International Journal of Research Publication and Reviews, Vol 5, no 5, pp 11367-11373 May 2024

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Effect of Crisis Prevention on Organizational Performance in the Insurance Industry in Kenya. A Survey of Selected Insurance Companies in Kenya

Gladys N. Sanchiro[a]*, Leseiyo Moses[b], Dr. John Cheluget (PhD)[c]

The Management University of Africa

[a]*gladienemayian@gmail.com, [b]mleseiyo@mua.ac.ke, [c]jcheluget@mua.ac.ke

ABSTRACT

The purpose of the study was to examine the influence of crisis prevention on organizational performance in the insurance industry. A survey of selected insurance companies in Kenya. The target population for the study was 122 staff members of selected insurance companies in Nairobi. Stratified random sampling was used in the study to select a sample size of 61 respondents. The data collection instrument that was used in the study was the questionnaire. Data was analyzed using descriptive and inferential statistical methods. The study results show a strong positive association between crisis prevention on organizational performance in the insurance industry (R=0.723). The coefficient of determination adjusted R2= 0.658 which means that crisis prevention explain 65.8% of the variance in organizational performance. The study indicated that Crisis prevention is positively and significantly associated with organizational performance in the insurance industry in Kenya. To effectively prevent crisis from happening, insurance companies should have a clear plan on how to come out of crisis. The firms should have clear policies in place on how to manage crisis when they happen. There is need to hugely invest on staff training and provision of equipment to enable the companies effectively deal with crisis when they occur. The firms should regularly review the crisis prevention plans to ensure that they cater for changing crisis trends.

Keywords: *Crisis Prevention, prevention strategies, performance management*

1.0 INTRODUCTION

A study was conducted by Kelser (2019) to explore the association between leadership, corporate culture and crisis prevention through exploration of these three constructs in the pharmaceutical crisis management context. Based on the conceptual framework developed in the study, two cultural components were identified: external versus internal focus and high versus low flexibility. The process of managing crisis in an organization is described through the five-stage life cycle, which involves detection of signals, damage, containment, recovery as well as learning. Four leadership styles, which include transactional, directive, transformational and cognitive were also identified. It is necessary for firms to develop crisis-prone culture and leadership competencies.

Young (2019) examined the consequence of crisis prevention strategy on the overall organizational performance of established firms in Nigeria. Disaster control paperwork, the bedrock for peaceful co-life among employers and personnel, and the society at large. Disaster is inevitable in any agency because it is available in varied paperwork and degrees. The outcomes show that administration difficulties to emergency the board technique is credited to horrible authoritative execution and that emergency control approach never again affect hierarchical execution. Based absolutely at the discoveries, tips had been made that global organizations in Nigeria ought to make cost range as a valuable asset improvement on a nonstop premise, and that administration of organizations should be favorable to dynamic when it comes to problems of human useful resource management.

In any organization the effect of emergency on hierarchical execution can't be overemphasized, it influences all that the association represents. Thus, the consideration of the administration on emergency the executives in any association goes far to address the difficulties presented by need for hierarchical execution. Emergency and its administration by associations and the approach producers, and its impact on hierarchical execution definitely stand out of this work. Emergency the executives are pointed toward making favorable air where business can flourish and be productive. Nonetheless, the powerlessness of directors and other strategy creators to effectively determine emergency that might exude from both inside an external the association might meaningfully affect efficiency level of such association, stagnation in functional exercises, diminished capability, failure to meet expressed targets, decline in deals level among others. Crisis managed with levity by an organization might lead to exile of such organizations if appropriate strategic moves are not devised to avert the situation within the shortest time (Rebs, 2015).

Performance entails the firm's real output which is calculated based on what the firm had purposed to achieve. Berry, (2012) indicate endorsement of firm's performance takes a procedural point of view in which it focuses processes within the organization in the quantification how effective and efficient it sets its metrics. Inclusion of how the organization performs is conceptualized in relation to the quality of the service and products, the extent to which customers are fulfilled, how the firm acts on the lookout, being imaginative in its administrations and the way that it relates with its employees.

