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Influence of Innovation Strategies on the Performance of Insurance Firms in Kenya

[1*] Kyalo Stanley Mugendi, [2] Dr. Allan Kihara Ph.D.

[1*, 2] College of Human Resource and Development, Jomo Kenyatta University of Agriculture and Technology

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Abstract

Purpose: The purpose of this study was to establish how innovative methods affect the performance of Kenyan insurance companies. The precise goals encompass establishing the impacts of market innovation, product innovation, service innovation and pricing innovation on performance.

Methodology: The study targeted all the 54 insurance firms registered by IRA. The sample size featured 162 respondents representing three respondent from each firm. Questionnaires were used to collect data from the respondents and the five-point Likert scale was used to construct the questions. Data analysis was done using correlation and regression analyses through SPSS. The results indicated that that overall market innovation had greater impact on financial performance. Advertisements and promotional strategies were associated with more positive impact and these may be the specific strategies that firms should focus on.

Findings: The overall positive results were also experienced by price innovation as price undercutting and offering discounts exhibited greater positive influence. The overall impact of service innovation and product innovation was established to be negative. Nevertheless, when assessed specifically, improving existing products had positive influences. Similarly for service innovation, improving old services recorded positive impacts relative to providing complementary services. In light of these results, the study recommended that firms be strategic and specific when implementing innovation strategies.

Unique Contributions to Theory, Policy and Practice: Also, the study recommended that firms support product innovation with market research, build an organizational culture that encourages, supports, and reward innovation, and encourage innovation mix to build greater success and foster holistic growth.

Keywords: *Market Innovation, Product Innovation, Service Innovation, Pricing Innovation and Insurance Firms.*

Background of the Study

As firms strive to improve their performance, revamping the entire operations of the firm becomes an almost inevitable process and the insurance industry is not any different. The process of revamping mainly takes the form of introducing innovative approaches in the business models with the aim of enhancing better performance of the firm. This transformative era has revolutionized how firms in the insurance industry carry out their operations. This era is characterized by new ideas, new competitors, new challenges, and new technological opportunities. These factors have challenged the form in which conventional insurance firms conduct their operations and has significantly necessitated for the wide embracement of innovation. Thus, the current trends in the insurance market inductively imply that high performing insurance companies highly incorporate innovation strategies in their operations and the vice versa is true (Mwaura, 2016). This postulation notwithstanding, it is still not very clear how and to what extent innovation strategies and performance of insurance firms relate.

Insurance has existed in the world for a significantly long period and is used by parties as a contract to mitigate them against losses. Despite the long existence, the stability and acceptance of insurance in the world remains low. Advanced markets report a slow growth in terms of insurance premium with Europe and parts of Asia reporting constant growth (Association of Kenya Insurers, 2019). Parts of North America in the US are some of the best performing regions in the world with high annual sales. Besides, emerging markets like China are also growing rapidly; China reported a double-figure growth of insurance premiums in 2019. The regions reported with weak insurance systems, particularly life insurance are Middle East and Africa. There is wide and fast-paced acceptance of technology of insurance in the global space. Insurance companies all over the world are understanding the vitality of technology in the industry and are incorporating it in their systems- this can be exemplified by world programs such as insurtech.

Insurance penetration is considerably low in Africa. Political instability and poor regulation of the insurance market are the main issues contributing to the low insurance penetration (Balcilar, 2020). In East Africa, insurance penetration is somehow promising given the increased awareness, financial inclusion, and the rising middleclass. According to the African Development Group, East Africa Economic Outlook (2019), Ethiopia ranks as the country with the least penetration rate of 0.40% while Kenya ranked the highest with a rate of 2.43% in East Africa. Kenya's insurance market is expected to grow at 6% annually and is among the African countries with the most mature insurance markets (Oxford Business Group, 2016). Although, the growth rate is slightly lower relative to advanced countries in Africa, it is favorable and very promising. Besides, it is expected that total income in terms of premium will increase substantially.

