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***ABSTRACT***

*The purpose of the study was to establish the effect of organizational core competences on performance in the insurance industry in Kenya. The study adopted a descriptive research design. The target population for this study was the senior and middle level management staff of the 49 insurance companies registered with the association of Kenya insurers (AKI) by December 2014. The study selected the respondents using stratified proportionate random sampling technique. Primary data was obtained using self-administered questionnaires administered using a drop and pick later method. Descriptive statistics such as frequencies, percentages, mean score and standard deviation was estimated for all the quantitative variables and information presented inform of tables and graphs. Inferential data analysis was done using Pearson correlation coefficient and regression analysis to establish the relations between the independent and dependent variables. Hypothesis testing was done using p-value in a Chi-square test. F-statistic was also be computed at 95% confidence level to test whether there is any significant relationship between organizational core competencies and performance of insurance companies in Kenya. The correlation results revealed that core competences promoted performance in the insurance industry in Kenya. The study recommend that the HR of insurance companies in Kenya needs to need to ensure that firm's policies encourage employee sense of belonging, policies that provide constant feedback on the positives and negatives, encourage open communication, and develop policies that communicate clear goals and expectations to the employees. Insurance companies in Kenya should develop strategic marketing plans that differentiate each organization from the market rivals. Continuous market innovation and product development is also advocated. Strong focus on customer retention and building of loyalty is recommended.*

***Key Terms:*** *Core Competency, Innovation, Strategic Management, Technology*

## INTRODUCTION

The competitive business environment in the twenty first century has resulted into complexity and sophistication of business decision-making which requires strategic management (Olanipekun, 2014). Managing various and multi-faceted internal activities is only part of the modern executive's responsibilities. The firm's immediate external environment poses a second set of challenging factors. To deal effectively with all that affects the ability of a company to grow profitably, executives design strategic management processes they feel will facilitate the optimal positioning of the firm in its competitive environment. Strategic processes allow more accurate anticipation of environmental changes and improved preparedness for reacting to unexpected internal and competitive demands (Fiberesima & Rani, 2013).

Strategic management is a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments (Nag, Hambrick & Chen, 2007). It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs. Strategic management is a level of managerial activity under setting goals and over tactics. Strategic management provides overall direction to the enterprise. Strategic management includes not only the management team but can also include the Board of Directors and other stakeholders of the organization. It depends on the organizational structure (Olanipekun, 2014).

In the globalization era, the strategic management has been considered as the most important practice which distinguishes organizations from each other (Sharabati & Fuqaha, 2014). Strategic management is the key process to achieve organizational vision, strategy and objectives. All organizations whatever they are, whatever they do, they should perform a strategic management practices to insure that they fit within their environment. Strategic management permits the systematic management of change. It enables organization to purposefully mobilize resources towards a desired future. Practice of strategic management enables firms define their strategies which provide a central purpose and direction to its activities to people who work in the firm and often to the outside world. Firms can and often do create their environment besides reacting to it (Johnson & Scholes, 2013).

In Kenya, the companies in the insurance industry are fighting for success within their sector and hence becoming victims of their own success which leads to the need for diversification. This leads to the creation of a different mix of talents and capabilities. Insurance companies operate in a very competitive environment where most of the products are rarely differentiated, prices are heavily regulated and the distribution channels are almost shared (Kumba, 2011). The insurance business environment in which firms operate is dynamic and turbulent with constant and fast paced changes that often render yesteryears strategies irrelevant (Pearce & Robinson, 2010).

Insurance firms continuously strive for ways to attain sustainable competitive advantage (SCA) over their peers. They need to count more on their internally distinguished strengths to provide more added customer value, strong differentiation and extendibility (Kumba, 2011). Internal distinguished strengths are the organization's core competencies. Core competencies aid in shaping the future of organization. Thus, to achieve success, organization must possess core competencies and capabilities that are unmatched by their industry rivals.

Therefore, building core competence becomes essential to competitive advantage because advantages emanating from the product-price-performance-tradeoffs are almost short term. Especially in an era where technologies are altering the existing boundaries of business; advantage can last only through competence enjoyed at the very roots of products (Brown & Davison, 2010).

The insurance industry forms an integral part of the global financial market, with insurance companies being significant institutional investors. In recent decades, the insurance sector, like other financial services, has grown in economic importance. This growth can be attributed to factors such as rising income and demand for insurance, rising insurance sector employment, and increasing financial intermediary services for policyholders, particularly in the pension business (Ward & Zurbruegg, 2010). Expanding on the link between GDP and insurance market development, it must be remembered that the insurance industry‘s primary function is to supply individuals and businesses with coverage against specified contingencies, by redistributing losses among the pool of policyholders. Insurance companies, therefore, engage in underwriting, managing, and financing risks.

The insurance industry in Kenya has become very competitive due to the shrinking demand of non-compulsory insurance products and negative perception by the general public. The penetration levels are estimated at 3.02% which is very low compared to the developed countries (AKI, 2012). In an effort to improve the performance of insurance companies, managers formulate and implement various strategies. Many managers in the industry know their businesses and the strategies required for success but they struggle to translate these theories into action plans for successful implementation of strategies (Wahome, 2013).

The environment in which insurance companies operate in Kenya is faced by several challenges dependent on the people, the status of the market, legislation and lack of proper information. The Kenyan insurance market is young and still not well versed with the diversity of the insurance industry as most people are not used to paying premiums in order to alleviate the risk but most like motor insurers are forced by law such that they normally insure just to use the roads and not as a means of protection (Kogi, 2009). Lack of a big pool of customers has led to some risks being uninsurable as the insurance relies on the principle of creating a common pool so that the good of many benefit the misfortune of some. Lack of proper research has led to a poor background for decision making especially in finding out the insurable risks and setting up the premiums to forgo in order to gain the insurance cover (Akwir, 2012).

Insurance industry in Kenya is highly fragmented with about forty registered insurance companies writing long and short-term business. In 2013, two leading companies accounted for 20% of the short-term premium income, eight had shares ranging between 3.7% and 6.3% adding to 37%, while the rest of the companies, controlled 43% of the market. There were twenty-one companies actively writing long-term business. The top five dominated the market with a share of 68% of the gross premium income. The life insurance sector is driven by two main lines of business; ordinary life and superannuation, which includes group life assurance and deposit administration (Olotch, 2014).

By world standards, the Kenya insurance market is very small in terms of premium income. It is however one of the leading markets in Africa occupying the 7th position 5going by the 2003 statistics published in Sigma. It ranks fourth in terms of insurance penetration after South Africa, Mauritius and Zimbabwe with a rate of 3.09%. Life and non-life corresponding rates were 0.81% and 2.28% respectively. In 2013 the market premium was Kshs 27.9 billion (US$ 411 million), which grew to Kshs 32.60 billion (US $ 446.60 million) the following year, with a breakdown of Kshs 9.97 billion and Kshs 22.63 billion for long and short-term business, respectively (Olotch, 2014).

The future of insurance in Kenya is bright given the huge un tapped market, increase in the use of Information and Communication Technology (ICT), utilization of alternative distribution channels such as banks and Savings and Credit Co-operatives (SACCOs), research and new product development (Ndung'u, 2013). The government recognizes the critical role played by insurance as a sector in the economy. It has documented the sector as a major player in the financial sector in the achievement of Vision 2030.