1.2 Insurance Industry in Kenya

Presently there are more than 57 registered insurance companies in Kenya, some offering general insurance, some life insurance while composite insurers sell both life and general (Insurance Regulatory Authority, 2013). The main role of insurance companies is removing dangers or fears from you and promising to pay you for any misfortunes or harm that might influence your property or life. The items presented by insurance agency are for the most part something very similar albeit each organization has a bunch of significant worth added administrations for customers. It is vital that any purchaser looks for counsel prior to purchasing a strategy as this will empower them purchase strategies that will address their issues. Purchasers of protection can be isolated into three principal classes: Individual clients and the overall population; corporate clients who incorporate enrolled organizations and the public authority; different classifications are the unfamiliar clients who buy Kenyan insurance services from Kenyan insurers.

In the Kenyan insurance industry, the players include but not limited to insurance brokers, reinsurance companies, agents and also risk managers. The insurance industry in Kenya is guided by law which is the protection Act under the laws of Kenya, chapter 87. The Ministry of Finance is the one responsible for the administration guidelines and also there is a self – regulation under the Association of Kenya Insurers (AKI). The Insurance Institute of Kenya (IIK) is the legal body which handles matters to do with experts. The 57 insurance registered agencies in Kenya include, 32 organizations composed non-disaster protection business just, 13 composed extra security business just while 11 were composite (both life and non-life). There were 198 authorized protection merchants, 29 therapeutic protection suppliers and 5,155 protection operators (AKI, 2012). Other authorized players included 133 examiners, 108 engine assessors, 25 misfortune agents and 24 protection surveyors (Ernst, 2012). In Kenya, Insurance availability also, reasonableness is both strategy worries, as confirmed by government's numerous guidelines of the protection market. Sanctioning of any country makes an engaging area and business open entryways for all business visionaries. Insurance expert centers were 21 adversity specialists, 2 cases settling administrators, 193 disaster assessors/analysts, 26 assurance assessors, and 8 danger chairmen during the year. The gross created premium by the business was Kshs 76.9 billion diverged from Kshs 65.0 billion of each and every 2006 addressing an improvement of 18%. The gross created premium from General insurance was Kshs 49.76 billion while that from long haul business was Kshs 23.1 (AKI, 2012).

1.3 Statement of the problem

The insurance industries are more vulnerable to crisis than others because of the complexity of regulations in their areas of operations, their nature as well as internal procedures. Therefore, as mentioned above, the insurance industry is certainly more susceptible to crisis because of the role that firms in the industry play in paying for claims, investing on behalf of the clients among other activities (Clemens, 2014). Furthermore, crisis isn't restricted by topographical limits; thus, their belongings can spread across the globe in view of an industry's functional model as well as the sort of association included. Independent of the flightiness of emergency, firms know that emergency will undoubtedly occur, subsequently they should go to proactive lengths and hence escape the unwanted occasions once they occur. Previous studies were conducted by different researchers.

Tonino, Simone & Elisa (2010) did a study on small business strategies in times of crisis empirical evidence Performance has become a critical component of organizations in today’s dynamic, customer driven market place. Organizational performance challenge in organizations has many dimensions in today’s business environment and creating focused initiatives to overcome these challenges is not a silver bullet approach. Proper implementation of strategy is key to realization of set key result areas through the achievement of strategic objectives in an organization’s strategic plan. Leonard, (2014) asserts that lack of credit is one of the most serious constraints facing SMEs and hindering their development. However, Leonard (2014) fails to directly highlight the crisis prevention adopted by the SMEs in his study, a gap this study sought to fill.

Ndung’u, (2014) studied challenges of crisis management strategy and strategy implementation in Jomo Kenyatta Foundation and found out that that firms in Kenya operate under increasing competitive and ever-changing environment. Gitonga, (2018) studied on the various risk management strategies of Family Bank Ltd to competition in the Kenyan banking industry. However, most of these studies failed to focus on the insurance industry and the respective crisis prevention thus a research gap was identified and this study seeks to fill by focusing on the influence of crisis prevention on organizational performance in the insurance industry.

