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GROWTH STRATEGY AND PERFORMANCE OF INSURANCE COMPANIES IN KENYA

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ABSTRACT

The purpose of this study was to investigate on the growth strategy and the performance of insurance companies in Kenya. This research problem was studied through the use of a descriptive research design. The study focused on ten Insurance companies within Nairobi County which had adopted and implemented various growth strategies. The study employed a census where all the respondents were considered. Questionnaires were the major instrument for data collection. Both qualitative and quantitative data was collected in this study while in data analysis, the study adopted SPSS as a tool with the expectation of descriptive and inferential statistics. The study determined that the growth strategies were embraced in the ten insurance companies in Kenya with regards to Nairobi. The study showed that the lowest correlation was between product development and performance of insurance companies (r=0.404, p<0.01). The highest correlation was between market penetration and performance of insurance companies (r=0.692, p<0.01). However, the regression analysis showed a strong relationship, R^2=0.589 which showed that 58.9% of change in performance of insurance companies in Kenya could be explained by a change of one unit of all the predictor variables jointly. Therefore, the study concluded that; market penetration leads to a higher performance of the insurance companies as compared to diversification, merger and acquisition and product development. From the findings and conclusion, the study recommended that there was need to strengthen the enlightenment of the public on the significance of insurance. The insurance companies should from time to time train their employees at all levels to ensure that they are highly skilled, competent and capable to win clients trust in their dealing because market penetration strategy requires a lot of skills and resources. Insurance companies should actively deal with the re-creation of marketing and market entry procedures as they use new strategies for the offering. Managers in insurance companies should capitalize on feasibility studies aimed at evaluating the effect of growth strategies and this should help them to become competitively informed into making the right decisions and as a result help in ensuring proper product development. Management should instill discipline upon itself by ensuring good corporate governance, promote technological progress and increase its paid up capital regardless of the statutory requirements so that the continued existence of the firm is not jeopardized after undergoing mergers and acquisition.

Key Words: *Market Penetration, Product Development, Diversification, Merger and Acquisition, Growth*

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INTRODUCTION

From definition, growth means the state of increasing in size or improvement in terms of quality which is realized after a process of development (Absanto & Elisifa, 2013). It means both quantitative and qualitative development in businesses. Quantitative growth means an increase in current output, sales revenue, product range, extent of resources and investments. Qualitative growth is about developing the quality of business elements. In business, growth covers technical and administrative developments in order to reach the goals (Durmaz & İlhan, 2015).

Insurance companies play a significant role in the budget by assembling funds from across all income levels and geographical areas, sufficiently, timely and at minimal cost (Omoke, 2012). Regardless of the fact that insurance has been practiced for over many years in the world, its uptake is all together very low both in Kenya and all over the world. In the year 2011, the insurance industry faced a difficult economic environment to the extent that the overall gross premium dropped by 0.8% in real terms as the premium growth in the industrialized countries it was negative 1.1%. In this situation statistics showed that global life insurance premiums shrank by 2.7% in the year.

In Africa, there is low penetration of insurance as explained in a report by (KPMG, 2014). These comprise lack of means, mistrust of financial service providers, reluctance of multinational insurance companies to invest in Africa, lack of reliable information, poor legal and judicial systems, lack of human capital and know-how, shallow financial markets, and failure by societies to hold formal insurance services. In 2012, Africa followed Advanced Asia, North America, Western Europe, and Oceania in insurance penetration at 3.56%. However, at US$66.4 premiums per capita, the continent was ranked last in the world (KPMG, 2014).

The insurance industry in Kenya is controlled by the Insurance Act; Laws of Kenya, Chapter 487. The key partners in the Kenyan insurance industry are middle people, for example, protection intermediaries and protection operators, reinsurance organizations, insurance agencies, chance directors or misfortune agents and other administration suppliers (Insurance Regulatory Authority, 2010). The workplace of the official of protection was set up under its arrangements to fortify the administration control under the Ministry of Finance (AKI, 2011).

Kenya's insurance sector as at the year 2016 comprises of 52 registered, over 200 brokers and over 7700 active agents (Insurance Regulatory Authority, 2016). The number of insurance of recent has reduced from 54 to 49 with quite a good number of insurance companies being acquired or merged as a result of poor performance in terms of return on investment and meeting shareholders' expectation such as Invesco Assurance which was placed under receivership by Sanlam, blue shield placed under statutory management while others have been merged as a result of poor performance such as LOK, gateway insurance, leapfrog II holdings, Old mutual and lion group insurance Mumo, (2017). The supervision and regulation of this sector is the responsibility of the Insurance Regulatory Authority (IRA). In line with IRA, a general non-depository financial institution should have a minimum capital of Kshs. three hundred million whereas an insurance company should have a minimum capital base of Kshs. one hundred fifty million (Turana, 2010). These regulations and laws contribute immensely to the growth of business and hence financial performance.

