COMPETITIVE ADVANTAGE AND PERFORMANCE OF INSURANCE ORGANIZATIONS IN KENYA

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ABSTRACT
The insurance industry in Kenya has been characterized by increased competition, technological changes, globalization as well as unfavorable market conditions most of which have negatively affected the performance of these firms immensely. The main motive of this study was to assess the influence of competitive advantage on the performance of insurance firms in Kenya. The study also sought to establish the moderating effect of the legal and regulatory framework on the performance of the insurance firms. The paper was anchored on the Resource based theory and open systems theory. The philosophical foundation of the study was positivism, and descriptive cross-sectional survey research design was adopted. The target population for the study comprised all the 50 insurance firms while a sample of 384 employees was selected using stratified random sampling. Primary data was collected using questionnaires which were pretested for reliability and validity to determine it suitability for use in the study. Quantitative data was analysed using descriptive and inferential statistics and results presented using charts and tables while content analysis was used for qualitative data. Inferential statistics, correlation, multiple regression analysis were used establish the nature and magnitude of the relationships between the variables and to test the hypothesized relationships. The study findings indicated that competitive advantage was found to have a significant and positive impact on the performance of the insurance companies in Kenya. The study concluded that competitive advantage was a key influence in firms’ performance while the insurance industry was mainly based on how much an organization remained consistence in competitive advantage.

Keywords: Competitive Advantage, legal and regulatory framework, Firm performance and Insurance companies.
1.0 INTRODUCTION

1.1 Background of the Study

The prevalent business environment has become highly competitive and challenging for firms operating in the global markets (Kotler & Armstrong, 2006). The global business environment is characterized by norms such as globalization, deregulation of markets, aggressive competition, mergers and acquisitions and ever-rising expectations of customers. The increasing rapid changes in customer preferences in technological advancement and increasing aggressive competition, necessitates development of mechanisms by businesses to produce markets’ information, examine it, and take action accordingly. Competitive advantage is a condition or circumstance that puts a company in a favorable or superior business position gained by offering consumers greater value. Competitive advantage is conceptualized as strategies comprising of cost, differentiation and focus with competitors (Porter, 2008). It’s also conceptualized along the dimension of innovation and resources which create a competitive advantage and consequently performance. In the modern business environment, competition among the business firms has reached an extraordinary level and obtaining bearable competitive advantage has become a key to survival for most of the firms. The current study conceptualizes competitive advantage as a combination of innovation and resources in an organization. Dobni (2008) posits that a decisive commitment to innovation put firms in a position to monitor and adapt quickly to changes in the environment consequently achieving superior performance.

The insurance industry in Kenya consists of a number of players namely; insurance companies and reinsurance companies, intermediaries and other service providers. The insurance industry grew by 20.3% in 2014. However, the penetration of insurance in Kenya is still low at 2.92%. Investment earnings and other income increased by 6.5% from Sh 42.76 billion to Sh 45.55 billion. The insurance industry’ total assets increased by 16.3% in 2014 to Sh 417.43 billion from Sh 358.82 billion in 2013. According to IRA (2016), there are 50 insurance companies, 196 licensed insurance brokers, 28 medical insurance providers (MIPs), 5,155 insurance agents, 133 investigators, 108 motor assessors, 26 loss adjusters and 29 insurance surveyors in Kenya as at July 2015. The industry has been faced by various challenges key among them being fraud, low intake of insurance products and premium rate undercutting brought about by an increasingly competitive environment.
1.2 Statement of the Problem

