OUTSOURCING STRATEGY AND PERFORMANCE OF INSURANCE COMPANIES IN KENYA

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DECLARATION

I hereby declare that this proposal is my original work and has not been submitted to any university or higher education institution for the award of a degree.

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DEDICATION

This second one is Dedicated to my Parents

ACKNOWLEDGEMENT

The completion of my postgraduate studies gives a great sense of fulfilment. Even as I delight in this, I cannot forget to thank God Almighty for is He who sees us through every challenge. I appreciate the moral support I received from my immediate and extended families while I worked on this project. I owe a huge debt of gratitude to my supervisor, Dr. Muya Ndambuki, for all of his help and guidance. There are many individuals who in a way or another made this possible and to you all I say, Thank you

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ABSTRACT

This study's goal was to determine how outsourcing strategy affected Kenyan insurance firms' performance. Core competence theory and agency theory served as the study's foundations. A total of 56 respondents were sampled for the cross-sectional descriptive survey that was utilized for the research. Structured questionnaires were used to gather primary data, which was then coded and entered into the SPSS analytic program. A sample of 56 people received the surveys, with an overall response rate of 85.70%. It was determined through descriptive statistical analysis that the measures of strategic outsourcing and performance were adequate predictors of the two variables. The result of the regression analysis revealed 87% of the variance in organizational performance was ascribed to external variables, whereas 13% of the variation was related to the outsourcing approach. $F (1, 16) = 3.551$, $p > 0.05$, which indicates a connection that is not statistically significant, was the result of the ANOVA study. The overall conclusion is that company performance is not significantly predicted by outsourcing strategy. In accordance with further examination of the regression coefficients, performance changed by 0.46 for every unit change in outsourcing approach. The results indicated that an incremental change in outsourcing approach resulted in a corresponding change in performance, but the total effect was not statistically significant. According to the study's results, outsourcing is not widely used by companies in Kenya's insurance sector as a strategic means of enhancing organizational performance. However, according to some research, strategic outsourcing enhances a company's success. As a result, this study sheds light on the outsourcing strategy relationship with performance in the context of Kenyan insurance sector, thus managers need to take an educated decision when adopting an outsourcing strategy to improve the performance of their organization.

FIRST CHAPTER: INTRODUCTION

1.1 Study's Background

Maku and Iravo (2013) argue that outsourcing is focused on achieving overall business benefits, such as making an organization more competitive in the market and increasing shareholder returns. According to Agburu, Anza, and Akuraun (2017), outsourcing is a wise corporate decision that will probably improve a company's performance. When you contract out your internal operations to other businesses, you are outsourcing. According to Hatonen and Eriksson (2009), outsourcing allows companies to concentrate their core competencies on a specific, leading industry while providing customers with a unique value. Awino and Mutua (2014) discovered that Kenyan state enterprises engaged in outsourcing and that BPO contributed favorably to the overall success of the companies. The inference is that even public institutions are interested in the link between outsourcing and performance. The motivations for and obstacles to the deployment of outsourcing have attracted more attention (Elmuti, 2003). The increase of capabilities, transaction and production costs, and market risk exposure are all impacted by outsourcing and may all have an impact on an organization's performance (Argyres & Zenger, 2012; Mayer & Salomon, 2006; D'Aveni & Ravenscraft, 1994)

The two ideas that serve as the foundation for this research are the agency theory and the core competence theory. According to the core competence idea, businesses should focus on doing the things in which they excel (Chandra & Kumar, 2000). This will affect how well the company performs. Understanding the interaction between the outsourcer and the vendor is related to the agency theory. In this scenario, a company hires an outside company to carry out

activities that its staff should have accomplished (Barney & Hesterly, 1996). These theories' fundamental tenets explain how outsourcing strategy and performance are related.

The transfer away of organizational risk to insurance firms are essential to the development of every nation. The insurance industry is actively contributing to effective broadening of risks various businesses, particularly in those countries with advanced economies, and is therefore making a substantial contribution to economic growth. Outsourcing strategy has become a crucial component of most businesses as they search for creative ways to save costs, improve internal operations and operational efficiency, and stay ahead of the competition (Koszewska, 2004). Insurance companies in Kenya are no exception. Various services are outsourced to keep organizations lean and free up workers to concentrate on the insurance company's primary business. As a result, third parties are paid a set price to manage human resources and make investments in non-essential business areas. It is thought that there is a connection between these companies' performance and outsourcing.

1.1.1 Outsourcing Techniques

The idea of outsourcing emerged as a result of a paradigm change that compelled businesses to reevaluate their ownership of all production-related components strategy and choose to outsource non-core activities to locations with the necessary expertise and resources. Utilizing the expertise of more capable suppliers enables businesses to outsource more crucial business processes and develop their own core competencies to gain a competitive edge (Nyangau, Mburu, and Ogollah, 2014). When a company hires a third party to carry out a task that would otherwise be done internally, this is known as outsourcing (Gilley & Rasheed, 2000).

