TOP MANAGEMENT TEAMS DEMOGRAPHICS AND INNOVATION PERFORMANCE OF INSURANCE FIRMS IN KENYA

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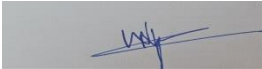
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DEDICATION

I, Caroline Mbuche Nyambok declare that this is my original work and has not been presented to any institution of university other than to the University of Nairobi for examination.

Sign: ~~~~~~ Date: 18/11/2022

Approval

This research project has been submitted for examinations with my approval as university supervisor

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This paper is dedicated to my sister Diana and sons Nathaniel and Ezra. It is you who gave me the courage to move on with this course. Thank you for your emotional support and encouragement. May this be a reminder that regardless of the challenges you face along your journey, you have what it takes to excel.

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LIST OF ABBREVIATION AND ACRONYMS

CDA   Coast Development Authority

CEO   Chief Executive Officer

CFO   Chief Financial Officer

COO   Chief Operations Officer

IRA   Insurance Regulatory Authority

IT   Information Technology

RBV   Resource Based View

TMTs   Top Management Teams

UET   Upper Echelon Theory

ABSTRACT

The demographics and innovation performance of Top Management Teams in Kenyan insurance organizations were the main subjects of this study. The goal was to determine how the demographics of top management teams affected the performance of innovation in Kenyan insurance companies. The study employed a descriptive cross-sectional research design, which surveyed 56 insurance companies in Kenya. Data was gathered via online questionnaires developed by Google that were distributed to the top leadership teams of the insurance company via email and WhatsApp. 35 replies were received in total, which was deemed adequate for analysis. According to the study's multiple regression model's positive coefficients, the findings demonstrate that diversity in education, variety in functional experience, and diversity in gender are all favorably connected to innovation performance. However, age diversity within top management teams was found to negatively affect innovation performance. Moreover, all the variables were found to be statistically significant except for education diversity. The model summary was found to account for only 15.8% variability on innovation performance within Insurance firms in Kenya, thus, it is a weak model. The ANOVA reveals that the joint top management teams' demographics under investigation are not good predictors of innovation performance as exhibited by a significance F of 0.25>0.05 at 95% confidence level. The study recommends that Insurance companies may consider hiring more age homogenous teams in their top management which would support faster decision making and alignment. They also should be aware of the statistical insignificance of educational diversity on innovation performance and may consider innovative talents when hiring for top management teams. Further, firms need to consider functional experience diversity within top management teams. Different experiences among the teams would increase diversity of ideas enhancing innovation performance in the firms. The model assumed that the top management team demographics and innovation performance is relationship is linear, which may not be the case. Also the model could not reveal causation of the effects of top management team demographics and thus the study suggests that future research uses a mixed method approach which may reveal some of the reasons why the relationships exists.

CHAPTER ONE: INTRODUCTION

1.1 Background

To establish superior performance, businesses need innovation (Hitt et al., 1997; Zahra et al. 2000). How high innovation performance can produce economic gains has attracted a lot of research interest (Cao and Zhao, 2013; Inkinen et al., 2015). According to research findings from the literature, some of the ways that organizations can innovate are either by utilizing internal capabilities made possible by investments in R&D or direct foreign investment, or by collaborating with other organisations and joining alliances that enable access to ideas and knowledge from the outside (Hsu et al., 2015; Cui and O'Connor, 2012; Wang and Kafouros, 2009). A number of researchers suggest that inadequacy in management competence may lead an entity to encounter problems related to development and success in innovation (e.g. Ruiz-Jimenez et al., 2016; Alexiev et al., 2010).

This study id therefore based on two key theories: the Upper Echelon Theory (UET) and the Resource Based View (RBV) (Barneys, 1991). (Hambrick and Mason,1984). The most pertinent theoretical foundation on which this analysis will be based is provided by these theories. The anchoring theory, known as UET, will assist in demonstrating how the top management teams affect a company's decisions depending on their traits, viewpoints, and preferred way of doing things. By achieving high innovation performance, top management teams (TMT) abilities, including education level and functional experience, can enhance competitive edge. This theory mentions how innovation effectiveness and competitive advantage can be attained due to the possession

of valuable and rare TMT resources that other competitors cannot imitate. The study considers gaining a diverse TMT as an important resource in the institution that helps in attaining its objectives.

Insurance sector in Kenya has attained exclusive development of about 35% since 2014. Regionally, a penetration of up to 17% market penetration has been achieved whereas it stands at a dismal 2.83% in Kenya (Price Waterhouse Coopers, 2021), allowing room for revenue generation locally - especially in the cities and counties outside of Nairobi. generally, in Kenya, insurance sector has experienced declining productivity and revenue generation in recent past, majorly due to management inefficiencies and other processes that add up costs. Luckily, disruptive technologies such as robotic process automation of mundane processes, data analytics tools to promote cross-channel selling and spot and prevent fraud, and expedite operations in shared services centers can assist to overcome these difficulties. According to research, more than 80% of African insurance businesses intend to offer services through mobile-friendly platforms. This is a benefit for wooing the next generation of millennial customers, who are more drawn to new mobile, personalized services.

1.1.1 Top Management Team

Ramdani and Tulung (2016) defines top operational team as the individuals in charge of making policies that provides the overall direction of the company. TMT as defined by Hambrick (2015) is also, a group of individuals at higher leadership ranks which includes owners of an organization, executives who are high such as CEO, CFO, and COO as well as managers who are based at the senior-level position. Kolev and McNamara (2020) describe top management team as senior level executives of an organization charged with

the formulation and implementation of firm goals to take the organization towards achieving its objectives. Despite the various terms used by different scholars, this study considers TMTs as operational groups in strategic ranks of a preexisting firm and with extreme participation in the procedures of decision making.