According to the Insurance Regulatory Authority (IRA) report (2015), the insurance industry in Kenya is comprised of various players such as the insurance, reinsurance, the regulator, self-governing insurance bodies, insurance brokers and other intermediaries. In 2014, the industry recorded premiums of Ksh 157.53billion up from Ksh 135.38billion in 2013, the assets base rose to Ksh 430.54billion in 2014 (IRA, 2015). According to KPMG Kenya Insurance Survey Report (2016), "the past decade has been tumultuous: changing customer demands and expectations, increasing competitive pressures, new regulatory demands, technological and business challenges are all combining to create an era of unprecedented change for the insurance sector in Kenya. The survey observes that success will not come easily and insurers will have to undergo a complete transformation of their processes to prosper in the business.

In Kenya, the insurance industry is experiencing an increase in merging and acquisition as one of the growth strategies to improve efficiency risk management and innovation; this has been driven by the amendment of insurance Act. This trend is projected to increase since it has attracted international investors into the market (IRA, 2015). Due to increased competition within the insurance industry in Kenya, cost of running a small company, need to grow in market share and ability to diversify risk and revenue-generating avenues and change in the Insurance regulations have pushed insurance to adopt growth strategy. Some of the strong insurance such as ICEA lion group has been as a result of the adoption of growth strategy while others have been totally acquired, rebranded or even sold a specific number of shares to top-performing insurance companies in the world. A good example of these includes Jubilee, APA, UAP, CIC, ICEA, Heritage, AAR, GA, AIG and Britam insurance.

The overall insurance penetration also decreased to 2.78% in 2015 compared to 2.93% in 2014 but the figure was projected to grow on account of new risks, which include oil and gas, and micro-insurance. However, previous AKI reports (2012, 2013 and 2014) attributed the successive decline in insurance penetration to rebasing of GDP in 2014, lack of awareness by the public about the benefits of insurance and negative perception of the industry. The report further indicated that the insurance industry in Kenya was characterized by mergers and acquisitions between financial service and local insurance to grow revenues, consolidating markets, expanding regionally and enforcing the legal requirement that no individual owned more than 25% of the share capital of an insurance firm.

Statement of the problem

The increased competitiveness and uncertainty brought by the change in technology, globalization, and complexity of running insurance companies in Kenya as result of increased market demand on new products have affected the ability of insurance companies to performance to the expected level Kimani and Njuguna, (2016). There has been a low uptake of insurance covers concerning the consistent increase on people's possession of assets implying that insurance penetration is pretty low and therefore, the consequences of this are indeed disturbing. In the occasion that people owning household or business assets suffer losses through unexpected accidents such as fire and terrorist attack, they are likely to be thrown into miserable poverty overnight. Several insurance companies have also documented a declining business while in extreme; some have collapsed due to the reduced uptake of insurance covers by the public thus affecting their financial performance (Swiss Re, 2014).

The insurance industry has undergone a sequence of changes for the past few years through financial reforms, advancement of communication and information technologies, globalization of financial services and economic development. These have had an effect on efficiency, productivity change, market structure and performance in the insurance industry. The success of an organization occurs when the organization creates and maintains a match between its strategy and the environment and also between its internal capability and its strategy (Grant, 2012). The presence of low penetration and uptake of insurance is one of the major setbacks that the insurance industry development is encountering in particular market share, diversification of products among other measures.

For the past five years, the insurance industry has witnessed tremendous changes as a result of

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improved regulations, product development and growth in insurance education. However, the profitability and return on investment of the insurance companies in Kenya have dropped drastically with a margin of 4.3% in the last five years as a result of high operating costs (KPMG, 2014). The insurance industry in Kenya is dominated by few large, few of them multinationals. According to Insurance Regulatory Authority's industry report for 2019 shows that the dominant insurance companies controls the market share of 67.1 %. Other 44 players in the industry compete for 32.9%. The market leaders control a big share of premium income due to their heavy muscle in deploying its resources in the market, thus effectively able to sustain the competition. They control the market due to heavy investment on robust human capital, technology, well-coordinated marketing and research on market products tailored to customers.

There are few local studies carried out in Kenya concentrated on growth strategies. To begin with, Mwangi and Murigu (2015) who looked at the factors that determine of financial performance in general insurance in Kenya and they recommended further study be done on macroeconomic determinants of financial performance of insurance companies in Kenya. According to Obonyo, (2015) who looked at growth strategies and performance of Safaricom limited in Kenya, the study found that Safaricom Limited has accepted various growth strategies to enhance the Safaricom performance. Besides, the study concludes that Safaricom considers competition as an impetus toward enhancing products and services and improving performance. According to Kiragu, (2014) who did a study on the challenges facing insurance in building competitive advantage in Kenya focusing on government regulation, distribution channels, insurance products and employee competence.

According to the past studies, it is quite clear that growth has been entangled with various challenges such as lack of innovation, increased cost of operation, increased operation risk, lack of appropriate legal framework, unattractive market conditions and complexity of the strategy adopted hence affecting the effective implementation of growth strategy. Based on these studies, there was need to investigate the growth strategies and the performance of insurance in Kenya.