Organizations typically decide to maintain certain tasks in-house while outsourcing others (Harrigan, 1984; Afuah, 2001; Rothaermel et al., 2006). Outsourcing (Lei and Hitt, 1995) is well-defined as "banking on external suppliers for the production of components and other value-added activities". On the other hand, Gilley and Rasheed (2000) contend that outsourcing is essentially a purchase choice, which means that no company is totally self-sufficient, and that all firms require input from other sources. According to Quinn (1999), outsourcing is the transfer of the day-to-day execution of functions to an outside entity, normally under a contract with set standards, terms and conditions, but accountable for the residual services to the outsourcer business. This in essence allows the outsourcer firm to concentrate on their core capabilities and cope with the rising problems of conducting business, more and more organizations are opting to outsource business operations such as IT support and services.

Quinn and Hilmer (1994) contend that an organization's overall strategy should include outsourcing. The company must thus have a comprehensive understanding of its internal processes before implementing an outsourcing plan. According to Quinn (1999), the primary reasons for outsourcing have changed from cost controls to strategic repositioning, strengthening core competencies, more service integration, and improved value creation. Due to factors like prices, technology, and knowledge advancement, organizations are obliged to choose outsourcing. The main objective of the outsourcing strategy is to raise incentives inside the company. Implementing a successful outsourcing plan necessitates taking into account a number of factors, such as the process' relative competence, its contribution to competitive advantage, and it's potential for opportunistic outsourcing.

1.1.2 Stable Results

Through the use of performance management systems, an organization is able to coordinate its business operations with its overall strategy and track its progress over time in accomplishing its objectives. One of the important elements that determines whether an organization succeeds or fails is its performance. It is challenging to assess performance when the thing being measured is constantly changing. An organization and its workforce gain clarity and a platform for addressing performance problems in an organized way when they have access to the right tools for identifying performance strengths and gaps. Organizations may evaluate their performance in a variety of ways.

In order to assess both individual and organizational effectiveness, management by goals establishes key performance indicators and tracks their development against predetermined target values for those indicators (Drucker, 1954). Utilization of the balanced score card - The balanced score card combines four different sets of metrics, enhancing standard financial indicators with those that influence future success. The client, internal company operations, learning and development, and finance are these four areas. Other performance measurement frameworks include shareholder value added, activity-based costing, and competitive benchmarking.

1.1.3 Kenyan Insurance Providers

According to Kenyan law's Insurance Act Chapter 487, the body responsible for regulating the insurance industry is known as the Insurance Regulatory Authority (IRA). The IRA is an insuring governing agency established with a mandate to oversee and support the growth of

Kenya's insurance sector. Kenyan insurance companies established the Kenya Insurance Companies Association (AKI) in 1987 with the primary objective of promoting ethical standards among members, raising public awareness and expanding the insurance industry. As of 2021, there are around 60 firms permitted to operate as underwriters in Kenya (AKI, 2021). The survey by Standard Investment Bank (2013) reveal that five largest insuring companies have market shares of 40% and 70% respectively in property and life insurance products. In addition to insurers, other industry participants include, professionals acting as loss adjusters, brokerages and agencies.

It is reported (KPMG, 2016) that the leading insurance service provider nation in the East African region is Kenya.. According to the Association of Kenyan Insurers' study from 2021, the penetration of life insurance and general insurance account for 3 percent of the GDP of Kenya. Significant issues affecting the Kenyan insurance market, according to Kamau (2017), include severe competition and low penetration. According to IRA Industry Study (2016), the invention of new products, increased regulation, bank assurance, increasing public knowledge, and automation of processes are the primary elements impacting the expansion of insurance in Kenya. However, some insurance companies lack the necessary capitalization levels to cover significant and rising risks including political unrest and terrorism, according to the IRA's 2014 annual report. Thus, it can be said that the insurance industry is thriving in Kenya, however, in any business environment there are those firms that are doing well and others that are finding competition tough to bear. This therefore necessitates finding out challenges that facing the Kenyan insurance industry necessary.

1.2 Research Problem

Since bad performance is indicated by low market penetration, using strong competitive strategies is necessary. Chew et al. (2008) propose that a corporation should alter its strategy in reaction to competition and develop capacity as required. According to Sumer et al. (2012), in a growing economy, many firms attempt to achieve the highest market share to guarantee that they can generate enough money to support their operations.

Kenyan insurance carriers have reportedly seen varying levels of success despite using the same aggressive strategies, according to IRA (2021). While some businesses have over time improved their performance, others have suffered. Many insurance businesses have not lagged behind as a consequence of the recognition that there are advantages to using outsourced services. Services including security, instruction, software upkeep, cleaning work, and specialist marketing work. The idea is that by outsourcing part or all of these activities, these organizations can free up their key employees giving them space and time for critical activities. Performance is anticipated to improve reciprocally as a consequence.

