory activity which must be undertaken before the operational license is renewed by the regulator. This was further supported by the excess of assets to liabilities which is monitored by the regulator through the capital adequacy ratios.

The payment of suppliers on time is a measure of the firm being able to meet its current financial obligations. This was further supported by the similar rating under whether the firms get short term loans from financial institutions and if the firm has consistently more revenue than expenses. However, the payment of staff was the lowest rated which could partly explain the highest proportion of employees serving the companies for less than five years and later the low rating on the attachment of staff to their respective firms. This perception needs to be addressed by the insurance companies as on average most of the respondents felt that they are not the best paid among their peers in the industry.

4.11.4 Relevance

Relevance is the ability of an organization to adapt to changing contexts and capacities and to keep its mission, goals, programs and activities agreeable to its key stakeholders and constituents. The survey participants had been requested to point out their level of concurrence with explicit relevance statements. Ten scales of measurement were used as summarized in Table 4.23.

Table 4.23: Relevance

Description	N	Mean Score	S D	CV (%)
Firm carries out satisfaction survey	33	3.15	.906	28.8
Firm introduces new products & services regularly	33	2.70	.728	27.0
Firm monitors partners/stakeholders' attitudes	33	3.42	.902	26.4
Frequent reputation checking by the firm	33	3.52	.906	25.8
Firms creates or adapts to new technologies	32	3.38	.833	24.6
Adaption of new technologies by the firm	33	3.27	.977	29.9
Product/services reflect changing customers' needs & wants	33	2.97	1.045	35.2
Stakeholders' needs assessment conducted regularly	33	2.97	1.015	35.2
Innovations strongly encouraged	33	3.18	.882	27.7
Product/services reflect changing environmental conditions	33	3.06	.998	32.6
Overall	**33**	**3.16**	**.919**	**29.1**

Source: Primary Data, 2018

Table 4.23 demonstrates that the average scale of the ten statements was between 2.70 and 3.52. Firm monitors its reputation had the highest mean score (Mean score= 3.52, SD= 0.906, CV= 25.8%). The lowest mean score was on whether the firm introduces new products and services regularly (Mean score = 2.70, SD=0.820, CV= 27.0%). The firm product and services reflecting changing customers' needs and wants had the highest standard deviation of 0.182 showing the variability of the respondents' responses. This points out that to a large extent the firms are perceived to be relevant with an average mean score of 3.65.

The results in Table 4.23 reflected lack of innovation, research and development as demonstrated by the low mean score rating of innovativeness and the failure of the existing products and services to reflect the changing customer's needs and wants. Conduction of stakeholder's needs assessment regularly was moderately rated together with the products and services reflecting the environmental conditions. Innovation cannot take place where satisfactory surveys are not carried out as reflected by the moderate score rating on the same and where organizations do not adapt to new technologies. Insurance as an industry has been slow to adopt new ways of doing business. This is part of the reason why the penetration still remains low.

4.11.5 Employee Satisfaction

Employee satisfaction is the degree to which staff is happy with their jobs and its surroundings. The respondents were requested to point out their degree of concurrence with explicit employee satisfaction statements. The results were presented in Table 4.24.

Table 4.24: Employee Satisfaction

Description	N	Mean Score	S D	CV (%)
Employees make personal sacrifice for firm's well being	32	3.41	.665	19.5
Employee/firm bond weak	33	2.39	.899	37.6
Employees are generally proud to work in the firm	33	3.24	.902	27.8
Employees level of commitment to the company	33	2.12	.820	38.7
Future intimacy between employees and the company	33	2.85	.939	32.4
Extra commitment of employees for firm's well being	33	3.21	1.083	33.7
Have lower turnover rate of employees in comparison to competitors	33	2.64	1.141	43.2
Overall	**33**	**2.84**	**0.921**	**32.4**

Source: Primary Data, 2018

The average mark for the seven statements was between 2.12 and 3.41 as depicted by Table 4.24. Employees make personal sacrifice for firm's wellbeing had the highest average mark (Mean score= 3.41, SD= 0.665, CV= 19.5%). The lowest mean score was on the employees having little or no commitment to the company (Mean score=2.12, SD=0.820, CV= 38.7%). The firm having a lower turnover rate of employees in comparison to competitors had the highest standard deviation of 1.141 showing the variability of the respondents' responses.

Table 4.24 shows that employees have little or no commitment to the companies they work for as reflected by the low mean score rating. This is further supported by the low rating on the employee feelings their future is intimately linked to that of the firm and finally the high turnover of employees compared to the competitors. In provision of services, the consumer is not able to separate the service with the person providing it. It is therefore important for insurance companies to reverse this perception among the staff in order to increase the penetration of insurance in Kenya.

4.11.6 Customer Satisfaction

This is the buyer's particular reaction based on the total acquisition and use experience when assessing the variation between the anticipations regarding the service and the perception of the apparent performance (Churchill & Surprenant, 1982). Customer satisfaction is important to an organization as it is closely linked to future purchase behavior, willingness to recommend and thus a stronger predictor of loyalty and customer retention (Ferrell & Hartline, 2005). Loyal customers tend to buy more, are less price sensitive, speak well of the organization and are harder for the competitors to win (O'Loughlin & Coender, 2004). Winning new customers is often more expensive than keeping existing ones and reduction in customer defections increases profits (Anderson & Mittal, 2000).

Satisfied customers are more likely to share their experience with about five or six people while dissatisfied customers are more likely to share their experience with up to ten people (Ronald, 2010). Increases in customer satisfaction is generally believed to shift the demand curve upward and/or make the slope of the curve steeper and reduce marketing costs (Smith et al., 1999). Satisfaction also helps to reduce customer turnover and lower transaction costs related to contract negotiations, order processing and bargaining (Fornell, 1992). The respondents were requested to state their level of concurrence with explicit customer satisfaction statements. Table 4.25 presents a summary of the outcome.

Table 4.25: Customer Satisfaction

Description	N	Mean Score	S D	CV (%)
Customer value creation through products & services	33	3.33	.957	28.7
Firm's product & services have improved	33	3.24	1.091	33.7
Timely service delivery to customers	33	3.67	.890	24.3
Strong structures supporting customer relationship management	33	3.48	.939	27.0
Accurate customer delivery forecasts	33	3.12	.781	25.0
Good returns from improved asset utilization	33	3.45	1.034	30.0
Overall	**33**	**3.38**	**.949**	**28.1**

Source: Primary Data, 2018

Table 4.25 shows that the average mark of the six statements was between 3.12 and 3.67. Timely service delivery to customers had the highest mean score (Mean score= 3.67, SD= 0.89, CV= 24.3%). The lowest mean score was on the accurate customer delivery forecasts (Mean score=3.12, SD=0.781, CV= 25.0%). The improvement of firm's product and services had the highest standard deviation of 1.091 showing the variability of the respondents' responses. The average mean score of 3.38 implies that customers to a moderate extent are satisfied.

The results in Table 4.25 can be summarized into two parts namely customer relationship structures and product development. Customer relationship structures were better rated than product development. This was supported by the high mean score rating on timely service delivery to customers, strong structures supporting customer relationship management and good returns from improved asset utilization. On the contrary product development was low rated as supported by the mean score rating of accurate customer delivery forecasts, improvement of firm's products and services and customer value creation through products and services.

4.11.7 Customer Retention

This is the likelihood that customers will continue to buy the organizations products and services and recommend then to others. Loyal customers tend to buy more, are less price sensitive, speak well of the organization and are harder for the competitors to win (Dowling, 2014). The respondents were requested to sate their level of concurrence with detailed client retention statements. Table 4.26 details the outcome of the analysis.

Table 4.26: Customer Retention

Description	N	Mean Score	S D	CV (%)
No repeat customers	33	2.36	1.295	54.9
Prompt response to customers' needs	33	3.58	1.001	28.0
Customer feel safe in their transactions with the firm	33	3.70	.770	20.8
Have more committed customers	33	3.82	.727	19.0
Overall	**33**	**3.37**	**.950**	**28.2**

Source: Primary Data, 2018

Table 4.26 points out that the average mark for the four statements ranged between 2.36 and 3.82. Firms having more committed customers had the highest mean score (Mean score= 3.82, SD= 0.727, CV=19.0%). The lowest mean score was on the absence of repeat customers (Mean score=2.36, SD=1.295, CV= 54.9%) and it had the highest standard deviation of 1.295 showing the variability of the respondents' responses. The average mean score of 3.37 implies that customers to a moderate extent are retained.

The overall results of customer retention shown in Table 4.26 closely relate to the average mean score obtained in the customer satisfaction results. Customer retention is a reflection of customer satisfaction. Only satisfied customers are likely to be retained in an organization and they are the ones who are likely to be repeat customers. Repeat customers were the lowest rated in Table 4.26 with a mean score of 2.36.

To a large extent customer receive prompt response, they feel safe when transacting with the firms and firms have committed customers. However, in the long run the customer experience may be dissatisfactory and hence to a small extent firms have repeat customers. The use of quality data to make decisions may also affect the repeat sales as the firms may not remember to follow their customers and identify other insurance needs. Lack of product innovation may also affect the repeat customers as diversified product portfolio may meet wide range of customer needs.

4.12 Summary of Descriptive Statistics of Firm Performance

Performance in this study has been operationalized through effectiveness, efficiency, relevance, financial viability, employee satisfaction, customer satisfaction and customer retention. Table 4.27 illustrates the mean score, standard deviation and coefficient of variation of each variable used in operationalization of firm performance.

Table 4.27: Summary of Firm Performance

Description	N	Mean Score	S D	CV (%)
Effectiveness	33	3.16	0.919	29.1
Efficiency	33	3.60	0.778	21.6
Financial Viability	33	3.64	0.998	27.4
Relevance	33	3.16	0.919	29.1
Employee satisfaction	33	2.84	0.921	32.4
Customer satisfaction	33	3.38	0.949	28.0
Customer Retention	33	3.37	0.950	28.2
Overall	**33**	**3.42**	**0.919**	**26.9**

Source: Primary Data, 2018

Table 4.27 shows that the average mark for the seven variables was between 3.16 and 3.64. Relevance having highest mean score (Mean score= 3.64, SD= 0.998, CV= 27.4%). This shows that the survey participants to a large extent agreed with the ability of organization to adapting to changing contexts and capacities to keep their missions and goals. The lowest mean score was on employee satisfaction (Mean score=2.84, SD=.921, CV= 32.4%). This suggests that respondents agreed to a moderate extent that the staff is happy with their jobs and its surroundings. Financial viability had the highest standard deviation 0.998 showing the variability of the respondents' responses on the firm's capability to continue achieving its operational objectives.

4.13 Descriptive Statistics

Descriptive analysis was used to describe the responses obtained from the respondents on the four study variables SQMP, organizational characteristics, industry competition, and firm performance. The survey participants were requested to state their scale of concurrence with specific statements used to assess three constructs. Table 4.28 presents a summary of the average scores for each variable.

Table 4.28: Descriptive Statistics of the Study Variables

Description	N	Mean Score	S D	CV (%)
Service quality management practices	4	3.70	0.850	23.0
Industry competition	5	3.52	0.709	20.1
Firm performance	7	3.42	0.919	26.9

Source: Primary Data, 2018

As shown in Table 4.28, the average mean score ranges between 3.42 and 3.70. Service quality management practices had the highest mean score (Mean score = 3.70, SD=0.85, CV=23.0%). This suggests insurance companies in Kenya have adapted service quality management practices to a large extent. Firm performance had the smallest average mark and the highest standard deviation (Mean score = 3.42, SD= 0.919, CV= 26.9%) showing the variability of the respondents' responses.

4.14 Correlation Analysis

This test is used to establish the strength and direction of the link between two or more variables. The outcome of correlation analysis is the correlation coefficient which ranges between -1 and + 1 with a correlation coefficient of -1 denoting perfectly related variables in the negative way while +1 coefficient correlation denotes perfectly related variables in a positive way. A coefficient correlation of zero indicates no linear relationship among the variables. Testing of significance assists in establishing how reliable the relationship is. Pearson product moment correlation coefficient was adopted to measure the link among the variables and the results illustrated in Table 4.29.

Table 4.29: Correlation Analysis

Variable		Service Quality Management Practices	Industry	Organizational Characteristic (Size)	Organizational Characteristic (Age)	Firm Performance
Service Quality Management Practices	Pearson Correlation	1				
	Sig(2-tailed)					
	N	27				
Industry Competition	Pearson Correlation	-.064	1			
	Sig(2-tailed)	-.794				
	N	19	22			
Organizational Characteristic (Size)	Pearson Correlation	-.162	-.134	1		
	Sig(2-tailed)	-.430	.551			
	N	26	22	32		
Organizational Characteristic (Age)	Pearson Correlation	.546**	-.134	.199	1	
	Sig(2-tailed)	.003	.551	.275		
	N	27	22	32	33	
Firm Performance	Pearson Correlation	.758**	-.500	.247	.459*	1
	Sig(2-tailed)	.000	.018	.205	.012	
	N	25	22	28	29	29

** Correlation is significant at the 0.001 level (2-tailed)
* Correlation is significant at the 0.05 level (2- tailed)
Source: Primary Data, 2018

The results in Table 4.29 illustrates that the association between SQMP practices and performance was positive, strong and significant (r=0.758, p- value =.000). The Table further shows that the affiliation between SQMP and organizational characteristic (age) is positive, moderate and significant (r=0.546, p-value=0.03). In addition the relationship between organizational characteristic (age) and firm performance is also positive, moderate and significant (r=0.59. p-value= .012).

However there were associations that are not significant. For instance the association between service quality management practices and industry competition is negative, weak and insignificant(r=-0.162, p- value =-.430). The association between service quality management practices and organizational characteristics (size) is negative, weak and insignificant (r=-0.064, p- value =-.794) while the association between industry competition and organizational characteristics (size) is also negative, weak and insignificant (r=-0.134, p- value =.551). Similarly the link between industry competition and organizational characteristics (age) is also negative, weak and insignificant (r=-0.134, p- value =.551). The alliance between SQMP and firm performance is the strongest (r=.758) followed by the relationship between SQMP and organizational characteristics (age) (r=.546). The link between firm characteristic and performance is the weakest (r=.459) among the significant affiliations.

4.15 Regression Analysis and Hypotheses Testing

This study was founded on the understanding that service quality management practices influences firm performance but this relationship is moderated by organizational characteristics and industry competition. To establish statistical significance of the relevant hypotheses simple and multiple regression scrutiny were carried out at 95% confidence level.

4.15.1 Service Quality Management Practices and Firm Performance

The first objective was to establish the association link between SQMP and performance of the insurance firms. This variable comprised commitment of senior management, employee involvement, information analysis and product/service design. The survey participants were requested to state their level of agreement with explicit statement on the way service quality

management practices was managed in their respective institutions. To evaluate the direct link between SQMP and performance, following hypothesis was tested.

$H_{1:}$ *Service Quality Management Practices have no significant influence on the performance of insurance companies in Kenya.*

SQMP was regressed on firm performance and the outcome was summarized in Table 4.30.