Performance of Insurance Firms in Kenya

The Kenyan insurance industry has existed since colonial days. The European settlers made significant investments in Kenyan land and they understood the need to safeguard these assets from numerous hazards, which led to an increase in demand for insurance coverage. Thus, they created insurance companies to serve this purpose. At that time, British firms owned every insurance organization. , Jubilee Insurance, Pioneer Assurance Society, Provincial Insurance Company Limited, and Pan Africa Insurance, are some of the first insurance firms. Following independence, Kenya's government acquired control of the insurance businesses. From then onwards, the government has established several policies to regulate this industry such as the Act Cap 180 of 198 that established AKI and the amendment to the insurance Act in 2006 that also established IRA as the sector's regulator (Kihara, 2014). IRA establishes that the total number of

licensed insurance companies in Kenya stands at 54. Other players in the Kenyan market include insurance brokers, agents, investigators, surveyors, loss adjustors, medical insurance providers, motor assessors, reinsurance brokers, claims settling agents, bancassurance intermediaries, and risk managers. The development of the insurance sector in Kenya has been beset with challenges such as lack of access to affordable insurance, high cost of insurance, high volatility, and high risks in the market. Nevertheless, the development of technology and innovation have helped several firms operate profitably. The introduction of electronic mails is one of the factors that revolutionized the claims system as it improved service delivery thereby deepening insurance penetration in Kenya (Kamiru, 2016)..

Statement of the Problem

The role of innovation in spurring desired performance has attracted great attention among scholars and policymakers of the present times. AKI (2014) reports that the insurance sector in Kenya has substantially transformed in recent years as a consequence of various factors one of which is technological innovations. Innovation has proven effective in improving performance; Process innovation strategy has been responsible for 42% of the rise in premiums, while promotions have been responsible for 34%, and marketing channels account for 15% (Mutegi, 2018). Numerous investigations, both within and beyond the country, have been made in an effort to learn more about this issue. Nandwa (2016) studied the impact of innovative strategies on the financial performance of insurance firms in Eldoret. This study analyzed four innovative strategies: product, process, promotion, and price. The results of this study, which used structured questionnaires to gather the data, revealed that some techniques had a substantial association with performance while others did not. 79.04% of the participants in this study asserted that promotions drive sales. Ideally, performance was discovered to be correlated with product, promotion, and price, but not with process innovation. Although this study offers crucial insights in this area, its key drawback is the geographical scope. It is desirable to conduct an investigation that covers a larger territory in order to better grasp the issue at hand because the study only included 21 companies in Eldoret town, which creates a gap. These findings are almost similar to those of Maina (2019).

Maina (2016) discovered that all four techniques had a very favorable impact on the performance of insurance companies in Nairobi, Kenya. Despite the fact that these findings may appear to be identical, there are differences in the locations and the claims made about process innovation. While Maina (2019) finds a highly favorable association between process innovation and performance, Nandwa (2016) presupposes no meaningful relationship between the two; this research gap can be resolved by performing more study. A report by the World Bank (2022) suggests that the use of disruptive innovations has boosted insurance up take in the agricultural sector in Kenya. Ideally, there was a 50% increase in insurance uptake, which indicates a rise in trust in insurance products (World Bank, 2022). Higher insurance uptake implies better performance for the insurers. Although innovation has proven pivotal in this sector, most insurers are yet to apply innovative strategies effectively; this is according to a report by AKI (2020). Thus, AKI suggests that the old reactive experience of insurers must give way to a predictive and proactive experience. New insurance products should be built on statistics, big data, algorithms, and artificial intelligence.

Numerous sectors, including banking and telecommunications, have been the focus of research studies on this topic. Studies touching on innovation in the banking industry can be exemplified by that of Muigai and Gitau (2018). This study centered on product and organizational innovation in Kenyan banks. The findings of the study reveal that product innovation, particularly introduction

of new products and enhancement of existing ones, strongly shaped positive firm performance. Thus, the study recommended more innovation in the banking industry. Kariuki (2014) examined the innovative methods employed by Kenyan telecoms companies and their implications on organizational performance in the telecommunications sector. According to the study, advanced creative methods to product development, marketing, and service delivery have a beneficial impact on organizational performance. Despite the fact that these studies' conclusions are fairly comparable, it is important to remember that they focus on different sectors than the one in question. It would be foolish to assume that the effectiveness of innovation in other industries can be applied to the insurance market given the lack of research that has been done in this area. Similar to other businesses, the insurance market in Kenya has significant challenges yet is continually expanding. Since there is little knowledge in this market it is important to fill this knowledge gap using this research.

Objectives of the Study

i. To establish the effect of market innovation on the performance of insurance firms in Kenya.
ii. To determine the effect of product innovation on the performance of insurance firms in Kenya.
iii. To assess the effect of service innovation on the performance of Insurance firms in Kenya.
iv. To analyze the effect of pricing innovation on the performance of insurance firms in Kenya.