Objectives of the Study

The general objective of this study was to investigate on the growth strategy and the performance of insurance in Kenya. The study was guided by the following specific Objectives: -

- To assess the effect of market penetration on the performance of insurance companies in Kenya
- To determine the effect of product development on the performance of insurance companies in Kenya
- To establish the effect of diversification on the performance of insurance companies in Kenya
- To ascertain the effect of merger and acquisition on the performance of insurance companies in Kenya

LITERATURE REVIEW

Theoretical Review

Ansoff lattice hypothesis

Ansoff matrix theory was introduced by Igor Ansoff in the 1950s. The matrix aimed at providing managers with a growth strategy to enhance growth and performance in an organization. According to Ansoff, there are only two ways in growth Dawes, (2018). That is, either varying what is sold or rather (product growth) or through varying who the product is sold to (product growth). In a competitive market, such as in insurance companies where products are limited while providers are many, insurance companies ought to be competitive enough or rather be acquired by strong companies. Ansoff matrix focuses on three categories of growth strategies which are; - market penetration strategy, product development strategy, and market development strategy.

About market penetration, Ansoff identified that an organization tries to grow or rather perform through increasing its market share in an existing market with just similar products and service (Morrison, 2016). This can be enhanced either through decreasing pricing of goods and services increased promotion of products and services which will result to enhanced awareness hence resulting to growth in customer demand and most significant growth through acquisition of already existing small first towards gaining a larger market share. Market penetration remains quite a common strategy among in growing industries such as Kenya insurance industry and Africa in general.

Concerning the current study, it is clear that insurance companies in Kenya have either adopted one or two growth strategy towards the enhancement of organizational performance. For instance, market penetration and product development have been quite common in the Kenyan market with the majority of the insurance companies being fully engaged in this strategy towards gaining competitive advantage.

Resource-based theory

The resource-based theory was introduced by Barney in 1991. According to Barney, the context of resource-based theory might be very confusing to many because the term resource has been used often in many instances. Resources based theory states that for a firm to attain a competitive advantage, it must adopt effective used of strategic resources (Lee, 2011). Strategic resources can be anything that is rare, difficult to imitate such as strategy, technology or even organizations secret ingredient such as adopted by Coca-Cola. Other characteristics which fulfill the concept of strategic resources include; - non-substitutable and valuable. Skilled employees also make part of strategic resource within an organization.

Concerning the current study, it is clear that growth relies heavily on the availability of strategic resources within an organization. In the case of insurance companies in Kenya, effective growth strategy will depend on the idea or strategic approach to production and delivery of services, skilled employees, unique and non-substitutable products, difficult to imitate and rare. Unfortunately, any resource can be a strategic resource in an organization based on the preference of that resource on organization performance.

Capability Based Theory

The capability theory was proposed by Grant (1991) who asserted that capabilities are primary foundation of competitive edge whereas resources available are source of capabilities. Amit and Shoemaker (1993) took related standas well as recommended that resources do not put in to continuous competitiveness to an organization, except own capacities can perform. Haas and Hansen (2015), endorsed the significance of capabilities and propose that an organization can achieve a robust competitiveness over rivals from own capacity in the systematic application of own capabilities in executing essential actions in the organization.

Lee et al. (2011) argued the effect of capabilities within the firm and external networks on firm performance. The theory was relevant to the study in determining the totality of resources that drive the insurance industry in Kenya. Each of the insurance company investigated will be evaluated on the basis of key capabilities that drive performance from human resources, technology, product diversification and strength of marketing teams to enable understanding of the source of competitive advantage.

Theory of corporate control

The corporate control theory was introduced by Michael Jensen in 1992. In a capable merger marketplace, the theory of corporate control offers additional explanation, further than simply synergistic improvements, why mergers must create value. It proposes that there is constantly another firm team keen to obtain an underperforming firm, to eliminate those administrators who have be unsuccessful in capitalizing on the chances to create synergies, and