Table 4.30: Regression of Service Quality Management Practices and Firm Performance

(a) Model Summary						
Model		R	R Square		Std. Error of the Estimate	
1		.758[a]	.575		.39356	
(b) Goodness-of-fit (ANOVA)						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.812	1	4.812	31.066	.000[b]
	Residual	3.563	23	.155		
	Total	8.374	24			
(c) Beta Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T-Value	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.325	.678		-.479	.637
	SQMP	1.013	.182	.758	5.574	.000

a. Dependent Variable: FP
b. Predictors: (Constant), SQMP

Source: Primary Data, 2018

Table 4.30 shows that SQMP has a strong and positive relationship on performance (R=0.758). It explains 57.5% (R-Square =0.575) of firm performance. Analysis of variance (ANOVA) was used to evaluate the significance of the regression analysis model. The results were F= 31.066, P<.05 which reflected the significance of the model at 95% confidence level. The Beta coefficients results show that a unit change in service quality management practices impacts firm performance by 0.758 and the change is significant (P<.05). Firm performance would be – 0.325 (Y- Intercept) when the service quality management practice is at zero. The model of the effect of SQMP and Performance is as presented in the equation below.

FP= - 0.325+ 0.758SQMP

Where FP= Composite Score of Firm Performance

-0.325 is the Y-Intercept (Constant)

SQMP= Composite Score of Service Quality Management Practices

0.758= Increase in FP for every one unit increase in SQMP

On the basis of the findings the first hypothesis was supported that SQMP has a significant positive effect on performance of the insurance companies in Kenya and therefore the null hypothesis H_1: Service Quality Management Practices have no significant influence on the performance of insurance companies in Kenya rejected.

4.15.2 Moderating Effect of Organizational Characteristics on Service Quality Management Practices and Firm Performance

The second objective set out to ascertain the influence of organizational characteristics on the association of service quality management practices and performance of insurance companies. Organizational characteristics comprised age and size of the organizations. The respondents were requested to state the duration in years their firms had operated and the number of employees it had employed. To assess the influence of the organizational characteristics on the association of SQMP and performance of the insurance companies, the following hypothesis was tested.

$H_{2:}$ Organizational Characteristics have no significant moderating effect on the relationship between Service Quality Management Practices and Performance of insurance companies in Kenya.

In testing moderation, this study assumed a method suggested by Baron and Kenny (1986) who contend that a moderator is a variable that influences both the direction and strength of the association between predictor and dependent variables. This method involves testing the consequence of the predictor variable (Service Quality Management Practices) and moderator variable (Organizational characteristics) on the dependent variable (Firm Performance) and the interaction between the Service Quality Management Practices and Organizational

Characteristics. Moderation is assumed to take place if the interaction between the Service Quality Management Practices and Organizational Characteristics is statistically significant. A single item indicator representing the product of Service Quality Management Practices was computed which was then multiplied by a composite score representing organizational characteristics.

However, the creation of a new score through direct multiplication of Service Quality Management Practices and Organizational Characteristics scores risks creating multicollinearity challenge which could influence the approximation of the regression coefficients of the two variables. To address this problem, the two factors were transformed to standardized (Z) score with an average mark of zero and standard deviation of one. The scores of Service Quality Management Practices and Organizational Characteristics were consequently multiplied out to generate the interaction term. Moderation effect was evaluated by observing the changes in the values of Adjusted R Squared, F statistics, the significance of the interaction term and the model coefficients. Other studies have adopted this method of standardized scores when establishing for moderating influence in the past (Slater & Naver, 1994:, Waithaka, 2014; Kariuki, 2015). The relevant analytical results are as shown in Table 4.31.

Table 4.31: Regression Results of Firm Performance on Service Quality Management Practices, Organizational Characteristics and Interaction Term (SQMP*OC)

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.765[a]	.586	.567	.39610	.586	31.117	1	22	.000
2	.814[a]	.663	.631	.36558	.077	4.826	1	21	.039
3	.829[a]	.688	.641	.36067	.025	1.576	1	20	.224

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.882	1	4.882	31.117	.000b
	Residual	3.452	22	.157		
	Total	8.334	23			
2	Regression	5.527	2	2.764	20.667	.001c
	Residual	2.807	21	.134		
	Total	8.334	23			
3	Regression	5.732	3	1.911		
	Residua	2.602	20	.130	14.688	.000d
	Total	8.334	23			

(c) Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.372	.685		-.543	.592
	SQMP	1.022	.183	.765	5.578	.000
2	(Constant)	.430	.730		.589	.562
	SQMP	.806	.196	.603	4.116	.000
	OC	-.200	.091	-.322	-2.197	.039
	(Constant)	.804	.779		1.032	.315
	SQMP	.720	.205	.539	3.511	.002
	OC	-1.054	.686	-1.696	-1.536	.142
	SQMP*OC	.256	.204	1.352	1.255	.224

a. Dependent variable: Firm Performance
b. Predictors: Constant, SQMP, OC
c. Predictors: Constant, SQMP, OC, SQMP*OC

Source: Primary Data, 2018

A stepwise linear regression was undertaken to scrutinize the influence of organizational characteristics on the link between service quality management practices and firm performance and the results were tabulated in Table 4.31. Model 1shows that SQMP has a strong and positive relationship on performance (R =0.765). It explains 56.7% (R-Adjusted R Square =0.567) of firm performance. Analysis of variance (ANOVA) was used to evaluate the significance of the regression analysis model. The results were F= 31.117, P<.05 which reflected the significance of the model at 95% confidence level.

Model 2 in Table 4.31 demonstrates that 63.1% (Adjusted R Square = .631) of the variations in firm performance is explained by SQMP and organizational characteristics. The model as further demonstrated by Table 4.31 is statistically significant at F=20.667 and P<.05. Model 3 indicate that 64.1% (Adjusted R Square =.641) of the variation in firm performance is explained by SQMP, organizational characteristics and the interaction term (SQMP*OC). This implies that inclusion of the interaction term in the model resulted in increase of the Adjusted R square by 0.01 (0.641-.631). In addition model 3 was statistically significant at F= 14.688 and P<.05. The regression model of testing firm performance given the joint effect of SQMP and Organizational Characteristic was however not significant at P>0.5. Thus there was no sufficient evidence to reject the null hypotheses and a conclusion was drawn that organizational characteristics have no significant moderating effect on the relationship between service quality management practices and firm performance.

4.15.3 Moderating Effect of Industry Competition on Service Quality Management Practices and Firm Performance

The third hypothesis purposed to look into the moderating effect of industry competition on the relationship between service quality management practices and performance of insurance companies in Kenya. The respondents were requested to indicate to what extent they concurred with various attributes associated with industry competition indicators and rank their level of consensus a long a 5-point-likert scale ranging from 1 to 5 where 1 represented "Not at all" and 5 "To a very large extent"

To assess the influence of the industry competition on the association of service quality management practices and firm performance of the insurance companies in Kenya, the following hypothesis was tested.

$H_{3:}$ *Industry competition has no significant moderating effect on the relationship between Service Quality Management Practices and Performance of insurance companies in Kenya.*

A single score representing the product of Service Quality Management Practices (SQMP) and Industry Competition (IC) was calculated. However, the creation of such a sore through direct multiplication of Service Quality Management Practices and Industry Competition risked creating a multicollinearity problem which could influence the approximation of the

regression coefficients for the major effect. This challenge was overcome by standardizing the sores of the two variables to Z- score which have a mean of zero and standard deviation of one. The two standard variables (SQMP and IC) were then multiplied to create the interaction variable (SQMP *IC). Table 4.32 presents the relevant analytical results.

Table 4.32: Regression of Firm Performance on Service Quality Management Practices, Industry Competition and Interaction Term (SQMP*IC)

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.563[a]	.317	.277	.37975	.317	7.892	1	17	.012
2	.736[a]	.542	.485	.32062	.225	7.849	1	16	.013
3	.743[a]	.552	.463	.32728	.011	.355	1	15	.560

(b)ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.38	1	1.138	7.892	.000[b]
	Residual	2.452	17	.144		
	Total	3.590	18			
2	Regression	1.945	2	.972	9.460	.002c
	Residual	1.645	16	.103		
	Total	3.590	18			
3	Regression	1.983	3		6.171	.006d
	Residual	1.607	15	.661		
	Total	3.590	18	.107		

(c) Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.068	.904		1.181	.254
	SQMP	.699	.238	.563	2.809	.012
2	(Constant)	3.235	.076		2.976	.009
	SQMP	.633		.533	3.14	.006
	IC	-.749	.094	-.475	-2.802	.03
3	Constant)	3.042	1.156	.	2.031	.009
	SQMP	.636	.206	.535	3.089	.007
	IC	-.683	.294	-.433	-2.322	.035
	SQMP*IC	-.073	.123	-.111	-.590	.560

a. Dependent variable: Firm Performance
b. Predictors: Constant, SQMP, IC
c. Predictors: Constant, SQMP, IC, SQMP*IC

Source: Primary Data, 2018

Model 1 in Table 4.32 shows that SQMP has a strong and positive relationship on performance (R=0.563). It explains 31.7% (R-Square =0.317) of firm performance. Analysis of variance (ANOVA) was used to evaluate the significance of the regression analysis model. The results were F= 7.892, P<.05 which reflected the significance of the model at 95% confidence level. Model 2 in Table 4.33 demonstrates that 48.5% (Adjusted R Square = .485) of the variations in firm performance was explained by service quality management practices and industry competition. The model was statistically significant at F=9.460 and P<.05. Model 3 indicate that 46.3% (Adjusted R Square =.463) of the variation in firm performance was explained by service quality management practices, industry competition and the interaction term (SQMP*IC). This implies that the inclusion of the interaction term in the model resulted in decrease of the Adjusted R square by 0.01 (0.48.5- 0.463). However model 3 was statistically not significant at F= 6.171 and P>.05. Thus the study did not find sufficient grounds to reject the null hypothesis that industry competition has no significant moderating effect on the association between SQMP and firm performance.

The regression model of testing firm performance given the joint effect of Service Quality Management Practices and Industry Competition was not significant with P>0.05.

4.15.4 Joint Effect of Service Quality Management Practices, Organizational Characteristics and Industry Competition on Firm Performance

The fourth hypothesis was to establish the joint effect of SQMP, organizational characteristics and industry competition on the performance of insurance companies in Kenya. The following hypotheses was formulated

$H_{4:}$ *There is no significant joint effect of Service Quality Management Practices, Organizational Characteristics and Industry Competition on Performance of insurance companies in Kenya***.**

Multiple linear regression analysis was used to test the above hypothesis in which firm performance was regressed against service quality management practices, industry competition and organizational characteristics. Table 4.33 displays the results.

Table 4.33: Regression Results of Firm Performance on Service Quality Management, Organizational Characteristics and Industry Competition

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.570[a]	.325	.283	.38911	.325	7.701	1	16	.014
2	.610[a]	.372	.289	.38753	.047	1.131	1	15	.304
3	.806[a]	.650	.575	.29961	.278	11.095	1	14	.005

(b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.166	1	1.166	7.701	.014[b]
	Residual	2.423	16	.151		
	Total	3.589	17			
2	Regression	1.336	2	.668	4.448	.003c
	Residual	2.253	15	.150		
	Total	3.589	17			
3	Regression	2.332	3	.777	8.659	.002d
	Residual	1.257	14	.090		
	Total	3.589	17			

(c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.006	.937		1.073	.299
	SQMP	.683	.246	.570	2.775	.014
2	(Constant)	.881	.941		.937	.364
	SQMP	.726	.248	.606	2.922	.011
	OC	-.124	.117	-.220	-1.064	.304
3	(Constant)	3.671	1.109		3.309	.005
	SQMP	.680	.193	.568	3.534	.003
	OC	-.010	.097	-.017	-.099	.923
	IC	-.989	.297	-.564	-3.331	.005

a. Dependent variable: Firm Performance

b. Predictors: Constant, SQMP.

c. Predictors: Constant, SQMP, OC.

d. Predictors : Constant, SQMP, OC, IC

Source: Primary Data**,** 2018

Model 1 in Table 4.33 shows the results when Service Quality Management Practices was regressed against performance (R^2 = 0.325). This implied that 32.5% of the variations in performance was explained by Service Quality Management Practices. The results were statistically significant at F=7.701 and P<0.05. The beta coefficient was positive at .570, T =2.775, p< 0.05. This implied that for every unit increase in SQMP, there was .570 increase

in performance of insurance companies, while the performance was 1.006 when the SQMP was at zero. The results further indicated that SQMP had strong and positive influence on firm performance (R=.570). The data fits the model adequately as revealed by the values of F= 7.701 and P<.05.

Model 2 in Table 4.33 displays the results of regressing firm performance on Service Quality Management Practices and organizational characteristics (Adjusted R square = 0.289). This implied that 28.9% of the disparity in performance could be elucidated by Service Quality Management Practices and organizational characteristics. The beta coefficient value was negative 0.220, t= - 1.064, p> .05 implying that a unit variation in organizational characteristics is affiliated with negative 0.220 in the relationship between SQMP and performance. The F value of 4.448, P<.05 indicates that in general the model is statistically significant.

Model 3 in Table 4.33 demonstrates the results when industry competition was introduced into the model to predict performance (R^2 = 0.650, Adjusted R square = 0.575). The results alluded that 57.5% of the variability of performance is explained by the model. Analysis of variance (ANOVA) was used to evaluate the significance of the regression analysis model. The results were F= 8.659, P<.05 which reflected the significance of the model at 95% confidence level. These results were statistically significant with beta coefficient = 0.568, t= -3.331, P<.05. The regression model of testing firm performance given the joint effect of Service Quality Management Practices, Organizational Characteristic and Industry Competition was statistically significant.

FP= 3.671 +.568 SQMP -.017 OC-.567IC

Where FP= Composite Score of Firm Performance

3.671 = Y-Intercept (Constant)

SQMP= Composite Score of SQMP

IC= Composite Score of Industry Competition

OC= Composite Score of Organizational Characteristics

0.568 = an approximation of the change in performance for every unit increase of SQMP

-0.017 = an approximation of the change in performance for every unit increase in organizational characteristics.

- 0.567 = an approximation of the change in performance for every unit increase in industry competition

4.2 Discussion of the Results

This study purposed to investigate the effect of SQMP, organizational characteristics and industry competition on the performance of insurance companies in Kenya. To realize this objective four hypotheses were articulated based on the literature examination and theoretical direction. These hypotheses were tested using regression analysis and the conceptual relationships among variables presented in a conceptual framework. The finding of each hypothesis is briefly discussed in this section.

4.2.1 Service Quality Management Practices and Firm Performance

The study sought to scrutinize the association between SQMP and performance of insurance companies in Kenya and found that SQMP has a significant positive effect on performance of the insurance companies. These results are in line with other previous studies that reveal that adaption of SQMP leads to better performance (Belay & Takala, 2001; Bloom & Van Renenen, 2010; Kinoti, 2012; Mose 2014).

