

**STRATEGIC CHANGE MANAGEMENT PRACTICES AND  
PERFORMANCE OF INSURANCE COMPANIES IN KENYA**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD  
OF THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION, FACULTY OF BUSINESS AND  
MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI**

**2021**

## DECLARATION

I, Christine Ndanu Mutisya, declare that this research project is my original work and has not been submitted to any college, university or institution for the award of any certificate, diploma or degree.

Signed



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## SUPERVISOR APPROVAL

This research prepared by Christine Ndanu Mutisya has been submitted for examination with my approval as the university supervisor.



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7<sup>th</sup> December, 2021

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## **ACKNOWLEDGEMENT**

I wish to thank God for enabling me this far. I also sincerely acknowledge my supervisor, Dr. Caren Angima, for patiently reading through my drafts and giving all necessary guidance to complete my project. I thank my moderators, Dr. Ogolla and Professor Martin Ogutu, for suggestions which were key in refining my proposal.

I also extend my gratitude to the staff of insurance companies who filled my questionnaires and provided me with the research data. I am humbled and grateful for support from my sisters Scola, Anne, and Cate, who motivated me through the journey, as well as friends and colleagues who encouraged me to finalize my masters.

## **DEDICATION**

This research work is dedicated to my late dad, William Mutisya Muthoka, for believing in me and ensuring I get an education. Sleep on dad until that beautiful morning.

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## **ABSTRACT**

Insurance companies in Kenya have in the last decade experienced several challenges including low penetration, increased competition from existing and new players, informed customers, changes in regulation on capital requirements and split of composite companies. These challenges have necessitated managers of the firms to adopt change management practices to mitigate the threats and explore the opportunities in the operating environment. Some of the changes were in response to changes in regulation to ensure compliance, while the rest were in response to changing consumer needs to ensure customer satisfaction and improve operations. The study had two goals to establish if the firms had adopted strategic change management practices in the administration of changes and determination of their impact on the companies' performance. The study adopted a census approach where information was gathered using structured questionnaires. The study noted that Kenyan insurance firms utilized strategic change management practices during implementation of change. It also further established that adopting these practices had a positive effect on performance of the insurance companies in Kenya as constituted by the balanced scorecard. The study concludes that effective communication created motivation to change, was key in minimizing resistance to change and had a positive influence on performance. Visible support from management ensured that adequate resources were available to support the change, and had a positive impact on results. Additionally, the human resource plan provided the organizations with the required human capital to support the change implementation and after change needs, which also influenced performance positively. The study recommends adoption of these practices to improve firms' performance.



# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Firms progressively interact with the environment. Since change affects the way organizations operate, they must therefore be aligned to the ever constantly changing business setting for them to succeed (Olanipekun, 2014). Drucker (2011) argues that strategic change management arises from the need for companies to explore existing and new opportunities and manage threats in the market. Most organizations frequently encounter problems that push them to undertake necessary changes. Post and Altma (2014) assert that companies often go through the change process when responding to new development aspects, changing priorities or as part of their growth or restructuring process. As the business environment changes, organization's ability to remain competitive, learning of adaptation mechanisms and renewing themselves is key to avoid strategic drift (Auster & Choo, 2014).

The study was founded on two theories: Lewin's change management model and open systems theory. Lewin (1951) argued that for change to be implemented fully it has to go through the three critical steps of Unfreezing – Change – Refreeze. The theory focuses on the how in management of change. The open systems theory argues that the environment strongly influences operations of the organizations. These environmental factors are of political, social, economic and technological nature. The theory focuses on the why in administration of change.

Change should be part of the strategic plan of a firm. The pressure on organizations to change is greater today than before. Increasing global competition, greater economic integration, advances in ICT and informed customers means firms must deliver higher levels of quality & service at competitive prices (Barney & Hesterly, 2017). Successful organizations understand the importance of strategy and recognize that their survival is dependent on how well it is implemented to respond to changes brought about by a turbulent environment (Kimani, 2016). As a result of these changes, strategic management has become increasingly important to insurance businesses in Kenya (Anyumba, 2013).

### **1.1.1 Strategic Change Management Practices**

Change being a continuous constant in an organization life, (Burnes, 2004), its management therefore has become a highly required managerial skill both at operational and strategic level. Organization leaders are in constant pressure to deliver as per stakeholders' expectations amidst turbulence in the business environment. Consequently, the leaders continuously formulate strategies to meet these obligations, some of which entail change in the organization (Mulwa, 2015). Strategic change management is the process of continuously enhancing a firm's abilities to make it more adaptive to changes in the environment, Kipkemoi and Moronge (2015). The aim is to reduce the negative effects the change may have in the organization as it implements its strategic goals.

Weijter, Geuens, and Schillewaert (2009) define change strategies as activities which aid successful change. The practices which a firm can embrace include support from the organization leadership which ensures the behaviour of the organization is directed towards the change by establishing direction and motivating the workforce. Planning is

another tool which ensures creating and documenting anticipated goals, formulating an appropriate organization structure and responsibilities which align with the change effort. It is also prudent to effectively communicate with all the stakeholders to ensure participation, as well as to identify skills and match the work force with the anticipated change (Koitie, 2015).

The success of strategic change depends on several factors which include communication of new vision and mission as well as implementation of the new processes and structures. It should take into consideration the external and internal aspects that affect change implementation programs as well as utilize appropriate models of managing change. The firm management should also anticipate resistance to change and formulate appropriate measures to mitigate the resistance (Mink et al., 2003).

### **1.1.2 Firm Performance**

Performance of a firm involves its real results as estimated against its planned outcomes (Combs, Crook & Shook, 2015). It comprises of two aspects: the financial outcome which records profits, sales, market share and non-financial aspect estimated by corporate staff welfare, corporate social responsibility, consumer loyalty and proficiency in operations (Upadhaya, Munir, & Blount, 2014).