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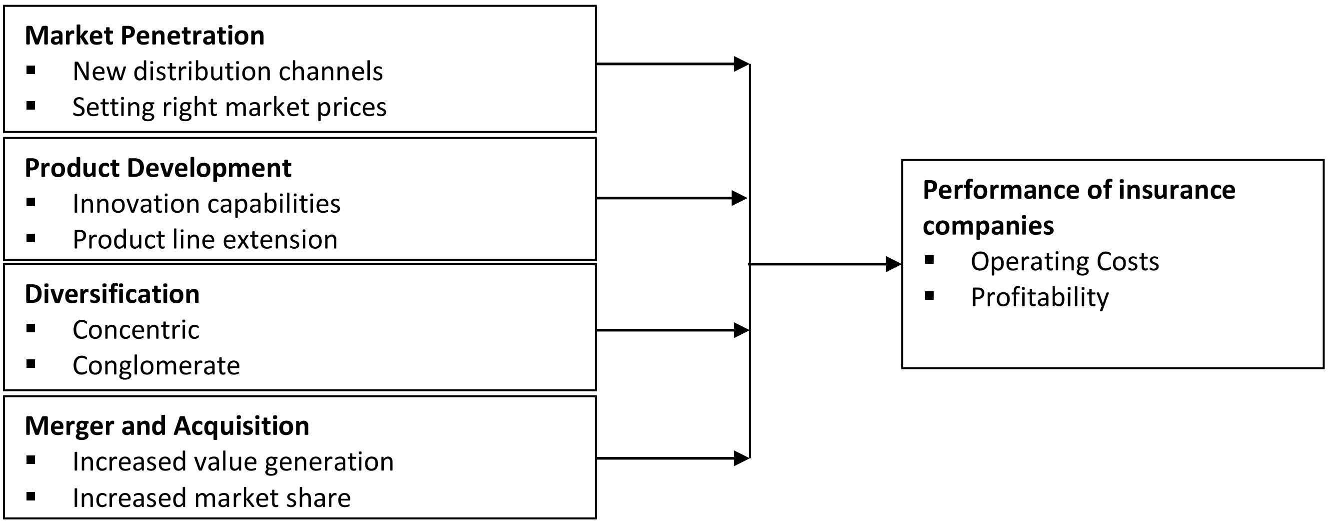
thus to expand the performance of its possessions (Weston, Mitchell & Mulherin, 2004). Administrators who suggest the uppermost value to the proprietors, it recommends, will take over the right to manage the firm until they are substituted by additional team that determines an even higher value for its assets. Hence, unproductive administrators will supply the 'marketplace for corporate control' and administrators that do not make the most of profits will not survive, even if the competitive forces on their product and input markets fail to eliminate them. 'Hostile' overthrows should, as a result, be detected amongst poorly performing companies, and amongst those whose inner business control mechanisms have failed to discipline their administrators (Hasbrouck, 1985).

From the bidder's perspective, the theory of corporate control is partly grounded on efficiency theory, even though there are two significant dissimilarities. First, it does not shoulder the existence of synergies between the company assets of both companies, but rather between the bidder's administrative competences and the possessions of the target. Therefore, company control foresees administrative efficiencies from the re-distribution of under-exploited assets. Second, it suggests that the target's administration team is likely to counterattack takeover efforts, as the team itself and its administrative inefficiency is the core problem to enhanced utilization of possessions. Typical buyers are either private stockholders who bring in more capable administration teams with better growing predictions and greater performance (Palepu, 1986).



Independent Variables **Dependent Variables**

Figure 1: Conceptual Framework

Empirical Review

Organizations may likewise pursue a system of extended expenses expecting more salary per unit sold proselyte into higher arrangements volume and a succeeding increment in bit of the pie (Ratcheva, 2013). This kind of system ordinarily looks to increase a focused edge through estimating, showcasing, or different activities. Also, advertise penetration can be accomplished by expanding client utilization through dedication projects and motivations focusing on your current client base. Market entrance happens when an organization enters/enters a market with current items.

As per Ulrich and Eppinger (2011), product development methodology is the route toward developing new things or changing the authoritatively existing consequences of the firm so they look new. This method is troublesome as it requires giving cautious thought to contenders and the present and future customer needs, the ability to back models and collecting structures, and an imaginative publicizing and exchanges mastermind. Rather than spearheading another market with existing items, the business endeavor to reveal another item in a market with which the firm is as of now well-known.

As indicated by Priem and Butler, (2009), when organizations openings are embedded in advancement and market structures and furthermore open entryways for improvement in the affiliation's basic business. On account of the way that key auxiliary advancement models is less clear and new markets appear to be increasingly worthwhile and charming on the face, various wellbeing net suppliers have stood up to gigantic difficulties both entering these business divisions and verifying a productive position. Organizations will look for after this approach attempting to grow their Rate of return moreover to ensure there is capable usage of benefits.

Exact examinations, for example, (Selvam et al 2009) give proof on the positive effect of corporate mergers and acquisitions by merger on organizations. Be that as it may, it is critical to take note of that merger and acquisitionare equipped for having unfavorable impact as proposed by (Abdou and Annis, 2010). There have been examine on impacts of mergers and obtaining on execution of organizations in the money related parts in Kenya, for example banks and insurance agencies. (Kithitu, et al, 2012) investigated on the job of mergers and acquisitions on the exhibition of business in Kenya.

Concerning a similar methodology, Wainaina and Oloko (2016) led an investigation on market penetration techniques and hierarchical development in the soda division in Kenya and the discoveries attested that there exists a connection between market entrance procedures and authoritative development. From their discoveries, the evaluating and circulations techniques had negative associations with authoritative development while the limited time methodology had a positive association with hierarchical development. The examination presumed that all the market penetration systems are basic for authoritative development and that all of the enhancements each other and should be consolidated in the advertising plan for an association to expand its piece of the pie/showcase entrance and hierarchical development.

The investigation of Koks and Kilika (2016) with respect to Product Development Strategy, Market Adoption, and Firm Performance revealed that there were existing connections between product development procedure and a company's exhibition. They theorize that organizations which put resources into this methodology will encounter a positive connection between product development technique ventures and firm execution. The examination further clarifies that despite the fact that this system impacts firm execution, the relationship relies upon the general highlights of the market that push for item appropriation.

