

**QUALITY MANAGEMENT PRACTICES AND OPERATIONAL PERFORMANCE OF
INSURANCE COMPANIES IN KENYA**

BY

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DECLARATION

This research project is my own original work and has not been submitted at any University for an award of any degree.

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This research project has been submitted for examination with my endorsement as the University Supervisor.

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DEDICATION

I dedicate this achievement to my wife Mercy, my sons Adriel, Asher and baby Allanmyles. You are great people and the reason for my hard work.

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LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|--------------|--|
| ANOVA | Analysis of Variance |
| IRA | Insurance Regulatory Authority |
| ISO | International Standardization Organization |
| M | Mean |
| SD | Standard Deviation |
| SPSS | Statistical Package for Social Sciences |
| TQM | Total Quality Management |

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ABSTRACT

To establish how operational performance of insurance companies was affected by quality management was the main objective of this study. Specifically, the study sought to establish the quality management practices adopted by insurance companies in Kenya; the quality management challenges faced by insurance companies in Kenya and the relationship between quality management practices adopted and the operational performance of insurance companies in Kenya. Analyzing of the data with the aid of SPSS was done using descriptive statistics and inferential statistics. The study concludes that insurance companies have implemented quality management practices (top management support, strategic planning, process management, supplier management, and customer focus and employee involvement) to a great extent. The most implemented practices were customer focus, top management support, supplier management and employee involvement where they were all implemented to a great extent. The study also concludes there exists a strong link ($R\text{-value} = 0.602$) between quality management practices and operational performance of insurance firms with quality management practices being able to explain 36.2% of the total variance in the operational performance of insurance firms. All the quality management practices (top management support, strategic planning, supplier management, process management, and customer focus and employee involvement) were found to have a positive effect on the operational performance of insurance firms. The study further concluded that insurance companies face challenges when implementing quality management practices to a moderate extent. The challenges faced often by the insurance firms are resistance to change by the staff; lack of adequate experience in implementation and inadequate implementation personnel while the less often faced challenges were inadequate leadership and direction from managers; lack of understanding of the strategy by implementers and absence of the appropriate structures. The study makes the following recommendations. The management of the insurance firms should involve the employees in identifying the best practices to adopt in order to reduce resistance to change by staff. The insurance firms should also hire qualified staff that has the requisite expertise and experience in implementing quality management practices. Most respondents were reluctant in filling the questionnaires. They feared that the information sought through the questionnaires would be used against them. The scope of this study was limited to the effect of quality management practices on the operational performance of insurance companies. This implies that the findings cannot be adequately applied to non-insurance firms. In future, a similar study should be done considering non-insurance firms such as commercial banks in order to establish how implementation of quality management practices affects their operational performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Survival of organizations require firm management to identify practices which would help them gain capacity and competitive advantages. Ability to make profits, expand markets, have loyal customers and continue to produce innovative products are some of the goals that every firm strives to achieve in any business environment. Innovative companies are less likely to exit the market early (Geroski, 1995). Firms need access to credit to enable them finance their operations. Availability of credit and competition from other firm's determine the firm's survival (Albert M.,2017). Existence of competitors in the industry increases the firm's survival as they strive to become relevant through innovation and increasing customer focus initiatives. Firms need highly qualified management in order to achieve growth (J. Paul Dunne & Rethabile M., 2015). The role of management is therefore key to every firm's survival. The age of the firm also determines its survival since more experienced firms are more likely to survive than new entrants.

To be able to achieve the determinants of business survival, firms need to streamline their operational performance by looking into the factors that affect their performance. Increased operational performance enables the firm to gain competitive advantages, for instance, it enables the firm to cut its costs (Heizer, Render & Weiss, 2008) and enhances the firm's product/service quality (Prajogo, Chowdhury, Yeung & Cheng, 2012). The main factor that affect operational performance of firms and should be adopted is quality management practices.

Insurance business is profitable in Kenya. This is attributed to Kenya being Africa's most well developed and well regulated insurance market with an upward growth trend. Despite these, the

insurance industry is facing serious competition. Other challenges include; increase in fraud in the first quarter of 2016 was by 60%. The industry's growth rate was lower during the first quarter of 2016, 9.6% compared to the growth rate recorded in the 2015 first quarter that scored a 16.4% growth. All these have made insurance firm's expansion rate lower. To survive, the firms will require improving their operational performance to gain competitive advantages.

1.1.1 Quality Management Practices

Quality Management is viewed as quality is considered as foundation. Without top management commitment there is no strong foundation, thus the house will not stand. Once top managers are committed, it is then then that attention can be given to other aspect people management, supplier management, customers satisfaction and /strategic planning (Motwani, 2001). A study by Mohamed et al. (2014) established that firms mostly adopt quality management practices such; leadership, process management, design management, reporting and quality data, suppliers' management, human resource and customer focus to enhance their performance.

Quality management practices constitute a set of factors that affect firms' operation performance (Truong, Sampaio, Fernandes, Binh & Carvalho, 2014). They are tools that enable the organization to attain its main objective of meeting the needs of their customers at lower cost and enhance the organization's performance (Kumar & Kumar, 2009). These tools are used for integrating fundamental management activities and firm improvement efforts while focusing on continuous improvement(Flynn, Schroeder & Sakakibara (1995), as cited by Truong, Sampaio, Carvalho, Fernandes & Duong, (2014), process management, reporting and quality data analysis, product/service design, strategic planning and human resource management. Others include employee involvement and continuous improvement.

1.1.2 Operational Performance

Operational ability to meet customer orders and reduce costs such as management costs, reduce order cycle time, advance the efficiency of use of materials that are not yet produced and also its capacity to distribute (Heizer, Render & Weiss, 2008). Managing the firm's operational performance involves aligning all business activities and functions to ensure that they are working together to achieve the core organizational goal (Rouse, 2015). Regardless of the size, every firm is faced with the broad challenge of improving work efficiency and streamlining operation costs to enhance performance. Operational Performance involves the measure of the actual achievement against set targets.

Firm operational performance is affected by various factors. These include: firm strategy, organizational design, organizational culture, external orientation, firm processes (Waal, 2013), firm culture, supply chain management (Al-Tit, 2017), customer satisfaction (Ou, Liu, Hung & Yen, 2010), organic structure and firm's operations strategies (Oon Fok-Yew & Hartini, 2014) and Quality Management Practices (Truong, *et al*, 2014). Various indicators are used to gauge operational performance of business firms. Bottcher and Neuhaus (2015), established that improving the firms operational performance involves, reducing procurement costs, reducing overhead costs, reducing production costs, optimizing production, optimizing distribution, optimizing information technology, reducing product complexity, reducing working capital, optimizing after sales services and optimizing capital expenditure. These are the parameters used to measure operational performance. If the firm is performing well in its operations, it will have high quality products, improved effectiveness in production and more satisfied customers which lead to increased sales revenue and profit hence general firm performance (Kaynak & Hartley, 2008).

The common metrics used to measure firm operational performance in the insurance business include: revenue per policy holder, average cost per incurred claim, claim settlement average time, return on surplus (Hyde, Regelman & Kanagasabai, 2008). Others are: loss ratio, claims frequency and claim severity. Others are sales, expense ratios, components of claim costs, average policy size, number of referrals, underwriting turnaround time and the sales growth of policies (Hyde, Regelman & Kanagasabai, 2008).

1.1.3 Quality Management Practices and Operational Performance of Firms

Many scholars have tried to review the relation of practices of quality management and operational performance in many firms globally. A study was done by Hassan, Mukhtar, Qureshi and Sharif (2012) in Pakistan's manufacturing industry on how practices of quality management and operational performance related; where they found that the practices adopted by the manufacturing industry in Pakistan positively enhanced their performance. Irfan, Ijaz, Kee and Awan (2012) study to establish ways of improving the performance of operations of Pakistan's public hospitals, found that selected practices that include management's support and management of employees impacted hospital's operational performance in Pakistan.

Quality management was related with strategic planning, leadership, employee relation and customer focus and firm operational performance by Bakhit and Al-abadallat (2013) thus managers are urged to concentrate on the dimensions reviewed to enhance their firm's operational performance. Munizu's (2013) assessed Indonesia's fishery industry in South Sulawesi Province where he established that competitive advantage and performance of the fisheries were impacted by quality management practices. Jaafreh (2013) also established that the two variables related positively through the use of variables such as product quality, perceived quality, reduced cost,

quality drivers, performance of product and processes customer satisfaction and improve financial performance. Other scholars on the other hand suggest a negative relationship on the two studied variables.

