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ABSTRACT

This study sought to establish the effect of innovation practices on organization performance in health insurance service providers in Kenya. The specific objectives were to establish the effect of process innovation and market innovation on organization performance in health insurance service providers in Kenya. The descriptive research technique was used for this study. The population that was targeted for this research was made up of 224 managers from the health insurance service providers and a stratified sampling technique was undertaken to come up with the sample. Questionnaires were used to obtain primary data and they were close-ended questions. Analysis was done quantitatively and qualitatively by use of descriptive statistics. The study revealed that Process innovation enhance quality of products and services in insurance companies, process innovation enhance product innovation in insurance companies, innovation plays a crucial role in fulfilling market needs in insurance companies, market innovation leads to opening up new markets in insurance companies. The study concluded that implementation of process innovation and market innovation had a positive effect on organizational performance in health insurance service providers in Kenya. The study recommended that, strategic innovations should be encouraged and firms should continuously look for superior processes and market innovations for competitive advantage. Innovation strategies alone are not sufficient to lead to competitive advantage but the Health insurance service firms should also invest more in research and development so as to be able to innovate more.

Key words: *process innovation, market innovation, organizational performance in and health insurance service providers*

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INTRODUCTION

Innovate is one of the top priorities of an enterprise' management in enhancing sustainability and promoting superior performance (Jonash & Sommerlatte, 2014). The innovation practices of a given company acquired over a given period influences significantly its performance. Majority of the organization measures their performance in terms of financial and non-financial indicators (Tangen, 2015). According to Essmann and du Preez (2015) an organization develops innovation practices in organizational support, knowledge and competence, and innovation process respectively. This implies that innovation practices maturity in any given organization is a process commencing with management's support in creating a conducive environment for innovative activities (Jonash & Sommerlatte, 2014).

According to Damanpour (2011) the strength of innovation and firm performance relationship depends on how performance is measured. Innovation and economics studies consider the number of patented or patentable innovations (new processes, products or technologies) as an important factor in order to compute the creativity and innovative performance of an organization (Hagedoorn &Cloodt, 2013). Oke (2017) states that the most common measure of performance relating to innovation is the amount of sales (or sales turnover) generated from innovations or new products. Business measures such as return on assets (ROA) and return on equity (ROE) are largely ignored because of the difficulty in linking such with innovation activities (Oke, 2017).

In Malaysia Olsen (2015) noted that customer demands, market trends, company mission and vision were the main factors affecting the application of innovation practices. Knowledge management and the emphasis on research and development activities had major impact on firms' performance as innovation practices approaches. In light of the findings the study recommends that since most of the commercial banks in Malaysia have been successful in the application of innovation practices approaches so far, there is need to focus on how their expansion strategy were affecting their performance, and how globalization was affecting their competitive advantage. This enabled these banks to attain the full benefit of the application of innovation practices approaches.

Various countries in Africa have undertaken different approaches to enhance innovation. Muhura (2012) noted that Ghana has embraced innovation in the public sector. The Ghanaian scientific and innovative landscape has evolved dramatically since independence and successive governments have recognized and shown interest in transforming the economy through demand-driven research and innovations. To achieve these goals, the National Science and Technology (NS&T) Policy document of 2000, was revised in 2010 with the inclusion of issues relating to innovation. The objective of Ghana's Science, Technology and Innovation (STI) policy is to lift Ghana to a middle-income status by 2020 through the perpetuation of science, technology and innovation at all levels of society (Mesti, 2010). To improve private sector competitiveness domestically and globally, Ghana's Shared Growth and Development Agenda (GSGDA) has also emphasized modern skills and competencies, science, technology and innovation and technology transfer as one of the key drivers for Ghana's growth and economic transformation (GSGDA, 2015).

Kenya is one of the outperforming lower-middle-income countries on innovation despite many challenges. The Ministry of Education, Science and Technology and Ministry of Information Communication and Technology (ICT) were created to spearhead capacity building and innovation. The creation of this ministries led to the development of several institutions that support innovation, including the National Commission for Science, Technology and Innovation; the Kenya National Innovation Agency; and the National Research Fund. Another key institution within the innovation ecosystem is the Kenya Education Network, which facilitates the sharing of educational and research resources through a government-subsidized national broadband network; it also serves as the National Research and Education Network (Government of Kenya, 2017).