Studies on the connection between outsourcing strategy and performance on a local and international scale have come up empty. According to a Kiptanui (2018) study, outsourcing strategy had a favorable impact on competitive advantage. Competitive advantage served as the study's independent variable. The goal of Elmuti's 2003 study was to determine what motivated businesses to outsource their work as well as what encouraged or hindered this practice. The goal of the study is to ascertain how outsourcing strategy affects Kenyan university procurement performance. According to Kebaso Kiarie and Ogollah (2014), the

primary predictors of the procurement performance of universities in Kenya were contracting, complete outsourcing, license agreements, and selective outsourcing tactics. The performance of procurement was the focus of this investigation. Içek and Zer (2011) looked into how organizational culture affected the relationship between HR outsourcing and hotel performance. In their 2009 study on the impacts of outsourcing on productivity, Broedner, Kinkel, and Lay found a negative correlation. Although a lot of research have been done on outsourcing strategy, its association with performance is not convincingly proved. The sole motivation for this study was to attempt answering the following main question: What impact will the outsourcing strategy have on the performance of Kenyan insurance companies?

1.3 The Overall Objective

The overall objective of this study was assessing the influence of outsourcing strategy on the performance of insurance companies in Kenya.

1.4 The Study's Value

The report throws light on the outsourcing methods and performance of the Kenyan insurance business. Additionally, it is crucial for managers to make well-informed judgments when implementing an outsourcing plan to boost corporate performance.

Other academics who are attempting to comprehend the outsourcing strategy and effectiveness of organizations in the insurance industry may find this research to be helpful. Particularly pertinent are the suggestions for new research areas and the use of the findings for empirical assessment.

The findings of this study show how outsourcing strategy affects insurance companies' performance, which is important information for government and insurance sector policy makers. The findings will aid in improving the insurance industry and developing policies that are compliant with competition laws.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The present chapter examined articles of concern in the thematic area of outsourcing strategy with the express objectives of understanding how it affects organizational performance as well as well as advantages and the issues connected with outsourcing strategy. The chapter also reviewed theories that anchor outsourcing strategy, firm performance and the inter-relational factors among the two concepts.

2.2 Theoretical Perspective

The theories of concern to this study includes core competency theory and agency theory. The following sections discusses these theories in terms of their association with outsourcing strategy and performance of firms.

2.2.1 Core Competency Theory

This research is rooted in core competency theory, as an applicable theory for this study. According to Kareem, Unachukwu and Okegbemi (2018), the Core Competency theory discusses how to align distinct manufacturing skills and connect the multiple technology streams of your firm in a global competitive marketplace. This theory says that corporate obligations must be completed internally or by external givers of the service. It's based on whether to develop or acquire a product or service.

(Chandra & Kumar, 2000).

As per Akinbola, Ogunnaike and Ojo (2013) persuasion, core competencies could even take various forms, such as technical/professional know-how, reliable processes, close interactions with clients and subcontractors, as well as knowledge about brand innovation, employee engagement, good human resource management (HRM), and strong marketing. Core competencies are the talents that distinguish us distinct from others in our business, giving a basic basis for delivering value. The theory relate to collective knowledge of production systems, notably understanding of processes and their successful integration and optimization (Kaminsky and Simchi-Levi, 2004).

Margaret A.Peteraf (1993) asserted that the notion of core competency is an essential theoretical underpinning for outsourcing, and provides base and aim for outsourcing. According to this idea, by paying attention to the core product or service, and outsourcing the non-core business or process, a company may not only slow down the cost and increasing the quality of product or service, but also can Maintain and reinforce its sustainable competitive advantages. Thus, outsourcing strategy may bring competitive advantages, which lead to increased performance of organizations.

2.2.2 The Theory of Agency

The agency theory's original focus was on the interplay between managers and stakeholders (Jensen and Meckling, 1976), but it has subsequently broadened to define the link between two inter-firm themes. In such context, it is associated with the agency theory and the outsourcer-vendor interaction. Monitoring and bonding should be utilized to address the origins of the agency problem, such as moral hazards and adverse selection (Arrow, 1985; Barney and

Hesterly, 1996). As a result, the theory was applied in the outsourcing process study during the preliminary screening for suppliers and establishing a firm's attitude toward the sort of partnership it enters into.

Kareem, Unachukwu and Okegbemi (2018) argue that the principal must address the lack of information about the agent's execution of the given duty by engaging the agent to represent the principal's interests. Hesterly (1996) contend that agents should be compensated for operating in the principal's interest. Agent theory may be used to appropriately construct these incentives by studying the rewards that drive agents to behave. Incentives that induce wrongdoing must be abolished and measures that encourage moral compliance must be adopted. Understanding the variables that generate difficulties assists organizations to establish more successful company policies.