1.4 Specific Objectives

To establish the effect of crisis prevention on organizational performance in the insurance industry in Kenya

2.0. LITERATURE REVIEW

2.1. Theoretical Review

The anchor theory for the study is the diffusion of innovation theory since it cuts across all of my variables of the study. The diffusion of innovation theory describes the process in which new ideas can be used in crisis prevention and organization performance

2.2.1 Diffusion of Innovation Theory

This theory was proposed by Everrett Rogers in 1962. The theory portrays the example and speed at which groundbreaking thoughts, practices or items spread through a populace. Its players incorporate the pioneers, early adopters, early larger part, late greater part and the laggards. According to the diffusion of innovation theory, a little minority of individuals at first take on developments. At the point when around 20% of the populace takes on another way of behaving, 70% of the excess will embrace it as well. This thought has impacted emergency the board by molding endeavors to change the way of behaving and mentalities in emergencies.

Specifically, the diffusion of advancement hypothesis can distinguish ways of behaving that may be most handily different, individuals who could embrace new practices (and impact others), and the best ways of spreading groundbreaking thoughts. As the name recommends during emergency every representative ought to consider out the crate and emerge with something imaginative to defeat difficult stretches. One ought to be prepared with a substitute arrangement.

When a worker thinks of an imaginative thought, he should not remain quiet about things. Spread the thought among all workers and offices. Powerful correspondence is vital for pass on thoughts and data in its desired form. Strategies to appeal to this population include successful models of crisis management as depicted in real stories and evidence of the innovation's effectiveness. Late majority have some misgivings of progress, and will just take on a development after it has been attempted by the greater part. Techniques to speak to this populace remember data for the number of others that have attempted the advancement and have taken on it effectively. Notwithstanding, loafers are limited by custom and exceptionally moderate. They are extremely doubtful of progress and are the hardest gathering to welcome on board. Strategies to appeal to this population include statistics, fear appeals, and pressure from people in the other adopter groups (Lewin, 2018).

2.2 Empirical Literature Review

The empirical literature review examined several studies conducted in crisis prevention as a practice in various sectors. The review examined findings from empirical studies which provided a guide to the study research framework and provided insights in addition to ones captured in the theoretical literature review

2.2.1 Crisis Prevention and Organizational Performance

Most crises result from adherence to severe guidelines or resistance with laid out norms and essential moral standards. At the point when such a circumstance happens, it prompts expanded correspondence and loss of control (by the media, controllers, or partners of various sorts), every one of which incites additional feelings and responses. This development quickly becomes wild, subsequently making it risky to keep up with the story and work with a fair and open conversation concerning current realities and genuine dangers. The exercises, notoriety, resources and exercises of a firm are adversely impacted by an emergency. The emergency influences all gatherings known to be mutually answerable for the episode, including controllers and mainstream researchers. Emergency frequently uncovers unsuitable conduct day to day, prompting better practices and norms. Now and again, the emergency can seem to be an overstated reaction by the media. Due to the difference in de facto risks and interpretations, people often concentrate on the latter and the measures that should be taken the accepted and recognized security risks from developing into uncontrollable crises (Nelly, 2017).

In the recent past, the insurance industry has undergone a really profound change. Notably, the sector’s geographical concentration has increased, regulatory controls and technical complexity of commercial activities as well as R & D have intensified while policies on cost and disease control have expanded. While sustaining the integrity of research activities, the increase in development costs prompts the search for more efficient and effective ways to manage processes. Companies in the new value chain of the insurance sector have responded by adjusting their business models. The two - business approach "describes the logic of how an organization creates, delivers and captures value" or, in other words, "the story of how industries work". Despite the structure’s significance to the business model, minimal attention has been directed on the role of crises in determining its configuration. Moreover, minimal studies have focused on how firms can avoid crises by supplanting each other’s systems through their models: notably, once they get there, companies will finally compete successfully in a new business ecosystem (Sekip, 2014).

Randiek (2019) studied the role of crisis prevention strategies on crisis responsibility and their subsequent contribution to organizational reputation at Kenya Power and Lighting Company (KPLC). KPLC utilized forswearing system by denying through their Facebook post that there was no emergency as the circumstance was taken care of. KPLC likewise utilized a reason technique by denying the goal to cause an emergency where it made sense of the reason for the emergency for the partners and guaranteed them that the circumstance would before long be taken care of as the designers were at that point attempting to take it back to normalcy.