Top Management individuals performs a very significant role of being the main decision-making component for the firm as well as identify the convenient choice and achievement in a company (Tulung & Ramdani, 2016). Strategic decisions and behavior will be influenced and informed by the TMT's notion of the reality facing the institution. If executives have the ability of leading transformative business changes, it is critical to understand the psychological characteristics of leaders and how it creates transformation to the corporate. Some CEOs are more likely to push for corporate transformation, while others are better at putting policies and plans in place. Academics have long regarded CEOs, senior managers, and board directors to be fascinating subjects of inquiry, and there is a long history of research on them.

Analyzing specific management traits for example, personality, is a hard task, as leaders are infamously non-committal to offer themselves to the probing and poking nature of scholars (Hambrick, 2007). For that reason, most studies that explore how leadership is related to strategic decision making, does so through observation of demographic traits. The early work of Hambrick and Mason (1984) considered demographic traits such as gender, age, tenure and educational background as measures to comprehend manager's psyche. The perspective is outlined in the upper echelons theory and the current study will adopt the same approach.

1.1.2 Innovation Performance

The effects of an organization's creative behavior are measured in terms of new products, services, processes, policies, systems, programs, and devices (Damanpour, 1991). Despite the fact that there are numerous types of innovations, the majority of research has concentrated on process and product innovation (Prajogo and Sohal, 2001). Chen and Tsou (2007) describe product innovation as alterations a product or service and/or a process of development as defined by functionality, method, administration, or other feature. Transformations in the product/service or product/service features are referred to as product and service innovation.

A company's offering of an enhanced or new service or good is referred to as service innovation. Other authors have defined product innovations as novel technology a combination of such that are commercially released to the market for fulfill the needs of customers (Utterback & Abernathy,1975). As a result, product innovation can be thought of as a type of technological innovation in which a product has new or better characteristics.

A number of studies have been conducted on managerial and product innovation, processes, managerial and product innovation. For example, Wang and Han (2011) used managerial and technical innovation to measure innovation performance. Other studies focused solely on product innovation when assessing innovation performance (Jones and Linderman, 2014; Zeng et al., 2015). The current study proposed five items will be adapted from Chong, Chang, and Sim (2011) to measure innovation performance. The capacity of the company to develop new products and or services quickly, launch the

same in a timely manner, respond quickly to rivals' moves, and change enterprise processes for novel learning will be highlighted in particular (Cherrafi et al., 2018; Abdallah et al., 2019).

1.1.3 Insurance organizations in Nairobi, Kenya

Insurance firms, reinsurance firms, policy and reinsurance brokers, insurance agents, loss adjusters, investigators, motor assessors, medical insurance providers, risk managers, and claims resolving agents completes Kenya's insurance industry. The Insurance Commission (IRA) registers and licenses these businesses in compliance with Kenya's Insurance Act, Chapter 487. The certified insurers were forty-seven (47), three (3) are reinsurance businesses, insurance brokers are one hundred and seventy (179) insurance brokers, medical insurance providers were twenty four, plus insurance agents being four thousand eight hundred and sixty three (4863), according to the IRA's annual report (2020). The industry's efficiency has increased, with gross premiums at KShs. 230.65 in billion as compared to KShs. 208.54 billion in 2018, reflecting a 20.40 percent rise.

Losses in the general insurance business underwriting grew by 66.9%, from KES 2.66 billion in the third quarter of 2019 to KES 879.28 million in the third quarter of 2020. The general insurance business continued to be the greatest contributor to industrial insurance premiums, accounting for 58.6% of total premiums. The auto insurance and medical insurance classes of business make up 67.2 percent of the total premium income within the general insurance sector. The highest percentages of incurred claims were contributed by the general insurance business classes with the highest premium volumes:

medical (34.8%), motor private (26.6%), and motor commercial (24.6%). In comparison to general insurance business, which accounted for 32.7% of the overall premium contribution, the motor classes of insurance business had accounted for 51.2% of all claims. In comparison to the other classes, motor claims declined by the most.

1.2 Research Problem

Succession management of innovation performance throughout the innovation process can be tough especially because innovation is an uncertain, long-term and cumulative process (Jansen et al., 2006; Buckley and Carter, 2004). According to studies, a lack of managerial skills might make it difficult for a company to achieve success and growth in the area of innovation (e.g. Ruiz-Jimenez et al., 2016; Alexiev et al., 2010). A number of studies, on the other hand, have looked into the function of the senior managerial team's (TMT) management skills in the process of innovation.

The insurance industry in Kenya, just like the financial sector, has been experiencing technological disruptions occasioned by the growth of FinTechs. The FinTechs have grown in leaps and bounds partly because of disruptive innovation which has introduced both innovative processes, products and services into the market. InsureTechs are part of this disruption, and they're attempting to break into a difficult market by removing the high-cost traditional insurance infrastructure. New age insurance carriers have emerged as a result of technology-driven service offers structured on a customer-centric strategy. Despite the fact that Kenyans are exposed to a wide range of health risks and harsh weather conditions, insurance penetration remains low. InsureTechs are focusing on penetrating this large market through targeting the bottommost part of the pyramid

section by advancing in the areas of distribution, design and management of insurance packages and also through concentrating on customer's requirements appetite, preferences, related value chains and situations to sketch micro-insurance products, they have minimized the reliance on the high priced conventional infrastructure and allowed them to deliver more affordable products. The leadership and top management of traditional insurance firms, therefore, need to find ways of strengthen strategic alliances with these InsureTechs and or improve their innovativeness and tap into the growing bottom of the pyramid customers.