Implementing quality management practices positively influence performance (Kaynak, 2003). The general aim of firms that implement quality management practices is provision of enhanced customer value, higher efficiency of processes, quality improvement, increased productivity, cost management, increase in market share and improved image (York & Miree, 2004). According to Gronoroos (1984), the components of service quality are technical, functional and image.

This study confirms the predictions of service quality theory that implementing service quality management practices enhances performance. This study found that 57.5% of the firm performance was explained by SQMP demonstrating the importance of service quality management practices in enhancing performance. The study further revealed that top

management commitment explained 40.9% of the performance. This study has unbundled service quality management practices and isolated evaluation of quality performance and involving major departments in an organization in quality improvement processes as key determinants to superior performance.

4.2.2 Service Quality Management Practices, Organizational Characteristics and Firm Performance

The study further sought to investigate the effect of organizational characteristics on the relationship between SQMP and found that organizational characteristics have no significant moderating effect on this relationship. Conflicting results have been reported on the studies that have attempted to investigate the link between organizational characteristics and performance.

The results of this study are similar to those of Njeru (2013) who found that organizational characteristics had no significant influence on the direct link between market orientation and performance of tour firms in Kenya. The findings of the current study however contradict those of Kisengo and Kombo (2014) who found a positive and significant influence of organizational characteristics on performance on their study on the effect of firm characteristics on performance of micro- finance institutions in Kenya.

Dynamic capabilities theory affirms that organizations can gain competitive advantage from the exploitation of the firm's specific resources and capability bundles (Peteraf & Barney, 2003). Hult and Ketchen (2001) interpreted organizational capability as the ability of a firm to arrange its tangible or intangible assets to conduct a task to increase the performance. Age and size of an organization are assets that organizations can use to build competitive advantage that can rival the competition. The findings of this study however challenge this assumption.

This study has brought out the uniqueness of service quality management practices in influencing performance to the extent that it neutralizes the influence of organizational characteristics. Customers interest of ensuring that there is no gap between the perceived service and their expectations overrides the benefits derived from organizational characteristics. To achieve superior performance, the top management must be committed to quality, staff must be involved in quality decisions, and organizations must continuously innovate to meet the changing needs and preferences of consumers.

4.2.3 Service Quality Management Practices, Industry Competition and Firm Performance

The third objective of this study was to scrutinize the effect of industry competition on the affiliation between SQMP and performance of insurance companies in Kenya. This study did not find significant moderating effect of industry competition on the link between SQMP and performance of insurance companies. These results are congruent with those of Patia and Mia (2009) who found no relationship between competition and performance where competition could have been rendered insignificant by the highly differentiated products or through niche marketing strategies. They however contradicts the results of the studies carried out by Chong and Rundus (2001) and Owino, (2014) who found significant influence of competition on performance.

Porter (1980) offered a model that examines why some firms within the same industry are more competitive than others. This model has four factors that interact with each other to create environment conducive for innovation and competitiveness. These determinants are complemented by two influencing factors namely the government and chance (Van den Bosch, 1994). The determinants of demand have an important role to play in enhancing competitive advantage. For instance Porter (1980) states that strong demand forces compel companies to innovate more rapidly in order to outdo the competition and remain relevant. The insurance services have low demand in Kenya as indicated by the low penetration levels and therefore unlikely to trigger innovation within the insurance industry where different companies are trying to outdo each other. The government regulatory policies especially on new entrants to the market could also be hindering competition.

The findings of this study confirm the uniqueness of service quality management practices in influencing performance. If a company is very good in service quality management practices, then Porter's model of competition is not relevant. Service quality can be used to build relative competitive advantage that can be sustained for long. This could include product innovation, timely delivery of services, product enhancement and quality evaluation.

4.2.4 Effect of Service Quality Management Practices, Organizational Characteristics, and Industry Competition on Firm Performance

The fourth objective of this study was to find out the joint effect of SQMP practices, organizational characteristics and industry competition on the performance of insurance companies in Kenya. The study found that the joint effect of service quality management practices, organizational characteristics and industry competition on performance was statistically significant. However the variables had different effects on performance. For instance, while service quality management practices had a positive effect on performance, organizational characteristics and industry competition exerted a negative effect on this relationship.

Conflicting results have been reported on the studies that have attempted to establish the direct relationship of organizational characteristics and firm performance. Age for instance has been established to positively influence performance as older firms are perceived to be more experienced (Kipesha, 2013). Others studies have indicated that age influences performance negatively as older firms are less capable to adapt to changes and therefore less productive (Shadbegian & Gray, 2006). Industry competition as established by Owino (2014) has a significant and positive relationship between industry competition and performance. This position is further supported by Chong and Rundus (2001) who conclude that the tools an organization adopts to improve quality through total quality management are influenced by its competitors and the intensity of the industry competition.

The outcome of the current study confirms the premises of Service Quality Theory and Dynamic Capability Theory that service quality depends on the nature of variation between anticipated and apparent service (Parasuraman et al., 1985). Information on value gaps can guide management on redeployment of resources into areas that are underperforming for optimum competitive advantage. This study further confirms that firms that redeploy resources in adaption of service quality management practices yields better performance and are as a result more competitive. The study extends the tenacity of Dynamic Capability Theory of how firms gain competitive advantage by utilizing the unique recourses they posses like the adaption of service quality management practices to influence performance (Teece et al., 1997).

The results of the current study further support the opinion that firms must take cognitive of the external factors that may influence performance as they draw their strategies and underscore the importance of industry competition as an important factor in successful execution of service quality management practices. However, companies can build relative competitive advantage around service quality management practices and render industry and organizational characteristics irrelevant. Table 4.34 summaries the results of the four hypotheses and the conclusions drawn against each

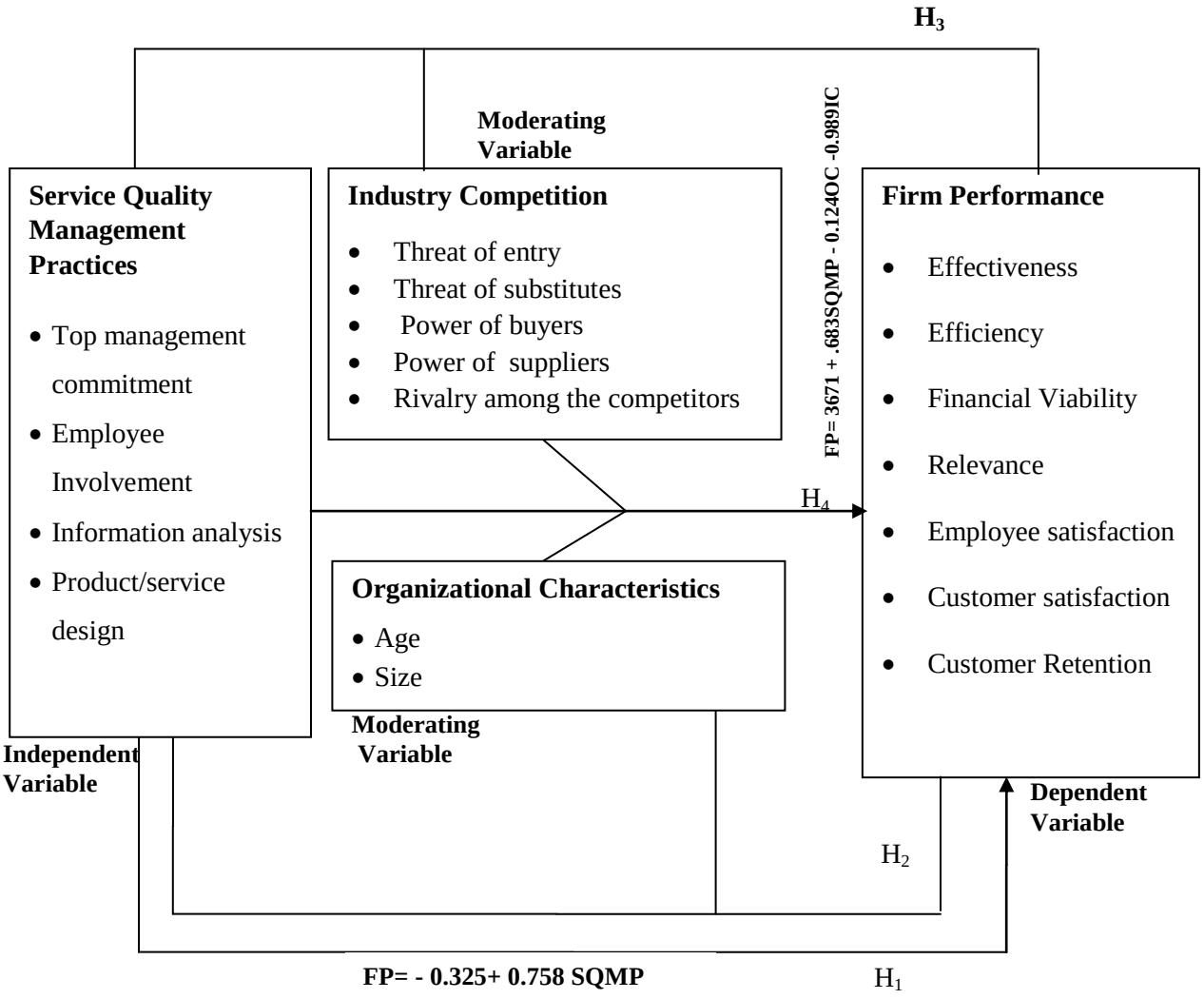
Table 4.34: Summary of Hypotheses Testing Results

Hypothesis	**R^2**	**P-Value**	**F-Statistics**	**Interpretation**	**Conclusion**
$H_{1:}$ Service Quality Management Practices has no significant influence on the Performance of insurance companies in Kenya.	**0.575**	**P<.05**	**31.066**	Reject the null hypothesis	H_1: was rejected and therefore service quality management practices had statistically significant influence on performance of insurance companies in Kenya
$H_{2:}$ Organizational Characteristics have no significant moderating effect on the relationship between Service Quality Management Practices and Performance of insurance companies in Kenya	**0.688**	**P>.05**	**4.448**	Fail to reject the null hypothesis	H_2: was not rejected and therefore organizational characteristics has no significant moderating effect on the relationship between service quality management practices and performance of insurance companies in Kenya
$H_{3:}$ Industry Competition has no significant moderating effect on the relationship between Service Quality Management Practices and Performance of insurance companies in Kenya.	**0.552**	**P>.05**	**6.171**	Fail to reject the null hypothesis	H_3: was not rejected and therefore industry competition has no significant moderating effect on the relationship between service quality management practices and performance of insurance companies in Kenya
$H_{4:}$ There is no significant joint effect of Service Quality Management Practices, Organizational Characteristics and Industry Competition on Performance of insurance companies in Kenya.	**.650**	**P<.05**	**8.659**	Reject the null hypothesis	$H_{4:}$ was rejected and therefore there is statistically significant joint effect of Service Quality Management Practices, Organizational Characteristics and Industry Competition on Performance of insurance companies in Kenya

4.2.5 The Empirical Model

From the outcome of this study, it was established that SQMP has statistical significant effect on performance and there is a joint effect of SQMP, organizational characteristics and industry competition on performance of insurance companies. The revised conceptual model is as shown in Figure 4.1.

Figure 4.1: Revised (Empirical) Conceptual Model



4.2.6 Chapter Summary

This chapter has presented the data analysis congruent with the research objective, the results of the diagnostic tests and the outcome of the hypotheses tests using regression analysis before showing a diagrammatic representation of the revised conceptual model. The primary objective of the study was also established by testing the four formulated hypotheses

The next chapter presents the summary of the study outcome. It specifically discusses theoretical, policy and managerial proposition of the study findings, before drawing possible conclusions derived from the study. The chapter in addition outlines the limitations encountered by the study but at the same time provide recommendations for further research.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the study outcome, generalizations drawn, and theoretical inferences. In addition it discusses the policy implications, limitations of the study and recommendations for further studies. The first objective of the study was to establish the effect of service quality management practices (SQMP) on performance of insurance companies. The second objective purposed to establish the effect of organizational characteristics on the relationship between SQMP and firm performance. The third objective intended to establish the effect of industry competition on the relationship between SQMP and firm performance while the fourth objective sought to establish the joint effect of SQMP, organizational characteristics and industry competition on performance of insurance companies in Kenya.

5.2 Summary

The broad objective of this study was to establish the effect of service quality management practices, organizational characteristics and industry competition on the performance of insurance companies in Kenya. To achieve this broad objective four specific objectives were derived and four hypotheses formulated and tested using regression analysis. The population of the study comprised all the insurance companies in Kenya in the IRA records as at 31st December 2017.

Data for testing the hypotheses was obtained from primary sources through the use of questionnaires. The target respondent were the CEOs, head of marketing, strategy, risk or actuarial departments or any other manager in an equivalent position. The collected data was analyzed through descriptive statistics, regression analysis and factor analysis. The study established that over 57.6% of the companies surveyed had operated in Kenya for over twenty years implying that they had acquired the necessary experience required to underwrite long term insurance contracts like pension administration. The study further established that 69.7% of the institutions surveyed had employed more than 100 employees showing the variety of the skill engaged to underwrite different classes of insurance.

The majority of the firms surveyed performed better in top management commitment to service quality practices while employees are left out in most of the quality decisions as reflected by the low mean score under employee involvement. Information analysis had the highest standard deviation under the service quality management practices showing the variability of the respondents on how information is analyzed in their respective institutions. The study established that although, insurance companies have quality objectives, quality are not used to appraise performance neither is it used to make management decisions. This affects service quality since it is only through analyzing customers' feedback that service gaps can be improved.

The study established that the power of buyers was perceived to be the major force among the five industry competitive forces followed by the rivalry among the competitors. Threat of substitutes had the highest standard deviation and the lowest mean score showing the variability of the respondents on the effect of threats of substitutes among the forces of industry competition. Dowling (2014) authoritatively states that big customers have greater buying power due to their ability to extort price concessions and service maintenance from vendors due to their opinion forming role in the market. They normally have internal madding decision panels of experts who normally request and expect to receive extra services.

Most of the organizations surveyed were perceived to do better in financial viability among the indicators of financial performance. The respondents perceived their respective organizations as having the capability to continue achieving their operational objectives and eventually achieving their mission over the long term. Employee satisfaction had the lowest mean score reflecting the dissatisfaction of the staff with their jobs and its surroundings. In summary, service quality management practices were highly rated among the three variables (service quality management practices, industry competition and firm performance) measured through the likert scale.

The testing of hypotheses reviewed that service quality management practices had statistical significant influence on performance of insurance companies in Kenya leading to the rejection of null hypothesis. In contrast organizational characteristics and industry competition were found not have statistical significant moderating effect on the relationship

between service quality management practices and performance of the insurance companies in Kenya showing the uniqueness of adopting service quality management practices that assists the firms to overcome the effects of organizational characteristics and industry competition. Finally the joint effect of SQMP, organizational characteristics and industry competition was found to be statistically significant leading to the rejection of the null hypothesis. In summary two hypotheses tested were supported by the study while two were not.