Kenya is underinsured at penetration rate of 3% for a population of 40 millions compares poorly with India at 4% penetration for a population of over a billion and contrasts with South Africa with a penetration of 16% for a population of 50 million. This shows the importance of having a insurance sector which can add more to economic development of the country, which signifies a huge potential for the insurance business in country. From 2010, the insurance sector of Kenya shows a steady growth (Global Credit Rating Agency, 2010).

**Insurance Industry in Kenya**

The genesis of Kenya's insurance industry can be traced back to colonial rule at the beginning of the 20th century. The industry operated in a stable environment until the introduction of the Insurance Act Cap 487 of the laws of Kenya in 1987 that heightened government supervision. The volatile socio-political and economic conditions prevailing in the 1990s shook the industry leading to major loss of market share, drastic increase in the cost of doing business, or a ground floor entry into a new business (Karua, 2008). First to wind up was the Kenya National Assurance Company limited, ironically a monopoly at the time, going under with government investments and policyholders' funds (Owuoth, 2010). The second was Access insurance, then Stallion Assurance and Lakestar that was put under liquidation. Even when the companies have not gone under, a majority are forced to lay off large numbers of employees (Kogi, 2009).

Insurance business in Kenya is governed by the Insurance Act 1 of 1985 which provides the registration of Insurance companies, Intermediaries, Risk managers, Loss adjusters, Insurance surveyors and Claim settling agents. All persons and companies carrying out insurance business in Kenya must be registered (Christian, 2012). After independence transformation has taken over Kenya's insurance industry. In reference to Association of Kenyan Insurers, in the end of 2009 there were 44 licensed insurance companies, 20 companies engaged in nonlife insurance while 9 wrote life insurance and 15 companies were composite engaging in both life and non life insurance. The industry had 137 licensed insurance brokers, 21 Medical Insurance Providers (MIPs) and 3,076insurance agents. Other licensed players included 106 investigators, 57 motor assessors, 18 loss adjusters, 2claims settling agents, 5 risk managers and 26 insurance surveyors (AKI, 2009).

Kenya's insurance industry leads within the East Africa Community (a trading block of Kenya, Uganda and Tanzania), and is a key player in the COMESA region (Common Market for Eastern and Southern Africa). The industry employs over 10,000 people, underwrites well over €300m premiums, and pays over €120m per annum in claims. The largest 10 insurers handle over 70% of the motor business with a similar number handling well over 90% of the property business in the market.

According to Olotch (2010), the number of players in the Insurance industry is relatively large. According to the Business Monitor International (2012), on the study on Kenya's insurance sector remains dynamic and resilient. Due to stiff competition in the insurance sector, there are transformational changes on the horizon that are putting existing insurance business models at risk, this is due to unsuitable strategic management practices. The insurers that adapt will hone their risk management capabilities, focus keenly on the customer, build their analytical capability, and have a superior capacity for innovation and reinvention, while at the same time maintaining their focus on all relevant financial reporting and compliance related developments (Pwc Insurance Report, 2013).

The main players in the Kenyan insurance industry are insurance companies, reinsurance companies, intermediaries such as insurance brokers and insurance agents, risk managers, loss adjusters and other service providers (Insurance Regulatory Authority, 2010). There were 49 insurance companies operating in Kenya as at the end of 2019. 25 companies wrote non-life insurance business only, 10 wrote life insurance business only, while 14 were composite (both life and non-life). There are 141 licensed insurance brokers, 14 medical insurance providers (MIPs) and 3,668 insurance agents. Other licensed players included 105 investigators, 75 motor assessors, and 21 loss adjusters, 2 claims settling agents, 8 risk managers and 23 insurance surveyors. The insurance companies in Kenya have an umbrella body known as the Association of Kenya Insurers (AKI), which lobbies on behalf of the insurance industry.

The achievements that have been realized in the Kenyan insurance industry include: business growth, development of products, the management of claims, marketing and good management among others (Mose & Kuloba, 2013). The insurance industry is important in an economy. In Kenya, the contribution of the life insurance sector to the GDP grew by 11.7% to 1.05% in 2010 compared to 0.94% in 2009 (AKI report, 2011).

The insurance industry in Kenya plays the financial intermediary role that contributes significantly to the realization of the Kenya Vision 2030. Kenya Vision 2030 aims to achieve an average Gross Domestic Product (GDP) growth rate of 10 percent per annum (Kenya Vision 2030 Report, 2007). The insurance industry falls in the financial services sector, which is among the priority sectors that are expected to spur the country's economic growth. This study focused on insurance companies because their performance will impact on the achievement of the Kenya Vision 2030. The Kenyan insurance industry has been known to be conservative as innovation has not been fully embraced by these firms. For this reason, the Insurance Regulatory Authority has continuously advocated for innovation activities to enhance performance (AKI, 2011). This is evidenced by the fact that insurance penetration remains low at 3.3 percent. The 49 insurance firms shared a net profit of Sh7.7 billion, which is less than the Sh10.5 billion Barclays Bank profit after tax posted in the year 2012 (Barclays Bank, 2012). This has reignited the debate on need for consolidation with analysts arguing that the crowded field has paved way for unprofitable rate wars with the smaller players emerging key losers.

Considering the competitive climate in the insurance industry, good management is proving an important element in keeping afloat an organization thus functional board of directors, strategic management, landmark internal control systems and corporate governance are proving worthwhile for the industry players (Mose & Kuloba, 2013). Among the challenges that are facing the insurance industry in Kenya include: the difficulty that is faced in terms of the volumes of claims and the pressure that comes from claimants and also fraud which leads to increased loss ratio. In a nutshell, the Association of Kenya Insurers 2011-2015 Strategic Plan pinpoint the challenges facing the industry to include issues such as new, more financially powerful international entrants, increased regulation in the industry, traditional modes of operation (no integration of IT processes), difficulty in premium collection, fraud, losses especially in the area of the transport, meeting demands of sophisticated consumers, too many players and Lack of trained manpower (AKI, 2011).

The insurance industry in Kenya has witnessed increased aggressive competition in the recent past and this has forced insurance firms to go back to the drawing board to seek new ways of expanding their businesses and reach new markets more exhaustively. A review of the insurance industry in Kenya portrays a slow surge in growth which has been attributed to various factors among them the low morale of employees, high turnover and also staff poaching. Afi (2014) indicated that the insurance industry has become complex and at the same time the dynamic mutation witnessed with regards to regulatory changes and increasing competition have rendered strategic thinking unavoidable. The Kenya Insurance Outlook (2013) also on the other hand indicate that there are emerging market in the insurance industry thus a well formulated and accounted for strategy is needed for any success to be witnessed among industry players. Availability of core competencies in many insurance firms remains as a major challenge as most staff are not professionally trained in insurance matters (AKI Robert, 2009). This leads to new product innovation problems that greatly affect development of products with higher demand in the insurance market (Michael, 2010). During strategy implementation, designing actions plans for guiding strategy implementation process is key problem facing many insurance firms in Kenya (Anderson, 2010).