Several studies on innovation performance and top management have been done in firms. Global studies comprise of Camelo et al (2010) that assessed how the level of education and firm's TMT diversity, regulated by strategic consensus, affect its innovation productivity on 97 innovative Spanish firms and acknowledged that complex education levels among TMTs has a significant and direct impact on innovation superiority. Li and Huang (2019) sought why organizations involved in the investment in research and development and global diversification rendered distinct outcomes in innovation performance compared to 283 Taiwanese production companies in the IT field. Findings revealed that had a wide diversity in tenure exhibited a strong correlation between innovation performance as well as research and development investment. The results showed that top management teams (TMTs) with wider tenure diversity possessed stronger relationship between innovation performance and R&D investment.

Based on the research by Yang and Xu (2019) on the integration of TMTs research and development, overseas experiences, firms' ability to make decisions as well as innovation productivity into an aligned theoretical structure and tried to acknowledge   TMTs'

experience from abroad which accounts for both the indirect and direct ways and factors involved within China and its transition economy. Attained results showed that performance is significantly affected by industrial experience and by the centrality of operational experience acquired abroad, but not positively determined through the heterogeneousness of overseas operational exposure of TMTs. Nationality diversity and global work experience may improve the productiveness of geographically spread research and development strategies in improving innovation production whereby there is arrangement between the country of origin of TMT members on one side and state of work experience on the other.

Locally, Waichigo (2014) researched on the insight of TMT and application of the game plan at the Coast development Authority (CDA), Kenya. The outcome of the analysis revealed that TMT involvement was considered not adequate though top managers were also involved in strategy implementation by allocating resources to strategy related activities and review of strategy implementation progress. Okungu (2017) researched on top management team traits and plan application in Nairobi county, Kenya. The results of the research revealed that TMT diversity affected plan implementation to a great extent. Kinuthia (2018) reviewed the role of top management team in strategy implementation in 68 audit firms, Nairobi County, Kenya. The research found that the tenure, size, diversity and age of the top management had a significant effect on strategy implementation. Okello and Ngala (2019) researched on TMT traits and strategic plan implementation results of branch supermarkets in Nairobi County. The research showed that there was a direct and noted association between TMT and the results of traits and strategic change.

Some of the aforementioned global studies clearly address the influence of TMT diversities on innovation but majority dwelt on a single area of diversity such as, education or international/ overseas experience. The one that addressed the role of overall demographics characteristics of TMT in innovation performance, did so in other contexts and could not be generalizable to the Kenyan insurance context. Little or no research was found that explored TMT characteristics and the innovation performance of insurance companies in Nairobi, Kenya. This research therefore sought to bridge this gap through answering the following research problem: what is the role of top management team demographics on innovation performance in insurance firms in Kenya?

1.3 Research Objectives

This research aimed at investigating played by the top management teams demographics in innovation performance in insurance companies in Nairobi.

1.4 Value of the Study

The research findings will hypothesize through new knowledge that will help shape the theoretical underpinnings on the topic of study. In addition, the study will highlight the existing knowledge gaps and identify ways of addressing them through the analysis of events in the context of the study. As a result, the study will lead to the formation of new ideas that will shape the current concepts while ensuring that the ones in place are empirically supported. Through meaningful criticism the study will seek to challenge the applicability of each theory as a way of stimulating new ideas.

The study will highlight some of the roles of the top management of the corporate firms can initiate in order to improve business transition. By identifying the recent trends on the same the study will help inform top management in a bid to enhance business transition while setting the management in a position of competitive advantage. Moreover human capital personnel may utilize these discoveries to enhance their recruitment, placement and development procedures.

The policy makers in the industry will rely on the outcomes of this study to formulate custom-made procedures and policies that would enhance flexibility in the operations of the firm thus enhancing business transition. The findings will also lead to the implementation of policies that will identify the existing challenges that face top management team in achieving a successful business transition. Once they are realized that study will guide the drafting of new policies through the presentation of recommendations that will stimulate uptake of the same by the firms.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The following chapter outlines the literature review to shed insights on the study topic. The chapter is subdivided into various sections; the first section will be theoretical review, followed by empirical literature and finally a conceptual framework. The following subsections are aimed at raising understanding of the general research problem.

2.2 Theoretical Review

The following sub-topic will review two theories that are related to the study problem. The theories include the upper echelons theory and resource based theory. Critical illustrations about how the theories are related to the study topic will also be reviewed.

2.2.1 Upper Echelon Theory

The theory is by Hambrick and Mason (1984). The theory stipulates that the outcomes of an organization are forecasted by the background of managerial features of the TMT. The theory is based on two critical ideas: executives perform their work based on their personalized biases and preferences, and differences in the personal traits, values, and experiences create individual construals in strategic situations.

The upper Echelon theory is relevant for the study since it stipulates that the top management team influences a business's decisions based on their personalities, ideas, and preferences. It will aid in understanding the role of top management firms in business transitions in insurance firms in Nairobi (Waldman, Javidan & Varella, 2004). Top management is the decision-makers in any business firm or organization. Their decisions

exert a productive or negative impact on the functions of a business. These decisions may either lead to the success or failure of the company. However, the top management makes critical business decisions based on what they feel is best for the venture and their managerial experiences. Based on their business ideals, the top management always has to reach a consensus on what is best for the business and gear them towards the right direction when transiting from one type of business to another.