5.3 Conclusion

The study investigated the relationship between service quality management practices, organizational characteristics, industry competition and performance of insurance companies in Kenya. The positive and significant relationship between SQMP and performance implies that insurance companies have to a moderate extent adapted service quality practices to improve performance. It was further established that organizational characteristic and industry competition have no significant moderating effect on the relationship between service quality management practices and performance.

It was concluded that service quality management practices is the main influencing factor of performance and that good service quality management practices makes industry competition and organizational characteristics appear to have little influence on performance. The outcome of the current study confirms the premises of Service Quality Theory and Competitive Advantage Theory that service quality depends on the nature of variation between anticipated and apparent service (Parasuraman et al., 1985).

5.4 Implications of the Study Results

This study explored the effect of service quality management practices, organizational characteristics and industry competition on performance of insurance companies in Kenya. The results have theoretical and policy implications as briefly discussed in this section.

5.4.1 Theoretical Implications

The outcome of the study provides support for the hypothesized direct relationship between service quality management practices and firm performance. Service quality management practices have been found to influence performance and there exists joint effect on service

quality management practices, organizational characteristics and industry competition on performance. This study adopted an integrated model linking service quality management practices, organizational characteristics, industry competition and performance within the insurance context hence deviating from the culture of testing direct relationship.

The findings of this study imply that performance as an outcome of adoption of service quality management practices is not affected by organizational characteristics and industry competition. This study supports the argument that firms can enhance performance by retaining existing customers than acquiring new ones. The proponents of this view argue that retaining new customers reduces advertising costs and generate most profit to the firms (Kotler & Armstrong, 2007). Furthermore, in acquiring new customers and retaining the existing ones, quality is a key motivator to customers purchase intention and in its presence organizational characteristics and industry competition may not play a vital role in enhancing performance. These results therefore contribute to the universal body of service quality theory.

The Competitive Advantage Theory states the five competitive forces are complemented by the government and chance (Van den Bosch, 1994). Government factors include subvention, investment in education, regulating the market, creating competitive infrastructure and being a major consumer of the industry goods and services. All the policies and regulations made by the government can benefit or adversely influence the competence of an industry. For instance, provision of subsidies, taxation, financial incentives, capital market regulation will all influence the performance of a sector. This study supports the competitive advantage theory by exposing the gap that exists in research and training and provision of subsidies by the government to encourage insurance uptake. The government should undertake research and training to facilitate product innovation in the insurance industry so that the product offerings are in line with the changing consumer needs and preferences.

Dynamic capability of Theory argues that each firm is endowed with unique resources which can be utilized to achieve relative competitive advantage. Teece et al. (1997) noted that competitiveness emerges from uninterrupted enlargement and reconfiguration of firm-specific resources and as a result, firms that are able to predict and plan for foreseeable changes in the environment have better opportunities to grow than their rivals. The insurance companies have

not been able to utilize their unique resources like age and size to build competitive advantage. The size of the insurance companies was measured by the number of permanent employees the company had employed. Firm size has been shown to be linked to industry-sunk costs and overall firms profitability as larger firms are likely to have increased specialization skills and functions than smaller ones (Kipesha, 2013). On the contrary big firms have been found to be slow in adapting to environmental changes (Roberts, 19920). This proposition could have been affected by the dissatisfaction of the staff as shown by the low mean score under employee satisfaction caused by the lack of their involvement as reflected by low mean score under the service quality management practices variable.

This study further contributes to the existing literature by exposing the joint effect of service quality management practices, organizational characteristics and industry competition on performance. A successful adoption of service quality management practices enhances performance and makes organizational characteristics and industry competition appear to have little influence on this relationship.

The current study also provides an integrated framework that relates service quality management practices, organizational characteristics, industry competition and performance. Under this framework service quality management practices, organizational characteristics and industry competition are shown to have a direct link on performance.

5.4.2 Policy Implications

Insurance companies are important financial institutions in mitigating against losses from specific risks. They are among the sectors that are expected to spur economic growth and help in realization of Vision 2030 whose aim is to achieve an average economic growth rate of 10% of the country's Gross Domestic Product (Kenya Vision 2030, 2007). The results of this study are expected to inform the policy makers of the importance of adopting service quality management practices to improve performance of insurance companies in Kenya and assist them to meet the duo responsibility of risk mitigation and the national economic growth. Perceived service quality is the difference between expectations and actual performance. As Dowling (2014) observes customers update their expectations about what to expect each time they encounter the service. This gap keeps on growing and only continuous research can track.

The growth of technology should make it even more urgent for the policy makers to conduct research and training to aid insurance companies in innovation of product or service in line with the changing consumer needs and preferences.

The current study further reveals that SQMP, organizational characteristics and industry competition jointly impacts on the relationship between service quality management practices and performance. Successful adoption of SQMP requires continuous product development. The latter however requires intense research and development an area the government should invest in. The regulatory authority should develop strategies to counter the price wars among the industry players and instead encourage the players to adopt a collaborative approach to developing products that can assist in increasing insurance demand in Kenya.

5.4.3 Managerial Implications

The study found a strong and a positive relationship between service quality management practices and performance of insurance companies in Kenya. These results brings out the urgent need for the insurance senior management to formulate strategies that would lead to full implementation of service quality management practices with subsequent increase in performance. Companies should strive to position themselves around service quality management practices which can assist them in acquiring a competitive advantage over their rivals. Such a position can be sustained for a long time without easily been duplicated by the competition. Relative competitive advantage around service quality gives young organizations an opportunity to flourish and post good returns to the stakeholders.

The results of this study have further brought out the need to make use of the feedback provided by the various stakeholders in sustaining the acquired competitive advantage positions as the consumer needs and preferences change with time. Of importance is the need of insurance companies to maintain a well motivated staff due to the inseparability of the service and the service providers in the insurance industry. Insurance practitioners should reconsider their price wars and instead offer value based services.

5.5 Limitations of the Study

The current study offers insights into the benefits of adopting an integrated framework that relates SQMP, organizational characteristics, industry competition and performance in the insurance context. It further elucidates the benefits of implementing service quality management practices in an organization.

Descriptive cross sectional research design was used with data collected from the respondents on the previous year's performance. This may not necessarily be the outcome of the service quality management practices implemented that year. Longitudinal research design is more effective in establishing causation effects than cross sectional research designs. This would ensure observations in performance variations are monitored in subsequent years after implementing service quality management practices.

Secondly this study focused on the insurance company as the unit of analysis, which to a large extent is responsible of ensuring the implementation of service quality measures by the staff. An extension of the span of the respondents to include other players in the industry like the clients, brokers and other service providers who are the direct recipient's of services from insurance companies could have provided a more comprehensive image of how service quality management practices influence performance.

5.6 Suggestions for Further Research

The current study had several limitations which can be used for further study. However, there are additional areas that can be explored in future studies. For instance, investigation of the effects of other factors like ownership structure, marketing capabilities, corporate image and organizational resources to establish their influence on the association between service quality management practices and performance of insurance companies in Kenya.

Other studies can focus on the effect of intermediaries on the relationship between service quality management practices and performance since they play an important role in the performance of insurance companies in Kenya. The growth of technology is enormous in this country with the world becoming a global market. It would be exciting to investigate the influence of technology and marketing capabilities on the link between service quality management practices and performance.

5.7 Chapter Summary

This chapter has summarized the study findings against the four hypotheses that were derived from the four objectives. Two hypotheses were supported by the study findings while two were not. This chapter has further presented a conclusion of the joint effect of service quality management practices, organizational characteristics and industry competition on performance of insurance companies in Kenya.

The chapter has presented the summary of the study findings and highlighted the theoretical, policy and the managerial implications where adoption of service quality management practices was demonstrated to overcome the individual influence of organizational characteristics and industry competition. The policy and managerial implications of the study findings were highlighted before concluding with both the limitations encountered and suggestions of areas of further research.

REFERENCES

Abor, J. & Akotey, J. (2013). Risk Management in the Ghanaian Insurance Industry, *Journal of Qualitative Research in Financial Markets*, 5 (1), 26-42.

Alnaif, K. (2014). Determinants of the size of board of directors: Evidence from Jordanian corporation. *Journal of Finance and Accounting*, 5 (8), 54-63.

Anderson, E. W. & Mittal, V. (2000). Strengthening the satisfaction-profit chain. *Journal of Service Research,* 3 (2), 107-120.

Association of Kenya Insurers (2015). *Insurance Industry Annual Report*, 37 (1) 1-62.

Association of Kenya Insurers (2014). *Insurance Industry Annual Report*, 36 (1) 1-59.

Association of Kenya Insurers, (2012). A*KI Agents of the Year Award Journal*, 1, 33-38.

Arasa, R. & K'Obonyo, P. (2012). The Relationship between strategic planning and firm performance, *International Journal of Humanities and Social Science,* 2 (22), 201-213.

Baron, R.M. & Kenny, D.A. (1986). The Moderator-Mediator Variable Distinction in Social Psychology Research: Conceptual, strategic and statistical considerations. *Journal of Personality and Social Psychology*, 51, 1173-1182.

Barney, J.B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17 (1), 99-120.

Barreto, I. (2010). Dynamic capabilities: A review of past research and an agenda for the future, *Journal of Management,* 36, 256-280.

Belay, M. & Takala, J (2011). Effect of quality management practices and concurrent engineering in business performance. *International Journal of Business and Management*, 6 (3), 45-62.

Blaikie, N. (1993). Have small businesses adopted the market orientation concept? The case of small businesses in Michigan. *Journal of Business and Industrial Marketing*, 20 (6), 317-330.

Blau, P. M. (1997). *Inequality and Heterogeneity.* Free Press, New York.

Bloom, N. & Reenen, J. (2010). Why do management practices differ across firms and countries? *Journal of Economic Perspectives*, 24 (1), 203-224.

Bray, J.P. (2008). Consumer behaviour theory; Approaches and Models. *Unpublished discussion paper*, Bournemouth University.

Buttery, E.A., & Buttery, E.M. (1991). Design of a Marketing Information System: Useful paradigms. *European Journal of Marketing*, 25, 26-39.

Cainelli, A., Evangelista, B. & Sarona, C. (2004). The impact of innovation on economic performance in services, *The Service Industry Journal*, 24 (1), 11-34.

Campbell, J. (1995). Lessons from the yield curve. *Journal of Economic Perspectives*, 9, 129-152.

Chakravarthy, S. (1986). Measuring strategic performance. *Strategic Management Journal* 7, 437-458.

Chen, G., Firth, M. & Xu, L. (2009). Does the type of ownership control matter? Evidence from China's listed companies, *Journal of Banking and Finance*, 33, 171-181.

Cho, H. & Pucik, V. (2005). Relationship between innovativeness, quality, growth, profitability and performance. *The Academy of Management Review*, 20 (1) 92-117.

Chong, V.K., & Rundus, M.J. (2004). Total quality management, market orientation and organizational performance. *The British Accounting Review*, 36 (2), 155-172.

Churchill, G.A. & Surprenant, C. (1982). An investigation into the determinants of customer satisfaction. *Journal of Marketing Research*, 19 (11), 491-504.

Combs, J.G., Crook, T.R., & Shook, C.L. (2005). The dimensionality of organizational performance and its implication for strategic management research, in Ketchen, D.J. (Ed.). *Research Methodology in Strategy and Management*, 2, 259-286.

Cooper, R.D. & Schindler, S.P. (2006). Business *Research Methods*, 9th edition, McGraw Hill.

Cronin J. J. & Taylor, S. A. (1992). Measuring Service Quality. A Re-examination and Extension, *Journal of Marketing*, 56 (3), 55-68.

Deming, E. (1982). *Quality, productivity and competition position*. *MIT Institute for Advanced Engineering* Study, Cambridge.

Dowling, G. (2004). *The Art and Science of Marketing*. Marketing for Marketing Managers, 1st edition, Oxford University Press, New York.

Easterby-Smith, M., Thorpe, R., & Lowe, A. (1991). *Management Research. An introduction*. London: Sage.

Ferrell O.C. & Hartline M.D. (2005). The management of customer-contact service employee: An empirical investigation, *Journal of Marketing*, 60 (10), 52-70.

Field, A. P. (2009). *Discovering statistics using SPSS.* Sage publications, third edition. London.

Frebel, G. & Schweiger, H. (2011). Management quality, firm performance and market pressure in Russia, Journal *of Economic Literature*, 2, 1-29.

Fornell C., (1992). A National Consumer Satisfaction Barometer: The Swedish Experience. *The Journal of Marketing*, 56, 6-21.

Galliers, R. (1993). Research issues in information systems, *Journal of Information Technology*, 8 (2) 92-98.

Gastwirth, J., Gel, Y. & Miao, W. (2009). The impact of levenes test of equality of variance on statistical theory and practice, *Journal of Statistical Science*, 24, (3), 343-360.

Ghothadadi, A. (2015). Service Quality Measurement: A Review, International Journal of Academic Research in Business and Social Sciences, 5, (3), 266-286.

Grant, R. (2011). *Contemporary strategic management*: An Australasian perspective, John Wiley and Son Australia.

Gronroos, C. (1984). A service quality model and its marketing implications, *European Journal of Marketing*, 18 (4), 36-44

Gronroos, C. (1990). Service Management and Marketing, Lexington Books, Lexington, MA.

Hair, J.F., Money, A.H., Samouel, P. & Page, M. (2007). *Research Methods for Business*, England, West Sussex, John Wiley and Sons.

Halbrook, B. & Corfman, P. (1985). Quality and Efficiency of Markets for Consumer Products, *Journal of Consumer Research*, 11, 708-718.

Hendricks, K. & Singhal, V. (2000). Firm characteristics, total quality management and financial performance, *Journal of Operations Management*, 238, 1-17.

Hofer, C.W. (1983). ROVA: A new measure for assessing organizational performance. In R. Lamb (Ed). *Advances in Strategic Management*, 2, 43-55, New York: JAI Press.

Hult, G. & Ketchen, J. (2001). Does market orientation matter? A test of the relationship between positional advantage and performance. *Journal of Strategic Management* 22, 889-906.

Husam, A. & Feridum, M. (2006). Impact of strategic initiatives in management accounting. *Managing Global Transitions*, 4 (4), 299-312.

Insurance Regulatory Authority, (2011). *Life Insurance Industry Statistics Report*, 201 -214.

Insurance Regulatory Authority (2016). *Life Insurance Industry Statistics*, 20 (3) 201-214.

International Standard, Quality management and quality assurance-vocabulary. (1994). *ISO 8402: 1994 (E/F/R),* 2nd Edition, 1/4 pp 16.

Johns, N. (1999). What is this thing called service?, *European Journal of Marketing*, 33 (9) 958-973.

Jose, F. & Molina-Azorin, J. (2009). Quality Management environmental management and firm performance: A review of empirical studies and issues of integration. *International Journal of Management,* 11 (2) 197-222.