Profitability is frequently viewed as the definitive performance marker although it may not be the real performance. Performance also relates to efficient internal processes; it encompasses the entirety of companies' activities and strategies (Venkatraman & Ramanujam, 2016). Kaplan & Norton (2011) argue that the balanced score card is more effective in gauging performance as it provides an avenue where firms can gauge their

financials, level of customer satisfaction, effectiveness of processes and learning and growth performance aspects within a set period.

### **1.1.3 Insurance Companies in Kenya**

As per IRA (2020), there are 56 insurance organizations in Kenya, licensed to transact general and life business. The sector is governed by the Insurance Regulatory Authority (IRA), insurance and companies Acts. The insurance companies also have formed a lobbying group for its interests called the association of Kenya Insurers (AKI). The sector assumes a fiduciary role which contributes to achievement of Kenya's Vision 2030.

According to a study conducted by ZEP RE 2020, the insurance industry has recorded a decline in underwriting revenue for the past five years. The industry recorded close to sh3 billion in underwriting losses in 2019 as a result of the sector's sluggish growth, low insurance penetration, and price undercutting. The study also cited fraud and lack of professionalism as additional challenges in the Kenyan insurance sector. AKI (2019) also notes that firms' premium undercutting towards protection of their market share is the primary driver of underwriting losses. Some insurance companies have to a large extent linked the decline of underwriting income to increased fraudulent claims especially in motor and medical claims. However according to AKI (2019), fraud is just enhancing an already bad situation because, if insurance companies are not doing their business well by price undercutting, then the little income is subjected to fraud, then losses are unavoidable. ZEP RE (2020), urges insurance companies to rethink price undercutting and embrace technology to grow the sector.

The insurance industry has in the last decade experienced major changes in their operations. Some of the changes can be attributed to regulation requirements while others are in response to technological advancements and changing consumer needs. Some regulation changes include demerger of composite firms as well as changes in capital requirements. To ensure compliance and survival, insurance companies have had to formulate and implement change strategies which involve mergers and acquisitions among others. Some acquisitions in the industry include acquisition of Real Insurance by Britam Insurance as well as acquisition of Phoenix of East Africa Assurance and Saham Assurance by Mauritius Union Assurance (MUA). Some of the notable mergers include ICEA and Lion of Kenya Assurance to form ICEA LION group.

## **1.2 Research Problem**

Organizations are sensitive to the environment in which they operate and for them to succeed, they must embrace change. Management of change aims at moving a firm to the desired state and calls for application of relevant strategies. Managers need to consider how to adjust various strategies based on the circumstances they face. Management should be capable of realizing a future where the systems and execution of the company strategies are changed by exploiting available and emerging capabilities better than rival businesses. Insurance institutions in Kenya are no exception as they are highly influenced by their environment. They have to offer high quality services at competitive prices, while at the same time meet shareholder's expectations on profitability. In the last decade, changes in regulation from fixed capital to risk based capital have seen the firms reengineer their businesses to ensure compliance. Changes

in consumer needs have also seen development of tailored products, new distribution channels as well as increased product differentiation to boost revenues.

Some international literature and studies on change management have explored the forces, approaches and challenges associated with organization's change management. They include Burnes, 2004; Leanne, O'shea & Connolly, 2015 and Cummings & Worley, 2011. Bell, Crick & Young (2014) in a study in the USA contended the relationship between change administration methods and performance is assumed and not backed by significant empirical reviews. Singh (2013) examined the link between strategic HR and performance at the University of Delhi, India. He notes that strategic management can be overpowering but its impact is tangible Likewise, a few researches have been locally conducted. Okwako (2013) examined the impact strategic planning had on secondary schools' performance in Rarieda District in Kenya. He found that schools which had adopted strategic planning had better performance. Skokan (2015) also established that strategic planning directly influences the performance of small businesses. Going by existing empirical reviews, there seems to be no consensus on impact of change strategies on companies' performance, therefore current studies of this nature are needed.

From the above findings, it is evident that while studies have set up an immediate link between change management methods and performance in various areas, its effect on performance of Kenyan insurance firms has not been explored. The majority of the experimental researches shot at performance of insurance firms have been in the southern American and Asian nations (McLarney, 2015). There is therefore a need for more studies to compliment the few works of literature regarding strategic change management practices on insurance organizations' performance. Propelled by this

knowledge gap, consequently, the research sought to address this concern by answering the research question, what is the impact of strategic change management practices on the performance of insurance companies in Kenya?

### **1.3 Research Objective**

The study aimed to establish the effect of strategic change management practices on performance of Kenya's insurance companies.

### **1.4 Value of the Study**

To CEOs and top management of insurance companies, the study will add more knowledge on management of change practices adopted by insurance companies in Kenya and their impact on performance, which will guide in future strategy formulation and implementation. To researchers, the study provides information which could be used as a literature review in studies related to strategic change management practices in insurance and other sectors. Further, this study will set an avenue for more studies to be undertaken with regards to change management and performance of the insurance sector.

The findings will also enable other stakeholders to make rational choices about risks and investments. At policy level, the results will create a monograph that will help policy makers in line ministries, regulatory agencies like IRA, and umbrella bodies like AKI, to plan, implement, monitor and evaluate insurance programmes meant to create a conducive environment for the insurance firms. Other organizations will benefit from the study by adoption of significant change roles. When all employees are engaged, good strategies will be formulated whose implementation to the right management degree will guarantee dependability and sustainability in the market.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section discusses the theoretical foundation of the study, literature on change management practices and the literature linking strategic change management to performance. The chapter concludes by providing study reviews and knowledge gaps.

#### **2.2 Theoretical Foundation**

Management of change is a field which has contributions from several practitioners on change management models which include Lewin's three step model as well as open systems model. They give a general global outlook on management of change and will be discussed in the subsequent sections.