Health insurance is considered private when the third party (insurer)is a profit organisation. In private insurance, people pay premiums related to the expected cost of providing services to them. Therefore, people who are in high health risk groups pay more, and those at low risk pay less. Cross-subsidy between people with different risks of ill health is limited. Membership of a private insurance scheme is usually voluntary. Private health insurance has been offered by general insurance firms, which offer healthcare insurance as one of their portfolios of products. The private health insurance sector in Kenya is relatively small and mostly focused on the rich and upper middle class employed population. There have been initiatives on going to include health covers especially designed for the lower quintiles of the society and especially the informal working sector has been targeted in this regard (Insurance Regulatory Authority, 2017).

Statement of the Problem

Many developing economies lack a driving force for innovation and R&D spending, the driving force towards innovation is further hampered by the fact that many companies encounter internal and external barriers or inhibitors that get in the way of developing the right practices to support the innovation process. Therefore, innovation has become a pre-requisite and associated to the growth, performance, competitiveness, increase in profit as well as long-term survival of organizations (Han, Kim & Srivastava, 2016).In the past health insurance service providers in Kenya have not performed to the expectations of its members with many feelings that they do not get value for their money (Insurance Regulatory Authority, 2017). To address the above the health insurance service providers and especially the NHIF have undergone a lot of innovations to facilitate timely remittance of member contributions and maintenance of up-to-date payment information for individual accounts (NHIF, 2017).

One of the big four agenda of the Kenyan government is universal health coverage (UHC), for there to be UHC the health insurance service providers must be involved so as to fill the gap of the millions of Kenyans who lack health insurance, the study will help determine the innovation practices the health insurance service providers can adopt to reach more Kenyans. In Kenya organizational performance of health insurance service providers remains low with the overall insurance penetration at 2.93% in 2017 down from 3.44% in 2016 (AKI Report, 2017). This has been attributed to low consumer knowledge and little awareness of insurance products, negative perception of insurance practices, low consumer purchasing power, low returns as compared to other investment options, poor service and unhealthy competition among insurers (Gitau, 2018). Thus, there is need to fill the gap that exist in the low penetration of health insurance service providers.

Studies have been done on innovation, Maryam (2015) focused on the relationship between organizational innovation practices and firm performance with Irish SMEs and noted innovation process and leadership management were directly and positively associated with overall firm financial and operational performance. Locally, Karanja (2014) focused on the effects of innovation strategies on performance of commercial banks in Kenya and concluded that innovation strategies are indispensable to bank’s future growth and sustainability. There exists a gap in the focus of organizational performance of health insurance service providers in Kenya taking into consideration the low consumer knowledge and little awareness of health insurance products, negative perception and low consumer purchasing power which has led to low health insurance penetration. This study thus sought to fill the gap by focusing on the effect of innovation practices on organizational performance in health insurance service providers in Kenya.

Objectives of the Study

The general objective of the study was to establish the effect of innovation practices on organizational performance in health insurance service providers in Kenya. The specific objectives were:-

- To evaluate the effect of process innovation on organizational performance in health insurance service providers in Kenya.
- To establish the effect of market innovation on organizational performance in health insurance service providers in Kenya.

LITERATURE REVIEW

Theoretical Review

Theory of the Innovative Firm

According to the theory innovative firm the function of a firm is to transform productive resources into goods and services that can be commercialized. A firm can accomplish this by engaging in in innovation. Accordingly, superior organizational performance result from innovative enterprises create products of higher quality at lower cost (Lazonick, 1994). Innovative firms have the ability to transforms productive resources into higher quality, lower cost goods and services translating to a gain for the customers and other participants in the economy (Lazonick, 1994). According to the theory, a firm is able to gain and sustain its competitiveness to compete effectively in its industry through innovation. An innovative firm may also innovate to retain its market share against an innovative competitor or to gain a strategic market position in the market (Teece,2010).