Literature Review

Theoretical Review

Theory of Diffusion of Innovations

Communication theorist, Everett Rogers (1962), coined this theory to explain behavioral change in society with respect to how they embrace new ideas and technology. According to this theory, there are various psychosocial factors that influence how people adopt new concepts. Based on these factors persons are likely to accept, reject, or take time before fully having an opinion about new ideas. There are five main actors who act differently based on this theory. The first actors are innovators who make up 2.5% of the population. Innovators are open-minded, risk-takers, and receptive to new approaches. Also, they are the initial parties to try new technologies. The second group consists of early adopters. Early adopters are mainly opinion leaders in their respective markets and they highly value the need to refurbish conventional operations. Thus, convincing them is not hard since they are quick to try out new things. The early majority, which is the third group, accounts for about 34 percent of the population. The early majority are not necessarily opinion leaders but are quick to embrace change. They are also not hard to convince but require some proof of success before they can adopt change. The fourth group comprises of the late majority which also accounts for 34 percent of the population. The late majority are sceptical in terms of trying new things but will only be convinced to try once the idea is successfully tested by the majority. Laggards are the last actors who consist of 16 percent of the population and are characterized by risk-aversion. They are firmly rooted in their traditional means and will take the longest time to adopt change. Convincing laggards is an uphill task and they are the last to accept change. Everett (1962) asserts that some of the factors that shape the rate of adoption of new ideas are the benefits of the new idea relative to the existing one, complexity in usage, compatibility to society, and ability to test before fully implementing change. The idealness of these factors to the

intended users will help fasten the rate of adoption, and vicersa is true. For instance, if a new idea establishes itself as simpler alternative to the system in place, its rate of adoption will be higher. This theory has gained popularity since its inception. Many scholars have studied it over the years and have continuously tested its practicability. The theory is lauded for being realistic and relevant in explaining innovation in different fields. The most significant instance that supports this theory is the spread of Facebook. This social platform grew from a product made for students and tutors in learning institutions to a global social site for the general public. The adoption spread slowly from one group to another and with more testing came more adoption. However, the theory is criticized for ignoring the fact that humans are complex in their behavior and quantifying groups based on decisions is hard. This study is related to this study as it explains how different parties react to change. Based on the postulation of Everett (1962) it is possible to deduce that the rate of effect will as well differ among the actors; the early adopters and majority are likely to start feeling the effects before the laggards who adopt change the last. Assuming that firms successfully implement a certain technology as part of their service innovation, the early adopters and majority will have more gains than their counterparts. Hence, this theory establishes relevance to this study.

Theory of Innovation

This theory came into existence through the work of renowned economist, Joseph Schumpeter in 1911. According to Schumpeter, the main driver of economic change is innovation. He coined the term creative destruction to explain how this change takes place. Creative destruction refers to the replacement of existing systems with newer technologies. Schumpeter postulates that the work of entrepreneurs is mainly to innovate. Innovation according to this theory is a policy undertaken deliberately to raise a product's demand or lower the firm's production costs. The theory identifies five types of innovations which include, introducing new products or improving the existent ones; using new production or sales methods; exploring new markets; sourcing for supplies in new places; and creating a structural change in the industry such as creating a monopoly. As entrepreneurs innovate, they drive economic change which is referred to as Schumpeterian growth. Besides, entrepreneurs gain profits as a reward for their successful innovations. Schumpeter argues that innovation is a vital tool in influencing economic change and entrepreneurs are at the center of this revolution as change creators. This theory has received praise and backlash in fair share. Scholars like Moldaschl (2010) have challenged some of the concepts presented in this theory. While Schumpeter suggests that consumers are statistic and do not inspire economic change, Moldaschl (2010) believes that some of the companies have been innovative but their work has not been successful without the dynamic behavior of consumers- an ideal example of this assertion is the use of telephones by consumers. Nevertheless, this theory is essential in describing the role of innovation in influencing change. It is one of the earliest work around this subject and this is why it chosen as part of this study. The theory is relevant as it explains profits as a reward for successful innovations. Turnover as used in this study acts as profit as explained in this theory.

Dynamic Capabilities Theory

David Teece, Gary Pisano, and Amy Shuen published a paper titled, Dynamic Capabilities and Strategic Management, in 1997 and this work gave life to the concept of dynamic capabilities. Dynamic capability refers to the potential and capacity of a firm to embrace change for purposes of thriving in its market. The theory acknowledges that markets are not static; several factors like competition influence persistent change in the business environment. Therefore, it would be imprudent to resist these changes and stick to conventional procedures. Firms are expected to react

effectively to the changes if they intend to perform well. Some of the examples of dynamic capabilities are organizational decisions, skills, and structures. The suitability of these factors in a market significantly shapes the company's success. Firms can use these capabilities to alter their production process and develop new products. According to this theory, financial gain is a function of these dynamic capabilities; thus, companies must ensure that they have the most suitable dynamic capabilities for better performance. This theory is germane to this study as it helps understand the relationship between innovation and performance. The study variables related to market, product, price and service innovation are considered as the dynamic capabilities that can influence a firm's performance relative to its competitors.