The Kenyan insurance industry has been over the years facing tremendous challenges from globalization, to unhealthy competitions and technological changes. This has seen most of the insurance companies in Kenya continue recording poor performance rates with other dropping their profit margins while others recording huge losses. According to a report by AKI (2015), the overall insurance penetration in Kenya declined from 2.93% in 2014 to 2.79% in 2015 while the profitability of the industry declined from Sh15.5 billion in 2014 to Sh11.57 billion in 2015. On the other hand, competitive advantage has been argued to be a key influence in firm performance and growth. Through better and unique strategies aimed unveiling the operations of the firms, competitiveness is achieved out of which performance enhances (Etel et al., 2004). In this regard, the complications in the markets, aggressive competition, globalization, varying customers’ needs and wants, organizations need a strong competitive advantage and modern marketing practices to stay competitive. Empirical studies have revealed controverting results on the relationship between competitive advantage and firm performance. For instance, Van Raaij and Stoelhorst (2008) established that firm performance is in greater scope determined by the competitiveness put across by the firm’s operations thus differentiating them from those of their competitors. Elsewhere, Dobni (2008) found that other strategies such as customer relationship management as well as marketing viability were responsible for firm’s performance as opposed to competitive advantage. Part of the empirical studies herein show an uncoupling relationship between competitive advantage and firm performance while others show a link between the two. Moreover, there is scarce evidence on the performance of insurance firms in connection with the competitive advantage while most of the studies have been carried out elsewhere especially in the developed countries. It is against this background that the study sought to fill these gaps by establishing the influence of competitive advantage of performance of Insurance companies in Kenya.

1.3 Objectives of the Study

i. To establish the relationship between competitive advantage and performance of insurance companies in Kenya

ii. To determine the moderating effect of legal and regulatory framework on the relationship between competitive advantage and performance of insurance firms in Kenya.
2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Resource Based Theory

Put forward by Penrose (1959), the resource based theory upholds the need for unique resources as a strategy to enhance firm performance and competitiveness. According to O’Cass et al. (2004), organization’s competitiveness is held on its ability to bring on board the unique resources that are different from those of their competitors thus gaining competitive advantage. Barney (1991) on the other hand noted that employees’ skills and management abilities stand out to be the most unique resources in an organization that ought to enhance competitiveness hence there is need for modern organizations to focus on investing in strategies that promote such resources. Day (1994) argued that intangible assets such as competitive advantage, knowledge management and organizational learning permit firms to expand capabilities that improve competitive advantage leading to enhanced market performance. The theory was therefore considered appropriate in determining the relationship between competitive advantage and performance of the insurance firms in Kenya.

2.1.2 Open Systems Theory

In open system theory for organizations to be successful, they should continuously interact with the environment for inputs and outputs Von Bertalanffy (1950). These inputs should be efficiently converted in to outputs which should be accepted by the environment. Open and adaptive organizations possess a highly permeable boundary while closed organizations possess an impenetrable boundary. Even though there is vast diversity in the perceptions offered by open systems theories, they share the perspective that a firm’s survival depends upon its association with the environment (Pfeffer & Salancik, 2003).

Although there is a great variety in the perspectives provided by open systems theories, they share the perspective that an organization’s survival is dependent upon its relationship with the environment. This theory is relevant since it highlights that the firms’ performance is dictated by the kind of environment that it operates in. This theory thus emphasizes that for organizations to be successful, they should continuously interact with the environment for inputs and outputs and the inputs should be efficiently converted in to outputs acceptable by the environment.
2.2 Empirical Review

Zhou, Brown and Dev (2009) carried out a study on the influence of consumer worth and competitive advantage on firm performance. The study focused on the hotel industry and established that competitive advantage was subject to firm performance in that it enables the differentiation of the firms operations and products thus standing a chance at the market aperture. Elsewhere, Alalak and Tarabiesh, (2011) did a study on the influence of competitiveness on the organizational performance. The study established that competitive advantage significantly and positively influenced the firm performance through distinguished operations. Kamya, Ntayi and Ahiauzu (2015) examined the relationship between knowledge management, competitive advantage and competitive advantage. The study found that when market-based knowledge is appropriately responded to, it augments the competitiveness of the organization. The study used legal and regulatory framework and competitive advantage as moderating and independent variables respectively. The study, nevertheless, did not include firm performance as a dependent variable. Based on these previous studies, it can be deduced that competitive advantage plays important mediating role in determining the performance of an organization.