2.3 Empirical Review and Knowledge Gaps

Prior research suggests that outsourcing brings a range of advantages, including cost savings, productivity increases, agility, access to skilled experience, and a focus on core capabilities. However, there are many hazards involved with outsourcing that must be controlled in order for it to be effective. According to Kenyon, Meixell, and Westfall (2016), strategic outsourcing leads to cost reconstruction, quality improvement, commodification, and risk management.

According to Dapper (2013), strategy to outsource aids in liberating the entrepreneur from unnecessary chores, enhancing a company's financial performance, and obtaining new technologies and outside knowledge. Leavy (2004) contends in a similar study that strategy

to outsource reduces and limits operations costs, helps to contribute to the advancement of firms, and leads to top notch abilities, frees institutional resources for other tasks and makes equity funds available, while also continuing to improve the firm's competitive position and enables avoidance of labor issues.

The major risks of strategic outsourcing, according to Kareem, Unachukwu, and Okegbemi (2018), Gilley and Rasheed (2000) and Leavy (2004), also seem to be the hidden expense, struggling to come to terms with latest technology for innovation in products and processes, privacies risks, non - qualified suppliers, coordination and communication issues, and perceptual disparities between suppliers and firm. This makes it harder to align decisions and share knowledge (Kareem, Unachukwu, and Okegbemi, 2018).

According to Kletzer (2004), outsourcing provides real, measurable benefits to the economy. Savings ranging from 20% to 50% per outsourced post have been reported. Furthermore, the Outsourcing groups emphasized that on average, outsourcing may save businesses 9% of their costs while improving capacity and quality by 15%. According to Barthelemy (2003), firms that are outsourcing are able to treble operations profitability even when sales remained same. It may also enable outsourcers to acquire technology capable advantage, allowing organizations to take advantage of the best outside suppliers and restructure alienated divisions that are resistant to adapt.

Kareem, Unachukwu, and Okegbemi (2018) focused on a few chosen insurance businesses in Nigerian context and investigated the connection with strategic outsourcing and insurance

company performance. The top 10 insurance businesses in Nigeria were chosen using targeted sampling, and five workers from each of the ten insurance companies were chosen, yielding a total of 50 respondents for the research. Responses were gathered using a standardized, closed-ended questionnaire that was created for the research. The data was analyzed using frequencies, percentages, and correlation analysis. The findings demonstrated that strategic outsourcing significantly affects how well insurance businesses function in Nigeria. The findings also revealed that although the majority of Nigerian businesses completely outsource their security services, advertising and marketing, recruiting services, and catering services, they carry out their core business operations to a great extent in-house. The findings also indicated that the company's attachment to its brand and processes, its inability to establish specific goals, the lack of adequate support infrastructure, the absence of performance measurements, and the lack of support from top management are the main obstacles to implementing strategic outsourcing in the majority of insurance companies in Nigeria. The study's findings led it to the conclusion that management should provide strategic outsourcing as much assistance as possible in order to lessen the likelihood of conflict.

In their 2012 study, Khaki and Rasidi looked at outsourcing's effects on Iranian telecoms businesses' operational objectives and performance. Cost savings, improved quality, more flexibility, and better service are operational objectives. Both financial and non-financial factors are included in fixed key performance indicators. This research investigates if outsourcing has a direct impact on businesses' increased organizational capabilities. According to survey findings, outsourcing may result in improved performance and superior financial and non-financial services. Arvanitis and Loukis (2012) looked at outsourcing and business

performance in Greece and Switzerland. This research looked at the characteristics that affect a company's inclination to outsource certain tasks as well as how outsourcing affects a company's ability to innovate. The performance of Swiss and Greek businesses is compared in this research. According to the research, outsourcing tends to encourage process innovation but has little to no effect on productivity when it comes to how it affects performance. Smith (2012) assessed the efficiency of the Kenyan mobile carriers' supply chains and outsourcing. When comparing supply chain performance across cellular carriers by operational responsiveness, supplier network, and competitive advantage, this research discovered a correlation between outsourcing and supply chain performance. The study's findings indicate that the responsiveness of the provider network has the most impact on outsourcing, but the responsiveness of the operating system has the worst detrimental effect. The supply chain system reacts promptly to changes in client requests for different product quantities as well as different product combinations. In addition, the supply chain efficiently expedites urgent client orders, rapidly reconfigures machinery to adapt to demand changes, quickly modifies production procedures to adapt to demand changes, and swiftly modifies capacity to adapt to demand changes.

Elmuti (2003) investigated the perceived effect of outsourcing on the effectiveness of firms in the United States. In 1,500 American businesses, this research looked at the connection between organizational performance and outsourcing strategies. It also looked at the efficiency of these companies' outsourcing plans as well as their overall efficacy. This research examines variables that affect organizational success, including output (cost-savings, turnaround times,

and efficiency), satisfaction, and market performance (market share, return on investment, and return on sales).