Resource Dependence Theory

Davis and Cobb formulated the Resource Dependence Theory in the 1970s. The notion is founded on the idea that companies assert industrial dominance when they control resources that are valuable to other companies. Resources, according to the principle, are a variety of assets, competencies, organizational practices, knowledge, and expertise that contribute to increased organizational efficiency and effectiveness. The hypothesis is related to the research that links a firm's financial performance to its innovation strategy as a scarce resource. It claims that if a company has unique resources that other companies cannot duplicate, it has the potential to outperform them. The same may be said about one-of-a-kind business tactics that no one else can duplicate.

Conceptual Framework

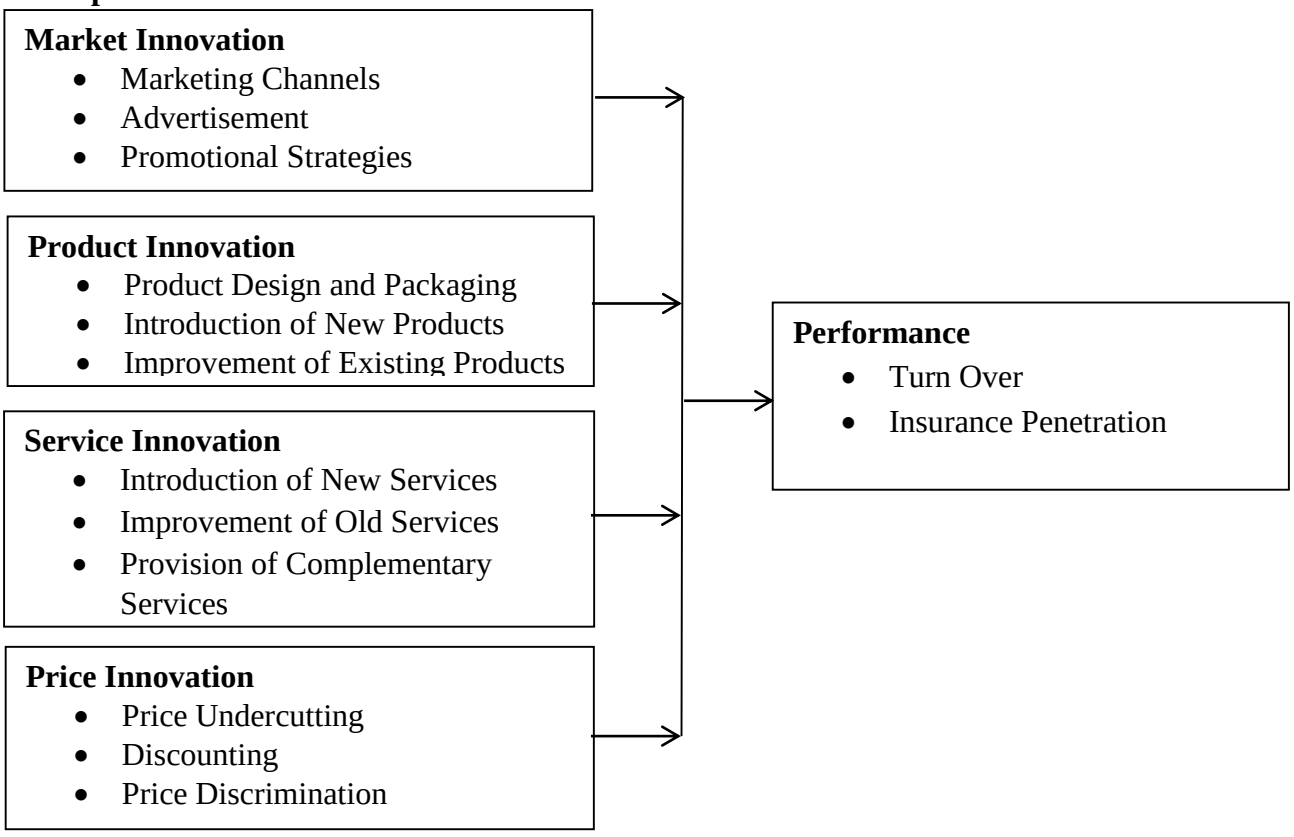

Figure 1: Conceptual Framework

Market Innovation

Market innovation describes developments in the marketing tactics that businesses use. These strategies encompass the actions performed by a business to expand market share, break into new markets, and obtain a competitive advantage. The creation of new marketing channels, the improvement of already-existing channels, as well as promotional and ad campaigns like product placement, are some of the most typical market advances (Storbacka, 2019). The sub-variables of market innovation in this study are marketing channels, advertising, and promotion. The company's delivery and distribution channels used to reach its target audience are referred to as marketing channels. Advertising and promotion put the emphasis on the communication techniques used to spread knowledge and create demand for the goods or services being supplied.