Hogathi, (2017) conducted research on how economic recession affects policies in the insurance industry as well as drug sales in eight countries from Europe. Based on the research, countries that are economically stable had fewer policy measures from 2008 to 2011 in comparison to countries that were less stable economically. Most of the policies that were often implemented focused on out-of-pocket payments for patients. Conversely, the growth rate in the value of sales in the insurance sector declined significantly, especially in countries whose economies were less stable. One of the factors that caused this decline was inflation, with the rate of inflation between 2010 and 2011 ranging between 2.0% and 3.4%. However, in 2010 Greece witnessed an inflation rate of -1.6% while Estonia experienced a 5.1% inflation rate in 2011.

Kwon (2018) examined how strategic planning affects crisis prevention in different business environments in Jordan as well as the role of strategic planning during crisis. The survey implemented a literature on strategic planning and management of crisis in emerging economies. The report relied on the qualitative approach because it enabled the investigator to obtain more information and identify deeper developments in the field. First, business managers will be allowed to develop their practical approaches to minimize their influence or end crisis. Moreover, during a crisis, the management will be allowed to strategically manage and operate more effectively. Finally, companies will develop more capable managers and employees who can inspire others with further hopes and overall progress. Management ought to follow and evolve the best contemporary practices for use by organizations in preventing crisis and lessening their influence.

2.3 Conceptual Framework

The researcher was guided by the conceptual framework as depicted in Figure 1 from which the independent variables was crisis prevention, and dependent variable will be organizational performance.

Figure 1: Conceptual Framework

3.0 RESEARCH DESIGN AND METHODOLOGY

3.1 Research design

Research design defines the different strategies that are employed to integrate the different components of the study in a logical and coherent manner. It formed the blueprint for the collection, measurement and the analysis of the data. Descriptive research design was employed as it gravitates towards qualitative methods which included quantifiable data for research. The study objective was the main point of influence of this methodology. The basic idea behind the choice of the research design was to have guidelines and frameworks of what is contained in the research, the way the research was performed as well as the inferences that were available based on the data collected. Descriptive research has some crucial factors driving its core elements in describing, explaining, or validating any type of hypothesis (Farayibi, 2019). When sampling from a population, one needs to define the population, the target population or sampling frame and the sample.

3.2 Target Population Target

Population refers to an entire group of individuals, events or objects having common characteristics that can be observed and measured (Hogathi, 2017). The unit of analysis and observation in this research was the permanent employees from selected insurance companies and the target population was 122 employees.

Table 1: Population

Category	Target Population	Percentage
Top Management	**14**	**12**
Middle Level Management	**36**	**30**
Support Staff	**72**	**58**
Total	**122**	**100**

3.3 Sample Size and Sampling Technique

In this study simple random sampling was used the selection of respondents does not influence the opportunity of any other person in the populace being chosen. Measurably, for speculation to occur, the review tested half of the respondents for decrease of sampling errors (Akram, 2015). The members of the category have similar characteristics as their tasks are related and hence are unique in their setting. Measurably, for speculation to occur, the review tested half of the respondents for decrease of sampling errors. The rationale behind using this method is that the employees are divided into categories which the researcher adopts. This translated to 61 respondents from the selected insurance companies

Table 2: Sample Size per Target Group

Category	**Target Population**	**Sample Size**
Top Management	**14**	**7**
Middle Level Management	**36**	**18**
Support	**72**	**36**
Total	**122**	**61**

3.4 Data Collection Methods and Instruments

A research instrument refers to a tool that a researcher uses to collect data on variables of interest from the respondents in a given unit of analysis. Some of the commonly used research instruments include research questionnaires, interview guide, and focus Group Discussion guide. In this particular study, primary data which was collected using structured questionnaires which are designed on a 5-point Likert scale for ease of data collection, processing and reporting. A questionnaire was preferred to other instruments in the collection of the primary data due to the fact that it is a time saving instrument. Questionnaires are appropriate to gather information from the population especially when the population is small which gives the respondents a free hand in submitting their responses (Mugenda and Mugenda, 2019). The secondary data was collected from relevant sources such as libraries, performance management reports, current journals, and previous research done on the subject.