A broadening methodology is looked for after as demonstrated by Priem and Butler (2009) when the company's openings are embedded in advancement and market structures and moreover open entryways for improvement in the affiliation's basic business. In light of the way that key geological improvement models are less clear and new markets appear to be progressively worthwhile and charming on the face, various wellbeing net suppliers have gone up against immense difficulties both entering these business parts and verifying a profitable position. Organizations will look for after this strategy attempting to extend their Rate of return besides to ensure there is capable usage of advantages.

Shim (2010) examined the relationship among mergers and acquisitions, item expansion and money related execution. An acquirer's general money related execution drops and the unsteadiness of its benefit proportion upsurges

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following mergers and acquisitions. The examination uncovered that the impacts are fiery to substitute execution measures. One likely explanation is that the development of the firm through mergers and acquisitions has the planned to make money related deficiency due to intensified income shakiness. As organizations become greater and progressively compound, mergers and acquisitions aids will in general be counteracted the additional expenses. Overseeing and working over more extensive geological zones and joining of various data frameworks may prompt greater expenses. The connection of different organizations can possibly make authoritative clash and office challenges since regulatory observing turns out to be progressively dangerous. A substitute explanation is that the item organizations might perform severely and along these lines getting organizations appear to perform ineffectively after merger dealings.

METHODOLOGY

This study used descriptive research design. The target population for this research comprised of 101 respondents ranging from top, middle and lower level of management from the ten (10) insurance companies. To collect primary data, questionnaires were used. The researcher collected secondary data through documents such as books, journals, reports, internal policy and procedure manual and other documents through libraries and internet based research to produce justifiable results Kothari (2012). Data analysis was done using Statistical Package for Social Science. Quantitative data was analyzed using descriptive statistics and qualitative data was analyzed using content analysis. The following regression Formula was applied;

$Y=\beta_0+\beta_1 X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon$

Where;

Y= Performance of insurance companies

β_0 = Constant

X1 = Market penetration

X2 = Product development

X3 = Diversification

X4 = Merger and acquisition

ε = is the Error term

$\beta_{1,}$ $\beta_{2,}$ β_3 and β_4 = Regression Coefficient of four variables

FINDINGS

The extent of market penetration on the performance of insurance companies

Market entrance, as part of the industry, is a degree of the rate of offers volume an item or business achieves against the competitors. It is essentially based on set up business sectors by a similar firm and may prompt to more noteworthy piece of the pie and expanded power with purchasers and provider, together with more prominent and experience benefits (Ratcheva, 2013). Table 1 showed that majority of the respondents indicated that; to a very great extent market penetration affected the performance of the firm represented by (25.3%) of the respondents, (37.9%) indicated to a great extent, (21.1%) moderate extent and little extent (15.7%).

Table 1: Analysis on the extent of market penetration on the performance of insurance companies

Extent of market penetration	Frequency	Percent
Very great extent	24	25.3
Great extent	36	37.9
Moderate extent	20	21.1
Little extent	15	15.7
Total	**95**	**100.0**

A business will utilize a market penetration strategy to attempt to penetrate in an existing market. The goal is to get in quickly with your product or service and capture a large share of the market. A marketing penetration strategy involves increased sale of already existing products to a market that is already in existence. Securing dominance of growth markets, lowering prices of the products, Intense advertising and embracing of new technologies increases the performance of a firm as per Ulrich and Eppinger, (2011). This was in line with Sink, (2011) who found that lowering prices of the products increases the performance of a firm. The findings on Table 2 showed that majority of the respondents to a strongly agreed to the following statements regarding market penetration; adding new distribution channels helps the company to gain a competitive edge in the growth markets (47.7%), in a bid to increase sales the company if focusing on setting the right market prices represented by (44.6%) and intense advertising of the company products increases its performance and agree that merging of the already existing products and selling them as a package to the existing clients increases the company's performance overtime (43.1%). From the findings (52.5%) indicated that the company had adopted online access of services which is as a result of embarrassing new technologies and this has increased its performance and profitability.

Table 2: Market Penetration and Performance of Insurance Companies

Market Penetration	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
Adding new distribution channels helps the company to gain a competitive edge in the growth markets.	47.7	27.7	12.3	4.6	7.7
In a bid to increase sales the company if focusing on setting the right market prices.	44.6	30.8	0.0	13.8	10.8
Intense advertising of the company products increases its performance.	43.1	32.3	9.2	9.2	6.2
Merging of the already existing products and selling them as a package to the existing clients increases the company's performance overtime.	41.5	43.1	6.2	9.2	0.0
The company has adopted online access of services which is as a result of embarrassing new technologies and this has increased its performance and profitability.	52.5	40.0	7.5	0.0	0.0

Product Development and Performance of Insurance Companies

As shown by Ulrich and Eppinger, (2011), product development strategy focuses on growing new items as well as adjusting the officially existing results of the firm to enable them look new. A study was done by (Kotler, 2010) likewise noticed that assessing client needs, innovative work and changing existing item highlights to coordinate the equivalent improves the presentation of the firm. The findings on Table 3 demonstrated that dominant part of the respondents consented to the accompanying proclamations in regards to product development; the firm was associated with item overhauling which consequently has expanded its exhibition (55.4%), the firm has had the option to do innovative work which consequently has expanded its presentation (36.9%) there is appropriation of Process advancement, as it were, in the firm (35.4%), the firm has had the option to improve its exhibition by evaluating client needs and changing existing item highlights to coordinate their needs (52.3%), From the examination (32.3%) of the respondents concurred that separation of an item through its advancement builds the exhibition of a firm and (62.5%) of the respondents showed that the exhibition of a firm is upgraded by having the option to grow new items with new highlights.