Product Innovation

Product innovations are modifications that make currently available goods better or more valuable. This form of innovation can as well take a variety of manifestations, such as new designs, enhanced functionality, and product differentiation. They can also take a type of the launch of new products, upgrades to current products, or refinements to product packaging (Maier et al., 2019). These developments are meant to better serve client needs, set the company's products apart from rivals, and eventually boost its financial results. Products can be regularly improved and developed by businesses to keep on top of trends and remain relevant in their markets.

Service Innovation

Service innovation deals with the creation and enhancement of services provided by an organization (Woo et al., 2021). It should ideally cover improvements in product quality. The level of quality of a product as well as the speed with which it is supplied could both be impacted by service innovations. This study will concentrate on different kinds of service innovation, including the introduction of new services, enhancement of current services, provision of supplementary services, and modification of service delivery methods. Introducing new services, improving current ones, and offering supplementary services. More loyal customers, higher levels of customer happiness, and eventually increased financial performance can all result from effective service innovation. Businesses can stand out in the market and draw in a wider clientele by offering distinctive and value-added services.

Price Innovation

Changes in the cost of goods and services are referred to as pricing innovations (Mendoza, 2020). Price innovations can either be beneficial, like lower product costs, or harmful, like increased product prices as a result of price discrimination. Pricing strategies, in particular, concentrate on achieving competitive advantages over rival businesses in the market. Price undercutting, discounting, and price discrimination are some of the sub-variables that make up price innovation; this study has adopted the three techniques to describe pricing innovation. Offering goods or services at a cheaper cost than rivals is known as price undercutting. Discounting is the term for momentary price cuts or offers intended to increase demand. Price discrimination is the practice of charging certain client segments different rates based on aspects like the customers' purchasing power. These price innovation techniques have the power to affect both consumer behavior and business results in turn.

Financial Performance

The research study's variable of dependence is performance. While performance is wide and can be described using different facets, this study seeks to narrow down to two specific measures of performance. These are turnovers and insurance penetration rates. Turnovers are commonly used to evaluate performance given that they are critical indicators of sales volume and income (Kreps, 2019); thus, this study adopts turnover as the response variable to help explain the effects of innovation on financial performance with better clarity. On the other hand, insurance penetration rate is a metric used to assess the reach and uptake of insurance services in an economy. Using this measure, the study seeks to establish whether or not innovation can drive insurance uptake in an economy.

Research Methodology

A descriptive a descriptive research design was used. This study targeted members of staff of the 54 insurance firms in Kenya in senior management positions. The study targeted senior managers, three from each of the 54 insurance companies. These three representatives from each company will be the IT manager, marketing manager, and chief finance officer. Therefore, the total number of respondents in this study will be 162. This study included both primary and secondary data collection techniques. Questionnaires were used to collect primary data while secondary data was sourced from the companies' financial records. Before starting the analysis, the researcher compiled all the questionnaires and checked them for completeness and consistency. Descriptive statistics such as means and standard deviations were used in the analysis and this was done through the help of SPSS. Data presentation was done in form of tables and graphs. Correlation and regression was used to determine the association and relationship between the variables. The regression model used in this study was stated as follows:

$$\mathbf{Y= a+b_1X_1+b_2X_2+b_3X_3+b_4X_4+u}$$

Where: Y represents financial performance, X_1 represents market innovation, X_2 represents product innovation, X_3 represents service innovation, X_4 represents price innovation, U represents the error term and $b_1 \ldots b_4$ denote the one unit change accruing to financial performance as a result of one unit change in the innovation strategies. Descriptive and inferential analysis were used to draw conclusions. The data was presented in tables and graphs. Also, means and standard deviations were computed to explain the data better.