##### **2.2.1 Lewin's 3 Step Model**

Kurt Lewin invented a model in 1947 as a foundation for understanding change in an organization. The theory assumes that there is uncertainty in people when faced with change, which usually ends when the change is implemented. It also assumes that the performance of a group is likely to regress if measures are not taken to institutionalize the new behaviours. According to the model, change occurs in three steps of unfreezing, change, then refreeze. First, the model begins with making the inspiration towards change known in the organization among employees by the management. This represents the unfreeze stage. At this stage, management focuses on effective and appealing communication mechanisms that support less overload of information. However, the information must remain clear and precise to the organizational objective and vision (Lewin, 1951).



Subsequently, management continues in executing the first step until it becomes evident that employees feel empowered towards understanding the need for change in the organization, after which the change is implemented. This cycle closes when there is a feeling of solidness or stability (refreeze) which is essential for building confidence for implementing change in the organization (Basher, 2002). The model gives direction on the best way to approach change and strategy of bringing people on-board to implement change.

To date, Lewin's change management approach is certainly still substantial and adequately empowers organizations to effectively plan and actualize change. However, the model has encountered criticisms, especially, relating to the third stage (refreeze). Modern management practitioners and scholars contend that the business world is changing rapidly and gives no ideal opportunity to settle after a change cycle has been executed. It is argued that the refreezing stage fundamentally comes up short on the adaptability needed to fit in the presently turbulent business environment (Basher, 2002). This model is relevant to the study as majority of the changes in insurance organizations are planned in nature. Transformational change is whereby the change is analysed then executed in phases (Beer & Nohria, 2000).

### **2.2.2 Open Systems Theory**

It is a modern management model aimed at creating innovative, competitive firms in the current unpredictable business environment. This theory relies on the idea that the environment heavily influences the operations of organizations (Bastedo, 2004). In their day to day operations, businesses impact on the environment while on the other hand, the external environment also influences their operations. This two sided influential change is known as active adaptive change (Pfeffer and Salancik, 2003).

Organizations receive input from the environment in form of resources or information, which is then internally processed and the output released to the environment. The firms then seek feedback on the effectiveness of their outputs from the environment (Katz and Kahn, 1966). The theory has been preferred to the closed system as being more realistic in creating organizations' workable solutions. It has also however been criticised for being complex owing to the constant interactions among the external factors (Daft, 2001). The study adopted this theory as insurance firms are open systems which are highly influenced by the settings they operate in.

### **2.3 Strategic Change Management Practices and Firm Performance**

Change administration entails clearly defining the change process, Sorge and Van (2019). The choices made must guarantee that change will be executed successfully and will have an enduring effect. Employees must be involved all through using training and orientation to reduce resistance to the change. If change orientations are not conducted effectively in the organization, the change management process may fail (Bridges, 2014). Management therefore, must find ways of developing frameworks that promote a positive attitude before, during and after the change implementation process among employees (Scott, 2014).

Businesses should consider embracing change administration methods that rhyme with its vision (Powell, 2015). The components that influence the execution of strategic change comprise the culture of the organization, systems or structures, assets, management skills and so forth. If institutions are to implement change successfully, the top leadership should have a clear strategy on how to realize this goal and actively steer the process (Balogun & Hailey, 2017).

Change is useful when it is executed against the unique situation and the foundation of an organization's particulars at various times to enhance performance (Juup, Steffen & Alessia, 2019). According to Davenport and Alessia (2017), acknowledgement, consideration, powerful change specialists, leadership, momentum, and maintainability are the bases that support successful change management. The following are the various change management practices and principles adopted in the execution of change.

### **2.3.1 Effective Communication**

Communication for change not only informs, coordinates and motivates. It also effectively oversees individual desires during the change process (Heracleous & Langham, 2016). The inability to educate individuals satisfactorily on the compulsory changes and their importance has profound negative effect on results. Moreover, it is important for directors to give opportunities to workers to channel feedback regarding their involvement in the change programs (Lewis, 2015). Sinetar (2019) proposes that for creation of a common ground between change agents and employees, the information regarding the change should be widely shared.

The information provided by the company about the change should deliver the motivation to change, and address the concerns individuals will have. Kanter, Stein, and Jick (2016) contend that, communication is key inside the change administration process as poor communication may result in uncertainty and resistance. Einsenberg, et al., (2013) affirm that assessment of prevailing methods of change communication uncovers a single approach that comprehends communication as a top-down exchange of information, which is key in upgrading performance. The major explanation for failure of the change process is noted to be poor individual receptivity which in the long run negatively affects the organization's performance (Armenakis & Harris, 2015).

### **2.3.2 Visible Support from Organization Leadership**

Fundamental leadership and the board practices are related to the core abilities of a company to realize expected results (Goonan & Stoltz, 2014). Leadership is a significant aspect of the change administration process as transition requires new framework design followed by institutionalization of the new ways (Eisenbach, Watson & Pillai, 2017). Lead change agents need to drive a strong reaction for change from staff (Kotter, 2017). They are usually relied upon to convey the advantages of change to their subordinates. The change should be felt throughout the organization and therefore, leaders need to delegate both the obligation and power to make decisions about the change, to supervisors at all levels. This minimizes resistance and enhances change acceptance from affected staff (James, 2017).

An organization's culture is critical in implementation of change. Leaders should therefore be highly involved in assisting the group unlearn some of its behaviours and embrace new practices (Schein 2018). Flexible cultures are more effective in implementation of change as opposed to highly leader dominated cultures (Paul, 2016). Transactional leadership is the most effective in integration of organizational cultures (Trice and Beyer, 2013). To realize this, employees must be incorporated in the decision making process. Transformational leadership is highly effective in realigning subordinates' values, norms as well as promoting both personal and group change. It also helps followers improve their performance. Effective leadership is a necessity to ensure effective changes while ensuring good firm's performance is achieved (Kennedy, 2015).