The effect of internal and external consultants on project performance in Nigeria was investigated by Idoro (2011). The goals are to determine whether chosen consultants are hired internally or externally, to compare the two ways of project implementation and the effects they have on project performance, and to evaluate the success of projects that use both types of consultants. A design technique for questionnaires was used to accomplish these objectives. From a stratified random sample of 164 projects, a field survey was produced. Data were gathered using structured questionnaires, and percentages, means, Spearman's, and t-tests were utilized to examine the results. According to the research, customers often use both internal and external consultants when developing projects, and the effectiveness of both strategies is highly correlated with client satisfaction (Idoro, 2011). It also shown that there were differences between the two strategies' benefits in terms of project time and expense. According to the findings, insourcing and outsourcing are popular project development techniques, and customers have a hard time deciding which option to choose. Research demonstrates that both approaches offer advantages for the success of projects, and it is advised that customers take these advantages into account when selecting internal and external consultants (Idoro, 2011).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The study design, demographic, data collecting, and data analysis are all described in this chapter. It provides a description of the research's design, the techniques and methods used to collect the data, and the methodology used for data analysis.

3.2 Research Design

A cross-sectional descriptive survey was employed in the study to determine how outsourcing method affected performance. By definition, a cross sectional design enables data collection at a certain moment. Data is only gathered once. A descriptive study gives the researcher the chance to pinpoint the cause of the event they are studying while also shedding light on its features. The researcher was able to gauge how these characteristics appeared across a wide range of respondents thanks to a survey.

3.3 Population of the Study

In research, the respondents are defined by the population. It clearly identifies who will provide information that will help answer the study topic as participants. The population of this research included all insurance businesses that were registered and permitted to operate as of December 31, 2021. As of December 31, 2021, 56 insurance firms were active in Kenya, according to the Association of Kenya Insurers. These people made up the study's sample. The research included a census.

3.3 Data Collection

In-depth information gathered via the use of structured questionnaires was utilised in this study. A survey of the literature was used to create the questionnaire. Three sections made up the questionnaire: Part A covered the demographics of the responding insurance businesses; Part B included outsourcing tactics; and Part C covered the competitive advantages of the responding insurance companies. In the responding firms, the respondents were the managers of operations or administration. The questionnaire was distributed using the drop and pick approach. These managers were chosen because they are in charge of supervising the execution of tasks related to the variables being studied.

3.4 Data Evaluation

The surveys were coded and entered into the SPSS program for analysis. Calculated descriptive statistics were used. These statistics comprised the mean, standard deviation, and variance co-efficient. Pie charts, tables, and percentages were used to show this data. Simple regression analysis was done to examine the association between outsourcing strategy and performance of insurance businesses in Kenya. The statistical significance of the association between the dependent and independent variables was determined using the p value. A link was confirmed to be statistically significant if the p value was less than 0.005. The model to be used was as follows:

$$\mathbf{Y = \alpha + \beta_1 X_1 + \varepsilon}$$

Where: Y= Performance; β_1= Co-efficient of Outsourcing Strategy; X= Outsourcing strategy

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

In this chapter, data that are both descriptive and inferential are analyzed, presented using frequencies, percentages, and tables, and then the findings are discussed. The discussion of results was done by examining the findings against the reviewed empirical studies.

4.1. Response Rate

Categories	**Frequencies**	**Percentages**
Usable Responses	48	85.70%
Non- Usable Responses	6	10.70%
Non-Responses	2	3.40%
TOTAL`	**56**	100%

Source: Author (2022)

Population of the study is 56 and usable responses amount to 48 accounting for 85.70% while non-usable responses amount to 6 representing 10.70%, non-responses amount to 2 representing 3.40%. thus, on the basis of the analysis, as indicated in table 4.1 above, it can be deduced that the response rate is 85.70%, which is sufficient based on Mugenda and Mugenda (2003) who recommends a 50% and above response rate.

4.3 Demographic Characteristics

The demographic characteristics was evaluated in terms of number of years in operation, number of branches and estimated capital base of the firms. The following sections is a presentation of the findings.

4.3.1 Number of Years in Operation

Table 4.2. Number of Years in Operation

Category	Frequency	Percent (%)
less than 10 years	7	14.6
10-20 Years	18	37.5
20-30 years	3	6.3
Over 30 years	20	41.7
Total	**48**	**100.0**

Table 4.2 above shows the distribution of the number of years in operation. The findings indicate that the distribution of firms with less than 10 years in operation is 7(14.6%), 10-20 years is 18 (37.5%), 20-30 years is 3(6.3%), over 30 years is 20 (41.5%). Thus, it can be inferenced from the findings that majority (41.5%) of the firms have been in operation for over

30 years. Firms that have less than 10 years in operation account for 14.6% of the total number of firms that were involved in the study.