1.1.4 Insurance Companies in Kenya

Insurance business in Kenya developed from the British settling in the country and initiating various economic activities mainly extraction of agricultural products and farming (Huxley, 1990) and this dates back to 1930. These investments needed to be protected against various risks that they were exposed to. The British were the first to own insurance institutions in Kenya. These institutions included; Jubilee Insurance Company 1937, Pioneer Assurance Society 1930, Pan Africa Insurance 1946 and Provincial Insurance Company Limited 1949 (Igoko, 2012). Then later in 2007, the insurance regulatory authority (IRA) was created as a supervisory and regulatory body in the industry. Kenyan Insurance Companies have been going through mergers with and acquisition by foreign Companies between 2000 and 2015 (Avulala, 2015) bringing a new dimension in the management and operation of the Kenyan insurance Companies.

There are 53 licensed insurance companies in Kenya (appendix 1) of which 28 are engaged in non-life insurance while 16 write life insurance and 9 companies are composite engaging in both life and non-life insurance (IRA, 2018). The top five insurance firms in Kenya include; British American, Jubilee, ICEA Lion, Pan African and CFC (Kinyanjui, 2013). The other licensed players in the Kenyan insurance industry include insurance brokers, agents, investigators, motor assessors, adjusters of loans, agents of settling claims, managers of risks and surveyors of insurance companies (IRA, 2016).

The penetration and accessibility of insurance services in Kenya has in recent years been improving steadily from 2.9% in 2014 to 3.0% in 2016 (Cyton's FY Insurance Report, 2016). This is attributed to many factors among them, the steady growth of the middle class, which has increased the disposable income hence more potential for new demand for insurance services (Waiguchu & Mwaura, 2012). The developing manufacturing industry, urbanization and devolution have also increased the demand for insurance services in the country. Despite this promising performance, the insurance is faced with challenges most of which emanates from the limited capacity of local insurers to underwrite huge risks which has resulted to the country placing 100% of the risks overseas leading to export of premium (IRA, 2015).

1.2 Statement of the Problem

Management in organizations today is aware of the quality management practices in importance in turning around operational performance of their firms. This is because customers as the most important aspect of the organization prefer quality services and effective managerial firm practices. As a result of that, firms are seeking to improve their quality management function through aligning their quality practices to ensure an increased level of competitiveness (Vecchi & Brennan, 2009). Insurance firms in Kenya such as British American, Jubilee insurance, ICEA Lion, Pan African and CFC have put in place quality initiatives and practices to enhance their service quality (Kinyanjui, 2013). Due to increased industrialization, urbanization, devolution and the growth of middle class, there is need for insurance Kenyan Insurance Companies to adopt quality management practices. It is important to adopt modern operations management strategies such as quality management that will enhance the quality of services and performance of the organizations (Waiguchu & Mwaura, 2012).

The importance of the insurance companies to the economy of Kenya cannot be underestimated (Kihara, 2012). During circumstances that are unseen, the insurance firms offer individuals with protection against losses through financial help. By the end of 2014, there had been recorded an increase of KES 430.54 billion from KES 366.25 billion which is a 17.6% increase from 2013 (Swiss Re, 2014). They also contributed approximately Ksh.180 billion in insurance premiums to the country's economy in 2014 and the Oxford experts expects this contribution to grow to Ksh.220 billion by the end of 2018. This indicates that insurance Companies are indeed key in growing the country's economy.

Several researchers have done various studies in assessing quality management practices and firm performance relationship; In Pakistan's public hospitals, Irfan, Ijaz, Kee and Awan (2012) found a positive relation between the two variables. In manufacturing industries in Pakistan the two were found to relate significantly of firms that were examined by Bakhit and Al-abadallat (2013). Munizu's (2013) assessed Indonesia's fishery industry in South Sulawesi Province where he established that competitive advantage and performance of the fisheries were impacted by quality management practices. Performance and supplier quality management were found to negatively affect each other by Mohammed et al. (2014).

Locally, Ogada (2012) established that sugar manufacturing had improved their performance through adoption of quality management practices. The two variables were also found to relate as was also established to be positive. Firm's performance and quality management relationship was determined by Wachira (2013) where he found that implementation of strategies in the firms had an effect on the two factors and were also found to relate positively and significantly in cement manufacturing firms in Kenya as studied by (Mutua, 2014).

Existing studies on this area of knowledge have used general financial firm performance parameters such as firm profit level, firm earnings, firm growth rate and market share level and not firm operational performance parameters. No specific study has been done on insurance companies in Kenya and how operational performance is affected by quality management practices. This thus creates a gap which this study tends to fill by answering of the research questions that are: What are the quality management practices adopted by insurance companies in Kenya? What are the quality management challenges faced by insurance companies in Kenya? What is the effect of quality management practices on the operational performance of insurance companies in Kenya?

1.3 Research Objective

The general objective of the study is to establish the effect of quality management practices on the operational performance of insurance companies.

The specific objectives of this study will be;

- i. To establish the quality management practices adopted by insurance companies in Kenya
- ii. To determine quality management challenges faced by insurance companies in Kenya
- iii. To determine the relationship between quality management practices adopted and the operational performance of insurance companies in Kenya.

1.4 Value of the Study

To the insurance firms and other organizations interested in Quality management, the findings will shed light on the effect of quality management practices adopted by the firm on their operational performance. This will therefore enable them to make informed decisions that will enhance their operational performance.

The findings of the study will be significant to the government through the Insurance Regulatory Authority (IRA) and other regulators of the insurance industry in Kenya through enlightening them on setting effective policies. The policies will not only control quality among the firms in the insurance industry but also enable the industry to grow which in turn will contribute to economic development.

The study findings will also be of great significance to the researchers and academicians. It will contribute to both theoretical and practical knowledge how operational performance was affected by quality management practices in Kenyan firms. Other researches will also be able to benefit through research materials that will be obtained from these studies conclusions.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will present the literature that will form the basis of this study. Theoretical and empirical literature are reviewed. The study also reviews quality management practices, followed by the determinants of firm operational performance, the conceptual framework, the summary of empirical review and then the gaps in the literature.

2.2 Theoretical Literature Review

Theories that inform the study's findings include: the Total Quality Management (TQM) theory and the Deming theory of quality management.

2.2.1 Total Quality Management (TQM) theory

The TQM theory was developed by Wilkinson and Wither in 1990. According to this theory, the quality of the company's products or services is only defined by various stakeholders who buy or receive the products or services. The stakeholders may include: the firm employees, customers and the company's board. Firm managers especially in public institutions are urged to engage their employees in spotting the firm's internal and external stakeholders and also determine the criteria used by each stakeholder to evaluate the firm's quality. Quality of products and services are the ones that satisfy their customer expectations (Oakland, 2003). This theory advocates for creation of a set of customer-based practices intending to improve quality, reduce costs and enhance process improvement with an ultimate goal of achieving customer satisfaction and loyalty. Satisfied customers are ambassadors who recruit more clients which result into increased client base, market share and eventually profitability and overall organizational performance (Oakland, 2003).

The TQM theory recognizes that TQM practices apply equally in both manufacturing and service firms. This is so despite the difference in the firm structure, scope and definition since both manufacturing and service firms convert raw materials into output. The output can either be products or services and they use resources such as capital, physical facilities, equipment and people resource thus require quality measures (Yang, 2006). This theory presumes that quality service is measured on the customer's view of the level of performance. The TQM theory is relevant to this study in that it advocates for the creation of a set of customer-based practices intended to improve firm quality, cost reduction and enhance process improvement. The implementation of these practices have an ultimate goal of achieving customer satisfaction and loyalty which may enhances insurance organizational performance.

2.2.2 Deming Theory

The Deming theory was a development by William Edwards Deming in 1986. According to this theory, the major role of companies was for them to implement strategies to ensure reduction of costs so as satisfaction can be improved and loyalty among customers. Deming views quality products or services as those that are uniform and reliable at a low cost and must be suitable to the market. Deming compared two scenarios in relation to quality: (i) when firms and people focus majorly o improving quality, then costs are increased and overtime is reduced. On the other hand (ii) when firms and people mainly focus on costs and costs then increase over time thus reducing quality of firm products and services (Deming, 1993). Deming viewed organization management as responsible for 94% of quality problems. He also suggested that to attain a high extent of excellence, organizations must build quality into their products and services (Deming, 1986).