### **2.3.3 Human Resource Plan**

As organizations strive to improve performance in a more competitive and unpredictable environment, they rely more on human resource planning (HRP). These approaches are frameworks that attract, develop and ensure retention of employees for effective change implementation as well as business continuity. These interventionist approaches are a set of policies which are internally designed to ensure that firms' human resources contribute to realization of their business goals while enhancing performance (Delery & Doty, 2016). In a similar report, Minbaeva, (2015) sees the HR plan as the cycle in which top management informs HR of a forthcoming development then discussions ensue to design a plan which effectively actualizes the change. Rodriguez, Patel, Bright, Gregory & Gowing (2016) contend that while integrating the existing human resource systems, it is paramount to design a HR function which allows a similar HR framework and ensures its uniform implementation within the firm.

Human resource planning influences the development of organizational capabilities which are required for sustaining the change management process (De Saa-Perez & Garcia – Falcon, 2016). It also plays significant roles in stimulating change. It starts a process which culminates in extensive tapping and utilization of the organization's hidden abilities. It is a system that cannot be seen and adds value if synchronized with the organization's operating system to enhance performance (Becker and Gerhart, 2016). Organizations that are able to effectively manage the change process usually develop tailor made workforce plans to steer the organization towards achieving their change vision which in return boosts firm's performance. Human resource planning also ensures adequate workforce to support the organizations after change needs (Jackson & Schuler, 2016).

## **2.4 Empirical Review and Knowledge Gaps**

Several researches have been conducted on practices of strategic change management in various firms. Majority of these studies have highlighted the practices adopted by various firms and the challenges encountered in the transitions. These studies have established that uncertainty and poor leadership are the common challenges hindering successful implementation of change. The few researches which have endeavoured to explain how these practices affect performance note a positive contribution to the goals and objectives of the firms. None of these studies however explored the impact of change administration practices on performance of Kenya's insurance companies.

Mbwaya (2012), researched on change management practices in Kenya's Barclays Bank. The paper noted that as practices of strategic change management vary overtime given the changes in the business environment, therefore one standard approach to strategic administration of change does not exist. The study further identified several aspects that were key in minimizing change resistance which included stake holder's incorporation to a large extent. The study however focused on a bank set up whose operations differ with those of insurance companies.

Anyumba (2013) evaluated the practices and challenges faced by Kenya's insurance organizations in change implementation. The study unearthed various challenges encountered by the firms which include inadequate information regarding the change by employees, preference of status quo by subordinates as well as risk aversion. Rigid organization cultures and lack of support from management also posed challenges to strategy implementation. The firms also largely applied effective communication in change management. However, the study did not highlight the relationship of these initiatives to performance of the firms.

Ntinyari (2015) examined the link between change management methods and performance in Nairobi's large supermarkets. The targeted population comprised of four leading supermarkets. The study noted several change administration practices applied by the supermarkets in varying degrees to boost performance which include effective communication, employee involvement, stakeholder's engagement and use of change agents. The study however adopted a cross section approach which may not be a true reflection of the impacts of these practices on the entire supermarket population in Kenya.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section highlights the study methodology adopted. Subsequent sections discuss the research design, the target group, methods of collecting data, data analysis and data presentation.

#### **3.2 Research Design**

It is the strategy adopted by a researcher to consolidate various study aspects coherently and logically. The paper adopted a cross section design. This research is usually undertaken at a particular time and gives a snap shot of variables at any given time (Cooper and Schindler, 2014). These studies are key in determining the link between study variables at any time (Nachmias and Nachmias, 2004).

This paper examined the impact of change administration practices on performance of Kenya's Insurance companies. The design was preferred because it provided a platform where data was collected from a section of the insurance firms to determine the link between the study variables. Machuki (2011) successfully applied this design in his research.

#### **3.3 Target Population**

Population refers to individuals which constitute the context of an inquisition. It is the total unit where a study is performed (Kothari, 2004). It comprises of elements, people and services being studied to produce results. The target population was insurance companies in Kenya.



According to IRA (2020), there are 56 companies licenced to transact insurance business in Kenya. All the 56 companies were targeted (census survey). The study gave emphasis to companies which have the highest market shares and those which have undergone restructuring in the last decade. The study was confined to the companies' head offices.

### **3.4 Data Collection Techniques**

This research utilized primary and secondary data. Primary data was gathered using structured questionnaires. Drop and pick was utilized in administration of the forms. The respondents were allowed adequate time to respond after which the filled forms were collected.

The target respondents were the underwriting managers or their assistants. They were preferred as they largely contribute to business growth by vetting and adequately rating proposed business. They are also part of management which formulates and oversees strategy implementation. Secondary data on financial performance was sourced from insurance industry reports using a data collection form. Data from insurance firms and change practices studies was used to corroborate the findings of the study.

A five point likert scale was used in survey whereby respondents indicated their level of agreement to various statements on change management practices and performance. Each variable was measured by a scale of 1-5, where 5 was the highest score. A higher rating implied adoption of these practices and a positive link to performance. The financial performance of the companies from industry reports was then compared with financial performance information gathered using the likert scale. The return on assets for the companies was calculated to gauge their profitability in the last five years.

### **3.5 Data Analysis and Presentation**

Gathered information was tabulated and analysed using descriptive statistics. Descriptive studies address the ‘what is’ in description of a populations’ characteristics (Borg and Gall, 1989). The common utilized descriptive statistics include variance, mean and standard deviation, Zikmund (2014). SPSS was used in data analysis. The analysed data was then presented in tables.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter highlights data analysis, results of the analysis and discussions with regards to objectives of the study. It discusses the response rate of the study and respondents' demographics. It then analyses the responses on the study variables to determine their relationship.

#### **4.2 Response Rate**

56 questionnaires were administered but 40 were adequately filled, which is a response rate of 71% . A response rate of 50% is considered adequate, a 60% rate is good while a rate of 70% is considered very good (Mugenda and Mugenda , 2003).

#### **4.3 General Information about the Organization**

General information about the organization for which data was collected includes the number of employees, number of branches and years of operation. This information was vital in understanding the composition of the firms. The respondents were asked to indicate general information about the organization and the study's findings are presented the following table.