Table 3: Product Development and Performance of Insurance Companies

Product Development	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
The firm has been able to do research and development which in return has increases its performance.	23.1	36.9	15.4	16.9	7.7
There is adoption of Process innovation to a very great extent in the firm.	15.4	35.4	24.6	10.8	13.8
The firm has been involved in product upgrading which in return has increases its performance.	18.5	55.4	7.7	10.8	7.7
The firm has been able to improve its performance through assessing customer needs and changing existing product features to match their needs.	21.5	52.3	13.8	12.3	0.0
Differentiation of a product through its development increases the performance of your firm.	30.8	32.3	21.5	15.4	0.0
The performance of a firm is enhanced by being able to developing new products with new features.	12.5	62.5	25.0	0.0	0.0

The extent of diversification on the performance of Insurance Companies

According to Priem and Butler, (2009),when firms openings are implanted in innovation and market structures and additionally open doors for development in the association's essential business. Because of the way that key topographical development examples is less clear and new markets seem more lucrative and alluring on the face, numerous safety net providers have confronted huge challenges entering these business sectors and securing a gainful position as well as expanding their rate of return. Table 4 showed that majority of the respondents indicated that; to a very great extent diversification affect the financial performance of the firm represented by (23.2%) of the respondents, (50.5%) indicated to a great extent, (18.9%) moderate extent and little extent (7.4%).

Table 4: The extent of diversification on the performance of Insurance Companies

Extent of diversification	Frequency	Percent
Very great extent	22	23.2
Great extent	48	50.5
Moderate extent	18	18.9
Little extent	7	7.4
Total	**95**	**100.0**

Development technique is intrinsically more hazardous than item improvement in light of having a practically zero experience of the new market required both as far as advertising and operations are concerned. The analysis discoveries agree with Benito, (2003) who contended that benefit increments with assorted variety however just up to the furthest reaches of multifaceted nature. (Nduki, 2016) affirms that an expansion in the activity cost of the insurance firm, all things considered, influences the commitment of diversification on insurance performance. The discoveries on Table 5 exhibit that majority of the respondents to an strongly agreed to the accompanying explanations in regards to diversification; there is a higher level of business hazard because of vulnerability in the new markets (60.0%), there is lacking monetary and human asset to encourage interest in new help

(34.6%), it is difficult to settle on diversification choices since they include numerous means and partners (49.2%), selling new items that have not been innovatively changed together with the current ones which are as yet attractive improves the organization's exhibition (36.9%), there are clear desires for potential picks up that impact the presentation of the firm (48.5%). From the discoveries (65.0%) of the respondents showed that there is an expanded challenge in because of new contestants in the insurance business.

Table 5: Diversification and Performance of Insurance Companies

Diversification	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
There is a higher degree of business risk due to uncertainty in the new markets.	15.4	60.0	0.0	15.4	9.2
Inadequate financial and human resource to facilitate investment in new service.	23.1	34.6	17.7	16.9	7.7
Not easy to make diversification decisions because they involve many steps and stakeholders.	26.2	49.2	6.2	7.7	10.8
Selling new products that have not been technologically modified together with the existing ones which are still marketable improves the company's performance.	27.7	36.9	16.9	0.0	18.5
There are clear expectations of potential gains that influence the performance of the firm.	23.1	48.5	28.5	0.0	0.0
There is an increased competition in due to new entrants in the insurance industry.	15.0	65.0	10.0	7.5	2.5

Reasons for merger and acquisition

Companies believe that by either merging or acquiring another company, the performance would be better than a single entity. This is attributed by the fact that shareholder value would effectively be maximized (Sharma, 2009).The reasons behind mergers and acquisitions are; increased market share and revenues, economies of scale, synergy, taxation, widen geographical areas and among other rationale. Table 6 showed that majority of the respondents indicated that; the reasons for merger and acquisition were for; growth in profitability represented by (26.3%) of the respondents, (47.4%) indicated to achievement of synergy, (18.9%) cutting down on operating costs, (10.6%) growth in market share and improve efficiency (7.4%).