The average growth rate of General Insurance Business (GIB) was 15.9% in year 2011. However, 22% recorded negative growth, 35% recorded below average growth, 32% had 16% - 50% growth while 11% recorded growth of over 50% during the same year (AKI, 2012). This shows that some companies have continued to perform poorly while others have been successful. Some factors leading to poor performance are inability to deal with intensive cut-throat competition, lack of innovative products and poor customer services. The differential performance could also be attributed to management utilization of company's value creation potential, inherent dynamic and functional capabilities and unique core competencies (Hansen, 2011). Majority of insurance companies in Kenya may have developed concrete strategic plans but their performances have not improved. This may probably be due to strategy implementation. Some companies however might not be having strategic plans and decisions are based more on adhoc basis.

AKI (2009) reported that low insurance penetration through strategy is one of the challenges facing the insurance industry development in terms of market share, product diversification among other measures. In Kenya, insurance growth was 2.84% in year 2009 compared to 2.63% in previous year while South Africa whose growth was 12.9% with a population of 44 million. The penetration of 3.02% in 2011 is compared to 3.1% in 2010. Life insurance recorded a penetration ratio of 1.02% while that of non-life insurance was 2.00%. The penetration of Insurance among the Kenyan population is also low compared to other countries outside Africa. A good example is Malaysia which has an estimated 41% of the population covered by some form of life insurance in comparison to Kenya that has less than 1% of the population insured.

The insurance industry in Kenya is experiencing various challenges key among them being negative market sentiment following closure of at least five insurance providers over the past five years due to insolvency arising from high claims (average 61%), (Ndung'u, 2013). Due to this poor image, those customers who can afford insurance do not willingly buy insurance. Thus, except the case of compulsory insurance, many will not voluntarily buy insurance cover. Consequently, despite the importance of insurance as a risk transfer mechanism, insurance continues to be the last in the priority of needs for bulk of the population in Kenya. Wahome (2013) observed that insurers have turned to underpricing for survival and underwriting profits for the industry average 3% over the past 4 years and have however remained low due to weak pricing and increased fraudulent claims. Rate cutting below economically justifiable levels is not uncommon coupled with unconventional competition practices such as unsustainable incentives for employees and others in order to win new business relationships (Wahome, 2013). With such thin premiums, some insurance companies have been unable to make good their promises to customers thus lowering public trust.

Proper strategies in management of resources and planning can solve many problems faced by insurance companies today (Chamberlin, 2009). A study conducted by Micro Strategy Business Intelligence in the year 2010 discovered that change has become inevitable and that insurance companies are facing challenging market conditions thus their need to change the manner in which they do business; strategies have to be revisited and policy has to be altered in a manner that its effectiveness can be measured which in the long run will ensure optimal use of resources to maximize on profits.

There are many issues that need to be addressed for the insurance industry to deliver appropriate insurance products on a large scale to the uninsured population in Kenya including the much distrust of the insurance sector among the low income earners, mostly out of ignorance, thus there is need for proper strategic management practices in order to tap the vastly un-served market of low income households in need of insurance services. The challenges that are facing the insurance industry in Kenya can be attributed to the industry's lack of understanding of its key strategic management determinants. This study reflects my deepening belief that the poor performance of the insurance industry in Kenya stems from the industry's in ability to understand the strategic management determinants of performance which would enable it achieve sustainable competitive advantage. This study therefore sought to identify the effect of core competences on performance in the insurance industry in Kenya.

**Research Hypotheses**

- There is significant relationship between core competences and performance in the insurance industry in Kenya
- There is no significant relationship between core competences and performance in the insurance industry in Kenya.

## RELATED LITERATURE

### Theoretical Framework

### Competitiveness Theory

Competitive advantage is obtained when an organization develops or acquires a set of attributes (or executes actions) that allow it to outperform its competitors. The development of theories that help explain competitive advantage has occupied the attention of the management community for the better part of half a century. Early literature on the theories of trade between nations provided the basis for competitiveness theory. It alluded to the development of sustainable competitive advantage well before its time. Competitiveness theory evolved from the traditional trade theories, fundamentally 'The effect of the Wealth of Nations' Adam Smith in 1776 (later translated in 1937), which was revolutionary. In his book Adam Smith disputed the then existing philosophy Mercantilism view on trade which suggested that trade was a zero sum game in which a trade surplus of one country is offset by a trade deficit in another country. Smith in his argument viewed trade as a positive sum game in which all trading partners can benefit if countries specialized in the production of goods and services in which they had absolute advantage. This came to be known as the theory of absolute advantage.

Marrewijk (2007) points out that the theory of absolute advantage was extended to comparative advantage where he stated that even if a country does not have an absolute advantage in any good this country and other countries will still benefit from international trade. However, Ricardo did not satisfactorily explain why comparative advantage differed across countries. To provide an explanation, in 1919 Swedish economist Eli Hecksher developed the factor proportions (endowment) theory which was later expanded by his former student, Bertil Ohlin in 1933 and later came to be known as H-O Theory. The two proposed that comparative advantage arises from differences in factor endowments, a theory which was virtually self evident (Marrewijk, 2007).

Competitiveness theories proposed some kind of advantage as enabling a country gain more out of international trade. The same is true for the firm. If sustainable superior performance (which equals sustainable competitive advantage) is to be achieved a firm must differentiate itself. Marrewijk (2007) hinted at a basic tenet of sustainable competitive advantage, that a fundamental aspect of competitive advantage is the specialization of suppliers to meet the variations in buyer demand. Later Barney (2010) recognized that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. He stated that differential advantage might be achieved through lowering prices, selective advertising appeals and/or product improvement and innovations (Barney, 2004). While these concepts lay the core foundation for firms in moving toward sustainable competitive advantage, the intense nature of competition today requires that firms be more innovative and entrepreneurial in their strategy planning than just lowering prices or improving existing products. The most important question then would be how then can companies build sustainable competitive advantage? This theory therefore depict that the insurance companies should align their strategic orientation in such a way that it will give them an edge over their competitors mainly though orientation and customer focus.

## Dynamic Capability Theory

Dynamic capabilities theory examines how firms integrate, build, and reconfigure their internal and external firm-specific competencies into new competencies that match their turbulent environment (Teece, Pisano & Shuen, 2010). The theory assumes that firms with greater dynamic capabilities will outperform firms with smaller dynamic capabilities. The aim of the theory is to understand how firms use dynamic capabilities to create and sustain a operational performance over other firms by responding to and creating environmental changes (Teece, 2007). Capabilities are a collection of high-level, learned, patterned, repetitious behaviors that an organization can perform better relative to its competition.

Organizational capabilities are called zero-level (or zero-order) capabilities, as they refer to how an organization earns a living by continuing to sell the same product, on the same scale, to the same customers (Wright, 2013).

The concept of dynamic capabilities arose from a key shortcoming of the resource-based view of the firm. The RBV has been criticized for ignoring factors surrounding resources, instead assuming that they simply exist. Considerations such as how resources are developed, how they are integrated within the firm and how they are released have been under-explored in the literature (Teece, 2007). Dynamic capabilities attempts to bridge these gaps by adopting a process approach: by acting as a buffer between firm resources and the changing business environment, dynamic resources help a firm adjust its resource mix and thereby maintain the sustainability of the firm's operational performance, which otherwise might be quickly eroded. So, while the RBV emphasizes resource choice, or the selecting of appropriate resources, dynamic capabilities emphasize resource development and renewal.