Results

The study targeted 162 respondents, thus 162 questionnaires were produced and distributed. Out of the 162 questionnaires only 94 were used in data analysis since not all questionnaires were returned and some were not fully filled. These figures represent a response rate of 58.02% which is a considerable rate for analysis. Lakens (2020) asserts that it is possible to draw conclusions about the overall population using response rate ranging anywhere from 30% to 80% of the overall sample size.

Descriptive Statistics

Market Innovation and Financial Performance

The study aimed at establishing the effect of market innovation on financial performance of insurance firms in Kenya. As evidenced in table 1, the research findings indicate that majority of the respondents, that is, 24%- 23 participants (mean= 3.21) believed that innovation of marketing channels was successful in improving the financial performance. On advertisement, majority, that is, 30%- 26 participants (mean= 3.36) held that the impact of advertisement on financial performance was similar. Regarding promotional strategies, majority of the participants, 31%- 29 participants (mean= 3.24) suggested that innovation related to promotional strategies was successful in influencing financial performance.

Table 1: Market Innovation

	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic
Marketing Channels	94	1	5	3.21	1.375
Advertisement	94	1	5	3.36	1.217
Promotions	94	1	5	3.24	1.293
Valid N (listwise)	94				

Measures of Market Innovation

These findings were interpreted to mean that market innovation measures, particularly those related to the marketing channels and promotional strategies are successful firms should focus more on such. On advertisement, much is not known about its impact on financial performance since the responses are somewhat neutral though there are slight prospects that this form of innovation can be successful in shaping financial performance. These findings were correlated to determine whether or not there exists a relationship between these market innovation measures and the turnover. The correlation results were as follows:

Table 2: Correlations

		Marketing Channels	Advertisement	Promotions	2022 Turnover (Ksh.)
Marketing Channels	Pearson Correlation	1	.050	.043	-.032
	Sig. (2-tailed)		.633	.681	.756
Advertisement	Pearson Correlation	.050	1	.073	.080
	Sig. (2-tailed)	.633		.484	.444
Promotions	Pearson Correlation	.043	.073	1	.120
	Sig. (2-tailed)	.681	.484		.250
2022 Turnover (Ksh.)	Pearson Correlation	-.032	.080	.120	1
	Sig. (2-tailed)	.756	.444	.250	
	N	94	94	94	94

Relationship between Market Innovation and Financial Performance

The relationship between the market innovation measures and financial performance was established to be insignificant. The association between promotional strategies and financial

performance was found to be positively weak and insignificant (0.120); this implies that although promotions are essential, they are not the key determinants of financial performance.

Product Innovation and Financial Performance

The study purposed to determine the effect of product innovation on the financial performance of insurance firms in Kenya. The results indicated in table 3, suggest that majority of the respondents, that is, 26%- 24 participants (mean= 3.18) believed that product design and packaging was successful in influencing financial performance. 22%, which translates to 21 participants (mean=3.09), held that introducing new products was extremely successful. Majority of the respondents, that is 24%- 23 participants (mean=3.15) were of the opinion that improving existing products was successful relative to improving financial performance. These findings were interpreted to imply that product innovation is largely successful.

Table 3 Product Innovation

	N	Minimum	Maximum	Mean	Std. Deviation
Product Design and Packaging	94	1	5	3.18	1.391
Introducing New Products	94	1	5	3.09	1.442
Improving Existing Products	94	1	5	3.15	1.391
Product Differentiation	94	1	5	3.13	1.263
Valid N (listwise)	94				

Measures of Product Innovation

Correlation was used to test the association between product innovation measures and financial measures. The correlation results are outlined below:

Table 4 Correlation

		Product Design and Packaging	Introducing New Products	Improving Existing Products	2022 Turnover (Ksh.)
Product Design and Packaging	Pearson Correlation	1	-.029	.130	-.128
	Sig. (2-tailed)		.780	.210	.220
Introducing New Products	Pearson Correlation	-.029	1	-.119	-.015
	Sig. (2-tailed)	.780		.253	.889
Improving Existing Products	Pearson Correlation	.130	-.119	1	-.023
	Sig. (2-tailed)	.210	.253		.826
2022 Turnover (Ksh.)	Pearson Correlation	-.128	-.015	-.023	1
	Sig. (2-tailed)	.220	.889	.826	
	N	94	94	94	94

Relationship between Product Innovation and Financial Performance

No significant relationship was established between either of the measures and financial performance. The relationship was negative for product design and packaging, introducing new products, and improving existing products (-0.128, -0.015, and -0.023).