Slater and Narver (1994) studied the impact of the competitive environment on the market orientation and performance relationship of 81 strategic business units and found inadequate support for the moderating effect of the market turbulence, competitor hostility, market growth, buyer power, technological turbulence and competitor concentration. In support, Greenley’s (1995) study on 240 UK companies across industries found that the market orientation and firm performance association may be positive or negative depending on competitive environment. Appiah-Adu (1998) studied the moderating effect on the market orientation and subjective performance indicators measured in terms of sales growth and return on investments relative to expectation of 74 Ghanaian firms. The results indicated that the market orientation and performance association is moderated by the business environment.
2.3 Conceptual Framework

![Conceptual Framework Diagram]

**Independent Variable**
- Competitive Advantage
  - Substitution threat
  - Customer base
  - Differentiation

**Dependent Variable**
- Organizational Performance
  - Product penetration
  - Market Share
  - Employee turnover
  - Number of branches
  - Customer loyalty

**Legal and Regulatory Framework**
- Taxation policies
- Licensing requirements
- Consumer protection

Moderating Variable

Figure 2.1: Conceptual Framework

3.0 RESEARCH METHODOLOGY

3.1 Research Design
The study adopted a descriptive cross-sectional survey. According to Cooper and Schindler (2006), cross-sectional studies are carried out once. They help a researcher establish whether significant associations among variables exist at some point in time (Mugenda, 2008). This therefore gave the design the first choice as the research design for the study.

3.2 Target Population
The target population for the study comprised of the insurance companies in Kenya. As at the end of 2015, there were 50 operating insurance companies (AKI, 2015). The firms are categorized into three; Composite Insurance firms, Life Assurance firms and General insurance firms.
3.3 Sampling
A census study was employed since all the 50 insurance firms were studied and categorized into three categories. This study used stratified random sampling method to sample the employees according to the category (strata) of the insurance firm they worked for. The strata were those of Composite Insurance firms, Life Assurance firms and General insurance firms. Within each of the strata, simple random sampling was done to select individual employees who were issued with questionnaires to answer to research statements.

The sampling formula by Cochran (1963) was used to calculate the sample size for the study as follows;

\[ n = \frac{Z^2 \cdot p \cdot (1-p)}{d^2} \]

Where:
\( n \) is the sample size for large population,
\( Z \) = Normal distribution Z value score, (1.96)
\( p \) = Proportion of units in the sample size possessing the variables under study, where for this study it is set at 50% (0.5)
\( d \) = Precision level desired or the significance level which is 0.05 for the study

The substituted values in determining the sample size for a large population are as follows.
\[ n = (1.96)^2 \cdot (0.5)(0.5) = 384 \]

3.4 Validity and Reliability of the Research Instruments
The questionnaire was tested for validity and reliability. Validity refers to the degree to which the measuring instrument is truly measuring what it is intended to measure while reliability refers to the internal consistency of the measuring instrument.

3.5 Pilot Testing
Questionnaire was tested on 5% of the sample population to guarantee that it was appropriate and useful. Reliability was tested using questionnaires duly completed by twenty (20) randomly selected respondents. The respondents who participated in pilot testing were not included in the final study so as to control response biasness as recommended by (Mugenda, 2008).
3.6 Data Analysis and Presentation

The process of data analysis for the primary data involved an initial stage of editing, coding, and tabulation in order to detect any anomalies in the responses and assign specific numerical values to the responses for further analysis (Zikmund, 2010).

Qualitative data analysis involved coding and systematically put into themes the responses to open-ended questions which were analyzed through content analysis. Quantitative data was analyzed using descriptive and inferential statistical techniques. Descriptive statistics was used to present the main characteristics of the sample and involved use of mean, measures of dispersion and percentages.