With dynamic capabilities, sustained operational performance comes from the firm's ability to leverage and reconfigure its existing competencies and assets in ways that are valuable to the customer but difficult for other competitors to imitate. Dynamic capabilities help firm's sense opportunities and then seize them by successfully reallocating resources, often by adjusting existing competencies or developing new ones (Teece, 2007).

Unlike earlier strategic frameworks that were largely static, dynamic capabilities explicitly acknowledge that as markets and technologies evolve, firms need to adjust by reallocating assets and learning new skills. It is the ability to adapt and extend existing competencies that differentiates dynamic capabilities from other strategic frameworks. This ability places a premium on senior management's ability to accomplish two critical tasks. First they must be able to accurately sense changes in their competitive environment, including potential shifts in technology, competition, customers and regulation. Second, they must be able to act on these opportunities and threats; to be able to seize them by reconfiguring both tangible and intangible assets to meet new challenges (Teece, 2007).

These two fundamental capabilities are at the core of a firm's ability to survive and grow over time and represent the essence of dynamic capabilities. Winners in the global market place have been firms that can demonstrate timely responsiveness and rapid flexible product innovation, coupled with the management capability to effectively coordinate and re-deploy internal and external competencies (Sarker, 2013). One without the other is insufficient for long term success since the market place is ever changing. If a firm has resources and competencies but lacks these dynamic capabilities, it may make a competitive return in the short run but is unlikely to sustain this in the face for change (Teece, 2007).

Each of these approaches to strategy attempts to solve the puzzle of how a firm can out-compete its rivals by either developing useful firm-specific skills or positioning itself in ways that customers value and are willing to pay for and that rivals cannot easily imitate. While earlier approaches to strategy were largely static (for example, develop a positional advantage and protect it), dynamic capabilities call attention to the need for organizations to change overtime and compete in both emerging and mature businesses (Tushman & O'Reilly, 2011).

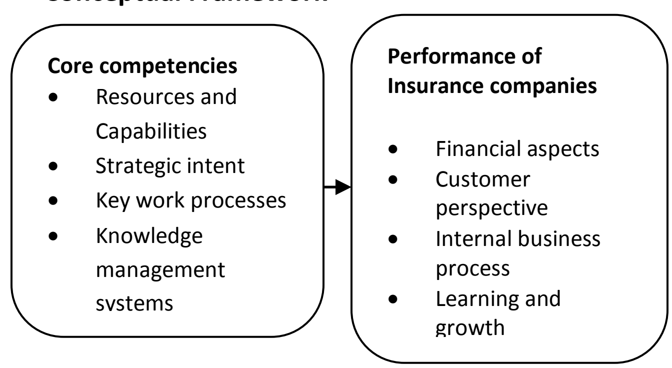
A key element of this dynamic capability view is the coordination and integration to innovation, i.e., the scale to which an organization's managerial and technical skills, technological architecture, social and cognitive structure, culture, and values are adapted to and supported. According to Pavlou and El Sawy (2009), dynamic capabilities 'help firms reconfigure existing functional capabilities so they can build products that better match emerging customer needs and take advantage of technological breakthroughs' .

Pavlou and El Sawy (2009) conceptualize a two-level framework based on five processes that constitute dynamic capabilities in the context coordination and integration within an organization: reconfiguring resources, sensing the environment, learning, coordinating activities and integrating interaction patterns. It is necessary to not only distinguish between dynamic capabilities, from (basic) organizational and functional capabilities, but that it is also important to open the 'black box' and disentangle the process of evolution of dynamic capabilities besides focusing on their effectiveness or impact.

Besides the stock of technological capabilities, the formation of dynamic capabilities, supported by organizational and functional capabilities, involves complex and interdependent self-sustaining mechanisms. These mechanisms are constituted by managers' decisions and actions in the context of established organizational routines, which can and are shaped by (or can also modify) social and cognitive structures, spanning different organizational levels Organizational capabilities support the basic underlying social and cognitive activity required for knowledge-based innovation (Robbins, 2005).

Coordination and integration of organizational' competences are the organizational routines and work practices that, in combination with certain socio-cognitive structural attributes (for example preferred communication and sense-making approach), provide the organizational 'glue' that supports the basic underlying activity required for dynamic capability formation and innovation (Zahra *et al*., 2009). Examples of 'organizational' competences in the insurance industry are: shared vision, institutional facilities (infrastructure), knowledge management systems, key work processes, key staff skills, strategic intent, resources and capabilities and market positioning.

**Conceptual Framework**




**Independent Variable Dependent Variable**

**Figure 1: Conceptual Framework**

**Core Competencies**

Agha and Alrubaiee (2012) argue that in a highly competitiveness market, core competence has emerged as a central concept for competitive strategy. They define core competence as the knowledge set that distinguishes a firm and provides a competitive advantage over others (Agha, Alrubaiee & Jamhour, 2012). Since core competencies may not be easily replicated by competitors, they are better suited in building sustainable competitive advantage in organizations. According to Johnson and Scholes (2013), core competences are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains. Firms respond to competition in different ways. Some may opt to product improvement, divestiture, and diversification, entry into new markets or even merging or buying out competitors. Johnson and Scholes (2013) postulate that the essence of strategy formulation is coping with competition.

To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for. Rao (2013) argue that competitive advantage enjoyed by a firm has a three stage life cycle consisting of: build up period where strategic moves are successful in producing competitive advantage; benefit period where fruits of competitive advantage are enjoyed. A long benefit period gives the firm sufficient time to earn above average profits and recoup on investments made to create the advantages and erosion period where the competitive advantage held by the firm is eroded due to imitation, duplication, new technology and attacks by rivals (Rao, 2013).

To develop Core Competencies a company must take actions as follows: isolate its key abilities and hone them into organization wide strengths, compare itself with other companies with the same skills to ensure that it is developing unique capabilities, develop an understanding of what capabilities its customers truly value, and invest accordingly to develop and sustain valued strengths, create an organizational road map that sets goals for competence building, pursue alliances, acquisitions and licensing arrangements that will further build the organization’s strengths in core areas, encourage communication and involvement in core capability development across the organization, preserve core strengths even as management expands and redefines the business, outsource or divest non-core capabilities to free up resources that can be used to deepen core capabilities (Conchas, 2009).

Core competencies are used by companies to design competitive positions and strategies that capitalize on corporate strengths, unify the company across business units and functional units, and improve the transfer of knowledge and skills among them, help employees understand management's priorities, integrate the use of technology in carrying out business processes, decide where to allocate resources, make outsourcing, divestment and partnering decisions, widen the domain in which the company innovates, and spawn new products and services, invent new markets and quickly enter emerging markets, enhance image and build customer loyalty (Alai, Kramer & Montier, 2012).

Core competencies help an organization to distinguish its products from its rivals as well as to reduce its costs than its competitors and thereby attain a competitive advantage. It helps in creating customer value. Also, core competencies help in creating and developing new goods and services. Core competencies decide the future of the organization. These decide the features and structure of global competitive organization. Core competencies give way to innovations. Using core competencies, new technologies can be developed. They ensure delivery of quality products and services to the clients (Management Study Guide, 2014).