According to Deming, there are 14 principles of quality management that when adopted by an organization, would improve the firm's quality, improve productivity and also enhance the performance of the organization (Cohen, 2011). These include: make the focus of the organization to be towards improvement of product and service which will enhance firm competitiveness thus enabling it to remain in business and create jobs; stop depending on inspections to achieve quality; adoption of new philosophy; eliminate the giving of contracts on tags. Others are: continuous improvement on production and service systems which will constantly reduce costs; establish on-job training; institute leadership in the organization; break down barriers witnessed between departments enabling them to work as a team; to allow barriers that deprive the workers their rights to pride of workmanship, eliminate barriers that deprive managers the workmanship pride (Cohen, 2011).

The number of principles was reduced from 14 to 7 by use of the Delphi Method by various authors to include: leadership of visionary, employee fulfillment, learning, external and internal cooperation, continuous improvement, process management, and customer satisfaction. This study supports the idea that when firms implement quality management practices, their costs will reduce which will improve their performance through this theory.

2.3 Quality Management

Markets are continuously demanding quality products and services that would meet the customer's tests and preferences thus have resulted to considering options that are more consistent with their basic needs and requirements. Some of the customers are even ready to pay more for quality products and services. This is where quality management comes in as a process through which a firm can provide the solution to such challenges. Quality Management is a management

philosophy that involves a set of integrated practices that stresses on issues such as team-based problem solving, meeting customers tests and preferences, competitive benchmarking, continuous improvement, process redesign, employee involvement, close relationship with the firm's suppliers, long-range thinking, continuous measurement of firm results and also emphasis on teamwork (Powell, 1995).

Other scholars view quality management as a general management idea that makes the firm focus on continuous improvement across all of its functions which enhances delivery of goods and services that are in line with the customer tests and preferences than competitors to gain a competitive advantage (Demirbagetal, 2006). Ahire *et al.* (1996) as cited by Munizu (2013), through detailed analysis of literature developed twelve integrated determinants of quality management in an organization. These include; focus of customers, management quality in supplying, benchmarking, employee training, supplier performance, use of statistical process control, employee involvement, product quality, and top management commitment, management quality in designing, quality information internal use and empowerment of employees.

Proper management of quality through effective implementation of quality management practices provides various benefits such as enhancing the understanding of the tests and preferences of customers, effective internal communication, increased customer satisfaction, fewer errors and better problem solving (Munizu, 2013). This will over time improve the competitive advantage of the organization which will in turn improve the organization's profitability. Thus effective implementation of QM is valuable asset to all organizations.

2.4 Quality Management Practices

Various practices of quality management have been discussed by scholars who consider them important for an increased performance. Common among them include; support of top management, focus of customers, strategic planning, and management in supplies, management process, and people management and information analysis. This study will focus on five QM practices which include; support of top management, focus of customers, strategic planning, management in supplies, management process.

Top management support or commitment is the most crucial aspect when it comes to quality management implementation in insurance firms. Motwani (2001) views top management commitment the same as the foundation when constructing a house. Thus lack of top management commitment is equated to lack of a strong foundation which hinders the house to stand. Suresh et al. (2002) identifies top management commitment as critical factors for the firm's competitive advantage. Some organizations have even failed to successfully implement quality management due to negligence and lack of commitment by top managers and also poor delegation of authorities (Minjoon, J., Shaohan, C. & Hojung, S., 2006).

Through impacting on the implementation of other quality management practices, top management support can improve insurance firm operational performance, for instance through providing the necessary resources in collecting and use of quality data. Top management support ensures that there is effective coordination of quality management activities (Minjoon et al 2006). Thus Lack of top management support means that there is no coordination of QM activities thus QM will be implemented slowly or will not be fully implemented. Maximum support and commitment from top management ensures that the top managers give their subordinates guidance in order to achieve

firm maximum quality. A study by Carmen and Psomas (2015) established that for firms to ensure improvement of their main business results, it is therefore important for them to improve their management of human resources and leadership in general for the enhancement of quality, learning and to continue improving the firm.

Strategic planning is a process of achieving set policies, mission, vision, and the goals of the organization (Mohammed et al., 2013). Strategic Planning enables an insurance firm to establish priorities and allocate resources for the most essential ones. In today's business environment, if the insurance firms don't plan strategically they will not be able to keep up with the competition in the business environment. They will also find it difficult to comply with regulations in place (Dix & Lee, 2002). Strategic quality planning elements such as; specifications, procedures, techniques and standards enhances the organization's ability to deliver according the customer needs. Studies such as Bakhit (2013), Mohammed et al. (2014) and Carmen and Psomas (2015) have found that strategic planning and firm performance positively correlated.

Supplier quality management involves developing strategic alliances with suppliers and facilitating supplier relationships. This done through reducing and streamlining supplier base, ensuring early process to gain from their expertise and also working with suppliers to meet their goals (Sadikoglu & Olcay, 2013). The association between an insurance firm and its suppliers is crucial since the firm is large. Supplier quality helps the firm to focus on: evaluation of suppliers basing on quality; reliance on few suppliers, providing training and technical assistance to suppliers and also involving suppliers in product development (Sila & Ebrahimpour, 2005).

Supplier quality is a crucial element in managing quality in an organization since quality problems in organizations arise from materials and purchased parts (Kaynak, 2003). Poor quality supplies

by the supplier may cost the purchaser more thus for both parties to benefit a partnership is required. Supplier quality management enables establishing relationships especially with suppliers that would facilitate effective communication and interaction which aims at improving the effectiveness and efficiency of processes to create value. Working closely with suppliers enables the organization to add value through opportunities such as; establishing effective communication that would enhance rapid problem solving, working with optimum number of suppliers and to avoid costly delays or disputes. It also enhances supplier cooperation in validation of process capabilities thus be able to eliminate redundant verifications (Kathaara, 2014).

Process management involves use of statistical systems and techniques, automation of processes and fool-proof in designing and maintaining process (Kaynak, 2003). A study by Oakland (2003) established that process management is a crucial factor to be considered for a firm to deliver enhanced performance thus firms should ensure their processes are clear and effective to enhance quality management. According to Ahire and Dreyfus (2000), process management decreases the firm's operational costs by reducing the variances in processes which results to reduced chances of errors by employee. Process management comprises of other processes such as purchasing, sales and order processing, invoicing, customer services and billing. It is important that insurance firms identify their core processes, enhance and support them to ensure that important processes are effectively and appropriately allocated resources which will enhance customer satisfaction hence firm performance.

In the insurance business, customers are the most significant factor that determine the performance of the firm. Customer tests and preferences are always dynamic in nature thus the organization needs to evaluate them from time to time and adjust themselves and their operations to suit the needs of the customers. According to ISO (2012), focusing solely on the firm's customer is one of

the vital objectives of quality. Focusing on customers requires the organization to understand the needs, tests and preferences for both their current and future customers and meet them if not to exceed the expectations (Xia, 2009). Successful firms put the needs of their customers first before any other thing in every decision making process. If the firm responds quickly to the changes in the customer tests and preferences, it will be able to surpass its competition.

According to Oakland (2005), focusing on customer starts with the firm insisting on the firm which begins with the firm taking time to research and understand the needs of its customers and also measure whether or not and to which extent the needs were or will be satisfied. According to ISO (2012), Process management comprises of other processes such as purchasing, sales and order processing, invoicing, customer services and billing. It is important that insurance firms identify their core processes, enhance and support them to ensure that important processes are effectively and appropriately allocated resources which will enhance customer satisfaction hence firm performance (Munizu, 2013).

2.5 Empirical Review

Munizu's (2013) assessed Indonesia's fishery industry in South Sulawesi Province where he established that competitive advantage and performance of the fisheries were impacted by quality management practices. Collection of data was done through questionnaires. The Indonesia's South Sulawesi Province 66 big and medium scale fishery companies were used by the study. Random sampling was also employed. Competitive advantage and performance were both influenced by TQM practices as established by the researcher. Firm performance was also found to be affected by competitive advantage.

Truong *et al* (2014) empirically assessed the quality management practices role in firm operational performance in Vietnamese Garment Enterprises. Strategic planning is a process of achieving set policies, mission, vision, and the goals of the organization (Mohammed *et al.*, 2013). Strategic Planning enables an insurance firm to establish priorities and allocate resources for the most essential ones. In today's business environment, if the insurance firms don't plan strategically they will not be able to keep up with the competition in the business environment. They will also find it difficult to comply with regulations in place (Dix & Lee, 2002). Strategic quality planning elements such as; specifications, procedures, techniques and standards enhances the organization's ability to deliver according the customer needs. Studies such as Bakhit (2013), Mohammed *et al.* (2014) and Carmen and Psomas (2015) have found that strategic planning and firm performance positively correlated.