4.3.2 Number of Branches

Table 4.3. Number of Branches

Category	Frequency	Percent (%)
less than 10 branches	25	52.1
10-20 branches	9	18.8
20-30 branches	8	16.7
over 30 branches	6	12.5
Total	**48**	**100.0**

Table 4.3 above shows the distribution of the number of branches. The findings indicate that firms that have less than 10 branches is 25 (52.1 %), 10-20 branches is 9 (18.8%), 20-30 branches is 8 (16.7%), over 30 branches is 6 (12.5 %). Thus, it can be inferenced from the findings that majority of the firms (52.1 %) have less than 10 branches, while firms that have the greatest number of branches account for 12.5% of the overall number of firms that were involved in the study.

4.3.3 Estimated Capital Base

Table 4.4. Estimated Capital Base

Category	Frequency	Percent (%)
less than 2 billion	20	41.7
2-5 billion	17	35.4
over 5 billion	11	22.9
Total	**48**	**100.0**

Table 4.4 above shows the distribution of the estimated capital base. The findings indicate that the distribution of firms with less than 2 billion capital bases is 20 (41.7%), firms with 2-5 billion estimated capital base is 17 (35.4%), and over 5 billion is 11 (22.9%). The main inference from the findings is that majority of the firms have less than 2 billion estimated capital bases.

4.4 Descriptive Statistics

The following section presents the descriptive statistics of the independent variable, outsourcing strategy, and the dependent variable performance. The analysis was undertaken on the basis of the parameters of mean and standard deviation.

4.4.1 Outsourcing Strategy

Table 4.5. Outsourcing Strategy

	Outsourcing Strategy Statements	Mean	Std. Deviation
	I seldom experience conflict between the different aspects of my personality.	3.77	1.077
	Sometimes I think I know other people better than I know myself.	3.73	1.233
	My beliefs about myself seem to change very frequently.	3.65	1.194
	If I were asked to describe my personality, my description might end up being different from one day to another day.	4.08	1.127
	Even if I wanted to, I don't think I could tell someone what I'm really like.	3.81	1.232
	In general, I have a clear sense of who I am and what I am.	3.67	1.226
	It is often hard for me to make up my mind about things because I don't really know what I want.	3.85	1.203
	On the whole, I am satisfied with myself.	3.06	1.262
	At times I think I am no good at all.	3.21	1.184
	I feel that I have a number of good qualities.	3.83	1.434
	I am able to do things as well as most other people.	4.00	1.185
	I feel I do not have much to be proud of.	3.77	1.153
	I certainly feel useless at times.	3.52	1.353
	I wish I could have more respect for myself.	3.98	1.139
Mean	**Average Scores**	**3.71**	**1.214**

Table 4.5 shows the descriptive statistics of outsourcing strategy, which is indicative of the respondent's average agreement or disagreement with the statements reflective of outsourcing strategy. The findings indicate that all the respondents, on average, are in agreement with the statements, antecedents of outsourcing strategy, except for the statements, 'On the whole, I am satisfied with myself (3.06)' and 'At times I think I am no good at all (3.21)', which return neutral average values. The standard deviation spread is between 1.07 and 1.35. The findings also reveal that the means and standard deviations, mean average scores, for all the antecedents of outsourcing strategy are 3.71 and 1.71 respectively. The inference drawn is that on average, all the respondents agree with the statements, with the deviation less than twice the mean, which is an indication that the statements are reliable measures of outsourcing strategy.

4.4.2 Performance

Table 4.6. Performance

Performance Statements	Mean	Std. Deviation
The fixed costs of the company have been reduced	4.00	1.238
The productivity of our employees has increased	4.19	.842
There has been a significant cost cutting	4.25	.887
The ROI has increased	3.98	1.246
Our company's overall efficiency has increased	4.19	.790
Our company's overall effectiveness has increased	4.27	.893
Mean Average Scores	**4.15**	**0.983**

Table 4.6 shows the descriptive statistics of firm performance, which indicates that all the antecedents of performance, as scored by the respondents, return a mean above 3.50, which is reflective of agreement with the statements as being representative of performance in their respective organizations. The standard deviations also indicate a spread of between 0.790 and 1.246. Tabulation of the average means and standard deviations of all the antecedents of performance return mean average scores, based on overall statements, of 4.15 and standard deviations of 0.983 respectively, which is a reflection that all the indicators of performance are reliable measures of the variable.

4.4 Regression Analysis

4.4.1 Regression Model Summary

Table 4.7. Regression Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.426[a]	.182	.130	3.12149	.182	3.551	1	16	.078

a. Predictors: (Constant), Outsourcing Strategy
b. Dependent Variable: Performance

The regression model summary, table 4.7, shows a regression coefficient of 0.426 and the adjusted R square of 0.130. Examination of the findings indicate that 13% of the variation in

firm performance is attributed to outsourcing strategy, while 87 % is attributed to other factors, which were not under consideration in the study.