**Internal Capabilities**

A firm’s internal capabilities are a complex mix of knowledge and skills that, exercised through the coordinated deployment of assets to organizational process, determine the activities the firm is capable of efficiently carrying out (Foss, 2007). They neither deteriorate nor become exhausted with use, but instead are honed to perfection and adopt unrivaled status (Luo, 2012). The creation of internal capabilities requires the perfection of complex coordination patterns together with resource development to carry out activities efficiently. This definition emphasizes the two conditions of organization (implicit in coordinating asset deployment), intention and goal attainment. Internal capabilities do not depend only on firm resources they are more than resource sets, more than a function of prior resource deployment. Internal capabilities govern how resources are transformed into products or services. According to Amit and Schoemaker (2012), firms can transform their resources through creation of firm-specific organizational norms and routines or development, management and interchange of information and knowledge via human capital. Leonard-Barton (2009) also contends that a firm’s resources can be transformed through the creation of an organizational culture that supports the firm's activities and derived from a collective learning process. Therefore, improved internal capabilities stem from the integration of individual and/or functional capabilities with interfunctional skills and organizational values.

Internal capabilities are intangible factors as are intangible resources but they differ on some characteristics. Intangible assets comprise explicit knowledge, while internal capabilities comprise distinctive, tacit knowledge. Internal capabilities are associated with the individuals or firms who possess them, whereas resources are independent from individuals and the firm. At the same time, intangible assets are legally protected assets but it is difficult or impossible to legally protect internal capabilities, as they are based on the premise of developing and interchanging information and knowledge by way of human capital to adequately develop resources (Amit & Schoemaker, 2012). Lastly, internal capabilities differ from intangible assets in that they cannot be assigned a monetary value, cannot be traded, and are difficult to imitate because they are embedded in organizational routines, practices, and culture.

Only those firms possessing resources and capabilities with special characteristics (e.g. distinctive factors) will gain competitive advantages and therefore achieve superior performance. First, the distinctive character of a factor depends on its rarity, value, durability, no-substitutability, inimitability, and appropriatability of generated rents (Amit & Schoemaker, 2012). Second, sustainable competitive advantage rests on a firm's dynamic capabilities, understood as the firm's ability to adapt and reconfigure its resources and capabilities, to explore opportunities and new asset sets, and to respond swiftly to environmental changes and eroded value that arises from competitor activities (Eisenhardt & Martin, 2010).

**Strategic Intent**

Strategic Intent is described as a way of creating an obsession with winning at all levels and across all functions of the organization. It is a shared competitive agenda for global leadership. Strategic Intent uses stretch targets to create competitive advantage. A strategic architecture is a framework or map for leveraging corporate resources towards the strategic intent (Alai, Kramer & Montier, 2012). It draws upon a wide variety of information to present a view of the evolution of an industry.

A strategic architecture identifies the core competencies to build and their constituent technologies. It provides a framework within which innovation can be planned and managed. It is the role of senior management to develop the organization in a way which closes the gap between ambition and ability. Market orientation is an intangible resource which involves a dual focus on both customers and competitors and can contribute to sustainable competitive advantage. The provision of customer value is a source of sustainable competitive advantage; customers desired value changes, firms should monitor these changes via continuous learning about customers (Zina & OLeary, 2010).

**Empowerment/Staff Skills**

Key staff possessing superior skills is a prerequisite to building a sustainable competitive advantage. Zina and OLeary (2010) define core competence as a bundle of skills and technologies. A skill is defined as the learned capacity to carry out pre-determined results often with the minimum outlay of time, energy, or both. Skills can often be divided into technical skills, functional skills, self-management skills in addition to important personal attributes (hard-working, trustworthy, results-oriented, and decisive). Employees with good problem solving skills that enables them to identify, remedy and resolve business problems (Wong & Aspinwall, 2013). It would be an added value to the company having employees with entrepreneurship skills such as ability to think critically, analyze situations and be able to identify business opportunity. Competence at the level of people is an underlying characteristic which enables them to deliver superior performance in the given job, role or situation.

Organizations can improve their overall productivity by shifting people from average to superior performance through development and by promoting right people. A company that wants to increase its market share by getting more from its current employees and hiring the best from outside market will gain a great deal of superior performance. The right people are the most important assets and are the source of competitive advantage. The successful organizations of the future will be those, which understand the link between their business results and people (Wong & Aspinwall, 2013).

***Key Work Processes***

Key Work Processes are important in building a sustainable competitive advantage (Holsapple & Joshi, 2009). A process is any operation through which a set of inputs go through one or more steps resulting in a more valuable set of outputs. A process can be viewed as a series of interrelated operations, which add value to its inputs resulting in outputs that are more valuable (Akhavan & Jafari, 2012). A process comprises of a set of partially ordered steps intended to achieve the desired output. These steps may be called operations (Wong & Aspinwall, 2013). Sometimes these steps are also referred to as processes themselves, and a process is viewed as a set of partially ordered processes. It is important to note that alternative processes can substitute processes. Competitive success depends on transforming a company's key processes into strategic capabilities that consistently provide superior value to the customer (Wong & Aspinwall, 2013).

***Shared Mission, Vision and Values***

Critical success factors for insurance companies were also highlighted, albeit in a slightly different manner, by Sarker (2010). In his journal article, Sarker (2010) highlighted the secrets of success of the Grameen Bank. Based on his personal experience, as well as secondary data, he identified several critical success factors by studying the reasons for success of the Grameen Bank. He acknowledged the role that a clear vision and mission played in the operations of the Grameen Bank. The management, operating staff and members (clients) of the Bank shared the same vision of a poverty free society. This vision, he noted, was the driving force behind the Grameen family and its stakeholders, which caused the teams to work with dedication, mutual trust, a sense of accountability and creativity.

Related to vision, management culture was another success factor that Sarker (2010) found played a major role in the Bank’s success. The Bank’s culture of trust and institutional fusion as allowed management to devolve basic decision making authority to operational levels, of which both staff and clients are the essential parts. Organizational boundaries were permeable; clients were effectively brought into the organization to monitor and be held accountable for loans and other functions.

Related to Sarker’s (2010) and Ledgerwood’s (2009) findings, Midgal, Wilkins and Davis (2012) put together a paper that detailed their findings that resulted in the conclusion that visionary leadership was one of the most important drivers of growth in insurance companies. A skilled management, committed and capable of overseeing the growth of the insurance companies were identified as very key in ensuring continued growth. In their view, once strong leadership is in place, all other requirements for growth can be built or created.

Midgal et al (2012) specifically identified the importance of a strong Board of Directors, Chief Executive Officer (CEO) and Senior management. With regards to the CEO and the senior management team in particular, they identified leadership, management, and development as the key drivers that determine whether a CEO is strong, problematic, or somewhere in between.

Through a case study carried out on one of Unitus Inc.’s partners, Bandhan insurance company in Kolkata, India, Midgal et al (2012) concluded that leadership was more of a psychological exercise centred on defining vision, articulating the strategy for attaining that vision and motivating staff and members. Management on the other hand dealt more with operational issues such as establishing plans, processes and monitoring progress against the plans to attain the vision of the organization.