The Upper Echelon's theory has been subjected to criticism due to its limitations. Human beings have a limited capacity to process information; thus, decisions are made based on personal tendencies and dispositions (Oppong, 2014). The decisions they make ultimately impact the bottom line of the organization. In some cases, the findings may harm the organization if they are not made on a sober mind. The decisions may also be biased as they may favor a particular group of people over others. To cater to the limitations, the Upper Echelons Theory was modified to incorporate the concept of information technology (López-Muñoz & Escribá-Esteve, 2017). Information technology is useful and yields excellent results when deployed in businesses or organizations. The results obtained necessitate adopting these technologies to enhance team members' participation, involvement, and attention. Technology capabilities are essential as they aid in the alignment of the organizational qualifications with the business strategy.

2.2.2 Resource Based Theory

The theory (RBT) emphasizes that for a company to achieve competitive lead and superior performance, it heavily relies on its assets/resources. The two presumptions of RBT that Peteraf and Barney (2012) put forward as a reason base for checking competitive advantage include: the assumption that firms in the same industry may vary

in line of resources that they control, also, that asset variation could continue over time if the resource to be used to implement organizations' strategic operations are partially movable from one company to the other.

RBV is relevant to this research as it posits that different knowledge and capabilities given by TMTs ensure a more constructive allocation of assets when managing the innovative process (Kor and Mahoney, 2005). TMTs contribute to the development of procedures, capabilities and routines that influence the company's development, growth and innovation (Kor and Mesko, 2013). Previous researches prove that some TMTs poses the managerial skill to acknowledge innovation opportunities from external sources and to interrelate resources to come up with innovation (Alexiev et al., 2010; Jansen et al., 2006).

The theory suffers a number of limitations, for example, an assumption that a firm can achieve high innovation performance in a highly competitive market as long as long as it can utilize advantageous assets such as TMT diversity would not be witnessed.

2.3 Top Management Team Demographics and Innovation Performance

According to these authors (Hoffman and Hegarty, 1993; Wiersema and Bantel, 1992; Wally and Becerra, 2001),a distinction can be made between an executives orientation from demography features and team structure. Other studies show that the structure of the TMTs influences organizational decisions to allocate resources to innovation (Hayes and Abernathy, 1980).

Previous studies confirm that having certain TMT attributes helps management to recognize innovation opportunities that external and organize resources in a manner that

advances innovation (Jansen et al., 2006; Alexiev et al., 2010). Due to the growth of innovation performance via the use of capabilities within the organization, further research has confirmed positive influence of investment in research and development as well as global long term diversification on innovation performance (e.g. Hsu et al., 2015; Phene and Almeida, 2008). Some researchers suggest that different TMTs use higher data processing capabilities to control unpredictability when considering innovative sources during internationalization (i.e. Herrmann and Datta, 2005; Tihanyi et al., 2000).

2.4 Empirical Literature Review and Knowledge Gaps

Different studies have been done with reference to top management team and innovation performance. Global studies comprise of Camelo et al (2010) which examined how the educational level and including diversity of a company's TMT, with strategic alignment, alters performance of it innovations. Using the Poisson regression analysis, the suggested models were put to test on 97 innovative Spanish companies selected from the Dun and Bradstreet database of 2000. Research has showed that a higher level of education in TMTs has a practical and immediate upshot on performance of innovations, whilst diversity in functional experience and diversity in TMTs tenure have a direct and negative impact. In circumstances of strategic agreement in the TMT, the connection between effective diversity and innovation is conclusive. This research answers to the calls of researchers to enhance the upper echelon theory by considering strategic harmony as a process of interchange between the members of the TMT that modifies the link between TMT diversity and the performance. The finding that functional diversity of TMT has direct and negative effect on innovation performance is not consistent with some of the

studies that found a positive relationship thus this study seeks to address the evidence gap.

Li and Huang (2019) looked into why companies with affinity to investment in research and design and global diversification bring about different outcomes in innovation performance. The research was based on a sample of 283 Taiwanese manufacturing companies in the IT industry. The results showed that in the TMT with greater tenure diversity there was a strong relationship between investment in research and design and innovation performance. Moreover, the TMTs with greater educational diversity improved the link between global diversification and innovation performance. This study stresses the crucial part that TMT variety plays in the distribution of assets and the processing of information during the innovation process. The authors examined the significance of TMT tenure diversity in the distribution of firm-specific resources as well as the crucial role of TMT educational diversity in the creation of a wide range of network resources. Different innovation results are experienced by enterprises during the innovation process as a result of the TMT assortment. This study was anchored on resource based theory with TMT characteristics moderating the allocation of resource to R&D thus it did not investigate the direct influence of TMT characteristics on innovation performance. Further, this study seeks to address the theoretical gap by employing upper echelon theory to anchor the study and supplement using the RBV.

Yang and Xu (2019) researched on the experiences of the integration of TMTs overseas, research and development (R&D) planned decision-making and innovation performance into a theoretical framework and attempt to understand TMTs' overseas activities accounting for both the direct and indirect mechanisms of the variables involved within

the transition economy of China. This paper acquired study sample from the companies noted down on the Growth Enterprises Market Board (GEMB) of Shenzhen Stock Exchange of China due to their powerful innovation awareness. Actual results revealed that innovation performance is firmly affected by the equality overseas functional event and industrial event but negatively affected by the diversity of overseas functional experience of TMT. Currently, R&D intensity and modes partially mediate the relationship between TMTs' overseas functional experience diversity and innovation performance, as well as the relationship between those two variables' industrial experience diversity. However, when it comes to the relationship between overseas practical experience diversity and innovation performance, R&D intensity completely mediates the relationship. The research did not address the direct effect of TMT characteristics but looked at mediating effect of level of R&D on innovation performance. It also focused on overseas functional diversity while this study endeavors to investigate functional diversity in general (whether local or international) as its context is firms in Nairobi, Kenya.