Inferential statistics was used to test the hypotheses of the study; this included Pearson correlation analysis and regression analysis using SPSS version 22 software. Pearson Correlation analysis tools were used to investigate relationships between competitive advantage and performance as recommended by (Scarborough & Tanenbaum, 1998). The study employed simple and multiple regression models which involved analyzing mediation and moderation effects in stepwise and hierarchical fashions (Field, 2009).

4.0 FINDINGS

4.1 Respondent Rate

Out of the 384 questionnaires administered, 292 were filled and returned. This represented a response rate of 76%. Response rate results are presented in Table 4.1. According to Wimmer and Dominick (2006), a response rate of 21% – 70% is acceptable for self-administered questionnaires. It guarantees accuracy and minimizes bias.

Table 1: Response Rate

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned</td>
<td>292</td>
<td>76%</td>
</tr>
<tr>
<td>Unreturned</td>
<td>92</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>384</td>
<td>100%</td>
</tr>
</tbody>
</table>
4.2 Descriptive Statistics

Competitive Advantage
The study sought to analyse the effect of competitive advantage on performance of insurance companies in Kenya. The respondents were asked to indicate their level of agreement on specific statements, based on the five-point Likert’s scale. The measures of the variable were substitution threats, new entrant threats, customer base, differentiation and cost leadership.

As the findings portray, the aggregate mean score for competitive advantage stands at 3.90 and a standard deviation at 1.02. This implies that the insurance organisations have put in place strategies to enhance them achieve competitive advantage such as being innovative and having the right resources at the right time. The resources include financial and human. The companies should have human resource capabilities that are valuable, rare, inimitable and organised to gain competitive advantage and thus superior performance. This is supported by the statement suggesting that their firm constantly launches effective insurance promotions with a highest mean score of 4.16 and a standard deviation of 0.948.

The findings are consistent with Barney (1991) who posited that firms achieve sustainable performance advantage by securing rare resources of economic value and the ones that competitors and other rivals cannot easily imitate or substitute. Similarly, Dobni (2008) posited that a decisive commitment to innovation puts firms in a position to monitor and adapt quickly to changes in the environment, consequently achieving superior performance.

The results of the descriptive analysis results are as shown in table 4.2.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firm gives our customers complete information so they may use our</td>
<td>3.92</td>
<td>1.02</td>
</tr>
<tr>
<td>products to the full and are satisfied with them</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our firm constantly launches effective insurance promotions</td>
<td>4.16</td>
<td>0.94</td>
</tr>
<tr>
<td>The customers are loyal to our products and services and they rarely</td>
<td>4.07</td>
<td>0.89</td>
</tr>
<tr>
<td>switch to new firms or competitors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our firm constantly offers unique products to the customers through</td>
<td>3.97</td>
<td>0.92</td>
</tr>
<tr>
<td>embracing R&amp;D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our firm is quicker than the competitors in responding to changes in</td>
<td>3.88</td>
<td>0.97</td>
</tr>
<tr>
<td>customers’ requirements</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Legal and Regulatory Framework**

The study sought to analyse the moderating effect of legal and regulatory framework on the relationship between competitive advantage and performance of insurance companies in Kenya.

The respondents were asked to indicate their levels of agreement on specific statements on legal and regulatory framework based on a five-point Likert's scale. The measures of the variable included taxation policies, licensing requirements and consumer protection. The descriptive analysis results are shown in table 4.3.

The findings revealed that the aggregate mean score for legal and regulatory framework stands at 3.98 and a standard deviation at 0.96. This indicates that insurance organisations have to put in place strategies to control the legal and regulatory framework for them to achieve their goals. The findings imply that the industry operates in a turbulent environment and for it to survive, it has to scan the legal and regulatory framework carefully.

This was made so by the customer change of preferences and demand for more information on the products. The government also made more institutional policies, which required the insurance organisations to disclose all the hidden information on their mode of operation to ensure consumer protection.