4.4.2 ANOVA

Table 4.8. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.601	1	34.601	3.551	.078[b]
	Residual	155.899	16	9.744		
	Total	190.500	17			

a. Dependent Variable: performance; b. Predictors: (Constant), Outsourcing Strategy

Table 4.8 shows the ANOVA statistics of the predictor variable, outsourcing strategy, and the dependent variable, which is performance. The findings indicate that $F(1,16) = 3.551$, $p > 0.05$, which infers a relationship that is not statistically significant. The net interpretation is that outsourcing strategy is not a significant predictor of firm performance.

4.4.3 Regression Coefficients

Table 4.9. Regression Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	26.585	3.658		7.268	0.000
	Outsourcing Strategy	0.146	.077	0.426	1.884	0.078

a. Dependent Variable: performance

Table 4.9 shows the regression coefficients of the dependent variable, which is firm performance. The statistics indicate that the unstandardized regression coefficient for predicting firm performance from outsourcing strategy is 0.146, while the standardized

coefficient is 0.426. A quick look at the significance level indicates a value of 0.078, which is greater than 0.05. Thus, although outsourcing strategy predicts firm performance, in essence it is not statistically significant. Because $p > 0.05$. The relationship between outsourcing strategy and firm performance is summarized in the following model: $\mathbf{Y = \alpha + \beta_1 X_1}$, Where Y= Performance**;** β_1= Co-efficient of Outsourcing Strategy**;** X= Outsourcing strategy. Thus, Y = 26.59 + 0.146X. This is an implication that a unit change in outsourcing strategy produces commensurate change in performance that is equivalent to 0.46. However, the net impact is not systemic, as it is not statistically significant.

4.5 Discussion

This chapter was concerned with the analysis of data, which included demographic, descriptive and regression aspects, and examining emerging trends from the data as well as identifying inferences from the data. From the outset, the demographic characteristics was evaluated in terms of finding out the number of years in operation, number of branches and estimated capital base of the firms. This was followed by a statistical descriptive analysis of the two main variables of the study, which included outsourcing strategy and firm performance. The descriptive analysis focused on determining the means and standard deviation of the respective antecedents of outsourcing strategy and firm performance followed by tabulation of the mean average scores and making empirically informed interpretations. Subsequent to carrying out descriptive analysis, the relationship between outsourcing and firm performance was determined using regression analysis in which a model summary, ANOVA and coefficient tables were generated and analysed.

The study achieved a response rate of 85.70%, and subsequent analysis of demographic data, it was found that majority (41.5%) of the firms had been in operation for over 30 years and equally 52.10% had less than 10 branches and an estimated capital base of less than 2 billion. The studies that followed showed that the measures of outsourcing strategy and company performance were confirmed by descriptive assessment, which was the primary goal of the research, which was to ascertain the impact of outsourcing strategy on firm performance. This prompted the creation of regression models with model summaries to investigate the association between outsourcing strategy and company performance, ANOVA and the coefficients of regression. It was found that 13% of the variation in firm performance is attributed to outsourcing strategy, while 87 % is attributed to other factors. The findings also showed that outsourcing strategy was not a significant predictor of firm performance ($F (1, 16) = 3.551$, $p > 0.05$). Furthermore, the findings revealed that although outsourcing strategy predicted firm performance ($Y = 26.59 + 0.146X$), it was, however, not a statistically significant predictor.

These findings of the study, suggest that firms in the insurance industry have a low uptake of outsourcing as a strategic approach to organizational performance improvement, which could be attributed to being averse to risks associated with outsourcing. According to Gilley and Rasheed (2000), the significant challenges of strategic outsourcing are additional expenses, having to come to terms with newer technologies and opportunities for product and process innovations (Kareem, Unachukwu & Okegbemi, 2018), potential vulnerabilities, unqualified suppliers, communication and coordination problems, and cognitive distance between suppliers and firm (Kareem, Unachukwu & Okegbemi, 2018), which makes it more

challenging to integrate decisions and share knowledge. However, research by Dapper (2013) and Leavy (2004) shows that smart outsourcing helps a business owner by relieving them of time-consuming and difficult tasks, increasing cash flow, and gaining access to new technology and outside expertise. Strategic outsourcing also enhances business focus, lowers operational expenses, gives companies access to top-tier expertise, frees up internal resources for other uses, frees up capital funds, boosts the company's competitiveness, and prevents labour disputes. Thus, it is incumbent upon managers to individually evaluate their outsourcing proposition to see whether strategic advantages accrue to them. The following chapter presents the summary of the findings and conclusions drawn as a consequence of data analysis, presentation and discussion in this chapter.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the study's results, conclusions, and recommendations and, in the end, offers suggestions for areas that other researchers may wish to investigate further in order to assess the idea of outsourcing strategy and its effects on firm performance, not only in the insurance industry but also in other industries.