Vasantharayalu and Surajit (2016) empirically analyzed how India's manufacturing and service firms' operational performance was affected by TQM practices. Collection of data was done through survey method. Questionnaires were also used in collection of data. The researchers focused on seven TQM practices including; process management, strategic and planning, leadership, management of people, focus of customers, information and analysis and improvement practices that are continues. The researchers found all practices to be significant on their operational performance of all firms both manufacturing and service firms. The study then concluded that implementation of goods and services and enhance the firm's competitive advantage.

Kathaara (2014) determined how the studied variables affected Kenyan commercial banks. The study used a census of all the 43 commercial banks. The data adopted a structured questionnaire for data collection. The study established that TQM practices improve operation efficiency which

turn reduces operational costs. The study also found that implementation of systems that manage quality in the banks increased their profitability, enhanced their competitiveness, improved the banks' sales which made them command bigger market shares, improve their service delivery, reduce wastes, increase the efficiency in their operations and also enhance customer retention as a result of satisfaction.

Mwaniki, & Bichanga (2014) determined the effects of total quality management in Kenya's National Bank and their effects on financial performance. The four TQM practices constituted independent variables while the financial performance National Bank of Kenya was the dependent variable. The researchers established that involvement of the top management, relationship with suppliers, and financial performance process of the National Bank of Kenya.

2.6 Literature Summary and Research Gap

This study reviewed two theories that try to explain why firms adopt and invest more in quality management. These are: the TQM theory and the Deming theory of quality management. From the literature, it can be summarized that many organizations adopt quality management practices to ensure that they manage quality at all functional areas of operation to gain the advantages that come with producing and delivering quality goods and services. This includes satisfaction of customers and other stake holder through added value to the organizations goods and services.

Some researchers find a positive relationship for instance; Kathaara (2014), Mwaniki, & Bichanga (2014), Carmen and Psomas (2015) and Vasantharayalu and Surajit (2016). Others on the other hand find a negative relationship for instance; Terziovski (2009) in their survey among small size firms suggested a negative relationship. According to Prajogo and Sohal (2011), QM increases the

firm's innovation capacity although its implementation negatively affects the performance of firms as established by Benedict A. O. (2016).

Some studies reviewed in the literature were mostly from other countries and Kenya had not be assessed due to difference in market factors. Total quality management was mostly focused by the studies instead of quality management. The empirical studies that were reviewed locally are limited and were not based on insurance industry either. This creates a knowledge gap that this study intends to fill by finding out the effect of quality management practices of insurance companies in Kenya and how operational performance is affected.

Table 2.1: Summary of Empirical Review and Research Gap

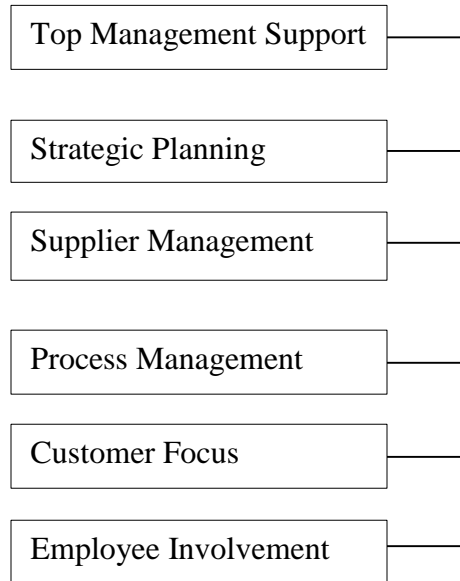
| Author | Study Title | Summary of Findings | Knowledge gap identified |
|--|---|--|---|
| Munizu, M. (2013) | The Impact of Total Quality Management Practices towards Competitive Advantage and Organizational Performance | Total Quality Management has a positive effect on operational performance and competitive advantage | The study focused on manufacturing firm and not service firms |
| Truong, H., Sampaio, P. Carvalho, S.M. Fernandes, A.C. & Binh, T.D. (2014) | The role played by quality management practices in operational performance. An empirical study in a transitional economy. | Identified quality management practices are related to operational performance | The study did not identify the effect of the relationship between QMP's and Operational Performance |
| Vasantharayalu, H., & Surajit, P. (2016) | An empirical study of effect of total quality management practices on operational performance of manufacturing and service firms in India | The study found that the identified Quality Management practices are statistically significant in manufacturing and service industries | The research did not analyze other QMP's like process management and supplier management |
| Benedict A. O. (2016) | Quality Management and Performance of Commercial Banks in Kenya | The study established an irrelevant relationship between TQM and performance of Commercial banks | The study focused on Organizational performance and not Operational Performance |
| Kathaara C. K. (2014) | Total Quality Management Practices and Operational Performance of commercial banks in Kenya | The study established that TQM practices improve operation efficiency which turn reduces operational costs | The study focused on banks and not insurance Companies |
| Mwaniki, C.and Okibo, B. W. (2014) | Effects of Total Quality Management on the Financial Performance in the Banking Sector: a Case Study of National Bank of Kenya | The researchers established that there is a positive relationship between the selected TQMP's and the financial performance of the National Bank of Kenya. | The research focused one institution and not the entire industry leaving a gap for a whole industry study |

Source: Researcher (2018)

2.7 Conceptual Framework

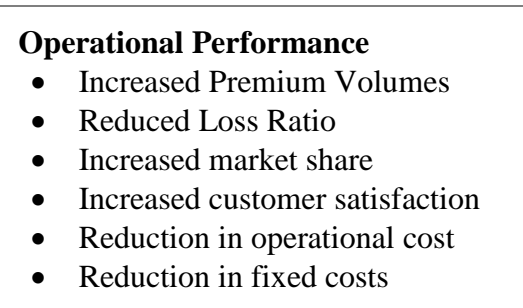
Independent Variables

Quality Management Practices



Dependent Variables

Operational Performance



Source: Researcher (2018)

It is hypothesized that QMP positively collate to Operational performance. Implementation of Quality Management Practices will lead to an increase in Insurance companies Operational Performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Chapter three is a discussion of the study's methods and describes the research design. The chapter contains the study research design, the targeted population and how they will be sampled. Also data that was used, the instruments, and how data was analyzed are presented in this section.

3.2 Research Design

How operational performance was affected by quality management practices was explained through a descriptive survey design which the study conducted. Descriptive research design was employed since it enabled proper description of the target population by the researcher. The design also made it possible for the researcher to explain how operational performance was affected by quality management practices.

3.3 Target Population

This study's targeted population were the insurance firms registered by Insurance Regulation Authority (IRA). There were a total of 53 insurance firms registered by IRA as at 31st December 2017. Kothari (2004) describes the targeted population as the environment in which the study is undertaken thus the number of people involved. A census survey on all the 53 insurance Companies was done since the population is small and all the Companies are situated in Nairobi. The list of insurance companies in Kenya is as shown in Appendix I. The target population is as shown in Table 3.1.

Table 3.1: Target Population

| Category | Number | Percentage |
|---------------------|---------------|-------------------|
| General Insurance | 28 | 52.8 |
| Life Insurance | 16 | 30.2 |
| Composite Insurance | 9 | 17.0 |
| Total | 53 | 100 |

Source: IRA (2018)

3.4 Data Collection

Primary data was collected from the respondents by the study. Semi-structured questionnaires which had four sections was used in collecting the primary data. The questionnaire contained closed structured and open ended questions as the researcher intended to sought the respondents' views, opinions and attitude and capture them effectively for the study. The questionnaires were administered through email and "drop-and-pick later" methods. The respondents were the heads of operations of the 53 Insurance Companies or their equivalents.

3.5 Data Analysis

Completion, accuracy, consistency, were checked by the researcher of the data collected then coding and analyzing was done. All the objectives were analyzed through mean, standard deviation and frequency to determine the Descriptive statistics. Data was the n presented using Percentages, graphs, bar charts and frequency tables. Descriptive analysis was used to analyze the first objective that is to establish the quality management practices adopted by insurance companies in Kenya. For the second objective i.e determine quality management challenges faced by insurance companies in Kenya, descriptive analysis was also be used. To address the third objective that is

to determine the relationship between quality management practices adopted and the operational performance of insurance companies in Kenya, regression analysis was used.

The following regression model was used to establish the relationship between dependent (operational performance) and independent variables (quality management practices).