**Table 4.1 Analysis of general information about the organization**

<b>Category</b>	<b>Sub-Category</b>	<b>Frequency</b>	<b>Percent</b>
<b>Number of employees</b>	0-100	10	25%
	101-200	24	60%
	201-300	4	10%
	More than 301	2	5%
	<b>Total</b>	<b>40</b>	<b>100%</b>
<b>Number of branches</b>	0-5	25	62%
	6-15	13	33%
	16-30	2	5%
	More than 31	0	0
	<b>Total</b>	<b>40</b>	<b>100%</b>
<b>Years of operations</b>	Less than 5 years	1	2%
	5-10 years	17	43%
	10-15 years	12	30%
	More than 15 years	10	25%
	<b>Total</b>	<b>40</b>	<b>100%</b>

**Source: Research Data (2021)**

These results show the dominant number of employees in this study was 101-200, contributing to 60% of the observation. The remaining sample proportion comprising 25%, 10%, 5% was 0-100, 201-300, and more than 301. This was important for this

study to obtain data on the size of the workforce, the level of their involvement in change management and its effect on performance.

Similarly, it can be noted that the category of years of operations 5 -10 years had the most significant representation in the sampled case comprising 43%. However, a group of firms that have been in operations for less than 5 years constituted the smallest proportion of 2%. Other sub-categories have been in operations for 10-15 years and more than 15 years at 30% and 25% respectively. Generally, the years of operations of the firms were adequate to support the collection of data on financial performance over time.

The analysis also showed the number of branches of the firms with 0-5 registering the highest percentage of 62%. The other three sub-categories of 6-15, 16-30, and more than 31 had branches ranging from 33%, 5%, and 0% respectively. The distribution of the branches data was important to establish the size of the firms and effectiveness of change management techniques on performance.

#### **4.4 Descriptive Statistics on change management practices and performance**

The research used mean, standard deviation and coefficient of variation as the summary measures to enhance insights into change management practices and their impact on performance. Sample characteristics were analyzed using responses collected from the respondents as guided by the three research variables.

#### 4.4.1 Effective Communication

Responses to the six items on effective communication were analyzed to generate sample mean, standard deviation and coefficient of variation. The results of the analysis are presented below.

**Table 4.2 Effective Communication**

<b>Statement on effective communication</b>	<b>n</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Coefficient of Variation (%)</b>
We have a change management policy	40	3.950	.8276	21
We develop a communication plan to enhance understanding as well as drive change acceptance in my organization	40	4.313	.7291	17
We communicate what is known about the change as soon as the information is available	40	4.415	.8211	19
My firm gives adequate time for employees to seek clarification and give input to change	40	4.057	.5124	13
We clearly communicate the reasons for change in such a way that employees understand its need.	40	4.155	.7045	17
We hold interactive forums where all employees can explore the changes together for better understanding.	40	4.123	.6999	16
<b>Aggregate Score</b>		<b>4.16</b>	<b>0.71</b>	<b>17.2</b>

Source: Field Data (2021)

The above table indicates that the variability of responses observed from statements on effective communication ranged between 13% and 21%. These levels of coefficient of variation are considerably low and thus indicating that responses on all the items on effective communication were clustered around the mean values of responses. On the other hand, the sample means of the responses varied between 3.950 and 4.415. In this case, all the sample mean values are approximately equivalent to 4, translating to an agreement on the rating scale adopted.

Respondents agreed that the companies have a change management policy as depicted by a mean of 3.9. They also agreed that they develop a communication plan to enhance understanding and drive change as depicted by a mean of 4.3. Communication of what is known about the change is done as soon as the information is available as depicted by a mean of 4.4. The firms give adequate time for employees to seek clarification and give input to change as depicted by a mean of 4.1. The firms also clearly communicate the reasons for change in such a way that employees understand its need as depicted by a mean of 4.2. The firms hold interactive forums where all employees can explore the changes together for better understanding as depicted by a mean of 4.1. These typical responses on the different items of effective communication are supported by the aggregate score of 4.16. Therefore, the respondents agreed with practices identified to measure effective communication to a large extent. This implies optimum application of communication in change implementation as most changes in the insurance firms take a top down approach. Managers communicate all necessary information and guide their teams in navigation.

#### **4.4.2 Visible Support from Organization Leadership**

Responses to the four items on leadership were analysed and results presented below:

**Table 4.3 Visible Support from Organization Leadership**

<b>Statement on visible support from organization leadership</b>	<b>n</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Coefficient of Variation (%)</b>
Our management is sensitive to the existing culture when formulating change plans	40	3.324	.666	20
Our management measures and formulates key initiatives to reduce employee resistance to change	40	3.143	.588	19
Our change initiatives have a top down approach, with committed and executives and strong backing by the firm’s CEO	40	3.667	.866	23
Our management allocates resources to change management initiatives	40	3.670	.996	27
<b>Aggregate Score</b>		<b>3.45</b>	<b>0.77</b>	<b>22.3</b>

**Source: Field Data (2021)**

The above table reveals that responses observed from visible support from organizational leadership statements varied between 19% and 27%. Notably, the



coefficient of variation values signifies narrow variability, demonstrating that individual responses to the different aspects of visible support from organizational leadership measured in insurance firms were clustered around the sample mean of responses. This level of variability is crucial in underscoring the stability of the reported sample mean and signifying the possibility of making reliable estimations of population characteristics.

Respondents agreed that management of insurance firms is sensitive to existing culture when formulating change plans as depicted by 3.3 mean. They agreed that leadership formulates key initiatives to reduce employee resistance to change as depicted by a mean of 3.1. Change initiatives among insurance firms have a top down approach with committed executives as depicted by a mean of 3.6. Management of insurance companies also allocates resources to change initiatives as depicted by a mean of 3.6. The respondents therefore agreed with the parameters used to measure visible support from organization leadership to the least extent as depicted by a collective mean of 3.45. This implies minimal support from the organizations' leadership as management is highly involved in structural changes which involve compliance to regulation. Implementation of such changes may therefore not conform to the parameters highlighted in the likert scale.