Innovative firms are able to compete, through innovation as opposed to varying price and quantity. Innovative firms become competitive by investing in quality and quantity productive resources. This enable the firms to develop superior products, services and more efficient methods i.e. production, organizational and marketing methods. In the short- term, an innovating firm is not dictated by an increase in cost but produces high quality products leading to a decrease in the unit cost with an increase in the market share. Innovation enables the innovating firm to progressively penetrate various market segments based on the different economic power of the buyers. This provides a base upon which the firms can develop capabilities to access other market segments (Teece, 2010).

The theory is relevant to the study since innovative firm are able to use innovation to achieve differentiation by offering different products and services to customers that are unique. The theory is relevant in the objective of the study on the effect of process innovation on the performance of firms since continuous improvement of processes and methods as an innovation leads to differentiation which results in increased firm competitiveness in innovative firms. This theory is useful in explaining the role of innovation and how it leads to firm competitiveness through the production of superior products and services in the market with improvement in processes. The theory affirms the role of process innovation in firm competitiveness and organizational performance.

The Dynamic Capability Theory

The Dynamic capability theory was put forward by Teece, Pisano and Shuen (1994). This theory explains how firms achieve and sustain competitiveness based on the processes that take place in a firm to match the dynamic, volatile environment. The emergency of the theory was necessitated by the shortcoming of the resource based and action-based theories in addressing dynamic economies. The Dynamic capability paradigm embraces entrepreneurship, innovation, organizational learning, and knowledge and change management. The ability of a firm to adjust to changes in the market through innovation is crucial for the competitiveness of firms. It is argued that the fundamental impulse that drives the capitalism stems from the innovation of new products, new methods of production, new markets and new forms of industrial organization (Teece, 2010).

Dynamic capabilities refer to a "firm's capability that allows it to develop new products and processes in response to dynamic market situations" (Teece, Pisano & Shuen, 1994). Dynamic capabilities include skills, procedures, organizational structures, and decision rules that can be employed by firms to create and capture value. The capabilities may stem from change routines, product development and innovative managerial capabilities. They enable the firm to align their distinctive resources/competences to the changing business environment. Dynamic capabilities are critical to long-term profitability of firms. Dynamic capabilities enable firms to profitably organize its resources, competences, and other assets if the firm is to sustain itself in changing environments and markets. The capabilities are crucial in a dynamic environment of rapid change, prevailing in a growing of industries (Teece, 2010).

This theory supports the objective of the study on the effect of market innovation on the performance of organizations. Market innovation involves the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. Dynamic capability theory is one of the critical hypotheses that affect firm's sustained competitive advantage and superior performance through marketing of the products and services. Possession of dynamic capabilities also signifies a firm's capability to solve market problems and to achieve a new and innovative form of competitive advantage. The approach emphasizes the capacity of a firm to renew competence as well as to integrate and reconfigure resources to match and create market change through innovation. This theory informed the study of the relevance of a firm's dynamic capabilities that are crucial in achieving competitiveness in a dynamic volatile environment.

Conceptual Framework

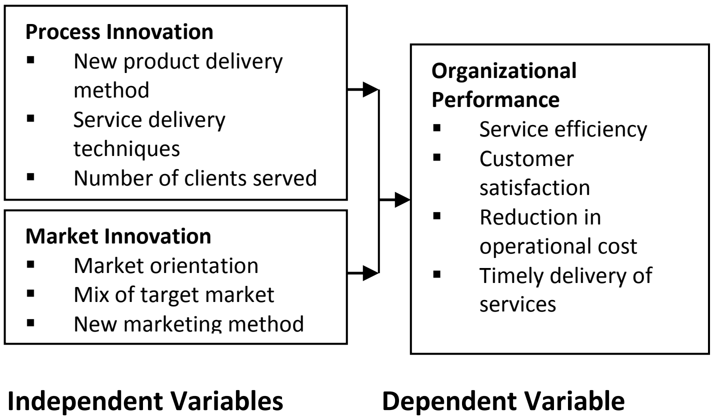

Figure 1: Conceptual Framework
Source: Author (2019)