**Knowledge Management System**

Njuguna (2009) stated that organizational learning is a fundamental source of competitive advantage in an organization. He further stated that it helps firms to obtain sustainable competitive advantage through the development of its unique learning knowledge resources and capabilities. Knowledge Management System refers to generally information technology based system for managing knowledge in organizations for supporting creation, capture, storage and dissemination of information (Walton, 2013). The idea of a KM system is to enable employees to have ready access to the organization's documented base of facts, sources of information, and solutions (Bozbura, 2013). Sharing this information organization wide can lead to effectiveness and could also lead to ideas for new or improved equipment. It comprises a range of strategies and practices used in an organization to identify, create, represent, distribute, and enable adoption of insights and experiences (Wong & Aspinwall, 2013).

Knowledge management and its role to coordinate capabilities to create a stable competitive advantage state that role of knowledge management in organization is to create knowledge network to put together knowledge and skill of personnel and capabilities synergy that can provide stability and progress for an organization in competitive environment (Esfahani, Soltani & Jafarpisheh, 2013).

Knowledge Management System as a source of core competence can be expressed as the capability to absorb new technology and in-house technology development (Akhavan & Jafari, 2012). The capability to absorb new technology can includes of employee training, forecasting, innovation and technological needs satisfaction Davenport et al., (2009) And in-house technology development can includes development of people abilities, product development, futuristic technological methods, and customer focus satisfaction. In addition to how to integrate the multiple streams of technologies together in the production process (Esfahani, Soltani & Jafarpisheh, 2013).

The creation of knowledge is a dynamic and continuous process involving interactions at various organizational levels. Organizations must learn from their environment how to survive and produce competitive condition that shapes the character of success (Chong, 2012). Every organization is a victim of its own success (Akhavan & Jafari, 2012).

The knowledge-based theory proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance. This knowledge is embedded and carried through multiple entities including organizational culture and identity, policies, routines, documents, systems, and employees (Conner, 2011). Originating from the strategic management literature, this perspective builds upon and extends the resource-based view of the firm (RBV) initially promoted by Penrose (1994).

**Organizational Performance**

Organizational performance comprises the actual output or results of an organization as measured against its intended output. Insurance company's profitability is measured by measuring premium and investment income, underwriting results and overall operating performance (Kearney, 2010). The business model for insurance companies can be reduced to a simple equation. Profit is equal to earned premium plus investment income, plus commission receivable minus incurred loss, minus underwriting expenses. Insurers make money in two ways; first, through underwriting the process through which insurers select the risks to insure and decide how much in premiums to charge for accepting those risks and secondly, by investing the premiums they collect from insured parties (Kearney, 2010). The most complicated aspect of the insurance business is the underwriting of policies. Using a wide assortment of data, insurers predict the likelihood that a claim will be made against their policies and price products accordingly. To this end, insurers use actuarial science to quantify the risk they are willing to assume and the premium they will charge to undertake the risk. However AKI sets the minimum rate below which insurers are not allowed to charge as premium (Kipkurui, 2011).

Firm performance has been central in strategy research for decades and the central tenet has been why firms differ in performance (Foss, 2013). Wong et al (2007) contends that performance is a contextual concept associated with the phenomenon being studied. Over the years, performance has evolved to encompass wider definitions and philosophies such as Profit Impact of Marketing Strategy (PIMS). This is grounded on the premise that firms are responsible for more than just creating economic value. In 1997, the Triple Bottom Line (TBL) was developed as a tool for measuring organizational performance. The TBL considers excellence along all the three lines of sustainable reporting (economic, social and environmental) (Hubbard, 2009). The TBL adds social and environmental measures of performance to the economic measures used in organizations.

Historically, financial measures have been used to measure firm performance. These include profit, return on investment, return on assets, and earnings per share, market share, revenue growth and current ratio. World Bank (2009) propose that regardless of the framework chosen to conceptualize Organizational Performance (OP), they argue that OP is a complex and multidimensional phenomenon difficult to measure. The constituency approach views the organization as existing to benefit numerous constituents both internal and external to the organization. Its focus is to fulfill constituents needs (Akhavan & Jafari, 2012).

Critics have expressed dissatisfaction with exclusive use of financial data to measure performance. They argue that use of financial data encourages short term and local optimization thus overlooking the long term improvement strategy and ignoring competitor information (Sathe, 2008). Due to the inefficiencies of financial measures of performance, the Balanced Scorecard (BSC) which has a more stakeholder-based view was developed. The BSC evaluates corporate performance from four perspectives namely financial, internal business processes, customers and learning and growth. The firm is seen as having responsibilities to a wider set of groups than simply shareholders (Pulic, 2012).

Another determinant of insurance performance is premium growth and market share. However premium growth is not always a positive indicator of the insurer's success. Premium growth should be achieved by underwriting new policies rather than depending on insurance rate increases (Kearney, 2010). Market share is measured as a percentage of the individual company's contribution towards Gross Written Premium (GWP) for a particular market. In year 2011, 30% of LIB companies (7 out of 23) controlled more than 80% of Life business while 30% of GIB underwriters (11 out of 37) controlled more than 65% of GIB (AKI, 2012).

Customer satisfaction is another measure of insurance performance. Insurance companies should undertake periodic surveys to determine the satisfaction levels of their customers. Satisfied customers usually return to renew their policies, share their experience with other people and are willing to pay a premium for the privilege of insuring with a particular insurer (Hague & Hague, 2009). They further suggested that the cost of keeping a customer is only one tenth of winning a new one. Therefore, when a customer is won companies should hang on them. Customer needs are evolving and dynamic. This calls for continuous improvement of the current products and coming up with other innovative products to remain competitive and satisfy their customers.

The most basic measures of performance are economic viability and sustainability. This is the stage at which insurance companies if they attain are able to have long run profitability, expansion and growth, increased market share and finally diversification. It is to be noted that each state requires strategy (Muogbo, 2013). Financial performance in insurance companies is expressed in the net premium earned, profitability from underwriting work, annual turnover and return on both equity and investment thus the general classification of profit performance measures and investment performance measures. Profit performance is performance in form of monetary terms. The difference brought about between revenues and expenses while investment performance is in two forms with the first being the assets employed in the organization apart from cash and secondly the return on investment operations of the surplus of cash at various levels earned on operations (Ledgerwood, 2009).

Non-financial performance can also be measured among insurance companies and they include both internal and external indicators. Internal indicators include: speed in processing policies, dealing with dropouts, market research, employee morale and also employee and agent training. External non-performance indicators include: growth in the number of policies, market share, and customer satisfaction and also growth in the number of branches (Schimmer, 2012). The dependent variable for this study is firm performance and this study will use both financial and non-financial indicators to examine firm performance. Non-financial performance indicators were based on the BSC approach that captures both qualitative and quantitative performance indicators. The study also included social and environmental aspects in line with Hubbards' (2009) proposition of the Sustainability Balanced Scorecard (SBSC). Financial performance measures for this study were three-year data from the AKI's industry report (AKI, 2012) and included profit before tax and premium. On-financial performance indicators consisted of 21 statements on customer perspective, learning and growth, internal business processes, CSR and environmental aspect.