Table 6: The reasons for merger and acquisition

Reasons for merger and acquisition	Frequency	Percent
Growth in profitability	25	26.3
Achievement of synergy	35	36.8
Cutting down on operating costs	18	18.9
Growth in Market share	10	10.6
Improve efficiency	7	7.4
Total	**95**	**100.0**

Mergers and Acquisitions have been undertaken in efforts to improve organization performance due to the benefits they are believed to carry along. According to (Hildebrandt, 2005) the success of any mergers is defined by the core competencies generated to enhance value. It is measured using parameters such as market attractiveness, competitive positioning because of cost leadership and product differentiation, this result to profit sustainability in the long-term. The findings on

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Table 7 showed that majority of the respondents agreed to the following statements regarding merger and acquisition; the company has been able to save on resources a result of the mergers and acquisitions since there is the formation of economies of scale (40.0%), after the merger /or acquisition there has been an increase in profits which has been consistent thus enhancing the company's performance (43.1%), due to mergers and acquisition, there has been a decrease of risk through the use of innovative techniques of management (41.5%), the company has been able to acquire new markets through mergers and acquisition making it competitive (50.0%) while (51.5%) of the respondents showed that; there is synergy that allows for increased value efficiency a result of the mergers and acquisition.

Table 7: Merger and acquisition and Performance of Insurance Companies

Merger and acquisition	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
The company has been able to save on resources a result of the mergers and acquisitions since there is the formation of economies of scale.	40.0	36.9	10.8	7.7	4.6
After the merger /or acquisition there has been an increase in profits which has been consistent thus enhancing the company's performance.	43.1	33.8	6.2	16.9	0.0
Due to mergers and acquisition, there has been a decrease of risk through the use of innovative techniques of management.	35.4	41.5	9.2	4.6	9.2
The company has been able to acquire new markets through mergers and acquisition making it competitive.	36.9	50.0	3.1	3.8	6.2
There is synergy that allows for increased value efficiency a result of the mergers and acquisition.	51.5	38.5	0.0	10.0	0.0

Performance of Insurance Companies

Firm Performance measures the yield of a specific procedure or methodology, then adjusting the procedure or strategy to build the yield, increment proficiency, or increment the adequacy of the procedure or system. The findings concur with the argument by Nduki, (2015) indicated employee productivity increases performance of a company. The study sought to establish the extent to which respondents agreed with the above statements relating to the growth strategies on performance of insurance companies. The findings on Table 8 showed that majority of the respondents agreed to a great extent that return on investment, innovativeness, return on equity, internal growth, employee productivity and sales volume increases performance of a firm in a great extent as shown by a mean of 2.24, 1.65, 2.57, 2.46, 2.03 and 1.86 respectively.

Table 8: Performance of Insurance Companies

Performance	Mean	Std. Deviation
Return on equity	2.24	.760
Employee productivity	1.65	.676
Operating cash flow	2.57	1.324
Customer satisfaction	2.46	1.043
Gross profit margin	2.03	.726
Return on Investment	1.86	.887

Inferential Analysis

Correlations of Study Variables

The study showed that the lowest correlation was between merger and acquisition and performance of insurance companies (r=0.394, p<0.01). The highest correlation was between product development and performance of insurance companies (r=0.577, p<0.01). A correlation of above 0.90 is a strong indication that the variables may be measuring the same thing (Tabachnick, 2013). The fact that all the correlations were less than 0.90 was an indication that the factors were sufficiently different measures of separate variables, and consequently, this study utilized all the variables.

Also, the study indicated that there was a positive significant linear relationship between market penetration and performance of insurance companies in Kenya. This relationship had been illustrated by the correlation coefficient of 0.549 at 0.01, significance level. This implied that there is a strong relationship between diversification and performance of insurance companies in Kenya. Likewise the study found that diversification had a positive significant linear relationship with performance of insurance companies in Kenya with Pearson correlation coefficient of 0.490 at 0.01, significance level. This implied that there was a positive correlation between diversification and performance of insurance companies.

Table 9: Correlations of Study Variables

		Performance of Insurance Companies	Market Penetration	Product Development	Diversification	Merger and Acquisition
Performance of Insurance Companies	Pearson Correlation	1	.549**	.577**	.490**	.394**
	Sig. (2-tailed)		.000	.000	.000	.000
Market Penetration	Pearson Correlation	.549**	1	.625**	.449**	.325**
	Sig. (2-tailed)	.000		.000	.000	.001
Product Development	Pearson Correlation	.577**	.625**	1	.524**	.359**
	Sig. (2-tailed)	.000	.000		.000	.000
Diversification	Pearson Correlation	.490**	.449**	.524**	1	.222*
	Sig. (2-tailed)	.000	.000	.000		.031
Merger and Acquisition	Pearson Correlation	.394**	.325**	.359**	.222*	1
	Sig. (2-tailed)	.000	.001	.000	.031	

***. Correlation is significant at the 0.01 level (2-tailed).*

**. Correlation is significant at the 0.05 level (2-tailed).*

Multiple Regression Analysis

Model Summary

From the results, the regression analysis showed a strong relationship, R^2=0.451 which showed that 45.1% of change in performance of insurance companies in Kenya could be explained by a change of one unit of all the predictor variables jointly. This result indicated that predictor variables such market penetration, product development, diversification and merger and acquisition affect the performance of insurance companies in Kenya positively.

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Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.671[a]	.451	.426	.646	.451	18.460	4	90	.000

Further test on ANOVA showed that the significance of the F-statistic (18.460) is less than 0.05 since p value, p=0.000, as indicated in Table 11. This implied that there was a positive significant relationship between independent variables and performance of insurance companies in Kenya. Thus, market penetration, product development, diversification and merger and acquisition are important growth strategies.