#### **4.4.3 Human Resource Plan**

The responses to the six items on the human resource plan were analysed and the results are presented in table 4.4.

**Table 4.4 Human Resource Plan**

<b>Statement on human resource plan</b>	<b>n</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Coefficient of Variation (%)</b>
We always appoint a change steering committee to steer the process of implementing change in my firm	40	3.333	.796	23
We recruit qualified staff and develop plans for their retention and redeployment during the change process	40	3.777	.876	23
We develop a training strategy for post change needs	40	3.687	.645	17
We review key milestones achieved in change management	40	3.345	.950	28
We assist employees navigate the change by developing relevant adaptability skills	40	3.240	.810	25
We evaluate policies to identify areas of incongruence and formulate alignment plans	40	3.567	.620	17
<b>Aggregate Score</b>		<b>3.49</b>	<b>0.78</b>	<b>22.2</b>

**Source: Field Data (2021)**

The analysis displayed in Table 4.4 demonstrates that the sample means for the choice of responses associated with the 40 participants regarding activities related to the

human resource plan ranged between 3.240 and 3.777. The respondents agreed that they always appoint a steering committee to steer the change process as depicted by a mean of 3.3. The firms also recruit qualified staff and develop plans for their retention and redeployment during the change process as depicted by a mean of 3.7. The insurance firms develop a training strategy for post change needs as depicted by a mean of 3.6. The companies review key milestones achieved in change management as depicted by a mean of 3.3. Employees are assisted to navigate the change by developing relevant adaptability skills as depicted by a mean of 3.2. The insurance companies also evaluate policies to determine areas of misalignment and design alignment strategies as depicted by a mean of 3.5. The respondents consequently agreed with the parameters used to measure human resource plan to moderate extents as depicted by collective mean of 3.49. This implies average contribution of the human resource plan in successful change implementation as majority of the changes occur at departmental levels and may not necessitate all the elements highlighted in the likert scale.

#### **4.4.4 Performance of Insurance Firms**

Responses to the statements on change management practices and performance of Kenya's insurance companies were analysed. This analysis aimed to generate the sample mean, sample standard deviation and sample coefficient of variation to provide insights concerning performance. The results of this analysis are tabulated below.

**Table 4.5 Analysis of Performance of Insurance Firms**

<b>Statements on Performance</b>	<b>n</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Coefficient of Variation (%)</b>
Adoption of effective communication during change implementation has improved our internal processes by reducing resistance to change	40	4.056	.542	13
Training and development of adaptability skills during change implementation has ensured growth among employees in our firm	40	4.367	.616	14
Allocation of adequate resources to change initiatives has improved our internal processes by ensuring the change is implemented in the shortest time possible	40	4.175	.765	18
Management support in change implementation has ensured success of change programs, which in turn has improved our financial performance	40	4.210	.949	20
Recruitment of qualified staff, redeployment and talent retention during the change initiative has improved our customer satisfaction by having the right people for the jobs	40	4.376	.835	19
Adoption of the above change management practices has improved our return on assets by at least 5%	40	4.267	.639	15
<b>Aggregate Score</b>		<b>4.24</b>	<b>0.73</b>	<b>16</b>

**Source: Field Data (2021)**

The above results show the analysis of responses to statement regarding the performance of insurance firms. The aggregate mean for the six items that comprised performance indicators varied from 4.056 to 4.376. Further, the variability of these responses is narrow, as demonstrated by the sample coefficient of variability values ranging between 11% and 20%.

The respondents agreed with the statements regarding change management practices and performance. They indicated that Adoption of effective communication during change implementation had improved their internal processes to a large extent as depicted by a mean of 4.1. Training and development of adaptability skills during change implementation has ensured growth among employees in the insurance firms to a very large extent as depicted by a mean of 4.3. Respondents also agreed that allocation of adequate resources had improved internal processes by ensuring that the changes were implemented in a short time as depicted by a mean of 4.1. Management support ensured success of the changes which in turn led to improvement financial performance as depicted by a mean of 4.2. Recruitment of qualified staff, redeployment and talent retention during the change initiative had improved customer satisfaction as depicted by a mean of 4.3. They also agreed that adoption of change management practices had improved their return on assets by at least 5% in the last five years as depicted by 4.3 mean. From the analysis, the respondents further agreed with parameters used to measure the impact of strategic change management practices on performance to a very large extent as depicted by a collective mean of 4.24. This implies that adoption of these practices contributes positively to performance as employees understand the change intention, are supported in navigation and are motivated to achieve the intended goals.

#### **4.5 Discussion of findings**

The study established that insurance firms in Kenya had implemented change programs. The findings concur with Anyumba (2013), who noted that the firms had implemented change programs to tap into the low-income market segment to boost their revenues. It established that the insurance institutions highly utilized effective communication in change administration and it positively affected performance. These results agree with Ntinyari (2015) who noted effective communication was the main practice adopted by supermarkets in Nairobi in change administration. These results are also corroborated by research conducted by Mutisya (2016). The study sought to establish how communication affects implementation of strategy in Nairobi's pharmaceutical companies. It found that communication positively impacted performance.

The study noted that insurance firms have adopted visible leadership in change implementation to the least extent. This corroborates findings by Anyumba (2013) who identified the main challenge to insurance institutions' growth to be management's inability to change their attitude quickly as required by the firms.

Human resource planning was noted to positively contribute to the performance of the insurance organizations. These findings are echoed by Mutua (2012) who investigated its impact on performance at the ministry of health. The paper established that lack of human resource planning led to poor results at the ministry.

The study established that adoption of change strategies had an affirmative impact on performance of insurance companies. These findings corroborate research findings by Murimi (2020). The study established an affirmative link between change strategies and performance at NCBA bank.

#### **4.6 Implications of findings**

The findings noted that insurance companies in Kenya had implemented change programs and had adopted various change administration practices, with effective communication being the highly adopted strategy as the changes were noted to have a top down approach. Support from leadership was utilized to the least extent as management was noted to be highly involved in changes geared towards regulation compliance. Adoption of these practices was noted to contribute positively to performance.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter comprises the study's summary, the conclusions drawn from research findings, recommendations, limitations encountered, implications for practice and future research suggestions.