When there is alignment between the level of on-the-job experience and country of origin of TMT members, on the one side, and businesses R&D sites, on the other, global on the job experience and country of origin heterogeneity may boost the success of globally dispersed R&D. This influence is greater for nationality heterogeneity than for the heterogeneity of international work experience since the latter lacks the goal-related knowledge necessary to direct R&D activities and is subject to the risk of social categorization. According to some academics, these ideas were partially supported in a board analysis of the innovation performance of 165 top MNCs in Europe. Two elements

were investigated in this research: global work experience and nationality diversity. The current study explores more areas of TMT diversity therefore would offer more insights on its effects on innovation performance.

Studies conducted in Kenya comprise of the following: Waichigo (2014) researched on the perception of top management team (TMT) and plan implementation at the Coast development Authority (CDA), Kenya. The aim of the study was to examine the perception of top management and strategy implementation at the Coast Development Authority. A descriptive research on CDA's top management team. The outcome of the analysis revealed that TMT involvement was considered either as not adequate. Top managers were also involved in strategy implementation: these included allocation of resources to strategy related activities, review of strategy implementation progress. The study looked at only one element of TMT – perception. This study will investigate quite a number of TMT attributes and how they affect innovation performance.

Okungu (2017) researched on top management team characteristics and strategy implementation in Nairobi county Kenya. The aim of the research was to establish the effect of top management team on strategy implementation. The indicators of top management team were executive diversity, gender diversity, age, size and tenure. A illustrative research design was embraced where primary data was used to gather via semi-structured questionnaire. The gathered data was analyzed through correlation investigation and content analysis. The results of the study revealed that TMT diversity affected strategy implementation to a great extent. Okungu (2017) used Pearson Correlation to establish degree of relationship between the variables thus making it hard to predict how TMT parameters affect the dependent variable. The current study proposes

fill the methodological gap by using multiple linear regression to establish exactly how TMT diversity affects innovation performance.

In Nairobi County, Kenya, audit firms' top management teams' roles in plan execution were examined by Kinuthia (2018). The study's goal was to determine top management's responsibility for executing strategy in audit firms in Nairobi, Kenya. The research acquired descriptive design. Information was gathered from a sample of 68 audit firms. These data was later analyzed via inferential and graphic statistics. The research found that the tenure, size, diversity and age of the top management is had a significant effect on strategy implementation. Though TMT characteristics was the independent variable, the dependent variable was strategy implementation. The current study will fill this gap by investigating how innovation performance is affected by TMT characteristics.

Top management team characteristics and strategic change outcomes of branch supermarkets in Nairobi County, was srudied by Okello and Ngala (2019).. The aim of the research was to establish the result of top management team demographic traits on strategic change outcomes. The study interviewed managers from the following departments: audit and control manager, IT manager, purchasing and supply manager, human and resource manager from 21 satellite supermarkets in Nairobi County. To gather information, an organized questionnaire was used and investigated through descriptive statistics. The research found that there was a direct and significant association. The study did not address influence of TMT characteristics on innovation performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the processes and methods of research methodology starting with design followed by a description of sample size, sample technique, target population, data collection procedure and instrument, ethical consideration and data analysis techniques. These sections will enable the study the appropriate approach to adopt to ensure the right methodology for obtaining data from target population.

3.2 Research Design

An descriptive cross-sectional research design was used in this research. The study was conducted at a specific point in time and concentrated on illustrating the phenomena i.e. top management team characteristics effects on innovation performance.

This design was embraced as the suitable study design since it facilitates the gathering of original data necessary to obtain the research objectives. Descriptive design is also suitable in assembling important data that can be eligible and reported as a depiction of the real issue or characteristic in a research population.

3.3 Population of the Study

This topic refers to the persons or objects with a common identity related to the research topic (Kumar, 2019). Generalization will be made from these target groups. The study narrowed its focus on all insurance firms in Nairobi County, Kenya hence the research took a census approach. According to IRA (2021), there are 56 registered insurance firms in Nairobi.

3.5 Data Collection

This study collected key information via the use of a structured questionnaire. The primary information sought was on top management teams demographics and innovation performance, Nairobi, Kenya. The structured questionnaire was shared with respondents and responses tabulated by the researcher. The questionnaire comprised of three sections. Section I: covered background of the respondent, Section II: The effect of top management teams' demographics on innovation performance, and section III focused on innovation performance

3.6 Data Analysis

The primary data collected was analysed via descriptive statistics and multiple regression analysis. The responses were tabulated, cleaned, edited, coded and classified using MS-Excel. The descriptive statistics are presented using table, mean and standard deviation. To show whether or not there is a link between TMT and innovation performance of insurance firms, a regression analysis was used. The regression representation is as follows: -

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

α = the Y intercept when x is zero or the constant

β_{ij} = Regression Coefficients

X_1 = TMT Age

X_2 = TMT Gender

X₃= TMT Educational Background

X₄= TMT Functional Background

ε = the error term

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

The data analysis, conclusions, and interpretation are presented in this chapter's order of importance. Results of the research on the top management team demographics and innovation performance of Kenyan insurance companies are shown in this section. Investigating the impact of senior management teams' demography on the innovation performance of insurance firms in Kenya is the goal of this study. Senior management of insurance firms in Kenya were the study's target respondents.

4.1.1. Response Rate

In this investigation, out of the 55 questionnaires that were provided, 35 were entirely completed and thus useful for the study. This is a response rate of 64%. Mugenda & Mugenda (2003), recommends that a response of >60% is required for thorough data analysis.