Jia, P. (2006). Entry and competition in the retail and service industries. *Unpublished PhD Thesis Graduate School of Yale University*, U.S

Kaiser, H. F., (1974). An index of factorial simplicity. *Psychometrika*, 39, 31-36.

Kang, D. & James, J. (2004). Service Quality Dimension an Examination of Gronroos's Service Quality Model, *Managing Service Quality*, 14, 266-277.

Kaplan, R. & Norton, D. (1992). The Balanced Scorecard: Measures that Drive Performance, *Harvard Business Review*, 1, 71-79.

Karagiannopoulos, G., Georgopoulos, N. & Nikolopoulos, K. (2005). Fathomong Porter's five forces model and the internet era, *info*, 7 (6) 66-76.

Kaynak, H. (2003). The relationship between TQM practices and their effects on firm performance, *Journal of Operations Management*, 21 (4) 403-405.

Kenya National Bureau of Statistics (2015). *Economic Survey*, the Printer, Nairobi-Kenya.

Kenya Vision 2030 (2007). *A Globally Competitive and Prosperous Kenya.* Government of Kenya.

Kinoti, M.W. (2012). *Green marketing practices, corporate image, organizational characteristics and performance of ISO 9000 and 14000 certified organizations in Kenya* (Unpublished PhD Thesis), University of Nairobi, Kenya.

Kipesha, E. (2013). Impact of size and age on firm performance: evidence from Micro-finance institutions in Tanzania, *Journal of Finance and Accounting*, 4, 27-61.

Kisengo, Z. & Kombo, H. (2014). Effect of firm characteristics on performance of microfinance sector in Nakuru, Kenya, *International Journal of Science and Research*, 3 (10), 1791-1799.

Kohli, A.K. & Jaworski, B.J. (1990). Market Orientation: The construct, research proposition, and managerial implications, *Journal of Marketing,* 54 (4), 1-18.

Kotler, P., & Armstrong, G. (2007). Marketing Introduction (8 ed.): Pearson Prentice Hall.

Kroll, M., Wright, P. & Heiens, R. (1999). The contribution of product quality to competitive advantage: Impacts on systematic variance and unexplained variance in returns, *Strategic Management Journal,* 20 (4) 375-384.

Levin, D (1988). *The opening of vision: Nihilism and postmodern situation*. London: Routledge

Lewis, W., Pun, F., & Lalla, M. (2006). Empirical investigation of the hard and soft criteria of TQM in ISO 9001 certified small and medium-sized enterprises, *International Journal of Quality and Reliability Managemen*t, 23 (8),964-985.

Lin, T. (2011), How the environment affects travel agency performance. *African Journal of Business Management*, 5 (3), 960-966.

Lusthaus, C., Anderson, G. & Murphy, E. (1995). *Institutional assessment, A framework for strengthening organizational capacity for IDRC's research partner*s. *Ottawa, ON, Canada KIG 3H9.*

Madaki, L., Wanjere, D., Ochieng, I. & Odera, O. (2012). Effects of operational factors on organizational performance in Kenya insurance industry, *International Journal of Business* and *Social Science,* 3 (7), 237-241.

Mahney, J., & Pandian, J., (1992). The resource based view within the conversation of strategic management. *Strategic Management Journal,* 13 (3), 363-380.

McDonald, J. (2014). *Handbook of Biological Statistics.* Sparky House Publishing, Baltimore, Maryland.

Mathew, J.G. (2003). Insurance Customers' Assessment of Service Quality, *Journal of Small Business and Enterprise Development,* 10, 81-92.

Mazzeo, J.M. (2003). Competition and service quality in the U.S. Airline industry. *Review of Industrial Organization*, 22, 275-296.

Montgomery, D., (1997). Design and Analysis of Experiments (4th Edition). New York: John Wileys & Sons

Mose, J. (2014). *The influence of service quality management practices, market productivity, firm characteristics and industry competition on performance of hotel industry*, (Unpublished PhD Thesis) University of Nairobi, Kenya.

Mose, J., & Kibera, F.N. (2015). The influence of service quality management practices on performance of hotel industry. *European Scientific Journal*, 11 (22) 315-336

Mugor, P.K (2014). *External environment, strategic responses and performance of large scale manufacturing companies in Kenya.* (Unpublished PhD Thesis) University of Nairobi, Kenya.

Munyoki,J. M. (2007). The effect of technology transfer on the organizational performance of medium and large manufacturing firms in Kenya (Unpublished doctoral thesis). University of Nairobi Kenya.

Nachmias, C. & Nachmias, D. (1996). Research methods in the social sciences. 5th Edition Nrnold, London.

Narver, J.C., & Slater, S.F. (2000). The positive effect of a market orientation on business profitability: A balanced replication. *Journal of Business Research*, 48(1), 69-73.

Nguyen, T. & Bryant, S. (2004). A study of the formality of Human Resource Management Practices in small and medium-size enterprises in Vietnam, *International Small Business Journal*, 22, 595-618.

Njeru, W. (2013). *Market orientation, marketing practices, firm characteristics, external environment and performance of tour firms in Kenya*, (Unpublished PhD Thesis), University of Nairobi, Kenya.

Nunnally, J.C. (1978). *Psychometric Theory*. McGraw-Hill Book Company, 86-113.

O'Cass, A., Weerawardena, J. & Julian, C.C. (2004). *Industry structure in marketing strategy and brand performance,* Southern Cross University.

Ochola, A., Muthama, J. & Owino, J. (2006). The influence of weather on the insurance industry in Nairobi, *African Journal of Science and Technology*, 7 (1), 112-120.

O'loughlin C. & Coenders, G. (2004). Estimation of European Customer Satisfaction Index. Maximum likelihood versus partial least squares, Application to Postal Services. *Total Quality management,* 15 (9/10), 1231-1255

Ombaka, B.E. (2014). *Resources, external environment, innovation and performance of insurance companies in Kenya*. (Unpublished PhD Thesis), University of Nairobi, Kenya.

Osborn, D., Cutter, A. & Ullah. F. (2015). Universal Sustainable Development Goals. Understanding the Transformational Challenge for Developed Countries.

Osborne, J., & Waters, R. (2002). Four assumptions of multiple regression that researchers should always test. *Practical Assessment, Research and Evaluation*, 8 (2).

Owino J.O. (2014*). Organizational culture, marketing capabilities, market orientation, industry competition and performance of microfinance institutions in Kenya* (Unpublished PhD Thesis). University of Nairobi.

Parasuraman, A., L. L. Berry & V. A. Zeithaml. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketin*g 49 (4), 41-50.

Patiar, A., Davidson, M., Wang, Y. (2012). Total quality management, industry competition and performance, evidence from upscale hotels, *Journal of Tourism Analysis* (17) 195-211.

Pecotich, A., Hattie. J., & Low, L.P. (1999). Development of industruct: A scale for measurement of perceptions of industry structure, *Marketing Letters,* 10 (4), 409-422.

Peteraf, M. & Barney, M. (2003). Scanning dynamic competitive landscapes: A market-based and resource-based framework, *Strategic Management Journal*, 24, 1027-1041.

Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: Free Press.

Porter, M. E. (1991). Towards a dynamic theory of strategy, *Strategic Management Journal*, 12, 95-117.

Porter, M. E. (2004). *Competitive Advantage: Creating and sustaining superior performance*. New York; London, Free Press.

Porter, M. E. (2008). The five competitive forces that shape strategy, *Harvard Business Review Journal,(1)* 24-41.

Roberts, R. (1992). Determinants of Corporate Social Responsibly Disclosure: *An application of stakeholders theory, Accounting, Organization and Society*, 17, 595-612.

Robledo, A. (2001). Measuring and managing Service Quality: Integrating Customer Expectations, *Journal of managing Service Quality*, 11, 22-31.

Saunders, M., Lewis. P. & Thorn, A. (2007). *Research Methods for Business Students*. 4th Ed. Harlow: Prentice Hall, Pearrson Education Limited.

Saviotti, P. & Krafft, J. (2004). *Towards a generalized definition of competition*. Paper, DRUID Summer, France.

Sekaran, U. (2003). *Research Methods for Business*: A skill building approach, (4th ed.). New York: John Wiley and Sons.

Seth, N., & Deshmukh, S.G. (2005). Service quality models. A review, *International Journal of Quality and Reliability Management*, 22, 915-949.

Shadbegian, R. & Gray, W. (2006). Assessing multi-dimensional performance: environmental and economic outcomes, *Journal of Productivity Analysis*, 26, 213-234.

Shapiro,S.S., & Wilk, M. B. (1965). Analysis of variance test for normality (complete samples), *Biometrika* 52, 591-611.

Shetty, K. (1999). Product quality and competitive strategy, *Business Horizons*, 30 (3) 46-52.

Shoemaker, P. (1993). Strategy, complexity, and economic rent, *Management Science*, 36, 1178-1192.

Sila, I., & Ebrahimpour, M. (2005). Critical linkage among TQM factors and business results, International *Journal of Operations and Production Management*, 25(11), 1123-55.

Sim, L., Song, C. & Killough, N. (2015). Service quality, service recovery and financial performance, An analysis of the US Airline industries, *Journal of Advances in Management* Accounting, 18, 27-53.

Sobh, R., & Perry, C. (2206). Research design and data analysis in realism. European Journal of Marketing , 40 (11/12), 1194-1209.

Sorensen, H. (2008). Why competitors matter for market orientation, *European Journal of Marketing*, 43 (6),735-761.

Skipper, H. & Klein, R. (2002). Insurance regulation in the public interest. *The path towards solvent, competitive markets, center for risk management and insurance research*, Georgia State University, Atlanta.

Stafford, M. R., Stafford, T.F., & Wells, B.P., (1998). Determinants of service quality and satisfaction in the auto casualty claims process. *Journal of Services Marketing*, 12, 426-440.

Steadman, I. (2015). What shall I do? (or why consumers theory should focus on Time-Use and Activities rather than on commodities) In the Evolution of Consumption, *Theories and Practices*, 31-40.

Stevenson, W. (2002). *Production and Operations Management*, 7th ed., McGraw-Hill, New York, NY.

Stewart, J. (1994). *The psychology of decision making.* In: D. Jennings and S. Wattam, eds. Decision Making: an Integrated approach. London: Pitman.

Sultan, P. & Wong, H. (2010). Service quality in higher education, A review research agenda, *International Journal of Quality and Service Sciences*, 2 (2) 259-272.

Teece, D.J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management, *Journal of Strategic Management*, 18, 509-533.

Temtime, Z. T. & Solomon, G. H. (2002). Total Quality management and planning behavior of SMEs in Developing countries, *The Quality Management Magazine* 14 (3),181-191.

Tunaraharjo, H. (2015). The effect of forces driving industry competition and distinctive capabilities on the competitive strategy and its implication on business performance of Minimarket Network in Indonesia, *American Journal of Economics*, 5 (2), 74-81.

Uddin, M., & Hamiduzzaman, M. (2009). The philosophy of science in social research. The Journal of International Social Research, (2/6), 654-664).

Van Den Bosch, F. A. & Man, A. (1994). Government Impact on the Business Environment at Strategic Management, *Journal of General Management*, 19 (3), 50-58.

Venkatraman, N., & Ramanujam, V. (1986). Measurement of business performance in strategy research: A comparison approach. *Academy of Management Review*, 11 (4), 801-814.

Wahjudi, D., Singih, L., & Suwignjo, P. (2011). Impact of quality management practices on firm performance: The research evolution. *Proceeding of Industrial Engineering and Service Science*, 9, 20-21.

Walton, M. (1986). *The Deming Management Method*, New, York, NY: Perigee Books.

Wang, Y. & Feng, H. (2012). Customer relationship management capabilities, measurements, antecedents and consequences. *Management Decision*, 50 (1), 115-129.

Willborn, W.O., & Cheng, T. E. (1994). *Global Management of Quality Assurance Systems*, New York, NY: McGraw-Hill.

Wilcox, J.A. (2015). The increasing integration and competition of financial institutions and of financial regulation, *Journal of Research in Finance*, (22), 215-238.

York, K., & Miree, C. (2004). Causation or co-variation: An empirical re-examination of the link between TQM and financial performance. *Journal of Operations Management*, 22, 291-311.

Zeithaml, V. (1987). Defining and Relating Price, Perceived Quality, and Perceived Value, Report No. 87-101, Cambridge, Ma: marketing Science Institute.

Zahari, W. Yusooff, W., & Ismail, M. (2008). FM- SERVICAL. A new approach of service quality measurement framework in local authorities, *Journal of corporate Real Estate*, 10 (2), 130-144.

Zou, S., & Stan, S. (1998). The determinants of export performance: A review of the empirical literature between 1987 and 1997. *Journal of Marketing Review*, 25(5), 333-356.

APPENDICES

Appendix I: Letter of Introduction

Dear respondent,

My name is Peter W. Gichuru, a Doctor of Philosophy (PhD) candidate at the University of Nairobi, in the School of Business, Department of Business Administration. As part of the requirement for the award of the degree, I am undertaking a research study on the effect of **Service Quality Management Practices, Organizational Characteristics and Industry Competition on Performance in the Insurance Companies in Kenya**. I have selected you as a respondent since you are among the persons involved in strategy formulation and implementation in your organization. Please take time to complete all the questions in the questionnaire. The research results will be used for academic purposes only and will be treated with utmost confidentiality. Should you require a copy of the study, please indicate so at the end of the questionnaire.

Your participation will be highly appreciated.

Yours Sincerely,

Doctoral Student

Peter W. Gichuru

Emails Address: peterwgichuru@gmail.com

Appendix II: Letter of Introduction from University

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES & SOCIAL SCIENCES
SCHOOL OF BUSINESS

Telephone: 4184160-5 Ext 215
Telegrams: "Varsity" Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, KENYA

1st November, 2016

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

INTRODUCTORY LETTER FOR RESEARCH
PETER WAINAINA GICHURU– REGISTRATION NO. D80/68876/2013

The above named is a registered PhD candidate at the University of Nairobi, School of Business. He is conducting research on *"Service Quality Management Practices, Organizational Characteristics, Industry Competition and Performance of Insurance Companies in Kenya".*

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the research project. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence.**

Your co-operation will be highly appreciated.

Thank you.

Dr. Mary Kinoti
Associate Dean, Graduate Business Studies
School Of Business

MK/m

Appendix III: Questionnaire

The objective of this questionnaire is to collect data to establish the effect of **Service Quality Management Practices, Organizational Characteristics and Industry Competition on Performance of the Insurance Companies in Kenya**. I have selected you as a respondent since you are among the persons involved in strategy formulation and implementation in your organization. Please take time to complete all the questions in the questionnaire. The research results will be used for academic purposes only and will be treated with utmost confidentiality. Please spare some time to complete this questionnaire. Your cooperation will be highly appreciated.