#### **5.2 Summary**

The study intended to determine the effect of strategic change management practices on performance of Kenya's insurance companies. It was necessary given the central role of change strategies in building competitive advantage. The study focused on insurance firms due to performance challenges experienced amidst fierce competition from existing and new firms. It was noted that strategic change management practices adopted among the firms included effective communication, visible support from organizational leadership and human resource plan. Performance as the study's dependent variable was operationalized using non-financial and financial measures comprising workforce development, internal processes and customer satisfaction.

The study was anchored on Lewin's change management model and open systems theory. The first analysis aimed at determining the impact of effective communication on the performance of insurance firms. Effective communication was measured using employee surveys targeting focus groups in insurance firms. Descriptive measures confirmed that activities signifying effective communication in this study were indeed adopted by the firms and positively affected performance.



The second test measured the effect of visible support from organizational leadership on the performance of insurance firms. Visible support from organizational leadership was measured using indicators such as sensitivity to the existing culture, reduced employee resistance and top down approach. Descriptive analysis revealed that the firms had adopted these practices and they had a positive impact on performance.

The third analysis was aimed at establishing the extent human resource plan affects performance of insurance firms. Human resource plan considered activities on recruitment, engagement & retention, time tracking and employee value & performance. The research analysed the descriptive aspects of collected data which confirmed adoption of these practices and a positive link to performance of the insurance institutions.

### **5.3 Conclusion**

Performance has been a widely studied subject among scholars and modern business management. This paper aimed at determining the effect change strategies had on performance of insurance companies in Kenya. From the findings, adoption of effective communication which involved adequate communication of the change and employee participation was noted to positively influence performance.

Visible support from leadership which was characterized by allocation of resources to change initiatives and sensitivity to culture in change implementation was found to influence performance positively. Human resource plan which was characterized by recruitment, retention and redeployment of qualified staff as well as appointment of steering committees for the change was noted to have an affirmative effect on performance. The study therefore concluded that these practices have a positive

link to the firms' performance. It also adds to the body of knowledge which supports that these practices enhance results.

#### **5.4 Recommendations**

The study established that effective communication was highly adopted in change management and contributed positively to performance. Management should consequently ensure that any known information regarding the change is clearly and timely communicated to motivate staff towards the change to improve performance. They should also create an avenue where employees can give feedback of their involvement in the change process.

Visible support from leadership was noted to positively influence performance. Leaders should consider participating more in change initiatives by providing required resources as well as formulating mechanisms to reduce resistances to change. The human resource plan was noted to have a positive impact on performance. The human resource departments should consider introducing rewards to employees who fast assimilate the changes as a way of motivating the rest of the employees to quickly embrace to the changes.

#### **5.5 Limitations of the study**

The study focused on the link between change management techniques and performance of Kenya's insurance companies, which limited the scope of the study as there are many other variables that can be used to gauge performance in insurance companies. Researcher's inability to control how respondents filled the questionnaires was also a drawback as the study relied purely on given responses. Some respondents

may have projected their opinion and perceptions in the study thus limiting their ability to provide objective views.

While respondents indicated that implementation of change strategies had enhanced their return on assets by at least 5% in the last five years, this was not accurate for some companies as per the information gathered from audited financial statements using the data collection sheet. Only 33% of the 40 companies studied seemed to have improved their return on assets during this period. This implies that data from the questionnaires regarding financial performance may not have been accurate and has a contradictory effect on the study findings on the financial performance aspect of the companies.

### **5.6 Implications for Policy and Practice**

This research identified a positive link between change administration methods and performance. This implies that firms will consider adopting these practices in administration of changes for improved performance. Future scholars will utilize the study's literature and findings to identify gaps and formulate research topics on this concept and context. They will also use its results to corroborate their study findings.

### **5.7 Suggestions for Further Study**

The study explored change management techniques and performance of Kenyan insurance firms. Future researchers should therefore consider examining the effect these practices have on performance in other sectors, to validate this study's findings. The variables adopted by the study have not been exhaustive in explaining performance variations, hence there exists additional factors which influence performance of insurance firms. Further studies should therefore investigate the

influence of such variables on insurance firms' performance. Future studies should also investigate the effect of these practices on financial performance only using regression analysis to enhance the findings of the study and mitigate the challenge of incorrect information from respondents on this aspect.

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## APPENDICES

### Appendix I: List of Insurance Companies in Kenya

1. AAR Insurance Company Limited
2. Absa Life Assurance Kenya Limited
3. Africa Merchant Assurance Company Limited
4. AIG Kenya Insurance Company Limited
5. Allianz Insurance Company of Kenya Limited
6. APA Insurance Limited
7. APA Life Assurance Company Limited
8. Britam General Insurance Company (K) Limited
9. Britam Life Assurance Company (K) Limited
10. Metropolitan Cannon General Insurance Company Limited
11. Capex Life Assurance Company Limited
12. CIC General Insurance Company Limited
13. CIC Life Assurance Company Limited
14. Corporate Insurance Company Limited
15. Directline Assurance Company Limited
16. Fidelity Shield Insurance Company Limited
17. First Assurance Company Limited
18. GA Insurance company Limited
19. Geminia Insurance Company Limited
20. Geminia Life Assurance Company Ltd
21. Heritage Insurance Company Ltd
22. ICEA LION General Insurance Company Limited
23. ICEA LION Life Assurance Company Limited
24. Intra Africa Assurance Company Limited
25. Invesco Assurance Company Limited
26. Jubilee General Insurance Company Ltd
27. Jubilee health Insurance Company Ltd
28. Jubilee Life assurance Company Ltd
29. Kenindia Assurance Company Limited
30. Kenya Orient Insurance Limited