4.2 Organization Profile

The study aimed to assess the firms profile based on the number of years in since inception and the number of employees in the organisation. To determine the relationship between the provided information and the overall company profile was the stated goal for this information.

4.2.1 Years of Operation in Kenya

The research sought to establish the age of the company in Kenya. Table 4.2.1 below shows the summary the results.

Table 4.2.1 Age in Kenya

Age in Kenya	Frequency	Percent
11 – 20 years	10	29
21 – 30 years	5	14
Over 30 years	20	57
Total	35	100.0

Source: Authors Survey (2022)

According to the data in table 4.2.1, 57% of insurance companies have been in business in Kenya for more than 30 years, 29% have been in business for between 11 and 20 years, and 14% have been active in the Kenyan market for between 21 and 30 years. This proposes that the majority of insurance companies in Kenya have operated for a sufficient amount of time to be familiar with the dynamics relating to market-appropriate innovation.

4.2.2 Size of Firm

The research required respondents to provide information on the number of employees in the firm. The table 4.2.2 provides the summary.

Table 4.2.2 Size of the firm

Number of Employees	Frequency	Percent
51 – 100 employees	4	11
101 – 150 employees	7	20
151 – 200 employees	14	40
Over 200 employees	10	29
Total	35	100.0

Source: Author Survey (2022)

Table 4.2.2 shows that 11% of businesses have between 51 and 100 employees, 20% had between 101 and 150 employees, and the majority of businesses had between 151 and 200 employees, accounting for 40% of the sector. 29% of businesses had more than 200 employees. As a result, the companies had a sufficient number of employees to offer a possibility for demographic diversity.

4.3 Top Management demographics

Descriptive statistics was utilized to establish summary statistics of the independent variables namely, age diversity, gender diversity, educational diversity and functional experience diversity. Mean and standard deviations were used as illustrated in table 4.3.1.

Table 4.3.1 Descriptive Statistics

TOP MANAGEMENT DEMOGRAPHICS	Mean	SD
Age diversity	3.85	0.76

Educational diversity	3.82	0.82
Functional experiences diversity	3.48	0.71
Gender diversity	3.2	0.87

Source: Authors Survey (2022)

Table 4.3.1 reveals that insurance companies in Kenya have a high age diversity relative to the investigated demographics in this study as exhibited by a mean of 3.85. Education diversity was found to have a mean of 3.82 while functional experience had a mean of 3.48. Gender diversity had the lowest mean implying that there is no gender parity within the sector.

4.4 The role of top management teams on innovation performance

The purpose of the study was to ascertain how Kenyan insurance companies' top management teams demographics affected their performance in terms of innovation. Multiple regression was employed in the study on the independent variables of gender, functional experience, age, and educational variety. A summation of the regression analysis model is shown in Table 4.4.1.

Table 4.4.1 Model Summary on Innovation Performance

Regression Statistics	
Multiple R	0.398
R Square	0.158
Adjusted R Square	0.046
Standard Error	0.656

Observations	35

Source: Authors Survey (2022)

Table 4.4.1 of the research findings demonstrates that R squared is 0.158, signifying that variations in the predictor variables can account for 15.8% of the variation in innovation performance in insurance businesses. The remaining 84.2% of the model's unexplained variation can be accounted for by other variables that may also contribute to variability in innovation performance.

Table 4.4.2 ANOVA Table on Innovation Performance

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	4	2.424	0.606	1.410	0.254
Residual	30	12.895	0.430		
Total	34	15.319			

Source: Authors Survey (2022)

The findings in Table 4.3.3 shows whether the model was a good fit. The independent variables are poor predictors of innovation performance, as seen in the table. The total

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model is not statistically significant at the 95% confidence level, as shown by the p-value 0.25>0.05.

Table 4.4.3 Regression Coefficients on Innovation Performance

	Coefficients	Standard Error	t Stat	P-value
Intercept	2.042	1.064	1.918	0.045
AD	-0.101	0.142	-1.974	0.043
GD	0.139	0.069	2.008	0.044
ED	0.178	0.170	1.046	0.304
FED	0.126	0.243	2.520	0.007

a. Dependent Variable: Innovation Performance

b. Predictors: Age Diversity (AD), Gender Diversity (GD), Education Diversity (ED), Functional Experience Diversity (FED).

$Y= 2.042-0.101X_1+0.139X_2+0.178X_3+0.126X_4$

As observed in the above table, education diversity is positively correlated with innovation performance (t=1.046, p=0.304), however the relationship is statistically insignificant at the 95% confidence level (t=1.046<1.96; p=0.304>0.05). Age diversity is statistically significantly correlated with lower levels of innovation performance (t=-1.974>-1.96; p=0.043>0.05). It was discovered that gender diversity (t=2.008; p=0.044) and functional diversity (t=2.520; p=0.007), two of the top team management demographics variables, were positively related to innovation performance. These two variables are statistically significant at the 95% confidence level as (t=2.008>1.96; p=0.044<0.05) and (t=2.520>1.96; p=0.007<0.05), respectively. When the independent variables are at 0 and held constant, the constant 2.042 predicts that innovation performance in insurance firms will perform favorably by 2.042 units. An increase in age diversity will cause a 0.101 unit drop in innovation performance, according to the beta value of 1, while a unit increase in gender diversity will cause a 0.139 unit increase in innovation performance, according to 2. However, 3= 0.178 indicates that a one-unit rise in educational diversity would result in a 0.178-unit shift in innovation performance, and 4= 0.126 indicates that a one-unit increase in functional experience diversity will result in a 0.126-unit related increase in innovation performance.