Table 11: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.805	4	7.701	18.460	.000[b]
	Residual	37.546	90	.417		
	Total	68.351	94			

Coefficients of regression model

Finally, the estimated multiple regression model to estimate performance was indicated in the results. The table presented the level of significance also called the p value. This is the coefficient that is used to test hypothesis and the significance of the independent variables. The level of significance for this study was 0.05 and therefore if the p value is less that 0.05 we fail to accept the null hypothesis and accept if the p value is greater than 0.05. At the 0.05 level of significant, the findings showed that market penetration, product development, diversification and merger and acquisition are statistically significant with p-values less than 0.05 (i.e. p<0.05). These findings indicate that if all the independent variables are held constant at zero, the growth strategy and performance of insurance companies recorded would be 0.799 units. The results also suggested that market penetration contributes 0.193 units, product development accounts for 0.245 units, diversification generates 0.252 units and merger and acquisition contributes to 0.137 units of growth strategy and performance of insurance companies each when the other factors are kept unchanged.

$Y=\beta_0+\beta_1 X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon$

Where;

The coefficients $\beta_1 = 0.193$, $\beta_2 = 0.245$, $\beta_3 = 0.252$ and $\beta_4 = 0.137$ are significantly different from 0, with p values 0.023, 0.022, 0.026, and 0.037 respectively, and are less than p=0.05 as summarized below.

Performance of insurance companies = $0.799+0.193 X_1+ 0.245 X_2+0.252X_3+0.137X_4+\varepsilon$

Table 12: Coefficients of regression model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.799	.224		3.559	.001
	Market Penetration	.193	.084	.237	2.308	.023
	Product Development	.245	.105	.254	2.332	.022
	Diversification	.252	.111	.212	2.267	.026
	Merger and Acquisition	.137	.065	.179	2.112	.037

CONCLUSIONS AND RECOMMENDATIONS

The study gave a general assessment of the effect of growth strategies on the performance of insurance companies in Kenya. The researcher reasoned that growth strategies affect the performance of Insurance companies in Kenya to a great extent. The study concluded that the market penetration, product development and diversification and merger and acquisition as the growth strategies that affect the performance of insurance companies in Kenya. The study concluded that market penetration strategies have a relationship with the firm's performance as indicated from the findings through strategies such as; lowering of prices and embarrassing new technologies.

The study additionally presumed that the improvement of new item degrees and distributing of the present items into new commercial centers has an impact of the performance of the insurance companies as it were. Further, it secures that innovative work, advancement of new items with new highlights and valuation of client needs improves the performance of a firm. From the discoveries, the examination additionally presumes that the expansion procedure significantly affects the performance of insurance agencies. Concentric diversification, combination broadening, valuation of hazard and access to assets and eagerness to contribute likewise influence the money related execution of a firm as it were.

The study concluded that the mergers had no constructive outcome on the productivity of insurance companies in Kenya and that the gainfulness of the consolidated organizations either continued as before as before the merger. The investigation additionally reasoned that the Kenyan insurance agencies that consolidated mergers and acquisitions methodology and have set up frameworks that have enabled them to join the tasks and accomplish working markets.

From the study, there is a need to strengthen the enlightenment of the public on the significance of insurance. The public must be educated on the importance of insurance in their individual and business matters. This can be done by making arrangement on having a public advertisement from time to time as well as workshops on insurance.

Since market penetration strategy requires a lot of skills and resources, the study recommended that the insurance companies should from time to time train their employees at all levels to ensure that they are highly skilled, competent and capable to win clients trust in their dealings. Insurance companies should actively deal with the re-creation of marketing and market entry procedures as they use new strategies for the offering.

Managers in insurance companies should capitalize on feasibility studies aimed at evaluating the effect of growth strategies and this should help them to become competitively informed into making the right decisions and as a result it will help in ensuring proper product development. This would assist managers to articulate appropriate measures which would guarantee that objectives of growth/development plans are effectively implemented. The resources available should be allocated and utilized well.

The study showed that all insurance companies practice to a greater extent the growth strategies and performance of insurance companies in Kenya. Therefore management of insurance companies should ensure that they monitor implementation of strategies. Proper budgeting should be undertaken to ensure resources are allocated and utilized appropriately to ensure that proper diversification is done.

Management should instill discipline upon itself by ensuring good corporate governance, promote technological progress and increase its paid up capital regardless of the statutory requirements so that the continued existence of the firm is not jeopardized after undergoing mergers and acquisition. Management should not only undertake mergers and acquisitions in order to improve operation and sustain failing businesses but also improve their competitiveness. To realize significant growth, performers in the insurance industry should only embrace merger in order to increase efficiency and grow market share.

Suggestions for Further Studies

This research focused on the growth strategy on the performance of insurance companies in Kenya, it did not focus on the measures that should be put in place for a company to embrace the specific strategies in the industry. The study investigated the growth strategies and how they affect performance in the insurance companies. Therefore, a further study ought be carried out on other companies that are dealing with other different services such as the manufacturing sector while at the same time investigating the challenges of implementing the strategies in them.

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