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

Where:

Y – Operational Performance (Dependent variable)

X₁ - Top Management Support

X₂- Strategic Planning

X₃- Supplier Management

X₄- Process Management

X₅- Customer Focus

X₆- Employee Involvement

β₀ - Is the constant of the model

β₁- β₆ – Are the regression coefficients

ε – Stochastic error term estimate

Table 3.2: Matching analysis method to the objectives

| SECTION | SECTION TITLE | ANALYSIS |
|----------------|---|----------------------|
| Objective 1 | Quality Management Practices adopted | Descriptive Analysis |
| Objective 2 | Quality Management challenges | Descriptive Analysis |
| Objective 3 | Relationship between QMP and Firm Performance | Regression Analysis |

Source: Researcher (2018)

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter provides the results and findings of the study. This study was focused on establishing the effect of quality management practices on the operational performance of insurance companies. The chapter begins by presenting a descriptive analysis of the general information from the respondents. The rest of the chapter is thematically organized according to the specific objectives.

4.2 Response Rate

A total of 53 semi-structured questionnaires were administered to insurance companies heads of operations or their equivalents (operations staff) and the researcher managed to receive 32 properly filled questionnaires resulting to a response rate of 60.4% and a none response of 39.6%. The average paper-based response rate is 32.6% while the average online response rate is 33.3% (Watt, S., C. Simpson, C. McKillop, & V. Nunn., 2002). The response rate of this study was therefore adequate.

Table 4.1: Response Rate

| Response Rate | Frequency | Percentage |
|----------------------|------------------|-------------------|
| Properly Filled | 32 | 60.4 |
| None Response | 21 | 39.6 |
| Total | 53 | 100 |

Source: Field data (2018).

4.3 Reliability Test

In this section, the researcher sought to establish the internal consistency of the questionnaire used. This was aimed at establishing whether the questionnaire was reliable in collecting data on the effect of quality management practices on the operational performance of insurance Companies in Kenya. To test the internal consistency of the questionnaire, the researcher used a Cronbach

Alpha co-efficient greater 0.7 as an indicator of internal consistency. The results are as shown in Table 4.2.

Table 4.2: Reliability Statistics

| Variable | Cronbach's Alpha Based on Standardized | | |
|-------------------------|---|--------------|-------------------|
| | Cronbach's Alpha | Items | N of Items |
| Top Management Support | .818 | .831 | 5 |
| Strategic Planning | .724 | .725 | 5 |
| Supplier Management | .861 | .861 | 5 |
| Process Management | .808 | .798 | 5 |
| Customer Focus | .866 | .867 | 5 |
| Employee Involvement | .821 | .824 | 3 |
| Operational Performance | .831 | .837 | 6 |
| Challenges | .949 | .950 | 14 |
| Aggregate | .863 | .883 | 48 |

Source: Field Data (2018)

Reliability statistics results above indicate that the questionnaire used was internally consistent in all the sections as evidenced by the Cronbach's Alpha co-efficient aggregate value of 0.863. Top Management Support (0.818), Strategic Planning (0.724), Supplier Management (0.861), Process Management (0.808), Customer Focus (0.866), Employee Involvement (0.821), Operational Performance (0.831) and Challenges (0.949) recorded Cronbach's Alpha co-efficients greater than 0.7 the questionnaire was reliable in measuring the variables.

4.4 General Information

This section presents the general information of the respondents. The researchers discussed the level of education of the respondents, working experience, firm size and years in operation. The findings are discussed below.

4.4.1 Level of Education

The study sought to establish the respondents' highest level of education. The results are as tabulated in Table 4.3.

Table 4.3: Level of Education

| Level | Frequency | Percent |
|--------------|------------------|----------------|
| Bachelor | 19 | 59.4 |
| Masters | 9 | 28.1 |
| Diploma | 4 | 12.5 |
| Total | 32 | 100.0 |

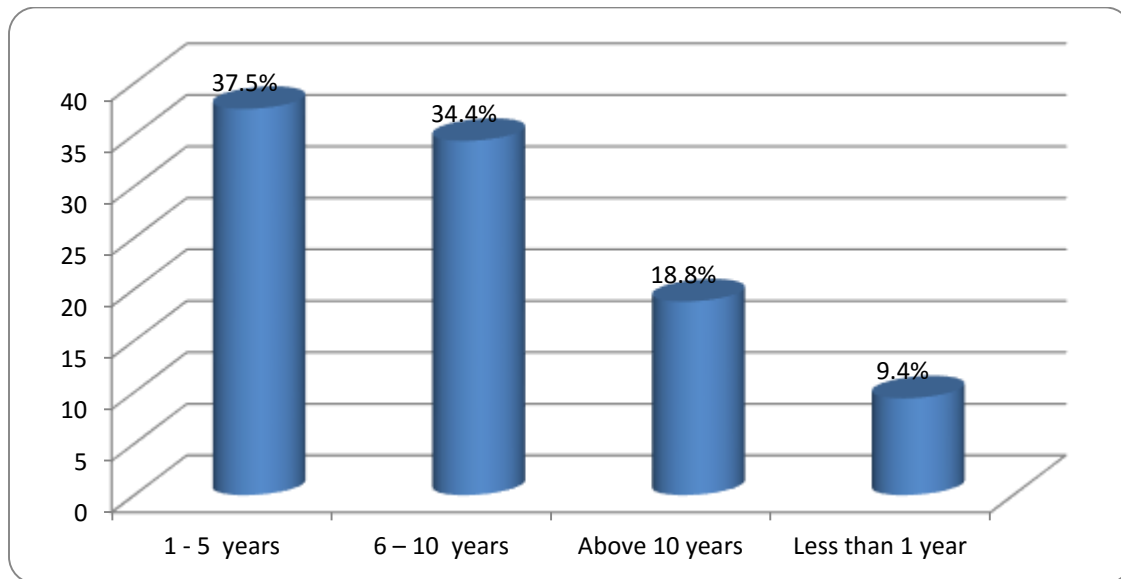
Source: Field Data (2018).

The results indicated that majority (59.4%) of the respondents had a bachelors level of education followed by 28.1% who of the respondents who had a masters level of education. Only 12.5% of the respondents had a diploma level of education. These findings revealed that the respondents had sufficient education to understand the effect of quality management practices on the operational performance of insurance companies.

4.4.2 Working Experience

The respondents were also asked to provide details about their working experience with insurance firms in Kenya. The findings are as shown in Figure 4.1.

Figure 4.1: Working Experience



Source: Field Data (2018).

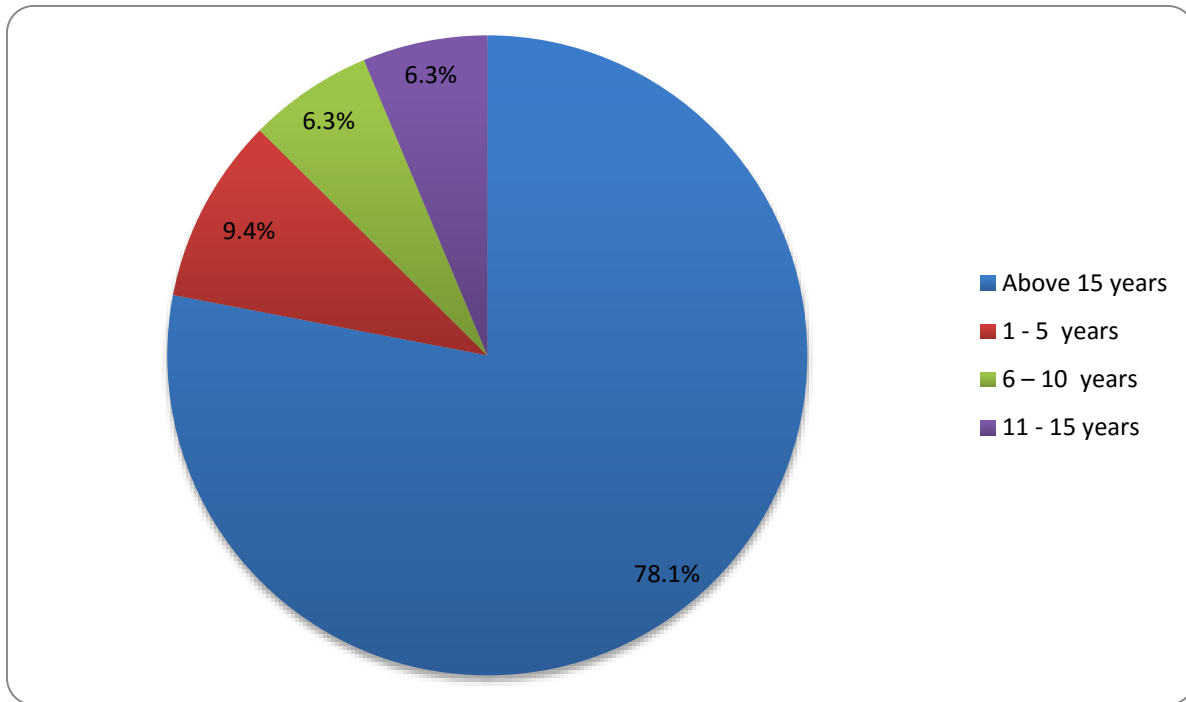
The findings indicated that majority (37.5%) of the respondents had been working for their insurance firms for 1-5 years followed by 34.4% of the respondents who had a working for the insurance firms for 6 – 10 years. Further, 18.8% of the respondents had a working experience of above 10 years. Only 9.4% of the respondents reported to have worked for the insurance firms for less than 1 year. This is a clear indication that the respondents had sufficient working experience to understand the effect of quality management practices on the operational performance of insurance companies.