Process Innovation

Process innovation is the implementation of a new or significantly improved production or delivery method, including significant changes in techniques, equipment and/or software (OECD, 2009). Process innovation is intended to decrease unit costs of production, to increase quality and to improve delivery of products and services (Oke, Burke & Myers). According to O'brien (2013) process innovation achieves quality function deployment and business processing reengineering. In the modern world of hyper competition, firms do not only focus on product innovation but explore process innovation to integrate improvements, service delivery as well as reduce cost to consumers. Process innovation does not take place in a casual and offhand manner, but instead, includes the pressure of day to day business, vision creation, understanding the existing process and designing a new process.

Market Innovation

Market innovation is defined in the OECD (2009) as the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. Market innovations target at addressing customer needs better, opening up new markets, or newly positioning a firm's product on the market with the intention of increasing firm's sales (Gunday *et al.*, 2011). Market innovations are strongly related to pricing strategies, product package design properties, product placement and promotion activities along the lines of four P‟s of marketing (Barney & Clark, 2017). In the recent years, new ways of gathering consumer information through market innovation have enabled firms to reach customers more effectively than before. The use of technology has led to the development of new ways to market, key among them the use of the internet in marketing (Rosli & Sidek, 2013).

Empirical Review

Kihiu (2017) studied the effect of perceived corporate innovation on customer satisfaction with mobile banking application at Chase Bank, Kenya. The study employed both inferential and descriptive statistics in gathering, analyzing, interpreting and presenting the findings. The results of the study showed that mobile banking application was clear and easy to use and understand. Findings from the study also revealed that usage of different range of mfukoni services have got a positive and significant effect on the customer’s level of satisfaction. Improved efficiency of different mfukoni services increases the level of customer satisfaction.

Maina (2016) studied effect of innovation strategies on the performance of insurance firms in Kenya and descriptive statistics such as frequency distribution and percentages were used. Regression analysis was used to explain the relationship between innovation strategies and the performance of insurance firms in Kenya. In regard to the challenges faced by insurance firms in Kenya, the study concludes that challenges are faced to a moderate extent with the most faced challenges being poor implementation innovative strategy, lack of a sound innovation management program and high cost of implementing new ideas. The study also concluded that there was a strong relationship between insurance innovation strategies and the performance of insurance firms in Kenya with e-procurement accounting for 35% of the total variance in the insurance firms’ performance.

Martha (2016) focused on the influence of service innovation practices on customer satisfaction in the commercial banking sector in Nigeria. Primary data was collected using a semi structured questionnaire, designed to be completed by respondents who are customers of the various commercial banks. It was noted that the level of innovation varies from bank to bank and service to service. Service innovation had been explained under three outlooks including innovation in services as new or improved service products, innovation in service processes as new or improved ways in designing and producing services and finally innovation in service firms, organization and industries.

Bukhamsin (2015) investigated the relationship between organizational innovation and firm performance with Irish SMEs. The approach of the study was quantitative; the data was analyzed by linear regression analysis using SPSS software. The findings showed that two important aspects of innovation practices, innovation process and leadership management, are directly and positively associated with overall firm financial and operational performance.

Mathenge (2013) studied the effect of innovation on competitive advantage of telecommunication companies in Kenya. The study used both secondary data and primary data collected using questionnaires both structured and unstructured. It was noted telecommunications companies indicated growth through financial innovations that gave them a competitive advantage in the ICT field. Telecommunication companies had different aims of financial innovations that provided the companies with the competitive advantage. From the study the major objective of financial innovation was process evaluation and the dimensions of financial innovations were identified as product, service innovation and process innovation.

RESEARCH METHODOLOGY

The descriptive research technique was used for this study since it allows the researcher to obtain large amounts of data from a sizable population in a highly effective, easy and in an economical way using questionnaires (Saunders, Lewis & Thornhill, 2012). The population that was targeted for this research was made up of 224 managers that comprised of IT managers, operations managers, finance managers and marketing managers from the 56 health insurance service providers in Kenya.