The statement that senior management spends valuable time dealing with the government had the highest mean score of 4.22 while the standard deviation stood at 0.62. The statement whether the government provides a framework that promotes the development of the insurance sector had the lowest mean score of 3.72 and a standard deviation of 1.185, implying that there are strict regulations set by the government, which the firms have to comply with so as to enhance performance. The findings are consistent with those of Akomeo and Yeboah (2011) who found
that the practice of market orientation in the various categories of the industry differs with an increase in size, organisational commitments of the firms involved and environmental factors.

The legal and regulatory framework factors of market turbulence, competitor intensity and technological turbulence were used as consequences of market orientation. Three legal and regulatory framework factors of competitor intensity, market and technology factors were found to have significant moderating effect.

Table 4.3: Descriptive Results on Legal and Regulatory Framework

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firm’s operations are affected by taxes and other levies</td>
<td>3.80</td>
<td>1.24</td>
</tr>
<tr>
<td>The government regulates the amount of information provided to customers to avoid fraudulent activities in the sector</td>
<td>4.10</td>
<td>1.09</td>
</tr>
<tr>
<td>Our company operations are affected by insecurity</td>
<td>4.17</td>
<td>0.89</td>
</tr>
<tr>
<td>The government plays a key role in policy formulation and implementation in services sector</td>
<td>4.05</td>
<td>0.83</td>
</tr>
<tr>
<td>The regulatory agency ensures that consumers are protected and necessary education offered about the industry</td>
<td>4.07</td>
<td>0.92</td>
</tr>
<tr>
<td>The government also ensures that there are laid policies and structures to ensure institutional capacity</td>
<td>3.87</td>
<td>1.01</td>
</tr>
<tr>
<td>The government provides a framework that promotes the development of the insurance industry</td>
<td>3.72</td>
<td>1.18</td>
</tr>
<tr>
<td>The firm adheres to the guidelines set by the regulator</td>
<td>3.92</td>
<td>0.99</td>
</tr>
<tr>
<td>Senior management spends valuable time dealing with the government</td>
<td>4.22</td>
<td>0.68</td>
</tr>
<tr>
<td>There are government administrative regulations that constrain business</td>
<td>3.89</td>
<td>0.76</td>
</tr>
<tr>
<td><strong>Aggregate Score</strong></td>
<td><strong>3.98</strong></td>
<td><strong>0.96</strong></td>
</tr>
</tbody>
</table>

Performance of Insurance Organizations

The study sought to establish the performance of insurance companies in Kenya. As the main variable in the study, the respondents were asked to rate the performance of their organisations based on the Likert’s scale. The specific measures for the variable were product penetration, market share, employee turnover, number of branches and customer loyalty. The descriptive analysis results are as shown on table 4.4.

The findings revealed that the aggregate mean score for performance stands at 3.93 and a standard deviation at 0.98.
This indicated that the respondents agreed that the performance of the insurance organisations is effective, efficient and financially viable. This was supported by the fact that the level of customer satisfaction was high, the market share was also high and there was improved product awareness and penetration in the markets. The statements “our firm uses feedback to improve itself”, “our firm’s level of customer satisfaction has improved compared with our competitors” and “our products and services are highly rated” had a mean score of 4.15, 4.13 and 4.12 while the standard deviation stood at 0.842, 0.978 and 0.827 respectively.

The results are in support of Trkman and McCormack (2009) who asserted that measuring performance is important for companies because it helps the organisation to attain the level of organisational success or failure. It also serves as a yardstick for achieving significant improvement in the overall organisational activities.

Organisation performance should be measured not only in terms of market share, return on investment and financial profitability, but should encompass qualitative and quantitative parameters of measurement. This approach is supported by Njoka (2013) who categorises organisation performance indicators in terms of customer loyalty, customer satisfaction, customer complaints, customer retention and growth in market share.