4.4.3 Years in Operation

The study further sought to establish the number of years the insurance firms had been in operation.

The results of the study are as shown in Figure 4.2.

Figure 4.2: Years in Operation



Source: Field data (2018)

It was established that majority (78.1%) of the respondents firms had been in operation for over 15 years followed by 9.4% of the firms that had been in operation for 1-5 years. The firms that had been in operation for 6-10 years and 11-15 years accounted for 6.3% each. This indicates that the Insurance Companies have been in operation long enough to understand the effect of quality management practices on the operational performance of insurance companies.

4.4.4 Size of Firm in terms of the Number of Employees

The respondents were further requested to indicate their age brackets. The collected data was analysed and the findings are as shown in Table 4.4.

Table 4.4: Size of Firm in terms of the Number of Employees

| Size | Frequency | Percent |
|---------------------|------------------|----------------|
| Above 100 employees | 22 | 68.8 |
| 51 - 100 employees | 8 | 25.0 |
| 21 – 50 employees | 2 | 6.3 |
| Total | 32 | 100.0 |

Source: Field Data (2018)

The results indicated that majority (68.8%) of the respondents were from firms that had above 100 employees followed by those from firms with 51 - 100 employees at 25%. Those from firms with 21 – 50 employees accounted for 21.2%. This indicates that the insurance companies were big enough to necessity implementation of quality management practices in order to improve the operational performance of insurance companies.

4.5 Quality Management Practices

The study further sought to determine the extent to which insurance companies had implemented quality management practices (top management support, strategic planning, supplier management, process management, customer focus and employee involvement). The mean scores recorded were interpreted using the following interpretation scale:

1.00 - 1.49: No Extent;

1.50 - 2.49: Little Extent;

2.50 - 3.49: Moderate Extent;
 3.50 - 4.49: Great Extent and
 4.50 - 5.00: Very Great Extent.

The results are tabulated in Table 4.5.

Table 4.5: Quality Management Practices

| | Mean | Std. Deviation | Skewness | | Kurtosis | |
|------------------------|-------------|----------------|---------------|--------------|---------------|--------------|
| | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| Customer Focus | 4.16 | 0.663 | -0.572 | 0.414 | -0.498 | 0.809 |
| Top Management Support | 3.86 | 0.639 | -0.234 | 0.414 | 0.101 | 0.809 |
| Supplier Management | 3.81 | 0.799 | -0.316 | 0.414 | -0.470 | 0.809 |
| Employee Involvement | 3.79 | 0.743 | 0.055 | 0.414 | -0.652 | 0.809 |
| Strategic Planning | 3.78 | 0.478 | -0.337 | 0.414 | -0.454 | 0.809 |
| Process Management | 3.73 | 0.654 | -0.205 | 0.421 | -1.175 | 0.821 |
| Aggregate | 3.86 | 0.663 | -0.268 | 0.415 | -0.525 | 0.811 |

Source: Field Data (2018).

Quality Management Practices recorded an aggregate mean score of 3.86($SD= 0.663$) implying that the insurance firms have implemented the Quality Management Practices to a great extent. The most implemented practice was Customer Focus ($M=4.16$, $SD= 0.663$); Top Management Support ($M=3.86$, $SD= 0.639$); Supplier Management ($M=3.81$, $SD= 0.799$) and Employee Involvement ($M=3.79$, $SD= 0.743$). All the practices recorded Skewness and Kurtosis values within the range of ± 1.96 indicating that the data used was normal. The standard deviations indicate that the respondents' opinions differed slightly in regard to the performance of different insurance firms.

4.5 Operational Performance

The extent of performance of insurance companies in Kenya was sought by the study. The following interpretation scale was used to interpret the mean scores recorded:

1.00 - 1.49: No Extent

1.50 - 2.49: Little Extent

2.50 - 3.49: Moderate Extent

3.50 - 4.49: Great Extent

4.50 - 5.00: Very Great Extent

The results are tabulated in Table 4.6.

Table 4.6: Operational Performance

| Parameter | Mean | Std. Deviation |
|---------------------------------|-------------|-----------------------|
| Increased customer satisfaction | 4.00 | 0.950 |
| Increased premium volumes | 3.78 | 0.870 |
| Increased market share | 3.72 | 0.991 |
| Reduction in operational cost | 3.53 | 0.803 |
| Reduced loss ratio | 3.44 | 1.014 |
| Reduction in fixed costs | 3.38 | 1.008 |
| Aggregate | 3.64 | 0.939 |

Source: Field Data (2018).

Organizational performance of insurance Companies in Kenya recorded an aggregate mean of 3.64($SD= 0.939$) indicating that insurance companies in Kenya were performing well to a great

extent. The top rated performance parameters were: Increased customer satisfaction ($M=4.00$, $SD=0.950$); Increased premium volumes ($M=3.78$, $SD=0.870$); Increased market share ($M=3.72$, $SD=0.991$) and Reduction in operational cost ($M=3.53$, $SD=0.803$). They were all rated to a great extent. There were variations in the performance of insurance companies in Kenya as indicated by the standard deviation.

4.6 Regression Analysis

Regression analysis was done to test how quality management practices affect the operational performance of insurance companies in Kenya. The results are as discussed under the model summary, analysis of variance and regression co-efficients.

4.6.1 Model Summary

Operational performance was regressed against quality management practices (top management support, strategic planning, supplier management, process management, customer focus and employee involvement). The model summary results are as tabulated in Table 4.7.

Table 4.7: Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|--|-------------------|----------|-------------------|----------------------------|
| 1 | .602 ^a | .362 | .203 | .63676 |
| a. Predictors: (Constant), Employee Involvement, Supplier Management, Process Management, Customer Focus, Top Management Support, Strategic Planning | | | | |

Source: Field Data (2018)

The study found out that there was a strong relationship ($R\text{-value} = 0.602$) between quality management practices and operational performance of insurance firms. The results also revealed that quality management practices can explain 36.2% of the total variance in the operational performance of insurance firms.

4.6.2 Analysis of Variance

Analysis of Variance (ANOVA) statistics were further computed to test the fitness of the regression model to the data collected. The findings of the study are as shown in Table 4.8.

Table 4.8: Analysis of Variance (ANOVA)

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|--|------------|----------------|----|-------------|-------|--------------------|
| 1 | Regression | 6.528 | 6 | 1.088 | 2.989 | .0252 ^b |
| | Residual | 8.731 | 24 | .364 | | |
| | Total | 15.259 | 30 | | | |
| a. Dependent Variable: Operational Performance | | | | | | |
| b. Predictors: (Constant), Employee Involvement, Supplier Management, Process Management, Customer Focus, Top Management Support, Strategic Planning | | | | | | |

Source: Field Data (2018).

The F-ratio of 2.989 and p-value of 2.52% indicated that the regression model used in study was suitable for the data that was used. The model was therefore suitable for predicting the operational performance of insurance firms following the implementation of quality management practices (top management support, strategic planning, supplier management, process management, customer focus and employee involvement).

4.6.3 Regression Coefficients

The regression co-efficients were computed at 95% confidence interval with a p-value 0.05 being used as the indicator of significance. The results are as shown in Table 4.9.