SECTION A:

DEMOGRAPHIC DATA

(Tick where appropriate)

Respondents Particulars

1. Name of the organization _____
2. Your job title _____
3. How long have you worked in this position?

   Up to 5 years☐ 6-10 years ☐ 11-15 yeas ☐ 16-20 years☐ Over 20 years ☐

4. Please indicate the highest level of education you have attained?

   ☐ Secondary ☐ Master's degree level

   ☐ Diploma ☐ Doctorate degree level

   ☐ Bachelor's degree level

5. Please indicate the highest level of professional qualification you have attained?

   Certificate of proficiency (COP) ☐ Advance Diploma in Insurance (ACII) ☐

   Craft Course in Insurance (CCI) ☐ Any other _____ ☐

   Diploma in Insurance (AIIK) ☐

6. How long in years has your company been in existence?

   Up to 5 years ☐ 6-10 years ☐ 11-15 years ☐ 16-20 years ☐ over 20 years ☐

7. Which category does your firm belong to

   Life ☐ General ☐ Composite ☐

8. What is the range on the number of employees in your insurance company?

   Less than 100 ☐ 100-300 ☐ 301-500 ☐ Above 500 ☐

SECTION B:

SERVICE QUALITY MANAGEMENT PRACTICES

9. Please indicate the extent to which you agree with the following statements by ticking the box that best expresses your view

Description	**To a very large extent (5)**	**To a large extent (4)**	**To a moderate extent (3)**	**To a small extent (2)**	**Very small extent (1)**
a) Top Management Commitment					
i. Our company's top management is committed to quality performance					
ii. Our company's top management provides personal leadership for quality services and quality improvement					
iii. Our company's top management is evaluated for quality performance					
iv. Major department heads within our company participate in the quality improvement process.					
v. Quality issues are reviewed in our company's management meetings					

vi. Our company's top management has objectives for quality management					
b) **Employee Management**					
i. Managers are trained in quality principles					
ii. Employees are trained in quality principles					
iii. Employees are trained in problem-solving skills					
iv. Employees are trained in team work.					
v**.** Employees get feedback on their quality performance					
vi. Employees are involved in quality decisions					
vii. There is bottom-up, top-down and horizontal communication among all the staff					
c) **Information and Analysis**					
i. Quality data are available in our company					
ii. Quality data are available to managers and supervisors					
iii. Quality data are available to subordinate workers					
iv. Quality data are timely					
v**.** Quality data are used as tools to manage quality					
vi. Quality data are used to evaluate supervisory and managerial performance					

d) Product/Service design					
i. Our company conducts a thorough review of new products/service design before the product/service is produced					
ii. Multiple departments (such as marketing, finance, and purchasing) coordinate in product/service development process					
iii. Employees are involved in the product/service development process					
iv. Customer requirements are emphasized and considered in the design process.					

SECTION C

INDUSTRY COMPETITION

10. Please indicate the extent to which you agree with the following statements by ticking the box that best expresses your view.

Description	**To a very large extent (5)**	**To a large extent (4)**	**To a moderate extent (3)**	**To a small extent (2)**	**Not at all (1)**
a) Threat of entry					
i. In our industry, new competitors have to enter at a highly visible large scale and risk strong reaction from existing insurance firms					
ii. Established insurance companies in our industry have substantial resources which may be used to prevent the entry of new competitors.					

iii. New insurance companies must spend a large amount of capital on risky and unrecoverable up-front advertising and/or for research and development					
iv. Retaliation by established insurance companies towards new entrants into our industry is and has been strong					
v. New entrants into our industry have to spend heavily to build their brand names and to overcome existing brand loyalties					
vi. New firms entering our industry as small scale companies must accept a considerable cost disadvantage					
vii. Large capital and/or financial resources are required for entry into our industry					
b) Threat of substitutes					
i. In our industry, there is considerable pressure from substitute products					
ii. All companies in our industry are aware of the strong competition from substitutes					
iii. The availability of substitute products limits the potential returns in our industry					
iv. The needs which our industry services satisfy may be easily satisfied by services from many other sources					
v. Substitute services limit the profitability of this industry					
vi. The services of the industry in which we compete have intrinsic characteristics from which it is difficult to find substitutes					

c) Bargaining power of buyers					
i. In our industry, buyers or buyer groups are very powerful					
ii. Buyers in our industry create and determine demand of our business					
iii. There is a small number of buyers who form a large proportion of our industry's sales					
iv. The buyers of our industry's products/services are in a position to demand concessions					
d) Bargaining power of suppliers					
i. The suppliers of service can affect the final quality of the service in our industry					
ii. The suppliers of service is an important input into our product/service					
iii. The suppliers of products in our industry can easily raise their prices or threaten to reduce the quality of their products					
iv. In our industry, supplier or supplier groups are powerful					
v. There exist a small number of suppliers who contribute to a large proportion of our industry's inputs.					
vi) The suppliers of our industry's products can and do demand and gain concessions					
e) The rivalry among firms					
i. Firms in our industry compete intensely to hold/or increase their market share					
ii. In our industry, competitive moves from one firm have noticeable effects on other competing firms and thus incite retaliation and counter moves					

iii. In our industry, advertising battles occur frequently and are highly intense					
iv. In our industry, price competition is highly intense (i.e. price cuts are quickly and easily matched)					
v. Price cutting is common competitive action in our industry					
vi. In our industry, competition is described with terms such as "war like", "bitter", or "cut-throat"					
vii. In our industry, firms have the resources for vigorous and sustained competitive action and for retaliation against competitors					
viii. There is diversity of competition in our industry (i.e. competitors may be diverse in strategies, origins, personality and relationships to their parent companies)					
ix. In our industry, foreign firms play an important role in industry competition					
x. There are many firms offering products and services similar to ours in the market					
xi. Firms in our industry are very aggressive in marketing their products and services					

SECTION D

FIRM PERFORMANCE

11. Please indicate the extent to which the following statements describe your firm's performance over the past five years (2012-2016) by ticking as appropriate using the key below.

Key

1- Not at all; **2.** To a small extent; **3**- To a moderate extent; **4**- To a large extent; **5**- To a very large extent

	Statement	**5**	**4**	**3**	**2**	**1**
	Effectiveness					
1	The mission statement and other documents provide the reason for the existence of the firm					
2	The mission statement is operationalized through our current training program goals, objectives and activities.					
3	Qualitative and quantitative indicators are used to capture the essence of our mission statement					
4	A system is in place to assess effectiveness of our firm					
5	Our firm closely monitors its effectiveness					
6	The firm uses feedback to improve itself					
7	Our products and services are highly rated					
8	We are able to meet all our customer needs					
9	The mission is known and agreed to by staff					
C	**Efficiency**					
14	We make best use of our members to the best of their abilities					
15	We make maximum use of physical facilities					
16	We make optima use of financial resources We monitor employees absenteeism and turnover rates					
17	We monitor timelines of service delivery					
18	Hi-quality administrative systems are in place (financial, human resources, program, strategy, etc) to support the efficiency of our firm					
19	Benchmark comparisons are made of the progress achieved in our firm					
D	**Financial Viability**					
	Our firm monitors finances on a regular basis					
	Our assets are greater than liabilities					
	Our firm retains a reasonable surplus to use					

	during difficult financial times					
	Our firm consistently has more revenue than expenses					
	Our profit margins have been increasing over the years					
	Our firm diversifies levels of funding sources					
	Our firm rarely gets short or long term loans from financial institutions					
	Our staff are among the best paid in the industry					
	We pay our suppliers on time					
E	**Relevance**					
	Our firm carries out stakeholders' satisfaction (Customers, garages, doctors, assessors, etc)					
	Our firm introduces new products and services regularly					
	We monitor changes in partner/stakeholders attitudes					
	Our firm monitors its reputation					
	The firm creates or adapt to new technologies					
	We regularly monitor and adapt to the business environment					
	Our product and services reflect changing customer needs and wants					
	Stakeholder needs assessment are conducted regularly					
	We strongly encourage innovation					
	Our products and services reflect changing environmental conditions					
F	**Employee Satisfaction**					
	Employees of this firm make personal sacrifices if it is important for the firm's well being					
	The bonds between the firm and its employees are week					
	Generally, employees are proud to work for this firm					
	Our employees have little or no commitment to this firm					
	Employees feel as though their future is intimately linked to that of this firm					
	Employees often go above and beyond the call of duty to ensure the well being of our firm					
	We have a lower turnover of employees than that of the competitors					

G	**Customer Satisfaction**					
	The firm has created value for its customers through quality products and services					
	The firm's products/services have improved					
	The firm delivers services to customers on time					
	There has been good structures to support customer relationship management					
	The firm delivery forecasts to its customers have been accurate					
	The firm has achieved good returns by improving its asset utilization					
H	**Customer Retention**					
	We don't have repeat customers in our firm					
	We promptly respond to our customer needs					
	Our customers feel save in their transactions when dealing with us					
	We enjoy more committed customers in our firm					

Please indicate by ticking the blank space if you need a copy of the study (_____)

THANK YOU FOR YOUR COOPERATION

Appendix IV: List of the Insurance Companies

NO.	COMPANY NAME	ADDRESS
1	AAR Insurance Kenya Limited	George Williamson House, 2nd Floor, 4th Ngong Avenue, Box 41766-00100
2	African Merchant Assurance Ltd	2nd Floor, Trans-National Plaza, Mama Ngina Street, Box 64599-00200, Nairobi
3	AIG Kenya Insurance Company Ltd	AIG House, Eden Square Complex, Chiromo Road, Box 49460-00100, Nairobi
4	APA Insurance Company Ltd	Apollo Center, Off Ring road, Box 300605-00100, Nairobi
5	Apollo Life Insurance Ltd	Apollo Center, Off Ring road, Box 300605-00100, Nairobi
6	Britam Insurance Company Ltd	Britak Centre, Mara/Ragati Road, 30375-00100, Nairobi
7	Capex Life Assurance Company Ltd	5th Avenue Office Suites, Ngong Road, Box 12043-00400, Nairobi
8	CFC Life Assurance Ltd	CFC House, Mamlaka Road, Box 30390-00100, Nairobi
9	CIC General Insurance Company Ltd	CIC Plaza, Mara Road, Box 59485-00100, Nairobi
10	CIC Life Insurance Company Ltd	CIC Plaza, Mara Road, Box 59485-00100, Nairobi
11	Corporate Insurance Company Ltd	Corporate Place, Kiambere Road, Box 43172-00100, Nairobi
12	Direct line Assurance Company Ltd	17th Floor, Hazina Towers, Monrovia Street, Box 40863-00100, Nairobi
13	Fidelity Shield Insurance Company Ltd	Fisco Center, Muthangari Drive, Box 47435-00100, Nairobi
14	First Assurance Company Ltd	First Assurance House, Gitanga Rd, Box 30064-00100, Nairobi
15	GA Insurance Company Ltd	GA Insurance House, Ralph Bunche Rd, Box 42166-00100, Nairobi
16	GA Life Assurance Limited	GA Insurance House, Ralph Bunche Rd, Box 42166-00100, Nairobi
17	Gateway Insurance Company Ltd	Gateway House, Gateway Place, Milimani Road, 60656-00200, Nairobi

NO.	COMPANY NAME	ADDRESS
18	Geminia Insurance Company Ltd	Geminia Insurance Plaza, Kilimanjaro Avenue, Box 61316-00200, Nairobi
19	Heritage Insurance Company Ltd	CFC House, Mamlaka Road , Box 30390-00100, Nairobi
20	ICEA LION General Insurance Co Ltd	ICEA Building, Riverside Drive, Box 46143-00100, Nairobi
21	ICEA LION Life Assurance Co Ltd	ICEA Building, Riverside Drive Box 46143-00100, Nairobi
22	Intra Africa Assurance Company Ltd	Williamson House, 4th Ngong Avenue, Box 43241-00100, Nairobi
23	Invesco Assurance Company Ltd	Bishop Mangua Centre, Box 52964-00200, Nairobi
24	Jubilee Insurance Company Ltd	Jubilee Insurance House, Mama Ngina Street, Box 39376-00100, Nairobi
25	Kenindia Assurance Company Ltd	Kenindia House, Loita Street, Box 44372-00100, Nairobi
26	Kenya Orient Insurance Company Ltd	Capitol Hill Towers, 6th Floor, Cathedral Road, Box 34530-00100, Nairobi
27	Kenya Orient Life Assurance	Capitol Hill Towers, 2nd Cathedral Road, Box 34530-00100, Nairobi
28	Kenya Alliance Insurance Company Ltd	Chester House, Koinange Street, Box 34530-00100, Nairobi
29	Liberty Life Assurance Kenya	CFC House, Mamalaka Rd, Nyerere Rd Junction, Box 30364-00100, Nairobi.
30	Madison Insurance Company Ltd	Madison Insurance House, Upper Hill Rd, Box 47382-00100, Nairobi
31	Mayfair Insurance Company Ltd	Mayfair Centre, Ralph Bunche Road, Box 45161-00100, Nairobi
32	Metropolitan Canon Life Assurance Company Ltd	Gateway Business Park, Mombasa Road, Box 30216-00100, Nairobi
33	Occidental Insurance Company Ltd	Corner Plaza, 2nd Floor, Parklands Road, Box 82788-00100, Nairobi
34	Old Mutual Life Assurance Company Ltd	Old Mutual Building, Cnr Of Mara/Hospital Rd, Box 39959-00100, Nairobi
35	Pacis Insurance Company Ltd	Centrientary Hse, 2nd Floor, Off King Rd, Westlands, Box 1170-00100, Nairobi

NO.	COMPANY NAME	ADDRESS
36	Pan Africa Life Assurance Company Ltd	Pan Africa House, Kenyatta Avenue, Box 44141-00100, Nairobi
37	Phoenix of E.A. Assurance Company Ltd	Ambank House, 17th Floor, University Way, Box 31129-00100, Nairobi
38	Pioneer Life Assurance Company Ltd	Pioneer House, Moi Avenue, Box 31029-00100, Nairobi
39	Prudential Life Assurance Kenya	5th Avenue Office Suites, 7th Floor, 5th Ngong Avenue, Off Ngong Road. Box 25093-00100, Nairobi
40	REAL Insurance Company Ltd	Royal Ngao House, Hospital Road, Box 43001-00100, Nairobi
41	Resolution Insurance Company	Roshmmer place, Lenana Road, Box 4419-00100, Nairobi
42	Saham Insurance Company Ltd	Ecobank Towers, Muindi Mbingu Street, Box 20681-00200, Nairobi
43	Shield Assurance Company Ltd	5th Avenue Office Suites, Ngong Road, Box 5093-00100, Nairobi
44	Takaful Insurance of Africa Ltd	CIC Plaza, Mara Road, Box 1181-00100, Nairobi
45	Tausi Assurance Company Ltd	Tausi Court, Tausi Road, Off Muthithi Rd, Box 28889-01000, Nairobi
46	The Monarch Insurance Company Ltd	Monarch House, 664 Olenguruone Avenue, Box 44013-00100, Nairobi
47	Trident Insurance Company Ltd	Capitol Hill Towers, Cathedral Road, Box 13510-00100, Nairobi
48	UAP Insurance Company Ltd	Bishops Garden Towers, Bishops Road, Box 3013-00100, Nairobi
49	UAP Life Assurance Company Ltd	Bishops Garden Towers, Bishops Road, Box 3013-00100, Nairobi
50	Xplico Insurance Company Ltd	Park Place 5th Floor, Limuru Road, Box 38016-00623, Nairobi