**Table 4.4: Performance of Insurance Organisations**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our firm’s level of customer satisfaction has improved compared with our competitors</td>
<td>4.13</td>
<td>0.97</td>
</tr>
<tr>
<td>The customers are loyal to our products and services and they rarely switch to new firms or competitors</td>
<td>4.07</td>
<td>0.89</td>
</tr>
<tr>
<td>Our customers feel safe in their transactions when dealing with us</td>
<td>3.91</td>
<td>1.01</td>
</tr>
<tr>
<td>Our firm consistently has more revenue than expenses</td>
<td>3.87</td>
<td>0.99</td>
</tr>
<tr>
<td>Our profit margins have been increasing over the years</td>
<td>3.64</td>
<td>1.06</td>
</tr>
<tr>
<td>Our company diversifies levels of funding sources</td>
<td>3.75</td>
<td>1.02</td>
</tr>
<tr>
<td>Our firm rarely gets short/long term loans from financial institutions</td>
<td>3.84</td>
<td>1.06</td>
</tr>
<tr>
<td>Our firm hardly receives complaints about our products and services</td>
<td>3.87</td>
<td>1.20</td>
</tr>
<tr>
<td>The organisation uses feedback to improve itself</td>
<td>4.15</td>
<td>0.84</td>
</tr>
<tr>
<td>Our products and services are highly rated</td>
<td>4.12</td>
<td>0.82</td>
</tr>
<tr>
<td>Our firm is able to meet all our customer needs</td>
<td>3.9</td>
<td>0.91</td>
</tr>
<tr>
<td><strong>Aggregate Score</strong></td>
<td>3.93</td>
<td>0.98</td>
</tr>
</tbody>
</table>
4.3 Hypotheses Testing

The total variance explained by the extracted factor is 47.214%. The findings imply that all the sub-constructs regarding performance were closely related and explained organization performance to a great extent.

Table 4.5: Linear Model Summary of Competitive Advantage on Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.918</td>
<td>0.843</td>
<td>0.842</td>
<td>0.26825</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), Competitive Advantage

The coefficient of determination $R^2$ and correlation coefficient ($r$) shows the degree of association between competitive advantage and organization performance. The results of the linear regression indicate $R^2 = 0.843$ and $R = 0.918$. This is an indication that there is a significant relationship between independent variable (competitive advantage) and the dependent variable (performance).

From the model summary table adjusted $R^2$ was 0.842 this indicates that competitive advantage explains 84.2% of variations in organization performance in the regression model for step 3. To test for model fit, ANOVA model was used.

Table 4.6: ANOVA for Competitive Advantage on Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>112.08</td>
<td>1</td>
<td>112.08</td>
<td>1557.57</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>20.868</td>
<td>290</td>
<td>0.072</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>132.948</td>
<td>291</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a Dependent Variable: Performance
b Predictors: (Constant), Competitive Advantage

From the ANOVA table of the stepwise linear regression analysis, it is clear that the model is significant in predicting how competitive advantage determines performance of Kenya’s insurance firms. The regression model achieved a high degree of fit as reflected by an $R^2$ of 0.843 ($F = 1557.57$; $P = 0.000 < 0.05$). The relationship was significant at critical value (0.05) since the reported p-value (0.000) was less than the critical value. This means that the measures of marketing orientation were significant at 95% confidence level which support previous findings from correlation analysis, which reported that there was a significant correlation among the variables ($r = 0.914$). Thus, it was important to test the significance of the predictor to determine its effect on performance.
Table 4.7: Regression of Competitive Advantage on Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Constant)</td>
<td>0.618</td>
</tr>
<tr>
<td></td>
<td>Competitive Advantage</td>
<td>0.085</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.228</td>
</tr>
</tbody>
</table>

a Dependent Variable: Performance

Regression of organizational performance on competitive advantage resulted in a significant beta coefficient of 0.849 with the t-statistic and corresponding p-value of 39.466 and 0.000 respectively. This indicates that a unit increase in competitive advantage would result in 84.9% increase in organizational performance of insurance firms in Kenya.