Table 4.9: Regression Coefficients

| Coefficients ^a | | | | | | |
|--|------------------------|-----------------------------|------------|---------------------------|--------|-------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -0.522 | 0.040 | | -13.05 | 0.000 |
| | Top Management Support | 0.253 | 0.069 | .126 | 3.670 | 0.001 |
| | Strategic Planning | 0.397 | 0.030 | .269 | 13.23 | 0.000 |
| | Supplier Management | 0.153 | 0.023 | .174 | 6.65 | 0.000 |
| | Process Management | 0.225 | 0.052 | .092 | 4.33 | 0.000 |
| | Customer Focus | 0.401 | 0.063 | .373 | 6.37 | 0.000 |
| | Employee Involvement | 0.277 | 0.077 | .280 | 3.60 | 0.001 |
| a. Dependent Variable: Operational Performance | | | | | | |

Source: Field Data (2018)

It was established that all the quality management practices had a positive effect on the operational performance of insurance firms as evidenced by the beta values of Top Management Support ($\beta=0.253$), Strategic Planning ($\beta=0.397$), Supplier Management ($\beta=0.153$), Process Management ($\beta=0.225$), Customer Focus ($\beta=0.401$) and then Employee Involvement ($\beta=0.277$). Further, all the quality management practices recorded t-stat values and p-value values of less than 0.05 implying that all the practices had a positive effect on the operational performance of insurance firms.

The study generated the following analytical equation:

$$Y = 2.085 + 0.253X_1 + 0.397X_2 + 0.153X_3 + 0.225X_4 + 0.401X_5 + 0.227X_6$$

Where,

Y – Operational Performance (Dependent variable)

X₁ - Top Management Support

X₂- Strategic Planning

X₃- Supplier Management

X₄- Process Management

X₅- Customer Focus

X₆- Employee Involvement

The above analytical equation shows that the operational performance of insurance firms would be 0.040 in the absence of top management support, strategic planning, supplier management, process management, customer focus and employee involvement. Improving top management support, strategic planning, supplier management, process management, customer focus and employee involvement by a unit would help improve the operational performance of insurance firms by 0.253, 0.397, 0.153, 0.225, 0.401 and 0.277 respectively.

These results support existing literature review. According to Minjoon et al. (2006), top management support ensures that there is effective coordination of quality management activities. Studies such as Bakhit (2013), Mohammed et al. (2014) and Carmen and Psomas (2015) have found a positive correlation between strategic planning and firm performance. According to Sila and Ebrahimpour (2005), supplier quality helps the firm to focus on: evaluation of suppliers basing on quality; reliance on few suppliers, providing training and technical assistance to suppliers and also involving suppliers in product development.

4.7 Challenges in implementing quality management practices

The study further sought to establish the challenges faced by insurance companies in Kenya when implementing quality management practices. The results are shown in Table 4.10.

Table 4.10: Challenges in implementing quality management practices

| Challenge | Mean | Std. Deviation |
|---|-------------|-----------------------|
| Resistance to change by the staff | 2.97 | 1.257 |
| Lack of adequate experience in implementation | 2.81 | 1.176 |
| Inadequate implementation personnel | 2.78 | 1.237 |
| Uncontrollable factors in the external environment | 2.78 | 1.128 |
| Inadequate budget to implement the practices | 2.69 | 1.256 |
| Un-supportive organizational culture | 2.69 | 1.230 |
| Absence of qualified implementing personnel | 2.59 | 1.388 |
| Absence of monitoring and evaluation systems | 2.59 | 1.241 |
| Poor communication in the organization | 2.56 | 1.243 |
| Lack of top management support | 2.47 | 1.244 |
| Inadequately defines key implementation tasks | 2.41 | 1.043 |
| Inadequate leadership and direction from managers | 2.38 | 0.976 |
| Lack of understanding of the strategy by implementers | 2.28 | 1.054 |
| Absence of the appropriate structures | 2.19 | 1.256 |
| Aggregate Mean | 2.58 | 1.195 |

Source: Field Data (2018).

The study established that insurance firms in Nairobi face challenges to a moderate extent as was evidenced by the aggregate mean score of 2.58 ($SD= 0.1.195$). The most faced challenges were resistance to change by the staff ($M=2.97$, $SD= 1.257$); lack of adequate experience in implementation ($M=2.81$, $SD= 1.176$) and inadequate implementation personnel ($M=2.78$, $SD= 1.237$). The least faced challenges were Lack of understanding of the strategy by implementers ($M=2.28$, $SD= 1.054$) and Absence of the appropriate structures ($M=2. 19$, $SD= 1.256$). All these challenges were faced by the insurance firms to a moderate extent. Motwani (2001) views top management commitment the same as the foundation when constructing a house. Thus lack of top management commitment is equated to lack of a strong foundation which hinders the house to stand.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study findings. The chapter also presents the conclusions of the study, and recommendations for policy and practice and suggestions for further research in relation to the effect of quality management practices on the operational performance of insurance companies.

5.2 Summary of the Study

On the extent to which insurance companies had implemented quality management practices (top management support, strategic planning, process management, supplier management, customer focus and employee involvement), the study established that insurance firms have implemented Quality Management Practices to a great extent. The most implemented practices were customer focus, top management support, supplier management and employee involvement where they were all implemented to a great extent.

Regression analysis indicated that there was a strong relationship ($R\text{-value} = 0.602$) between quality management practices and operational performance of insurance firms. The results also revealed that quality management practices can explain 36.2% of the total variance in the operational performance of insurance firms. Further, the model used was suitable for predicting the operational performance of insurance firms following the implementation of quality management practices. It was also established that all the quality management practices (top management support, strategic planning, supplier management, process management, customer

focus and employee involvement) had a positive effect on the operational performance of insurance firms.

On the challenges faced by insurance firms when implementing quality management practices, the study established that insurance firms faced challenges to a moderate extent. The most faced challenges were resistance to change by the staff; lack of adequate experience in implementation and inadequate implementation personnel. The least faced challenges were inadequate leadership and direction from managers; Lack of understanding of the strategy by implementers and Absence of the appropriate structures.

5.3 Conclusion of the study

The study concludes that insurance companies have implemented quality management practices (top management support, strategic planning, supplier management, process management, customer focus and employee involvement) to a great extent. The most implemented practices were customer focus, top management support, supplier management and employee involvement where they were all implemented to a great extent.

The study also concludes that there is a strong relationship ($R\text{-value} = 0.602$) between quality management practices and operational performance of insurance firms with quality management practices being able to explain 36.2% of the total variance in the operational performance of insurance firms. All the quality management practices (top management support, strategic planning, supplier management, process management, customer focus and employee involvement) were found to have a positive effect on the operational performance of insurance firms.

The study further concluded that challenges are faced by insurance firms when implementing quality management practices to a moderate extent. The challenges faced often by the insurance

firms are resistance to change by the staff; lack of adequate experience in implementation and inadequate implementation personnel while the less often faced challenges were inadequate leadership and direction from managers; lack of understanding of the strategy by implementers and absence of the appropriate structures.

5.4 Recommendations of the Study

The greatest challenges faced by insurance firms when trying to implement quality management practices include the resistance to change by the staff; lack of adequate experience in implementation and inadequate implementation personnel. The study makes the following recommendations. The management of the insurance firms should involve the employees in identifying the best practices to adopt in order to reduce resistance to change by staff. The insurance firms should also hire qualified staff that has the requisite expertise and experience in implementing quality management practices.

The study also established that there was a strong relationship between quality management practices and operational performance of insurance firms. Further, all the quality management practices had a positive effect on the operational performance of insurance firms. However, the practices were only implemented to a great extent. The study therefore recommends that the management of insurance firms should consider implementing top management support, strategic planning, supplier management, process management, customer focus and employee involvement to a very great extent as a way of boosting the insurance firms' operational performance.

5.5 Limitations of the Study

Most respondents were reluctant in filling the questionnaires. They feared that the information sought through the questionnaire would be used against them. The researcher assured the

respondents that the information sought would be treated with confidentiality and would only be used for academic purposes.

The respondents had busy working schedules which derailed the data collection process. The researcher handled the limitations by emphasizing to them on the urgency of the data in order to meet the academic deadlines.

Further, the study depended mainly on the data provided by the respondents. In that case, the accuracy of the data was dependent on the information provided by the respondents. The researcher handled the challenge by making calls for clarifications.

5.6 Areas for Further Research

The scope of this study was limited to the effect of quality management practices on the operational performance of insurance companies. This implies that the findings cannot be adequately applied to non-insurance companies. In future, a similar study should be done considering non-insurance firms such as commercial banks in order to establish how implementation of quality management practices affects their operational performance..