Source: Insurance Regulatory Authority (2017)

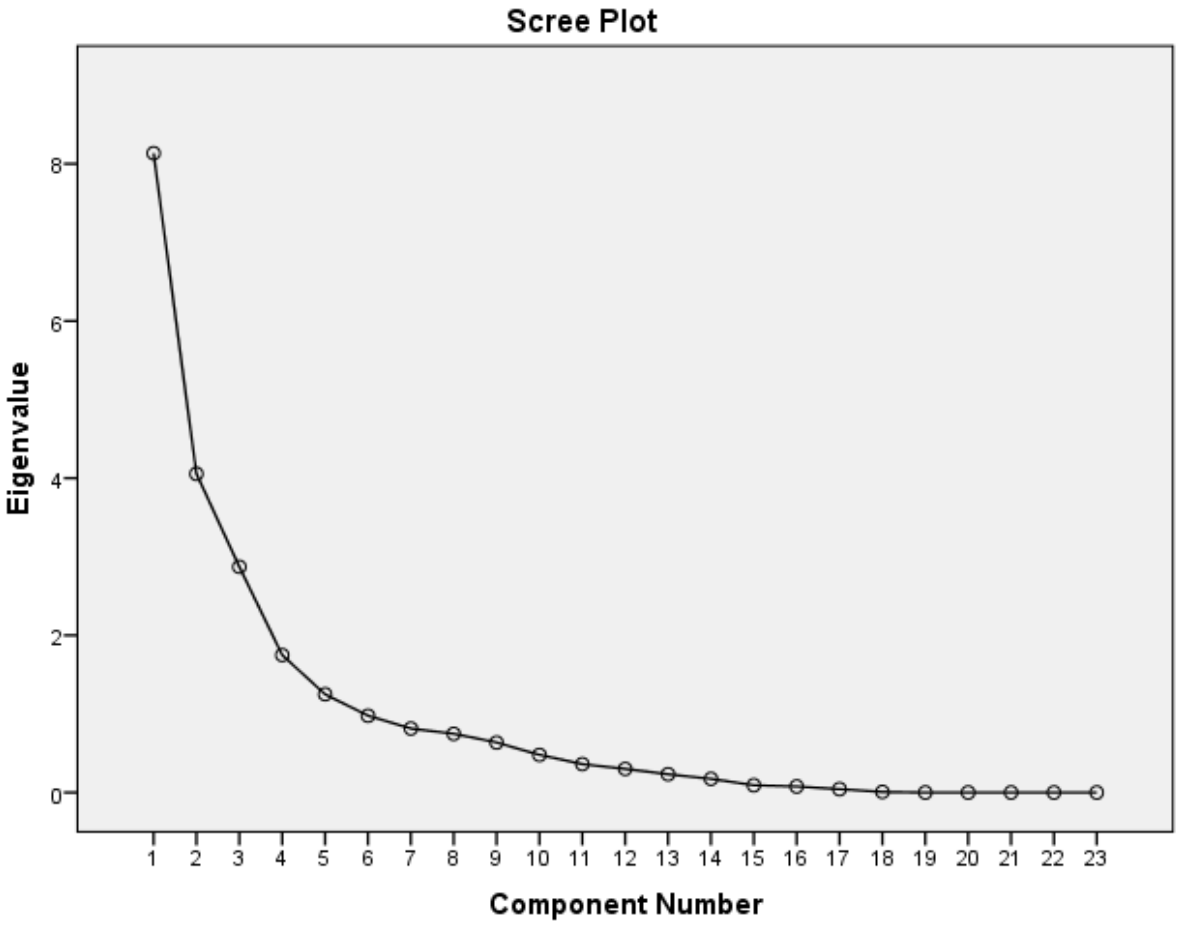
Appendix V: Factor Analysis

Factor Analysis Results For Service Quality Management Practices

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.135	35.369	35.369	8.135	35.369	35.369
2	4.054	17.627	52.997	4.054	17.627	52.997
3	2.872	12.486	65.482	2.872	12.486	65.482
4	1.748	7.601	73.083	1.748	7.601	73.083
5	1.251	5.437	78.520	1.251	5.437	78.520
6	.978	4.251	82.771			
7	.814	3.539	86.311			
8	.747	3.248	89.558			
9	.636	2.766	92.324			
10	.479	2.082	94.406			
11	.361	1.569	95.976			
12	.301	1.307	97.283			
13	.233	1.011	98.294			
14	.173	.752	99.046			
15	.092	.399	99.445			
16	.077	.335	99.780			
17	.043	.188	99.968			
18	.007	.032	100.000			

Rotated Component Matrix[a]

	Component				
	1	2	3	4	5
Quality data are timely	.889	.007	-.150	.213	.310
Top management is evaluated for quality performance	.865	-.007	.213	.067	-.046
Quality data are used as tools to manage quality	.812	.318	.130	.188	.250
Quality data are available to subordinate staff	.776	.192	-.123	-.266	-.189
Quality data are used to evaluate supervisory & managerial performance	.748	.285	.024	.231	.449
Quality data are available to managers & supervisors	.744	.301	-.041	-.082	.377
Quality data are available in the company	.660	.364	-.162	.278	.370
Employees get feedback on their quality performance	.178	.842	.207	.178	.014
Conducts thorough review of new product/service design before production	.204	.767	-.067	-.059	.296
Top management commitment to quality performance	.232	.725	.299	-.094	.327
Top management has quality management objectives	.015	.687	.270	.336	.268
Top management provides leadership for quality services & improvement	.179	.582	.263	.071	-.472


Scree Plot
Eigenvalue
0
2
4
6
8
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23
Component Number

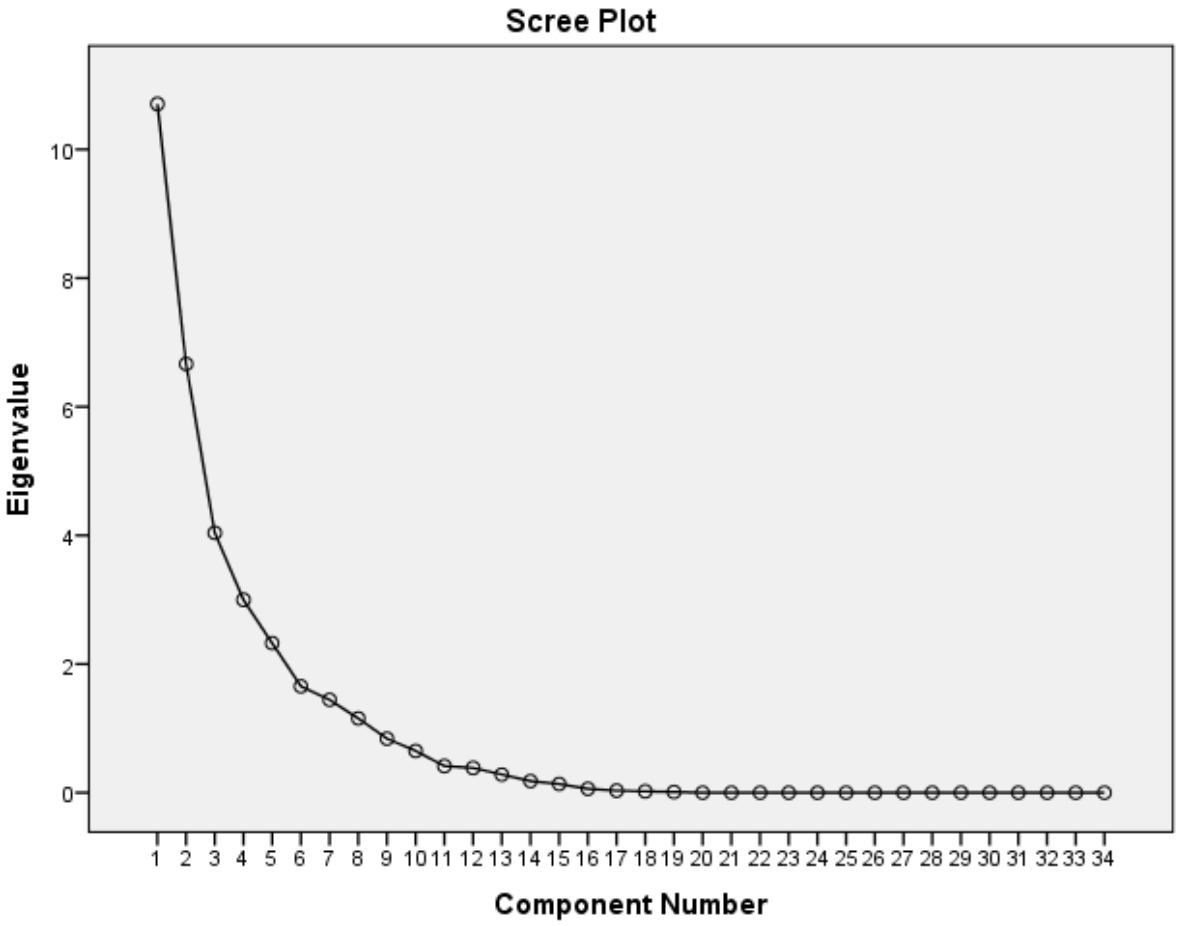
Rotated Component Matrix[a]					
	Component				
	1	2	3	4	5
Quality data are timely	.902	.092	-.161	.289	-.123
Top management is evaluated for quality performance	.842	-.042	.215	.113	.093
Quality data are used as tools to manage quality	.810	.361	.113	.258	.054
Quality data are available to managers & supervisors	.788	.379	-.059	-.028	-.073
Quality data are used to evaluate supervisory & managerial performance	.786	.428	.034	.251	-.266
Quality data are available to subordinate staff	.760	.060	-.145	-.232	.361
Quality data are available in the company	.673	.479	-.167	.314	-.142
Employees get feedback on their quality performance	.138	.800	.193	.185	.323
Conducts thorough review of new product/service design before production	.268	.795	-.041	-.141	-.028
Top management commitment to quality performance	.266	.777	.267	-.074	.109
Top management has quality management objectives	.002	.771	.273	.341	-.011
There is top-down bottom-up & horizontal communication among staff	.372	.624	.295	.177	.027
Major departments participate in quality improvement process	.051	-.053	.879	-.262	.075
Employees are involved in quality decisions	-.180	.288	.792	.161	.060
Employees are trained in team work	.021	.352	.733	-.115	.415
Quality issues are reviewed in management meeting	.517	.269	.606	.043	-.293
Managers are trained in quality principles	.240	.018	-.194	.886	-.018
Employees are trained in quality principles	.255	.072	.009	.877	.052
Employees are trained in problem-solving skills	-.168	.172	.552	.564	.244
Top management provides leadership for quality services & improvement	.101	.342	.254	.058	.690

Rotated Component Matrix[a]

	Component				
	1	2	3	4	5
Quality data are timely	.889	.007	-.150	.213	.310
Top management is evaluated for quality performance	.865	-.007	.213	.067	-.046
Quality data are used as tools to manage quality	.812	.318	.130	.188	.250
Quality data are available to subordinate staff	.776	.192	-.123	-.266	-.189
Quality data are used to evaluate supervisory & managerial performance	.748	.285	.024	.231	.449
Quality data are available to managers & supervisors	.744	.301	-.041	-.082	.377
Quality data are available in the company	.660	.364	-.162	.278	.370
Employees get feedback on their quality performance	.178	.842	.207	.178	.014
Conducts thorough review of new product/service design before production	.204	.767	-.067	-.059	.296
Top management commitment to quality performance	.232	.725	.299	-.094	.327
Top management has quality management objectives	.015	.687	.270	.336	.268
Top management provides leadership for quality services & improvement	.179	.582	.263	.071	-.472

Factor Analysis Results For Industry Competition

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.707	31.491	31.491	10.707	31.491	31.491
2	6.665	19.602	51.093	6.665	19.602	51.093
3	4.039	11.880	62.973	4.039	11.880	62.973
4	2.999	8.822	71.795	2.999	8.822	71.795
5	2.325	6.837	78.633	2.325	6.837	78.633
6	1.654	4.865	83.498	1.654	4.865	83.498
7	1.444	4.248	87.746	1.444	4.248	87.746
8	1.156	3.400	91.146	1.156	3.400	91.146
9	.840	2.471	93.618			
10	.650	1.911	95.529			
11	.415	1.220	96.748			
12	.384	1.130	97.879			
13	.282	.830	98.709			
14	.180	.530	99.239			
15	.135	.397	99.637			
16	.060	.177	99.813			
17	.032	.094	99.908			
18	.021	.062	99.970			
19	.010	.030	100.000			
20	7.743E-016	2.277E-015	100.000			
21	5.905E-016	1.737E-015	100.000			
22	4.921E-016	1.447E-015	100.000			
23	3.581E-016	1.053E-015	100.000			
24	2.134E-016	6.276E-016	100.000			
25	1.709E-016	5.026E-016	100.000			
26	8.905E-017	2.619E-016	100.000			
27	6.626E-017	1.949E-016	100.000			
28	-6.676E-017	-1.964E-016	100.000			
29	-1.310E-016	-3.854E-016	100.000			
30	-2.066E-016	-6.075E-016	100.000			
31	-3.203E-016	-9.420E-016	100.000			