31. Kenya Orient Life Assurance Limited
32. Kenyan Alliance insurance company Ltd
33. KUSCCO Mutual Assurance Limited
34. Liberty Life Assurance Kenya Limited
35. Madison Insurance Company Kenya Limited
36. Madison General Insurance Kenya Limite
37. Mayfair Insurance Company Limited
38. Metropolitan Cannon General Insurance Ltd
39. Metropolitan Cannon Life Assurance Limited
40. MUA Insurance (Kenya) Ltd
41. Occidental Insurance Company Limited
42. Pacis Insurance Company Limited
43. Pioneer General Insurance Company Limited
44. Pioneer Assurance Company Limited
45. Prudential Life Assurance Company Limited
46. Resolution Insurance Company Limited
47. Saham Assurance Company Kenya Limited
48. Sanlam General Insurance Company Limited
49. Sanlam Life Insurance Company Limited
50. Takaful Insurance of Africa Limited
51. Tausi Assurance Company Limited
52. The Monarch Insurance Company Limited
53. Trident Insurance Company Limited
54. UAP Insurance Company Limited
55. UAP old mutual Life Assurance Company Limited
56. Xplico Insurance Company Limited

**Source: (IRA, 2020)**

## **Appendix II: Introduction Letter**

Dear Sir,

### **RE: REQUEST FOR INFORMATION**

I am a student at the University of Nairobi conducting research on the effect of strategic change management practices on performance of insurance companies in Kenya. This questionnaire has been prepared purposely to assist in collection of data for academic purpose only. As one of the identified respondents, you are hereby kindly requested to participate. Any information given with respect to this request shall be treated with strict confidentiality.

**INSTRUCTION:** Please answer all the questions honestly and exhaustively by putting a tick (✓) in the appropriate box that matches your view or alternatively writing in the spaces provided where necessary.

In case of any clarification regarding this project, kindly do not hesitate to contact me on:

+254 712 138 563

Christine Ndanu Mutisya

Thank you in advance.

## Appendix III: Research Questionnaire

### PART A: GENERAL INFORMATION ABOUT THE ORGANIZATION:

1. Name of the firm (optional)

.....

2. Designation of the respondent

.....

3. How many employees does the organization have?

0 - 100 [ ]

201 - 300 [ ]

101 - 200 [ ]

More than 301 [ ]

4. How many branches does the organization have?

0 - 5 [ ]

16 - 30 [ ]

6 - 15 [ ]

More than 31 [ ]

5. What period has the company operated?

Less than five years [ ]

Five to ten years [ ]

Ten to fifteen years [ ]

More than fifteen years [ ]

**PART B: STRATEGIC CHANGE MANAGEMENT PRACTICES**

1. Kindly highlight any strategic change program you have implemented in your firm in the last five years

.....  
 .....

**Effective Communication**

This section has statements regarding effective communication as a change management practice. Kindly tick the number beside the question to indicate your level of agreement for your organization where 5 = Strongly Agree (SA), [4= Agree (A)], [3=Undecided (U)], [2= Disagree (D)], [1= Strongly Disagree (SD)]:

Statements	Rating:				
	5	4	3	2	1
We have a change management policy					
We develop a communication plan to enhance understanding as well as drive change acceptance in my organization					
We communicate what is known about the change as soon as the information is available					
My firm gives adequate time for employees to seek clarification and give input to change.					
We clearly communicate the reasons for change in such a way that employees understand its need.					
We hold interactive forums where all employees can explore the changes together for better understanding.					

**Visible Support from Organization Leadership**

This section has statements regarding organizational leadership as a change management practice. Kindly indicate your level of agreement for your organization by



ticking the number beside the question where 5 = Strongly Agree (SA), [4 = Agree (A)], [3 =Undecided (U)], [2 = Disagree (D)], [1 = Strongly Disagree (SD)]

	<b>Rating:</b>				
<b>Statements</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Our management is sensitive to the existing culture when formulating change plans					
Our management measures and formulates key initiatives to reduce employee resistance to change					
Our change initiatives have a top down approach, with committed and executives and strong backing by the firm’s CEO					
Our management allocates resources to change management initiatives					

## Human Resource Plan

This section has statements regarding the human resource plan as a change management practice. Kindly highlight your acceptance on the statements regarding your organization, by marking the number beside the question where [5 = Strongly Agree (SA)], [4= Agree (A)], [3= Undecided (U)], [2= Disagree (D)], [1= Strongly Disagree (SD)]:

	Rating				
	5	4	3	2	1
We always appoint a change steering committee to steer the process of implementing change in my firm					
We recruit qualified staff and develop plans for their retention and redeployment during the change process					
We develop a training strategy for post change needs					
We review key milestones achieved in change management					
We assist employees navigate the change by developing relevant adaptability skills					
We evaluate policies to identify areas of incongruence and formulate alignment plans					

## PART C: FIRM PERFORMANCE

This section has statements regarding firm performance. Kindly mark your opinion on the statements for your organization by ticking the number beside the question where 5= Strongly Agree (SA), [4= Agree (A)], [3=Undecided (U)], [2= Disagree (D)], [1= Strongly Disagree (SD)]:

Statements	Rating				
	5	4	3	2	1
Adoption of effective communication during change implementation has improved our internal processes by reducing resistance to change					
Training and development of adaptability skills during change implementation has ensured growth among employees in our firm					
Allocation of adequate resources to change initiatives has improved our internal processes by ensuring the change is implemented in the shortest time possible					
Management support in change implementation has ensured success of the programs, which in turn has improved our financial performance					
Recruitment of qualified staff, redeployment and talent retention during the change initiative has improved our customer satisfaction by having the right people for the jobs					
Adoption of the above change management practices has improved our return on assets by at least 5%					

**\*THANK YOU\***

## Appendix IV: Data Collection Form

### Section F: Financial Indicators

	<b>Item</b>	Yr 2016	Yr 2017	Yr 2018	Yr 2019	Yr 2020
	<b>From Audited Financial Statements</b>					
1	Total Assets					
2	Net Income					
3	Total Equity					
4	Return on assets					