Further, quality management practices (top management support, strategic planning, supplier management, customer focus, process management and employee involvement) only explain 36.2% of the total variance in the operational performance of insurance firms. The other factors that influence the remaining 63.8% of the firms' operational performance should be investigated in a future research.

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APPENDIX I: LICENCED INSURANCE COMPANIES - 2018

1. AAR Insurance Kenya Limited
2. AIG Kenya Insurance Co Ltd
3. Africa Merchant Assurance Co. Ltd
4. Allianz Insurance Co of Kenya Ltd
5. APA Insurance Limited
6. APA Life Assurance Limited
7. Barclays Life Assurance K Ltd
8. Britam General Ins. Co. (K) Ltd.
9. British-American Insurance Co. Lt
10. Cannon Assurance Ltd
11. Capex Life Assurance Limited
12. CIC General Insurance Limited
13. CIC Life Assurance Ltd
14. Continental Reinsurance Ltd
15. Corporate Insurance Co. Ltd
16. Directline Assurance Co Ltd
17. Fidelity Shield Insurance Co Ltd
18. First Assurance Company Ltd
19. GA Insurance Limited
20. GA Life Assurance Ltd
21. Geminia Insurance Company Ltd
22. ICEA LION General Insurance Co Ltd
23. ICEA LION Life Assurance Co Ltd
24. Intra Africa Assurance Co Ltd
25. Invesco Assurance Company Ltd
26. Kenindia Assurance Co Ltd
27. Kenya Orient Insurance Ltd
28. Kenya Orient Life Assurance Ltd
29. Liberty Life Assurance Kenya Ltd

30. Madison Insurance Company Ltd
31. Mayfair Insurance Company Ltd
32. Metropolitan Cannon Life Ass Ltd
33. Occidental Insurance Co Ltd
34. Old Mutual Life Assurance Co Ltd
35. Pacis Insurance Company Ltd
36. Pioneer Life Assurance Company Ltd
- 37 Pioneer General Insurance Ltd
38. Phoenix of EA Assurance Co Ltd
39. Prudential Life Assurance K Ltd
40. Saham Assurance Company K Ltd
41. Sanlam General Insurance Ltd
42. Sanlam Life Assurance Ltd
43. Tausi Assurance Company Ltd
44. The Heritage Insurance Company Ltd
45. Trident Insurance Company Ltd
- 46 Resolution Insurance Company Ltd
47. UAP Life Assurance Limited
48. UAP Insurance Company Limited
49. Takaful Insurance of Africa Limited
50. The Jubilee Insurance Co. Ltd
51. The Monarch Insurance Co. Ltd
52. The Kenyan Alliance Insurance Co Ltd
53. Xplico Insurance Limited

Source: IRA 2018

APPENDIX II: RESEARCH QUESTIONNAIRE

This questionnaire has four sections. Section A: General Information, Section B: The extent of implantation of Quality Management Practices by Insurance Companies, Section C: Firm Operational Performance and Section D: Quality Management Challenges. The questionnaire seeks to collect data on the effect of quality management practices on the operational performance of insurance companies. Kindly fill in the questionnaire. Any information availed will be treated with utmost confidentiality and shall be used for academic purposes only. Your identity shall not be revealed.

SECTION A: GENERAL INFORMATION

1. Highest level of education

Diploma Bachelor
Masters PhD
Any other (Specify)

2. How many years have you been working in this insurance firm?

Less than 1 year 1 - 5 years
6 – 10 years Above 10 years

3. How many years has this insurance firm been in operation?

1 - 5 years 6 – 10 years
11 - 15 years Above 15 years

4. What's the size of this insurance in terms of the number of employees?

1 – 20 employees 21 – 50 employees
51 - 100 employees Above 100 employees

SECTION B: QUALITY MANAGEMENT PRACTICES

5. To what extent has your firm implemented the following quality management practices? Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.

| | Practices | Respondents | | | | |
|-----------|---|-------------|----------|----------|----------|----------|
| | | 1 | 2 | 3 | 4 | 5 |
| 1. | Top Management Support | 1 | 2 | 3 | 4 | 5 |
| | The management provides people with the required resources | | | | | |
| | The management is proactive and lead by example | | | | | |
| | The management builds trust and eliminates fear | | | | | |
| | The management inspires and recognizes people's contributions. | | | | | |
| | The management promotes open and honest communication | | | | | |
| 2. | Strategic Planning | 1 | 2 | 3 | 4 | 5 |
| | Our firm has a strategic plan in place | | | | | |
| | The strategic plan is reviewed frequently | | | | | |
| | Employees are involved in the creation of the strategic plan | | | | | |
| | Everybody in the firm has a clear vision of the firm's future | | | | | |
| | The strategic plan of our firm is followed to the letter | | | | | |
| 3. | Supplier Management | 1 | 2 | 3 | 4 | 5 |
| | Our firm appraises suppliers based on quality standards | | | | | |
| | Our firm appraises suppliers based on financial stability | | | | | |
| | Our firm appraises suppliers based on previous experience | | | | | |
| | Lead time is a key consideration when appraising suppliers | | | | | |
| | Experience of the customers is considered during supplier appraisals | | | | | |
| 4. | Process Management | 1 | 2 | 3 | 4 | 5 |
| | Our firm processes are based on prevention activities such as Fail- | | | | | |
| | Our firm's operation are flexible to meet emergency demands | | | | | |
| | Our firm processes are managed to deliver the best value to customers | | | | | |
| | Our firm carries out business process re-engineering often | | | | | |
| | Our firm's process are optimized to achieve efficiency | | | | | |
| 5. | Customer Focus | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|-----------|--|----------|----------|----------|----------|----------|
| | Our firm takes customers complaints seriously | | | | | |
| | Our firm focuses on creating customer centric services | | | | | |
| | Our firm regularly seeks customer feedback | | | | | |
| | Our firm seeks to understand expected customers' needs | | | | | |
| | Our firm uses feedback in improving quality of product and service | | | | | |
| 6. | Employee Involvement | 1 | 2 | 3 | 4 | 5 |
| | Employees are treated as an important resource to the Company | | | | | |
| | Employees are regularly involved in operation decisions making | | | | | |
| | Employees are given feedback on Company and self-performance | | | | | |

SECTION C: OPERATIONAL PERFORMANCE

6. To what extent do you rate the performance of your insurance firm using the parameters given below? Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.

| | Operational Performance | Respondents | | | | |
|----|---------------------------------|--------------------|---|---|---|---|
| 1. | Increased premium volumes | 1 | 2 | 3 | 4 | 5 |
| 2. | Reduced loss ratio | 1 | 2 | 3 | 4 | 5 |
| 3. | Increased market share | 1 | 2 | 3 | 4 | 5 |
| 4. | Increased customer satisfaction | 1 | 2 | 3 | 4 | 5 |
| 5. | Reduction in operational cost | 1 | 2 | 3 | 4 | 5 |
| 6. | Reduction in fixed costs | 1 | 2 | 3 | 4 | 5 |

SECTION D: QUALITY MANAGEMENT CHALLENGES

7. To what extent does your firm face the following challenges when implementing quality management practices? Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.

| | Challenge | Respondents | | | | |
|-----|---|--------------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1. | Lack of top management support | 1 | 2 | 3 | 4 | 5 |
| 2. | Resistance to change by the staff | 1 | 2 | 3 | 4 | 5 |
| 3. | Absence of qualified implementing personnel | 1 | 2 | 3 | 4 | 5 |
| 4. | Lack of adequate experience in implementation | 1 | 2 | 3 | 4 | 5 |
| 5. | Inadequate budget to implement the practices | 1 | 2 | 3 | 4 | 5 |
| 6. | Absence of the appropriate structures | 1 | 2 | 3 | 4 | 5 |
| 7. | Inadequate implementation personnel | 1 | 2 | 3 | 4 | 5 |
| 8. | Poor communication in the organization | 1 | 2 | 3 | 4 | 5 |
| 9. | Un-supportive organizational culture | 1 | 2 | 3 | 4 | 5 |
| 10. | Lack of understanding of the strategy by implementers | 1 | 2 | 3 | 4 | 5 |
| 11. | Uncontrollable factors in the external environment | 1 | 2 | 3 | 4 | 5 |
| 12. | Inadequate leadership and direction from managers | 1 | 2 | 3 | 4 | 5 |
| 13. | Inadequately defines key implementation tasks | 1 | 2 | 3 | 4 | 5 |
| 14. | Absence of monitoring and evaluation systems | 1 | 2 | 3 | 4 | 5 |
| 15. | Any Other (Name) | | | | | |

Thank you for participating in this study.