The analyst utilized a stratified random sampling strategy since the study population is not homogenous and, in this way, it is conceivable to isolate this population into strata to induce a representative sample. To calculate the sample size of the respondents, the Yamane's formula (1967) was employed.

$$n = \frac{N}{1+N(e)^2}$$

Where n is the sample size, N is the population size, and e is the level of precision (0.05).

$$n = 224/\ 1+ 224(0.05)^2$$
$$=224/1+ 224(0.0025)$$
$$=224/1.56$$
$$=143$$

The researcher took a random sample from each stratum proportionate to the population proportion to come up with 143 respondents. Questionnaires were used to obtain primary data. This research tool provided a quick and economical way of obtaining the needed data from a large population. Data collected used both quantitative in nature. Analysis used done quantitatively by use of descriptive statistics, these include frequency distributions, tables, percentages, mean mode, median etc. In addition, advance statistical techniques (inferential statistics) used considered.

STUDY FINDINGS AND DISCUSSIONS

Process Innovation

The participants were asked to indicate the extent to which they agreed with the below statements that relate to the effect of process innovation on organizational performance in health insurance service providers in Kenya.

Table 1: Statements that related to process innovation

Statement	N	Min	Max	Mean	Std. Dev
Our company has invested in process innovation	113	3.00	5.00	4.30	0.65
Process innovation decreases cost of operations in insurance companies	113	3.00	5.00	4.42	0.56
Process innovation enhance quality of products and services in insurance companies	113	2.00	5.00	4.26	0.81
Process innovation enhance business processing reengineering in insurance companies	113	3.00	5.00	4.34	0.59
Process innovation enhance employee participation and commitment in insurance companies	113	2.00	5.00	4.37	0.78
Process innovation enhance product innovation in insurance companies	113	2.00	5.00	4.25	0.77
Process innovation enhance competitiveness of insurance companies	113	2.00	5.00	3.99	0.95
Process innovation increase the market share of insurance companies	113	2.00	5.00	3.94	0.93
Process innovation enhance customer loyalty of insurance companies	113	2.00	5.00	4.00	0.85

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Most of the participants were in agreement to a great extent that process innovation decreases cost of operations in insurance companies (Mean = 4.42 Std dev =0.56) process innovation enhance employee participation and commitment in insurance companies (Mean = 4.37 Std dev = 0.78), process innovation enhance business processing reengineering in insurance companies Mean = 4.34 Std dev = 0.59), most of the insurance companies have invested in process innovation (Mean = 4.30 Std dev =0.65). These finding goes hand in hand with the research findings by Oke, Burke & Myers (2012) who asserts that process innovation is intended to decrease unit costs of production, to increase quality and to improve delivery of products and services

Further the study revealed that process innovation enhance quality of products and services in insurance companies (Mean = 4.26 Std dev =0.81), process innovation enhance product innovation in insurance companies (Mean = 4.25 Std dev = 0.77), process innovation enhance customer loyalty of insurance companies (Mean = 4.00 Std dev =0.85) process innovation enhance competitiveness of insurance companies (Mean =3.99 Std dev =0.95) and that Process innovation increase the market share of insurance companies (Mean = 3.94 Std dev =0.93)The above findings are in support of study findings by O'brien (2013) that process innovation achieves quality function deployment and business processing reengineering.

Market Innovation

The participants were asked to indicate the extent to which they agreed with the below statements that relate to the effect of market innovation on organizational performance in health insurance service providers in Kenya