Service Innovation and Financial Performance

This study aimed at assessing the effect of service innovation on the financial performance of insurance companies. Based on table 5 below, Majority of the respondents, that is, 26%- 24 participants (mean=3.36) regard the introduction of new services as successful. On improving old services, majority, that is 37%- 35 participants (mean=3.80) posit that it is extremely successful in influencing financial performance. 27%- 25 participants (mean=2.72) are of the opinion that provision of complementary services is extremely unsuccessful. Also, the impact of complementary services may have impact on customer satisfaction and loyalty but the impact is not well reflected financially.

Table 5 Service Innovation

	N	Minimum	Maximum	Mean	Std. Deviation
Introducing New Services	94	1	5	3.36	1.319
Improving Old Services	94	1	5	3.80	1.292
Providing Complementary Services	94	1	5	2.72	1.394
Reshaping Service Delivery Means	94	1	5	3.38	1.137
Valid N (listwise)	94				

Measures of Service Innovation

These findings were correlated to test for correlation between service innovation and turnover.

Table 6 Correlation

		Introducing New Services	Improving Old Services	Providing Complementary Services	2022 Turnover (Ksh.)
Introducing New Services	Pearson Correlation	1	.024	.078	.035
	Sig. (2-tailed)		.815	.453	.734
Improving Old Services	Pearson Correlation	.024	1	.004	.102
	Sig. (2-tailed)	.815		.966	.326
Providing Complementary Services	Pearson Correlation	.078	.004	1	-.068
	Sig. (2-tailed)	.453	.966		.513
2022 Turnover (Ksh.)	Pearson Correlation	.035	.102	-.068	1
	Sig. (2-tailed)	.734	.326	.513	
	N	94	94	94	94

Relationship between Service Innovation and Financial Performance

These correlation coefficients point to an insignificant relationship between the service innovation measures and financial performance. Introduction of new services and improving old services exhibit positive relationships whereas providing complementary services had a negative relationship with financial performance.

Price Innovation and Financial Performance

This study sought to analyze the effect of pricing innovation on the financial performance of insurance firms in Kenya. The results displayed in table 7 show that majority of the respondents, accounting for 47%- 44 participants (mean=1.99), suggest that price undercutting is extremely unsuccessful in relation to improving financial performance. 33%- 31 participants (mean=3.20) rank offering discounts as successful in improving financial performance. On price discrimination, most of the respondents, 57%- 54 participants suggest that it is extremely unsuccessful.

Table 7 Price Innovation

	N	Minimum	Maximum	Mean	Std. Deviation
Price Undercutting	94	1	5	1.99	1.196
Offering Discounts	94	1	5	3.20	1.372
Price Discrimination	94	1	5	1.65	.981
Valid N (listwise)	94				

Measures of Price Innovation

These findings indicate that offering discounts is the most popular and successful type of price innovation. Price undercutting is rare since most companies wish to price their products in line with the market rate; pricing below the market may lead to losses. Price discrimination is an avoided practice in the Kenyan insurance industry that needs further investigation. These findings were correlated to test for correlation between price innovation and financial performance.

Table 8 Correlations

		Price Undercutting	Offering Discounts	Price Discrimination	2022 Turnover (Ksh.)
Price Undercutting	Pearson Correlation	1	.119	.208*	.097
	Sig. (2-tailed)		.252	.045	.351
Offering Discounts	Pearson Correlation	.119	1	.213*	.045
	Sig. (2-tailed)	.252		.039	.666
Price Discrimination	Pearson Correlation	.208*	.213*	1	-.080
	Sig. (2-tailed)	.045	.039		.443
2022 Turnover (Ksh.)	Pearson Correlation	.097	.045	-.080	1
	Sig. (2-tailed)	.351	.666	.443	
	N	94	94	94	94

Relationship between Price Innovation and Financial Performance

Price undercutting and offering discounts have a weak positive correlation with turnover (0.097 and 0.045 respectively). Price discrimination has a negative weak and insignificant correlation with turn over (-0.080); this implies that changes in price discrimination result in very slight negative changes to turnover.

Innovation and Performance- Regression Model

The study adopted the regression model: $Y= a+b_1X_1+b_2X_2+b_3X_3+b_4X_4+u$

Where:

Y represents financial performance, X_1 represents market innovation, X_2 represents product innovation. X_3 represents service innovation, X_4 represents price innovation, U represents the error term and $b_1 \ldots b_4$ denote the one unit change accruing to financial performance as a result of one unit change in the innovation strategies.

Table 9 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.800[a]	.64	.475	6260560.27524

The R squared was 0.64 and this implies that changes that the independent variables- the innovation strategies, account for about 64% of changes of performance.