**RESEARCH METHODOLOGY**

The study adopted a mixed research design aimed at collecting large number of qualitative and quantitative data at a point in time so as to establish relationship between core competencies and organizational performance. This approach was suitable for this study, since the study collected comprehensive information through descriptions which was helpful for identifying variables. The cross-section research design was also selected because the study is a survey involving collection of data at one point in time. The target population for this study was senior and middle level management staff of the 49 insurance companies registered with the Association of Kenya insurers (AKI) by December 2014. A population of 677 senior management staff was drawn from the following departments: finance, marketing, operations, human resources, risk and compliance and ICT since all their functions are centralized. This included the departmental heads and their assistants at the headquarters. The population also included the CEOs of each of the company. This adds up to a target population of 726 respondents from the insurance companies.

A sample population of 251 was arrived at by calculating the target population of 726 with a 95% confidence level and an error of 0.05 using the below formula taken from Kothari (2004).

Both primary and secondary data was used in this study. A pilot study was conducted toi establish validity and reliability of the research instruments. A regression model generally assumed the following equation;

**RESEARCH FINDINGS**

The study targeted a sample size of respondents from which 225 filled in and returned the questionnaires making a response rate of 89.6%. This response rate was satisfactory to make conclusions for the study based on Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent

**Core Competencies and Performance**

The study further sought to establish the effect of core competences on performance in the insurance industry in Kenya. From the research findings, the study noted that the average weighted mean for blue cluster (delivery-related competencies) was 4.231 which translate to great extent as per the measurement scale. In more refined words, this implies that the organization focused on implementation of delivery-related competencies to a very great extent. The study noted that the average weighted mean for purple (interpersonal competencies) was 4.538 which translates to very great extent as per the measurement scale; in more refined words this implies that the organization focused on implementation of interpersonal competencies to a very great extent

The research revealed that the average weighted mean for green cluster (strategic competencies) was 4.480 which translate to great extent as per the measurement scale; in more refined words this implies that the.

The study further sought to establish the extent to which core competencies affect performance in the Kenyan insurance industry. From the findings, majority of the respondents 56.0% were of the opinion that core competencies affected performance insurance firms to a great extent, 40.9% of the respondents indicated to very great extent whereas 3.1% of the respondents indicated to moderate extent. This implied that core competencies affected performance insurance in Kenya firms to a great extent. The findings were in line with the research by Conchas (2009) that Core competencies were used by companies to design competitive positions and strategies that capitalize on corporate strengths, unify the company across business units and functional units, and improve the transfer of knowledge and skills among them.

The research revealed that the average weighted mean for Shared vision was 4.329 which translated to great extent as per the measurement scale; in more refined words this implied that Shared vision affected the performance of the organization to a very great extent. The study also noted that a strong image to the outside world helped to attract clients, suppliers, potential employees, sponsors and other stakeholder. Having a well-developed vision would be beneficial in creating confidence of external parties and that having a vision of the future would make it easier for people to continue and to contribute positively whenever the organization was going through hard times. The findings were in line with the research by Conchas (2009) that if employees feel committed to the realization of a vision, this vision can be the foundation of a strong corporate culture.

The research revealed that the average weighted mean for Institutional facilities (Infrastructure) was 4.107 which translated to great extent as per the measurement scale; in more refined words this implied that Institutional facilities (Infrastructure) affected the performance of the organization to a very great extent. The study also noted that Effective infrastructure management primarily ensured conformance to standards and interoperability between an organization's internal and external entities, while enhancing the flow of information throughout the organization. The findings were in line with the research by Luo (2012) Institutional facilities promoted adaptability necessary for a changeable environment and maintain effective change management policies and practices.

The study noted that the average weighted mean for knowledge management systems was 4.378 which translated to great extent as per the measurement scale; in more refined words this implied that knowledge management systems affected the performance of the organization to a very great extent. Further the study revealed that knowledge management increased innovation and helped create better customer relationships. Knowledge management gave staff members the knowledge they needed to do their jobs better. This made them more productive. The finding were in line with the research by Njuguna (2009) stated that organizational learning is a fundamental source of competitive advantage in an organization

The research revealed that the average weighted mean for institutional key work processes was 4.107 which translated to great extent as per the measurement scale; in more refined words this implied that Key work processes affected the performance of the organization to a very great extent. The study also revealed that Key Work Processes were important in building a sustainable competitive advantage. The findings were in line with the research by Wong and Aspinwall (2013) that competitive success depends on transforming a company's key processes into strategic capabilities that consistently provide superior value to the customer.

From the research findings, the study noted that the average weighted mean for key staff skills was 4.453 which translated to great extent as per the measurement scale; in more refined words this implies that key staff skills affects the performance of the organization to a very great extent. The study also revealed that possessing superior skills was a prerequisite to building a sustainable competitive advantage and that a company that wants to increase its market share by getting more from its current employees and hiring the best from outside market will gain a great deal of superior performance. The findings were in support of the research by Zina and OLeary (2010) successful organizations of the future would be those, which understood the link between their business results and people.

The study also noted that the average weighted mean for strategic intent was 4.333 which translated to great extent as per the measurement scale; in more refined words this implied that strategic intent affected the performance of the organization to a very great extent. The research also revealed that the company relentlessly pursued its strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective. The findings were in line with the research by Deal and Kennedy (2010) strategic intent play an important role of establishing the direction in which it needs to be headed.

It was clear that the average weighted mean for resources and capabilities was 4.244 which translated to great extent as per the measurement scale; in more refined words this implied that resources and capabilities affected the performance of the organization to a very great extent. The research also revealed that resources have the power to give a firm a sustained competitive advantage. The findings were in support of the research by Priem and Butler, (2011) that in order to obtain sustained competitive advantage, resources need to be: valuable, rare, imperfectly imitable and non-substitutable.

From the research findings, the study noted that the average weighted mean for market positioning, was 4.169 which translated to great extent as per the measurement scale; in more refined words this implied that market positioning affected the performance of the organization to a very great extent. Effective product positioning required a clear understanding of customer needs so that the right communication channels were selected and key messages would resonate with customers. The findings were in line with the research by Earley (2013) that effective product positioning ensured that marketing messages resonated with target consumers and compel them to take action.

**Correlation Results**

**Table 1: Relationship between core competencies and Performance of Insurance Companies**

| Variable | | Performance of Insurance Companies | Core competencies |
|---|---|---|---|
| Performance of Insurance Companies | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| | **N** | **225** | |
| core competencies | Pearson Correlation | .751 | 1 |
| | Sig. (2-tailed) | .000 | |
| | **N** | **225** | **225** |

The table above displayed the results of correlation test analysis between the dependent variable (Performance of Insurance Companies) and the independent variable (core competencies). the study found a strong correlation coefficient between Performance of Insurance Companies and core competencies as shown by correlation factor of 0.751, this strong relationship was found to be statistically significant as the significant value was 0.000 which is less than 0.05, and this reveals that any positive change in core competencies tactics/practices would enhance Performance of Insurance Companies.

**Hypothesis Testing**

The focus of hypothesis was to determine the relationship between core competencies and strategy Performance of Insurance Companies. To test the hypothesis, the index of Performance of Insurance Companies as index of dependent variable was regressed upon core competencies as a composite of independent variable.