Table 2: Statements that related to market innovation

Statement	N	Min	Max	Mean	Std. Dev
Our company has invested in market innovation	113	2.00	5.00	4.04	0.86
Market innovation enhances customer needs in insurance companies	113	2.00	5.00	4.15	0.85
Market innovation leads to opening up new markets in insurance companies	113	3.00	5.00	4.23	0.65
The use of technology has led to the development of new ways to market in insurance companies	113	2.00	5.00	4.14	0.79
Market innovation enhance competitiveness of insurance companies	113	2.00	5.00	4.11	0.85
Market innovation plays a crucial role in fulfilling market needs in insurance companies	113	2.00	5.00	4.32	0.77
Market innovation plays a crucial role in responding to market opportunities in insurance companies	113	2.00	5.00	4.18	0.89
Market innovation enhance survival of insurance companies in an environment of fast changing market	113	2.00	5.00	4.13	0.91
Market innovation enables insurance companies to safeguard their already existing business	113	2.00	5.00	3.88	1.06

Most of the participants were in agreement to a great extent that market innovation plays a crucial role in fulfilling market needs in insurance companies (Mean =4.32 Std dev =0.77), market innovation leads to opening up new markets in insurance companies (Mean =4.23 Std dev =0.65), market innovation plays a crucial role in responding to market opportunities in insurance companies(Mean = 4.18 Std dev =0.88), and that market innovation enhances customer needs in insurance companies (Mean = 4.15 Std dev =0.85). These findings goes hand in hand with the research findings by Gunday *et al.*, 2011) who contents that market innovations are strongly related to pricing strategies, product package design properties, product placement and promotion activities along the lines of four P‟s of marketing

Further the study revealed that the use of technology has led to the development of new ways to market in insurance companies (Mean =4.14 Std dev =0.79) Market innovation enhance survival of insurance companies in an environment of fast changing market (Mean = 4.13Std dev =0.91) most health insurance companies has invested in market innovation (Mean =4.04 Std dev =0.86) and Market innovation enables insurance companies to safeguard their already existing business(Mean = 3.88 Std dev =1.06) The above findings are in support of study findings by Kim and Jon (2014) who asserts that market innovation plays a crucial role in fulfilling market needs and responding to market opportunities.

Organizational Performance of Health Insurance Service Providers

The participants were asked to indicate the extent to which they agreed with the below

Table 3: Performance of health insurance service providers

Statements	N	Min	Max	Mean	Std. Dev
Our firm has had an increase in its market share	113	2.00	5.00	3.90	0.98
There has been efficiency of operations in our firms	113	2.00	5.00	4.06	0.91
Our firm profitability has been increasing over the last five years	113	2.00	5.00	3.93	0.91
Our firm sales revenue has been increasing over the years	113	2.00	5.00	3.75	0.95
The customers have been increasing over the years	113	2.00	5.00	4.04	0.79
The has been better service delivery in our firm	113	2.00	5.00	3.63	0.79
The reputation and brand image of our firm has improved	113	2.00	5.00	3.71	0.66
We have been able to access new markets	113	2.00	5.00	3.98	0.87
There has been development of new products in our firm	113	2.00	5.00	3.84	0.70

Most of the participants were in agreement to a great extent that there has been efficiency of operations in most of healthy insurance firms (Mean = 4.06 Std dev =0.91), the customers have been increasing over the years(Mean = 4.04 Std dev =0.79), most of the health insurance service providers have been able to access new markets(Mean = 3.98 Std dev =0.87) and that firm profitability most of the health insurance service providers has been increasing over the last five years (Mean = 3.93 Std dev =0.91).These findings go hand in hand with the research findings by Martha (2016) that there is a strong relationship between insurance innovation strategies and the performance of insurance firms in Kenya.

Further the study revealed that most of the health insurance service providers had realized an increase in its market share (Mean = 3.90 Std dev =0.98) there has been development of new products in most firms (Mean =3.84 Std dev =0.70), most of the health insurance service providers had realized an increase in sales revenue has been increasing over the years (Mean = 3.75 Std dev =0.95), the reputation and brand image of most firm has improved (Mean = 3.71 Std dev =0.66) and that quality in service delivery in most of the firms has increased (Mean = 3.63 Std dev = 0.79) The above findings are in support of study findings by Gitau (2018) customer satisfaction and the performance are dependent on minimizing the gaps that are associated with the performance in the delivery of the service to create value.