3.5 Data Analysis and Presentation

The research data was collected through questionnaires and other quantitative techniques. This quantitative data was accessed using the numerical values and analyzed using inferential and description methods. Several variables including Coefficient of Variation, Cross Tabulation analysis and frequency were used to find the significance of the findings (Bryson, 2018). The coefficient concept was used to identify if there was a connection with the various factors of study.

4. 0 FINDINGS AND DISCUSSIONS

4.1 Descriptive Statistics

4.1.1 Crisis Prevention on organizational performance

Respondents were asked to use a five-point likert scale to indicate views on the effect of crisis prevention on organizational performance in the insurance industry in Kenya and the response were as tabulated in table 3.

Table 1: Crisis prevention on organizational performance

Statement	**Strongly Disagreed**	**Disagreed**	**Neutral**	**Agree**	**Strongly agree**	**Mean**	**Std. Deviation**
There is proper communication channels during crisis	0%	0%	2%	62%	36%	4.11	0.867
Crisis is communicated to customers on time	0%	0%	0%	38%	62%	4.09	0.818
Crisis is communicated to stakeholders on time	0%	0%	7%	38%	55%	4.06	0.873
Crisis are communicated to suppliers on time	0%	0%	2%	62%	36%	3.6	1.168
Aggregate						**3.97**	**0.93**

The first view was there is proper communication channels during crisis, 36% of respondents strongly agreed, 62% agreed and 2% were neutral. On the second view, crisis is communicated to customers on time, 62% strongly agreed and 38% agreed. Crisis is communicated to stakeholders on time, 55% strongly agreed, 38% agreed while 5% were neutral and finally, Crisis are communicated to suppliers on time, 36% strongly agreed while 62% agreed and 2% were neutral.

4.2 Correlation Analysis

To ascertain the relationship between the variable, Crisis Prevention, and organizational performance in the insurance industry in Kenya, correlation analysis was conducted. Using SPSS, the average score for each variable was determined, and the Pearson's correlation was derived.

Table 4: Correlation Analysis

Indicator		Organizational Performance	Crisis Prevention
Organizational Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	48	
Crisis Prevention	Pearson Correlation	.723**	1
	Sig. (2-tailed)	.000	
	N	48	48

The results in Table 4 indicate that Crisis Prevention is positively and significantly associated with organizational performance in the insurance industry in Kenya ($r=0.723$, $p=0.00<0.05$)

4.3 Regression Analysis

The purpose of this study was to examine the purpose of the study was to examine the influence of Crisis Prevention on organizational performance in the insurance industry, a survey of selected insurance companies in Kenya. The findings in this section show the model summary, analysis of variance and multiple regression coefficients for Crisis Prevention on organizational performance in the insurance industry.

Table 5: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	17.173	4	4.293	23.496	.000[b]
	Residual	7.857	43	.183		
	Total	25.030	47			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Crisis Prevention

The values of $F = 23.496$ show that Crisis prevention statistically and significantly affect organizational performance which means the regression model is a good fit of the data and that Crisis prevention on organizational performance in the insurance industry in Kenya.

5.0 SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Summary of findings

Respondents were asked to use a five-point likert scale to indicate views on the effect of crisis prevention on organizational performance in the insurance industry in Kenya and the response was tabulated. The first view was there is proper communication channels during crisis, 36 percent of respondents strongly agreed, 62 percent agreed and 2 percent were neutral. On the second view, crisis is communicated to customers on time, 62 percent strongly agreed and 38 percent agreed. Crisis is communicated to stakeholders on time, 55 percent strongly agreed, 38 percent agreed while 5 percent were neutral and finally, Crisis are communicated to suppliers on time, 36 percent strongly agreed while 62 percent agreed and 2 percent were neutral. Respondents concurred that crisis prevention has effect on organizational performance in the insurance industry in Kenya with a Mean of 3.97 and Standard Deviation of 0.93. Finally the correlation analysis results shows that Crisis prevention is positively and significantly associated with organizational performance in the insurance industry in Kenya ($r=0.723$, $p=0.00<0.05$).