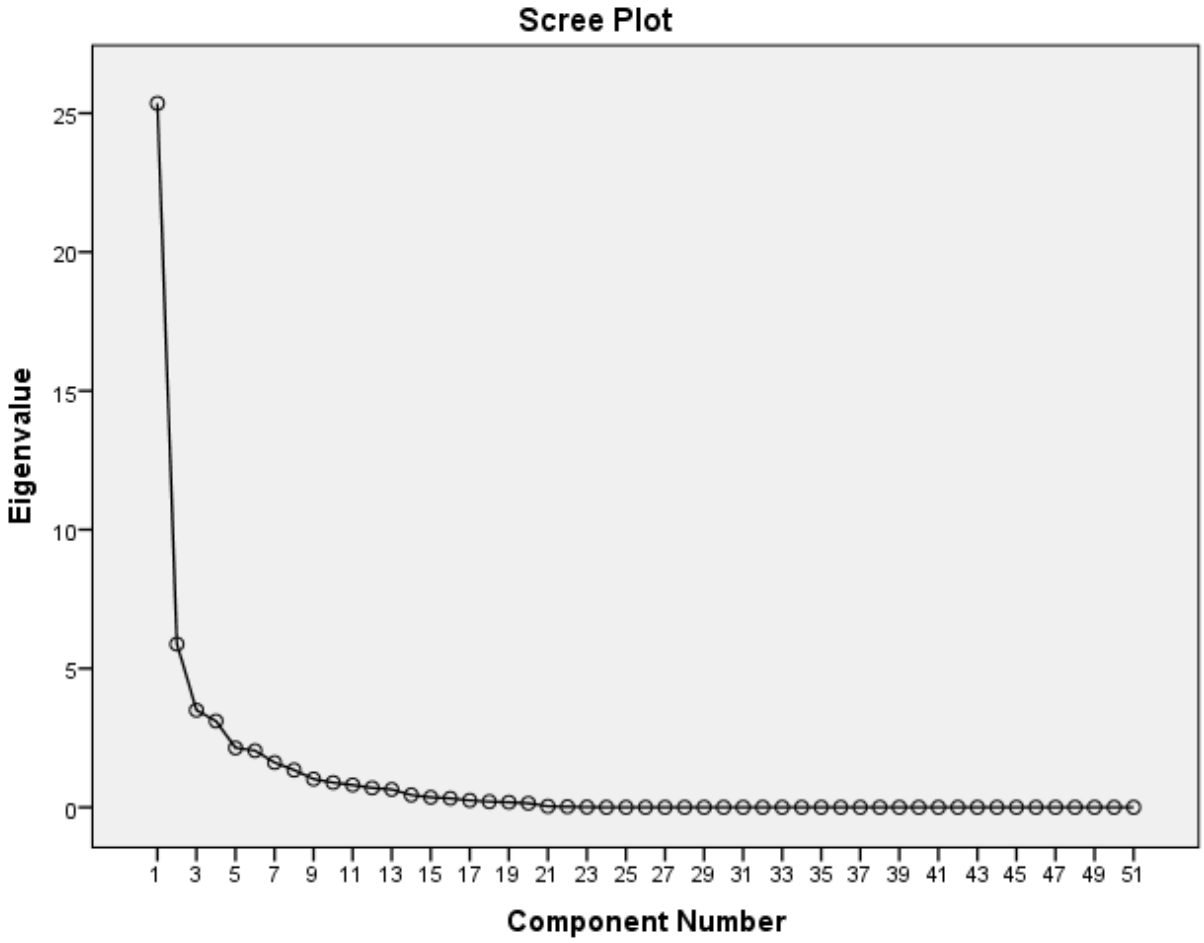

Scree Plot
Eigenvalue
10
8
6
4
2
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34
Component Number

Rotated Component Matrix[a]

	Component					
	1	2	3	4	5	6
Established firms have resources to erect barriers to entry	-.058	-.823	.203	-.262	.053	.061
Buyers in the industry are in a position to demand concessions	-.071	.778	.286	.122	-.156	.153
Many firms have similar product/service offerings in the market	-.026	.712	-.103	.071	.003	-.090
Small entrants must accept considerable cost disadvantage	-.221	.688	.528	-.019	-.017	-.017
There is diversity of competition in the industry	-.169	-.566	.326	-.134	.487	-.257
Entrants spend heavily to build their brand & overcome existing brand loyalties	-.092	.325	.870	.163	-.029	.028
Strong retaliation by established firms on new entrants	-.596	-.020	.763	-.043	.068	-.073
Services provided within the industry are difficult to find substitutes	.497	.006	-.713	-.051	-.035	.431
Firms have resources for vigorous & sustained competitive action & retaliations	.067	-.289	.627	.156	.598	.113
Foreign firms play a crucial role in industry competition	-.202	.157	.587	-.296	.299	.416

Factor Analysis Results For Firm Performance

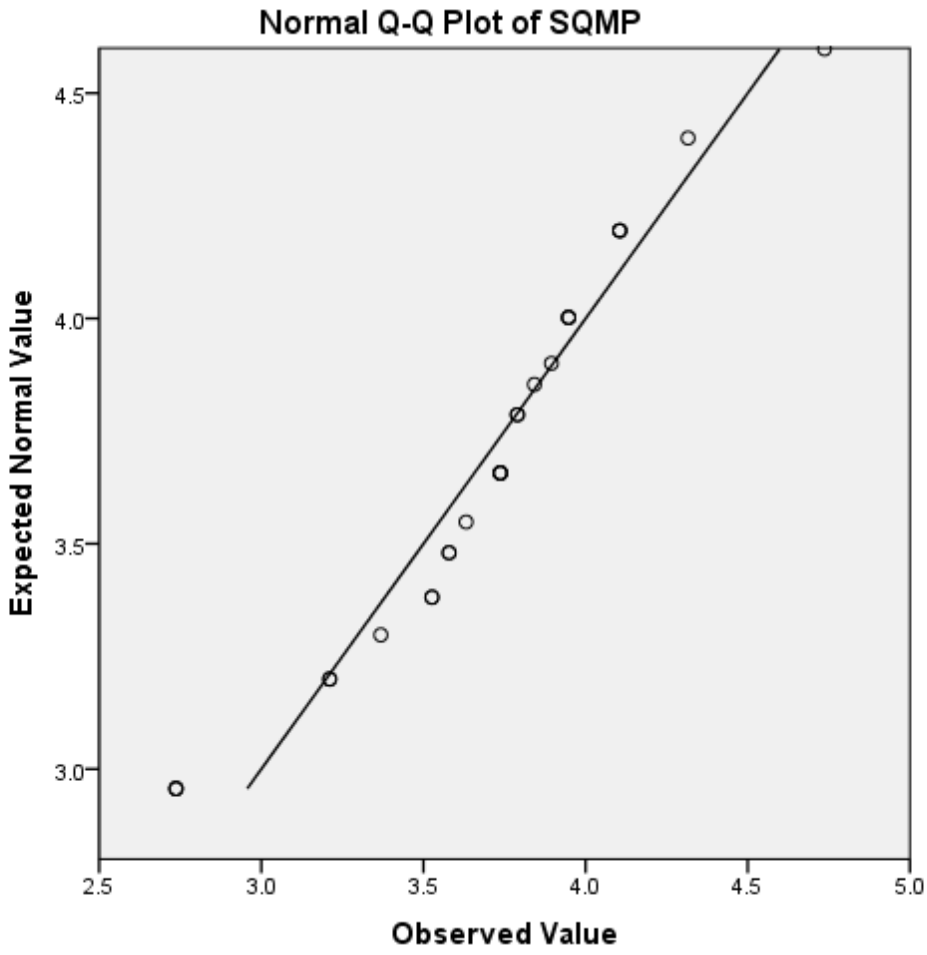
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	25.354	49.715	49.715	25.354	49.715	49.715
2	5.878	11.526	61.241	5.878	11.526	61.241
3	3.499	6.861	68.102	3.499	6.861	68.102
4	3.108	6.094	74.195	3.108	6.094	74.195
5	2.140	4.196	78.391	2.140	4.196	78.391
6	2.043	4.005	82.396	2.043	4.005	82.396
7	1.613	3.162	85.558	1.613	3.162	85.558
8	1.341	2.630	88.188	1.341	2.630	88.188
9	1.017	1.994	90.182	1.017	1.994	90.182
10	.890	1.746	91.927			
11	.805	1.578	93.506			
12	.696	1.364	94.870			
13	.643	1.261	96.131			
14	.444	.870	97.001			
15	.358	.702	97.703			
16	.322	.632	98.335			
17	.250	.489	98.824			
18	.206	.403	99.228			
19	.182	.357	99.585			
20	.148	.290	99.875			
21	.036	.071	99.945			
22	.020	.039	99.984			
23	.008	.016	100.000			
24	9.846E-016	1.931E-015	100.000			
25	8.718E-016	1.709E-015	100.000			
26	7.655E-016	1.501E-015	100.000			
27	6.234E-016	1.222E-015	100.000			
28	6.042E-016	1.185E-015	100.000			
29	5.032E-016	9.867E-016	100.000			
30	3.829E-016	7.507E-016	100.000			
31	3.269E-016	6.409E-016	100.000			

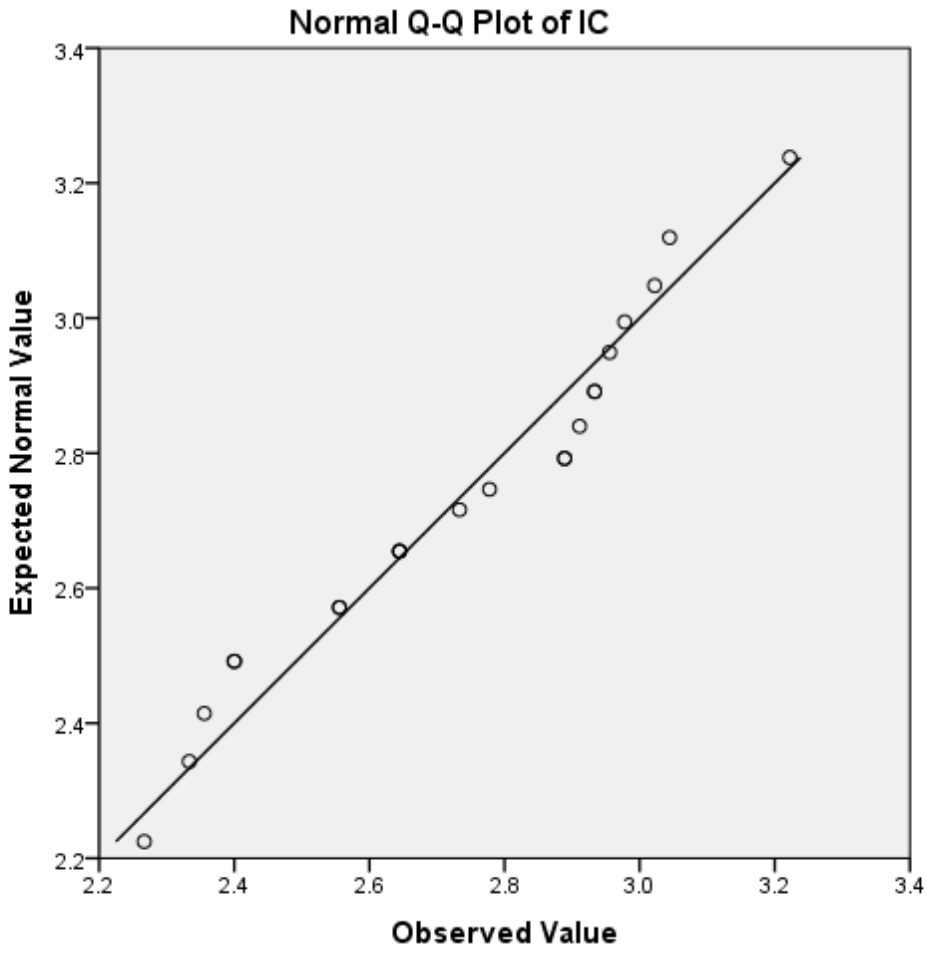

Scree Plot
Eigenvalue
25
20
15
10
5
0
1 3 5 7 9 11 13 15 17 19 21 23 25 27 29 31 33 35 37 39 41 43 45 47 49 51
Component Number

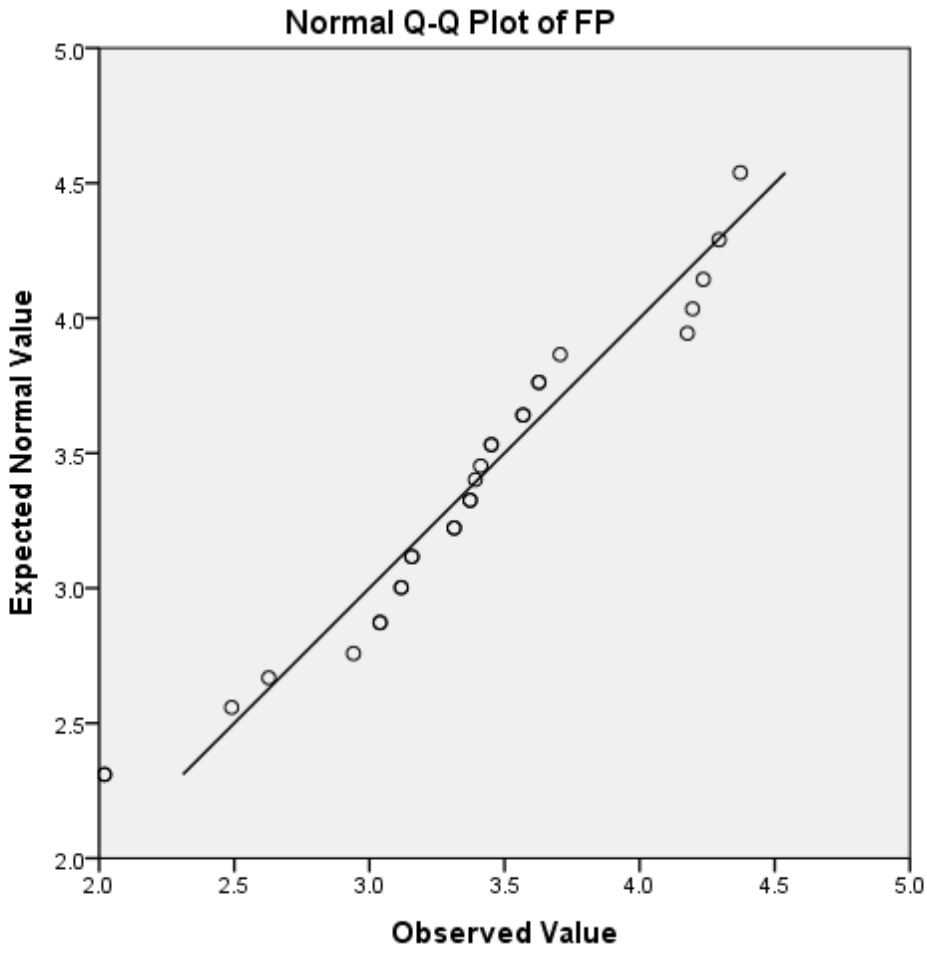
Rotated Component Matrix[a]

	Component		
	7	8	9
Mission statement is operationalized through training, objectives & other activities	-.097	-.139	.112
Qualitative & quantitative indicators utilized to capture mission statement essence	-.041	.107	.272
Firm carries out satisfaction survey	-.063	-.069	.021
There is a systems to assess the firm effectiveness	.235	.298	-.052
Stakeholders' needs assessment conducted regularly	.125	.005	.047
Firm closely monitors its effectiveness	.002	.229	.367
Mission is known & agreed to by staff	.146	.153	.015
Firm rarely gets short or long term loans from financial institutions	-.074	-.012	.100
Employee-firm bond weak	-.776	-.270	.057
Employees have little or no commitment to the company	-.683	.078	.003
Service delivery timelines monitored	.141	.779	-.001

Appendix VI: Test for Linearity




Normal Q-Q Plot of IC
Expected Normal Value
Observed Value
3.4
3.2
3.0
2.8
2.6
2.4
2.2
2.2
2.4
2.6
2.8
3.0
3.2
3.4


Normal Q-Q Plot of FP
Expected Normal Value
Observed Value
5.0
4.5
4.0
3.5
3.0
2.5
2.0
2.0
2.5
3.0
3.5
4.0
4.5
5.0