4.4.1 Discussion of findings

The objective of this study was to determine how top or senior management teams' demographics affected the performance of innovation in Kenyan insurance firms. Running a multi-variate regression model with variability in age, gender, education, and functional experience as the independent factors allowed us to achieve our goal. The outcomes of the multiple regression analysis showed that the demographics of the senior

management team influenced innovation performance by 15.8%. This shows that although while the top team management demographics are thought to be key to innovation performance, they have not yet played a sizable part in the innovation performance of Kenyan insurance firms. At a 95% confidence level, the models used were not statistically significant.

The innovation performance of insurance firms in Kenya was found to have a negative connection with age diversity. This suggests that the diversity in the average age of the senior management team will affect innovation performance negatively and positively. Age is a crucial demographic factor as it is used to predict a person's experiences outside of work. These experiences are shared by people of a similar age, which results in attitudes and views that are similar (Rhodes, 1983). Therefore, it is expected that a person's age will affect their perspectives and choices when making strategic decisions. Contrary to a study by Bantel and Jackson, it's incorrect to conclude that age diversity has a negative relationship with innovation performance. The authors discovered a strong correlation and made the case that teams of different ages have encountered various political, social, and economic environments and events, resulting in a variety of attitudes, values, and visions that have a great influence on their strategy, innovation, adjustment, and direction. Teams with individuals of varied ages have a higher propensity for innovation because different attitudes and ideals can foster team creativity in unpredictable settings. However, the current results of this study shows that age homogeneity results in the ability to quickly come to an agreement on a chosen strategic course, in line with Bantel (1993).

The outcomes of this study show that gender diversity has a beneficial effect on innovation performance. This is consistent with findings from Faems and Subramanian (2012), who found a link between technological success and gender diversity in Singaporean R&D units. One explanation for the increased productivity seen in R&D units with a significant gender diversity is the distinct behavioral styles that these groups use to improve communication and decision-making (Fenwick & Neal, 2001; Henry, Kmet, Desrosiers & Landa, 2002). Although executives of either gender perceive risk differently, Peng and Wei (2007) contend that a male dominant team performs better because male executives are more proactive, take more risks, and more likely to be overconfident. Their findings do not support their hypothesis. Male executives are therefore more daring and adopt creative, aggressive corporate plans.

Innovation performance has been proven to be favorably correlated with educational diversity. The conclusion is consistent which implies that vertical educational variety considerably raises the likelihood to engage in R&D. This result is valid for both the straightforward logic estimation and the estimations that take endogeneity into account by utilizing within-firm variation and adopting vertical educational diversity. These findings are inconsistent with those of Parrotta, Pytlikova and Pozzoli, (2014), who find that a combination of vertical and horizontal educational variety has no consequence on the tendency to patent in Denmark. This result is consistent with the interpretation that patenting is tied to R&D. This implies that various levels of education offer various kinds of expertise that enhance corporate performance.

Prior research has used the TMT's educational attainment as a predictor of the team members' skills (Wiersema and Bantel, 1992). They contend that greater cognitive

complexity ought to be connected to higher degrees of schooling. According to Ginsberg (1990), cognitive ability and complexity is linked to a team's ability to deal with environmental unpredictability and make decisions that would encourage renewal and change inside an organization. According to the author, educational level can be used to deduce cognitive complexity.

Consequently, a team with more education may be more cognizant of the need for innovation and change (Wiersema & Bantel, 1992); can more quickly process information; have the capability to differentiate from a larger variety of stimuli and signals; and able to rigorously analyze highly complex problems with multiple dimensions (Herrmann & Datta, 2005).

According to other research findings, senior management teams with high average level of education can tolerate the lack of clarity, are more open to new concepts, and have the foundation of skills and information required to seek out new chances and weigh a variety of decisions (Herrmann & Datta, 2005). Numerous studies in the past have discovered a relationship between a high educational level and favorable views toward innovation and tactical change (Bantel, 1992, Camelo et al., 2005; Schoeneker et al., 1995).

The main justifications for functional diversity center on the notion that managers with various levels and types of functional experience will probably have various types and levels of knowledge, as well as various viewpoints and attitudes regarding the matters that must be decided upon by TMT. Functional variety, according to some authors, inspires more extensive discussion and debate about the various approaches to focus an organization's activities, resulting in more creative, higher-quality solutions (Hambrick et

al., 1996 ; Bantel & Jackson, 1989). The members of the TMT become more conscious and include additional perspectives in their assessments when variety results in disagreements about opportunities, risks, or the development of future markets, which in turn allows for more innovative actions (Miller et al., 1998).

According to some academics, TMT tenure diversity can bring together individuals from various backgrounds, viewpoints, attitudes, and beliefs, which can encourage the TMT to be more open to change and innovation (Barkema & Shvyrkov, 2007). According to Wierseman and Bantel (1992), a person's period of introduction into a group plays a significant role in determining their communication habits within it. Because group members believe they can anticipate their peers' perspectives, long average group tenure leads to decreased overall communication levels and increasing specialization (Wiersema & Bantel, 1992; Katz, 1982). Long team tenure may therefore result in increased isolation from outside knowledge sources, which may make team members less open to change and innovation.

In comparison, a new executive may bring new thinking from outside the TMT and the company while a manager who has experience as a TMT has exposure to prior innovations and will likely have a different perspective, experience, and understanding of the opportunities in innovation (Barkema and Shvyrkov, 2007).

CHAPTER FIVE: SUMMARY OF STUDY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides an outline of the study, conclusions, recommendations and the limitations of the study. The objective of the study was to establish the role of top management team demographics on innovation performance of insurance companies in Kenya.