Moderating Effect of Legal and Regulatory Framework

H0: The legal and regulatory framework does not have a moderating effect on the relationship between competitive advantage and performance of insurance organizations in Kenya

The study was to evaluate the moderating effect of legal and regulatory framework on the relationship between legal and regulatory framework and performance of Kenya’s insurance organizations. Table 4.8 and 4.9 show the results. According to the model summary output, the variables were significantly correlated, where R (coefficient of correlation) was a positive correlation of 0.608. This indicates that the measures of legal and regulatory framework and competitive advantage were strongly related to organisational performance. The study findings imply that legal and regulatory framework moderate the relationship between competitive advantage and organisational performance. The results are in agreement with those of Akomeo and Yeboah (2011) who found that the practice of competitive advantage in the various categories of the sector differs with an increase in size, organisational commitments of the firms and the regulatory environment. The legal and regulatory framework factors of market turbulence, competitor intensity and technological turbulence were used as consequences of competitive advantage.

Table 4.8: Linear Model Summary for Legal and regulatory framework, Competitive Advantage and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.778a</td>
<td>0.606</td>
<td>0.603</td>
<td>0.4258</td>
</tr>
</tbody>
</table>
a Predictors: (Constant), Legal and regulatory framework, Competitive Advantage

Table 4.9 shows the Beta coefficient for competitive advantage was 0.597 with a P-value of 0.000 (P < 0.005) while that of legal and regulatory framework was 0.194 with a P –Value of 0.002 (P<0.005). Hence competitive advantage and legal and regulatory framework are jointly significant in explaining organisational performance.

The linear regression model was:

\[
\text{Organisation Performance} = 0.824 + 0.597 \text{ Competitive Advantage} + 0.194 \text{ Legal and regulatory framework} + \varepsilon
\]

**Table 4.9: Regression of Competitive Advantage and Legal and regulatory framework on Performance**

<table>
<thead>
<tr>
<th>Mode 1</th>
<th>Unstandardised Coefficients</th>
<th>Standardised Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>0.824</td>
</tr>
<tr>
<td></td>
<td>Competitive Advantage</td>
<td>0.597</td>
</tr>
<tr>
<td></td>
<td>Legal and regulatory framework</td>
<td>0.094</td>
</tr>
</tbody>
</table>

a Dependent Variable: Performance

Regarding the moderating role of the legal and regulatory framework factors, the interaction effect of competitive advantage and legal and regulatory framework factors showed that the strength of the relationship between competitive advantage and performance relationship was reduced and significant.

**CONCLUSION**

The study concluded that competitive advantage partially mediates the relationship between marketing orientation and organization performance of Kenya’s insurance firms. Thus, organizations should put in place strategies to help them achieve competitive advantage, such as being innovative and having the right resources at the right time. The study concluded that legal and regulatory framework had no moderating effect on the relationship between marketing orientation and performance of Kenyan insurance firms. The study concludes that firms that are able to adapt and implement competitive advantage contingent on the legal and regulatory
framework conditions are able to exploit the full potential of competitive advantage and achieve superior financial performance.

**RECOMMENDATIONS**

Competitive advantage was found to partially mediate the relationship between marketing orientation and organization performance of insurance firms in Kenya. The study recommends that insurance firms ought to adopt different competitive strategies to stay significant in the market and to beat their potential competitors. The insurance firms’ management should develop and enhance mechanisms of gathering market intelligence, benchmarking to ensure that they meet the best standards and ensuring that they are in constant touch with their customers. This ensures continuous improvement in services and products that are attractive to their customers. The study recommends that the insurance firms should ensure that they have the right resources in the organization and at the right time. This includes both financial and human resources. The resources should also be rare, non-substitutable and non-inimitable to enhance competitiveness and thus firms achieve competitive advantage through the strengths and capabilities of the resources they have.

**REFERENCES**