5.2 Conclusion

In conclusion, the study indicated that there was no proper planning to prevent crisis from happening. There were no proper policies in place to enable insurance companies deal with crisis. It was established that there are no effective quality control measures in place to prevent crisis from occurring. Employees of insurance companies were not well equipped with skills that can enable them prevent crisis from happening. Insurance companies have put in place physical systems in place to handle crisis.

5.3 Recommendations

Insurance companies should have improved capacity and well-coordinated crisis management activities by regularly training and equipping staff with necessary equipment's required to respond to crisis on time. Crisis evaluation should be done on regular basis. The firms should have measures in place to cushion the firms from major losses occasioned by crisis; the measures may include having various products in the market and having many channels through which their products can be distributed.

REFERENCES

Akram, S. (2015). The Impact of User-Generated and Organization's Information and Sympathy Based Crisis Response Strategies on Organizational Reputation and Secondary Crisis Communication: A Case on University of Management and Technology, Lahore, Pakistan Sci.Int (Lahore) 29. (1) 231 – 241.

AKI (2012). National survey on enterprises perception of insurance in Kenya. Retrieved from http://www.aki.go.ke

Berry, L. (2012). Accounts, excuses, and apologies: Image repair theory and research. New York: New York Press.

Bryson, N. (2018). *Unique Human Capital Theory: Concepts and Cases.* Sydney, Australia: Prentice-Hall.

Clemens, W. (2014). Revising situational crisis communication theory. *Social media and crisis communication*, 7 (12), 21-37.

Farayibi, K. (2019). Understanding cross-sector collaboration in emergency management: The dynamics of vertical and horizontal networks. The Florida State University.

Gitonga, W. (2008). *Strategic issue management at Kenya Maritime Authority*. (Unpublished MBA project) University of Nairobi, Kenya.

Hogathi, I. (2017). Cash-based response in relief: the impact for humanitarian logistics. *Journal of Humanitarian Logistics and Supply Chain Management*, 8(1), 87-106

Insurance Regulatory Authority (2014). Available [Online] http://www.ira.go.ke.

Kelser, K. (20214). International Studies of Management & Organization. *Unlocking Social Capital.* 39, (2), 7 - 32.

Kwon, G. (2018). The Impact of Strategic Planning on Crisis Management Styles in the 5- Star Hotels. *Journal of Hotel & Business Management*, 10(7), 171 – 188.

Leonard, D. (2014). "Rethinking the management of large - scale national risks", *Workshop on Strategic Crisis Management*, Geneva.

Lewin, D. (2018). An Experiential Approach to Organization Development. New Jersey: Prentice-Hall publishers.

Mugenda, O. M., & Mugenda, A. G. (2019). *Research methods: Quantitative and qualitative approaches*. African Centre for Technology Studies.

Ndung'u, C. (2014). *Strategic issue management practices adopted by private security firms in Kenya (*Unpublished MBA project). University of Nairobi, Kenya.

Nelly, A. (2017). Impact of Strategic Planning on Crisis Management in the Profit and NonProfit Sector in Jordan: *Journal of Academy of Strategic Management*, 17(5), 122 – 143.

Randiek, N. (2019). Comparative Analysis of Disaster Management between Japan & India: *Journal of Business and Management*. 13 (6), 2278 - 2287

Rebs, B. (2015). Managing Turbulence in the Blogosphere: Evaluating the Blog-Mediated Crisis Communication Model with the American Red Cross. *Journal of Public Relations Research*, 24(4), 353 - 370.

Sekip, N. (2014). Strategies for disaster risk reduction education; A systematic review: *Journal of Education and Health Promotion*, 2 (7), 98 – 128.

Tonino, C. et al., (2010). Corporate crises in the age of corporate social responsibility. Business Horizons, 58(2), 183 - 192.

Young, N. (2019). Proposition for a multi-dimensional, integrated approach for a crisis management system on a national level", *14th Annual Conference of the International Research Society for Public Management*, Berne.