5.2 Summary

The top management teams' demographics and innovation performance in Kenyan insurance companies was the main objective of the research. The goal was to determine how the demographics of top management teams affected the performance of innovation in Kenyan insurance companies. 56 insurance firms in Kenya were the focus of the survey-based study, which used a descriptive cross-sectional research approach. A web-based Google Form survey was used to gather data and was distributed to the top leadership teams of the insurance company via email and WhatsApp.

The results show that there is some influence of top management demographics on innovation success in insurance organizations. The study's multiple regression model's positive coefficients, which represent the association between the variables, expose that gender diversity, functional experience diversity, and education diversity are all favorably connected to innovation performance. However, it was discovered that the performance of innovation was negatively correlated with age diversity within top management teams.

Therefore, the top management demographics have a 15% effect on innovation performance across Kenyan insurance enterprises.

5.3 Conclusion

The top management team's demographics do have an impact on innovation success in Kenyan insurance companies. While the many researched factors have some influence on innovation success, other factors may be more significant and better predict innovation performance.

According to the study, in order to promote innovation performance in Kenyan insurance organizations, senior management should be in the same age range. Furthermore, the study contends that, despite being positively correlated with innovation performance, educational diversity is not statistically significant; consequently, when hiring top management teams, businesses may need to place more emphasis on ability and originality than just education.

5.4 Recommendations

Given that results show a negative effect of age diversity on innovation performance, insurance companies may consider hiring more age homogenous teams in their top management which would support faster decision making and alignment when it comes to driving innovation and innovation performance in the firms.

These findings obviously provide a challenge to management practices at the firm level. They ought to be mindful of the potentially harmful effects that more educational diversity may have on the effectiveness of translating R&D findings into commercially

successful goods. Given that they also need to take into account the potential effects on diversity of a change in the education level of employees, it is undoubtedly a very challenging undertaking. Given that organizations often have relatively low average proportions of highly educated people, an increase in general educational level is typically positively correlated with the market success of innovative products since it tends to promote variety. Thus, management systems must take these difficulties into consideration by promoting communication among people with different levels of knowledge.

There are repercussions for a nation's educational system as well. To provide businesses more flexibility to produce the best possible education variety, the educational system should offer an optimal mix of degrees at various educational levels. We can see from analyses of the skills gap in various institutions that this is a problem in many nations (i.e. Morrison et al. 2011). This calls for an inviting institutional setting and a favorable attitude on the part of the populace and businesses toward educational endeavors, including vocational education. Additionally, the employment market should be strong enough to boost people's willingness to pay for formal education.

Additionally, businesses must consider the diversity of functional experience within top management teams. The teams' varied experiences would boost the diversity of their ideas, improving the firms' performance in terms of creativity.

5.5 Study Limitations

The shortcomings of this article should be addressed in follow-up studies. First, the researcher's identification technique focuses on variance inside firms rather than that

across different industries. The specific interrelations between levels of education remain veiled and should be studied in the future, especially as it was also discovered to be statistically unimportant, even if this work shows that educational variety boosts innovative performance.

Despite the useful information this study has provided, there are some limitations: a simple multiple regression model was used to determine the relationship between the top management team demographics and innovation performance, but there are other factors that could have affected this relationship and should have been considered in the analysis. The model also presupposed a linear relationship between the performance of the top management team and innovation, which may not have been the case. The senior management team's demographic effects cannot be linked back to a cause by the model. This study also employed a survey methodology. It is a valid methodological technique, but it can limit the depth of the revelations.

5.6 Suggestions for further research

To investigate other factors that affect innovation performance in Insurance firms in Kenya. This would be a great topic as it would help to unearth the reasons why there is very low innovation adoption and innovation performance within the Insurance firms in Kenya. These factors could include the investment in research and development, regulatory requirements, organizational culture among others.

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APPENDIX I: QUESTIONNAIRE

SECTION A: ORGANIZATION CHARACTERISTICS

1. How long has your company been operating in Kenya?

    0 – 10 Years   [ ]   11 - 20 Years   [ ]

    21 - 30 Years   [ ]   Above 30 Years   [ ]

2. How many employees does your company have?

    0 – 50 Employees   [ ]   51 – 100 Employees   [ ]

    101 – 150 Employees   [ ]   151 – 200 Employees [ ]

    Over 200 Employees   [ ]

SECTION B: TOP MANAGEMENT TEAM DEMOGRAPHICS

3. Below are several statements on the demographics of top management team. Please indicate the extent to which you agree with each of the statement with regard to your firm. Use a scale of 1-5 where; 1= No Extent, 2 Little Extent, 3=Moderately Extent, 4= Great Extent, 5= Very Great Extent.

	TOP MANAGEMENT CHARACTERISTICS	Respondents Rating				
		1	2	3	4	5
4.	Top management team in my organization has a high age diversity					
5.	The gender diversity of our top management team is high					
6.	Members of our top management team have extensively					

	diverse educational background					
7.	The functional experiences of our top management team are very diverse					

SECTION C: INNOVATION PERFORMANCE

To what extent do you agree with following statement as measures of innovation performance? : Use a scale of 1-5 where; 1= No Extent, 2 Little Extent, 3=Moderately Extent, 4= Great Extent, 5= Very Great Extent.

	INNOVATION PERFORMANCE INDICATOR	Respondents Rating				
		1	2	3	4	5
8.	My company develops new products/services with speed					
9.	We launch new products/services on time					
10.	Changes in our business processes are introduces with speed					
11.	We respond quickly to new processes introduced by competitors					
	We swiftly alter business processes to adopt to latest technologies					