5.2 Summary of the Findings

This study's goal was to determine how outsourcing strategy affected Kenyan insurance firms' performance. The research was founded on agency theory and core competency theory, and after suitable literature had been evaluated, the methodological design had been outlined. When descriptive statistics were examined, it was discovered that the indicators of strategic outsourcing and performance were adequate measures of the two variables. As a result, additional analysis was conducted to determine the relationship between outsourcing strategy and performance using a straightforward regression analysis. The findings showed that the ANOVA statistical test of the predictor variable, outsourcing strategy, and the dependent variable, which was performance showed that outsourcing strategy was not a significant predictor of firm performance. Further analysis of the regression coefficients of the dependent variable, which is firm performance showed that the unstandardized regression coefficient for predicting firm performance from outsourcing strategy was not statistically significant, despite the fact that the data showed that a unit change in outsourcing strategy produced commensurate

change in performance, however, the net impact was not systemic, as it was not statistically significant as stated.

5.3 Conclusion

Literature indicate that outsourcing can generate improved performance of firms in a multitude of ways (Awino & Mutua, 2014; Agburu, Anza & Akuraun, 2017; Dekkers, 2000), however, The results of the current research, which showed that strategic outsourcing is not a major predictor of performance in the insurance business, confirm the view that there is little evidence from the industry of strategic outsourcing having acquired momentum among the enterprises. This means that there are other factors bearing greater significance in the performance of the firms.

5.4 Recommendations of the Study

The study recommends a number of steps that managers can undertake to enjoy the benefits that may accrue to their firms through outsourcing strategy. One of the steps is for managers of these firms to understand the level of cost control associated with outsourcing strategy. This is informed by the competencies inherent within the firm, which have a significant influence on the decision to outsource certain activities of the firm or not. Achievement of this step would herald improved organizational performance in terms of returns on inputs and a more flexible operational approach.

Further, in order to reduce the fixed cost of doing business, increase the productivity of employees and return on investment and overall efficiency and effectiveness in the insurance

industry there is need for the firms in this sector to consider outsourcing as a strategic step to achieving improved performance. The study could also inform collective policies associated with improvement of the operational environment of the insurance industry.

5.5 Suggestions for Further Research

Due to the limited amount of time and financial resources limitations as well, the research design was such as to accommodate these constrains, however, a more elaborate research design could be put to use, this may involve qualitative methods in which in-depth interviews are performed with respondents, such an approach may yield results with more clarity on the relationship between outsourcing strategy and performance of firms in the insurance industry. The findings show that outsourcing strategy has a minimalistic effect on the performance of insurance firms involved in the study, however, due to the inconclusive nature of the findings, other outsourcing strategy indicators may be put to test to see if there is improved effect of outsourcing strategy on firm performance. Future studies could also focus on a different industry apart from the insurance industry.

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APPENDIX 1: QUESTIONNAIRE

PART A: DEMOGRAPHICS OF RESPONDENT INSTITUTIONS

1. **Name of Institution**……………………………………………

2. **Number of Years in Operation**

( ) less than 10 years

( ) 10-20 Years

( ) 20-30 years

( ) Over 30 Years

3. **Number of Branches**

( ) less than 10 Branches

( ) 10-20 Branches

( ) 20-30 Branches

( ) Over 30 Branches

4. Estimated Capital Base

( ) Less than sh 2 Billion

( ) Sh. 2- 5 B

( ) Over Sh. 5 B

PART B: OUTSOURCING STRATEGY

On a scale of 1 to 5 indicate the extent to which you agree with the following statements on Outsourcing Strategy

1=I Do Not Agree at All, 2= Disagree, 3= Neutral, 4= Agree, **5** =Totally Agree with this statement

STATEMENTS ON OUTSOURCING STRATEGY	1	2	3	4	5
Outsourcing led to the transformation of some fixed costs into variable cost					
Outsourcing allowed expert staff to provide excellent output under controlled cost					
Outsourcing enabled to economize on production cost					
Outsourcing enabled control of expenses of outsourced activities					

Outsourcing reduced operational and recruitment cost					
Outsourcing improved organization performance in terms of return per employee (employee productivity)					
Outsourcing led to access skilled personnel and excellent expertise					
Outsourcing led to improved management of resources					
Outsourcing leads to flexible services to meet markets demands					
Outsourcing enable concentration on core activities and increase better quality of product					
Outsourcing promoted the growth of organization as a strategic element in market differentiation					
Outsourcing increased capacity and enhanced quality of services					

Outsourcing helped to expand into other market by using new technologies					

PART C: PERFORMANCE

On a scale of 1 to 5 indicate the extent to which you agree with the following statements on Performance

1=I Do Not Agree at All, 2= Disagree, 3= Neutral, 4= Agree, **5** =Totally Agree with this statement

STATEMENTS ON PERFORMANCE	1	2	3	4	5
The fixed costs of the company have been reduced					
The productivity of our employees has increased					

There has been a significant cost cutting					
The ROI has increased					
Our company's overall efficiency has increased					
Our company's overall effectiveness has increased					