**Table 2: Model Summary for Core competencies and Performance**

**(a)**

| Model | R | R Square | Adjusted R Square | Std. Error of Estimate |
|---|---|---|---|---|
| 1 | .778 [a] | .605 | .624 | 1.58202 |

a. predictors: (constant) Core competencies

b. Dependent: Variable : Performance of insurance companies

From the findings as shown on table 2 above, the adjusted R square for the regression of performance of insurance companies on core competencies is 0.624 which mean that core competencies explains 62.4% of variation on performance of insurance companies

**Table 3: ANOVA for Core competencies and Performance**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 36.445 | 1 | 36.445 | 10.206 | .000 [b] |
| | Residual | 796.333 | 223 | 3.571 | | |
| | Total | 832.778 | 224 | | | |

a. Dependent Variable : Performance of insurance companies

From the ANOVA results the F-ration F-ratio (1, 224) = 36.445 for this relationship was significant at $p < 0.000$, which indicated that the model significantly predicted the outcome of the relationship between core competencies and performance of insurance companies

**Table 4: Coefficient for Core competencies and Performance**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| 1 | B | Std. Error | Beta | | |
| Constant | -6.734 | 1.626 | | -4.141 | .000 |
| Core competencies | .734 | .103 | .696 | 7.126 | .000 |

b. Dependent: variable : Performance of insurance companies

The regression equation obtained from this output was:-

Performance =-6.734 +0.734 core competencies+ e

The beta un-standardized coefficient for core competencies was 0.734 is also significant at $p < 0.000$, which meant that when core competencies changed by one unit in the measurement scale, Performance of insurance companies changed by 0.734 units. The constant term value is -6.734, implying that when core competencies were at zero; Performance of insurance companies would have a default value of -6.734. Therefore the null hypothesis, which stated that there was no relationship between core competencies and Performance of insurance companies, was not accepted. The implication was that there existed a significant positive relationship between core competencies and performance of insurance companies. The findings conformed with the research by Earley (2013) that Competitive advantages were generally derived directly from organizational core competencies adding that core competencies and distinguishing abilities contributed directly to its superior competitive advantages.

**RESEARCH SUMMARY**

The objective of the study was to assess the effect of core competencies on performance in the insurance industry in Kenya, the results obtained from the correlation model showed a strong positive correlation between core competencies and performance in the insurance industry in Kenya (Person correlation value = 0.751 significant value =0.000 ) The study prediction results obtained from the regression model also revealed that a unit increase in core competencies practices would enhance performance in the insurance industry in Kenya by a factor of 0.624.

Results obtained from descriptive statistic showed that that shared vision affect the performance of the insurance firms to a very great extent. The study also noted that a strong image to the outside world will helped to attract clients, suppliers, potential employees, sponsors and other stakeholder. Having a well-developed vision would be beneficial in creating confidence of external parties and that having a vision of the future would make it easier for people to continue and to contribute positively whenever the organization was going through hard times.

The research also revealed that that institutional facility (Infrastructure) affected the performance of the organization to a very great extent, effective infrastructure management primarily ensures conformance to standards and interoperability between an organization’s internal and external entities, while enhancing the flow of information throughout the organization.

Knowledge management systems affected the performance of the organization to a very great extent. Further the study revealed that knowledge management increased innovation and helped create better customer relationships. Knowledge management gave staff members the knowledge they needed to do their jobs better. This makes them more productive.

Key work processes affected the performance of the organization to a very great extent. The study also revealed that Key Work Processes were important in building a sustainable competitive advantage.

The research noted that Key staff skills affected the performance of the organization to a very great extent, possessing superior skills was a prerequisite to building a sustainable competitive advantage and that a company that wanted to increase its market share by getting more from its current employees and hiring the best from outside market would gain a great deal of superior performance.

The research also revealed that strategic intent affected the performance of the organization to a very great extent; most of the insurance companies in Kenya relentlessly pursued its strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.

On resources and capabilities, the research also revealed that resources and capabilities affected the performance of the organization to a very great extent; resources had the power to give a firm a sustained competitive advantage.

Results on market positioning showed that having strong market positioning affected the performance of the organization to a very great extent; effective product positioning required a clear understanding of customer needs so that the right communication channels were selected and key messages would resonate with customers.

**CONCLUSIONS**

The study found a strong positive correlation between core competencies and performance in the insurance industry in Kenya. The study further deduced that shared vision affect the performance of the insurance firms to a very great extent. the study also noted that a strong image to the outside world will helped to attract clients, suppliers, potential employees, sponsors and other stakeholder. Having a well-developed vision will be beneficial in creating confidence of external parties and that having a vision of the future will make it easier for people to continue and to contribute positively whenever the organization is going through hard times. The findings are in line with the research by Conchas, (2009) that if employees feel committed to the realization of a vision, this vision can be the foundation of a strong corporate culture. Effective infrastructure management primarily ensures conformance to standards and interoperability between an organization's internal and external entities, while enhancing the flow of information throughout the organization. The findings are in line with the research by Luo, (2012) Institutional facilities promoted adaptability necessary for a changeable environment and maintain effective change management policies and practices. Therefore the study concludes that Firms' core competencies promoted the performance insurance firms in Kenya.

**RECOMMENDATIONS**

In view of improving performance insurance firms in Kenya, the study recommends that the management of insurance firms in Kenya should implement knowledge management systems as this was associated to be a key driver towards Performance of Insurance Companies. Due to high market competitiveness reveled; the marketing management of insurance companies in Kenya should develop strategic marketing plans that differentiate each organization from the market rivals. Continuous market innovation and product Development of strong advocated. Strong focus on customer retention and building of loyalty is highly recommended

Insurance companies in Kenya should take advantage of developing core competencies which are difficult for competitors to imitate such may include building a simplified web for online customer marketing and selling of insurance products. Insurance companies in Kenya should have core competencies which portray breadth of application**,** i.e. Core competencies should open up a good number of potential markets. Insurance companies in Kenya should have core competencies which give customer something that strongly influences them or her to choose the company's product or service.

Periodically, insurance firms in Kenya should carry out SWOT analysis, business reengineering process is also encouraged to keep operations on tack. The research recommends that the strategic management of insurance firms in Kenya should work to ensure that that internal flow of activities are effective as the quality of coordination was found to be a crucial factor posting positive performance of organization.

The HR of insurance companies in Kenya needs to need to ensure that firm's policies encourage employee sense of belonging, policies that provide constant feedback on the positives and negatives, encourage open communication, and develop policies that communicate clear goals and expectations to the employees. Employee development should also be encouraged to tap intellectual capital. Standard employee compensation packages should be implemented to poster motivation for better employee productivity.

Insurance companies in Kenya should promote learning and growth at every opportunity this should include everyone in a company, from the CEO to the entry-level employee, continuous learning is essential to growing and adapting to dynamic market conditions. The HR should encourage employees to constantly improve their skills and market knowledge. Support employees who want to go back to school, attend training sessions or expand their market knowledge. This can provide tremendous long-term value to a company.

**AREAS FOR FURTHER RESEARCH**

Overall, the findings of the study provide substantial support for the conceptual framework demonstrating that core competences are powerful tools that can directly lead to competitive advantage and indirectly achieve superior performance of insurance companies in Kenya. Similar research should look on effects of dynamic capabilities on strategy implementation in the insurance companies in Kenya as well as investigate the effect of motivational strategies on performance among insurance companies in Kenya.

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