Table 10 Model Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig
1	(Constant)	4694213.656	4721063.319			
	Marketing Channels	-179801.405	501433.506	-.041	-0.041	-0.358
	Advertisement	377506.677	567191.262	.077	0.077	0.666
	Promotional Strategies	561717.201	531375.202	.122	0.122	1.057
	Product Design and Packaging	-437237.047	498565.055	-.102	-0.102	-0.877
	Introducing New Products	-47864.384	472061.424	-.012	-0.012	-0.101
	Improving Existing Products	48066.836	498634.425	.011	0.011	0.096
	Introducing New Services	-23856.498	539175.810	-.005	-0.005	-0.044
	Improving Old Services	204952.644	541564.943	.044	0.044	0.378
	Providing Complementary Services	-380641.211	497103.155	-.089	-0.089	-0.766
	Offering Discounts	259477.151	499561.035	.060	0.060	0.519
	Price Discrimination	-409259.192	728931.860	-.067	-0.067	-0.561

Coefficients of Regression

The coefficients of the regression model were as follows:

Performance= (-179801.405+377506.677+561717.201) - Market innovation + (-437237.047-47864.384+48066.836) - Product innovation + (-23856.498+204952.644-380641.211) – Service innovation + (531897.664+259477.151-409259.192) - Price innovation
This can be summarized as:
Performance= 759422.473 (Market innovation) -437034.595 (Product Innovation) -412503.705 (Service innovation) + 382115.623 (Price innovation).

These results suggest that overall market innovation had greater impact on financial performance. Advertisements and promotional strategies were associated with more positive impact and these may be the specific strategies that firms should focus on. The overall positive results were also experienced by price innovation as price undercutting and offering discounts exhibited greater positive influence. The overall impact of service innovation and product innovation was established to be negative. Nevertheless, when assessed specifically, improving existing products had positive influences, thus insurance companies may wish to solely focus on these strategies if they wish to improve financial performance. Similarly for service innovation, improving old services recorded positive impacts relative to providing complementary services. Hence, insurance companies aiming at boosting financial performance using service innovation strategies may choose to improve their old services as it yields greater benefits.

Conclusion

This study aimed at investigating the effect of innovation strategies on the performance of insurance companies in Kenya. Unlike most of the existing studies, this study not only explored the innovation strategies in general terms, but also with specificity. The study assessed specific type of the categories of innovation strategies. The conclusions made by this study were based on responses collected and the results of the data analysis. Based on the responses collected, the study concluded market innovation measures, particularly those related to the marketing channels and promotional strategies are successful firms should focus more on such. On advertisement, much is not known about its impact on financial performance since the responses are somewhat neutral though there are slight prospects that this form of innovation can be successful in shaping financial performance. The study concluded that complementary services may have impact on customer satisfaction and loyalty but the impact is not well reflected financially. On price innovation, offering discounts is the most popular and successful type of price innovation. Price undercutting is rare since most companies wish to price their products in line with the market rate; pricing below the market may lead to losses. Price discrimination is an avoided practice in the Kenyan insurance industry that needs further investigation.

Conclusions based on the results of the data analysis suggest that overall market innovation had greater impact on financial performance. Advertisements and promotional strategies were associated with more positive impact and these may be the specific strategies that firms should focus on. The overall positive results were also experienced by price innovation as price undercutting and offering discounts exhibited greater positive influence. The overall impact of service innovation and product innovation was established to be negative. Nevertheless, when assessed specifically, improving existing products had positive influences, thus insurance companies may wish to solely focus on these strategies if they wish to improve financial performance. Similarly for service innovation, improving old services recorded positive impacts relative to providing complementary services. Hence, insurance companies aiming at boosting

financial performance using service innovation strategies may choose to improve their old services as it yields greater benefits.

Recommendations for the Study

The area of product innovation shows prospects of being extremely successful though it is less understood. Therefore, it is prudent that firms undertake market research that involves receiving customer feedback before executing such. This process will enable them understand the market needs and the appropriate product innovation measures, thus, breed greater success for their firms. Insurance firms should be strategic and specific in choosing what innovation strategies to implement. As it is noted, not all innovation strategies may be successful even though their general category of innovation is successful; the vice versa is also true. Also, firms should build an organizational culture that treasures and supports innovation. Empower employees through learning to make them knowledgeable on matters innovation. Allow them share their ideas and reward creativity and new ideas. Lastly, encourage innovation mix by adopting multiple types of innovation simultaneously. By leveraging on the individual successes of varied types of innovation, firms can build greater success and drive holistic growth of the firm.

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