Beta Coefficients

A multiple regression was conducted so as to determine the extent of influence of the independent variables on the dependent variables and also to determine the significance of the relationship using the p values.

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	13.753	3.639		3.779	.000
	Process innovation(X2)	.879	.114	.486	7.721	.000
	Market innovation (X3)	.468	.111	.274	4.231	.000

$Y=13.753+0.879X_1+0.468X_2$

The regression equation shows that if the independent variables (process innovation, and market innovation) were held to a constant zero, performance of health insurance service providers would be 13.753. A unit increase in process innovation would lead to a rise in performance of health insurance service providers by 0.879 units. O'Brien (2013) that process innovation achieves quality function deployment and business processing reengineering. A unit increase in Market innovation would lead to a rise in performance of health insurance service providers by 0.468 units. These results supported by Kim and Jon (2014) who asserts that market innovation plays a crucial role in fulfilling market needs and responding to market opportunities. At 5% level of significance and 95% level of confidence, all the variables were significant ($p<0.05$).

Model Summary

The model summary sought to determine whether the correlation coefficient was significant at 5% significance level and also the extent that each independent variable explained the dependent variable through the coefficient of determination.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.810[a]	.656	.643	4.29270

The table displays R at 0.810 showing the correlation between the observed and predicted values of the dependent variable. The relationship between the two values is deduced to be average the adjusted R squared value is 0.643 meaning that 64.3% of the variation retention (dependent variable) can be explained from process innovation, and market innovation at 95 percent confidence interval. The results supported Karanja (2014) findings that innovation strategies influenced the profitability of commercial banks in Kenya to a very great extent. The study concluded that innovation strategies are indispensable to bank's future growth and sustainability.

Analysis of Variance

An Analysis of Variance (ANOVA) was tested so as to determine whether the model was significant at a confidence level of 95%.

Table 6: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2651.042	2	1325.521	42.421	.000[b]
	Residual	3437.141	110	31.247		
	Total	6088.183	112			

The table summarized the results of the ANOVA. The table showed that the population parameters significance level was at 0.001% revealing that the data can be used to make inferences. The overall model relationship was considered significant since F calculated (42.421) is higher than the F critical (value = 3.08) 2 d.f, 112 d.f and 0.001 < 0.00 at 5% level of significance. Maina (2016) noted that there was a strong relationship between insurance innovation strategies and the performance of insurance firms in Kenya.

CONCLUSIONS

The study concluded that implementation of process innovation positive effect had a positive effect on organizational performance in health insurance service providers in Kenya. Process innovation enhance quality of products and services in insurance companies, process innovation enhance product innovation in insurance companies , process innovation enhance customer loyalty of insurance companies and that process innovation enhance competitiveness of insurance companies.

The study concluded that implementation of market innovation had a positive effect on organizational performance in health insurance service providers in Kenya market innovation plays a crucial role in fulfilling market needs in insurance companies, market innovation leads to opening up new markets in insurance companies and that market innovation plays a crucial role in responding to market opportunities in insurance companies and that market innovation enhances customer needs in insurance companies.

RECOMMENDATIONS

The study sought to determine the effect of innovation practices on organizational performance in health insurance service providers in Kenya. Based on the findings the study recommended that the government as a policy maker through legislation should come up with innovative practices to enable the health insurance service providers especially the NHIF improve service delivery and reach more people so as to improve access and efficiency of health care in Kenya.

Based on the study findings this study recommended that the policy makers in the health sector should come up with strategic innovations and also health insurance service providers should continuously look for superior products, processes, technology and market innovations so as to enhance service delivery through client satisfaction and access to health care.

Health insurance service providers firms should also invest more in research and development so as to be able to innovate more and identify gaps that lead to less coverage and poor service delivery of health insurance. There should also be proper training of all the personnel to enable them familiarize with the required innovation practices and technology required in provision of health insurance.

Areas for Further Studies

This study was limited to effect establish the effect of innovation practices on organizational performance in health insurance service providers in Kenya. Further study can be done on green innovation, environmental innovation or sustainable innovation and it can also include knowledge management and knowledge sharing as well.

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