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TURNAROUND STRATEGIES AND PERFORMANCE OF INSURANCE FIRMS IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

There has been s1ow growth regarding market penetration by insurance in Kenya over years. The insurance penetration in Kenya has been showing a downward trend from the year 2020 to 2018 with insurance penetration ratios of 2.88, 2.75, 2.71, 2.68 and 2.43 for the years 2020,2019,2016,2017 and 2018 respective1y. This study therefore sought to analyze the influence of Turnaround Strategies on performance of insurance firms in Nairobi City County, Kenya. Specifically, the study sought to establish the effect of retrenchment strategy on the performance of insurance firms in Nairobi City County, Kenya and to determine the effect of restructuring strategy on the performance of insurance firms in Nairobi City County, Kenya. The study used a cross-sectional descriptive research design. The study targeted management employees from these firms. From the 21 firms, the study targeted 1 top management employees, 2 middle level management employees and 2 lower level management employees from each firm. This implies that the total population form the study was 105 respondents. The study used census method since the target population is small. Questionnaires were administered for primary data collection. SPSS version 23 was used to analyze quantitative data using descriptive and inferential statistics. The findings of the study were presented descriptively using frequencies, percentages and means, while inferentially the study used correlation and regression analyses to test the relationship between turnaround strategies and performance of insurance firms in Kenya. The study results were presented through use of tables and figures. The study concludes that retrenchment strategy has a positive and significant effect on the performance of insurance firms in Nairobi City County, Kenya. In addition, the study concludes that restructuring strategy has a positive and significant effect on the performance of insurance firms in Nairobi City County, Kenya. From the findings, the study recommends that the management of insurance companies should strategically implement retrenchment measures, considering factors such as organizational structure, workforce skill sets, and market conditions. In addition, the study recommends that insurance firms should ensure that restructuring efforts are aligned with the organization's strategic objectives and long-term vision.

Key Words: Turnaround Strategies, Retrenchment Strategy and Restructuring Strategy

Background of the Study

Uncertainty in any organization may lead to a negative effect in the operating environment which in turn would lead to a situation where the performance declines drastically (Bibeault, 2018). This kind of event could be as a result of factors affecting the organization both internally or externally owing to the mere fact that a company operates as open systems. However, these trends can be avoided through formulating and implementing viable strategies that can reverse the negative performance in the positive direction (Bowman, Schoenberg & Collier, 2020). The senior management should regularly formulate strategies that will work towards the organization's best interests and goals in order to stabilize a positive trend in performance (Panicker & Manimala, 2019). These strategies can include restructuring, retrenchment, modernization, and diversification strategy (Iyange, 2020). The main aim of turnaround strategies is to stabilize an organization that is facing challenges in making profits from a consistent negative trend to acceptable levels of positive performance (Evans, Chitnomrath & Christopher, 2020). Turnaround strategies are implemented in companies that have shown an ability to improve but are currently experiencing a negative performance decline. One of the influencing factors in implementing turnaround strategies includes management failure and financial deterioration (Lohrke, Bedian & Palmer, 2018).

Organizational failure can be well explained using two advanced theories. According to organizational ecology and classical industrial theories, they depict that organizational managers are limited by the environmental and exogenous industrial constraints which leave them with limited powers to make impactful choices (Smith & Graves, 2020). The ecological theory breaks down organizational failure into two different stage phenomena (Cameron, Sutton & Whetten,2019). The first phenomenon occurs when an organizations adaptation to the set business focus or domain diminishes. The second phenomenon occurs when the company's human and financial resources reduce. These two stages are a clear indication that the organization is losing its micro-niche and is poor in converting its outputs for new inputs. Organizations decline due to their inability to adapt to the changing environment (Weitzel & Jonsson, 2018). Organizations should, therefore, formulate and implement turnaround strategies that can help them match the pressure and competition in their environment (Wheelan & Hunger, 2008).

Over the period 2007-2020, the financial landscape in Kenya has considerably changed while the financial sector has made huge growth in offering products, deposits, and profitability. These changes have greatly been influenced by a number of factors which include an expansion strategy of the industry-wide branch network in the East African community and Kenya, an increase in developed automation services which has helped make the life of customers more efficient and easier. An annual supervision report by CBK emphasizes that financial institutions have to adapt to the rapid changes in the business environment which includes incorporation of complex ICT platforms while still maintain quality services to the customers. Customers have continually demanded faster and quality individualized services. For this reason, insurance institutions have heavily invested in ICT in order to keep up with the competition.

Turnaround strategies are comprehensive plans that organizations implement to reverse a decline in performance, overcome financial distress, and restore the company to profitability and stability (Jamal & Salisi, 2021). These strategies are essential when a company is facing significant challenges or is at risk of failure. Several turnaround strategies can be employed, depending on the specific circumstances and root causes of the decline (Lik-Jing, Brahmana & Chin-Hong, 2019). Odhiambo (2022) indicates that turnaround strategies include; retrenchment strategy and Capacity Building Strategy. According to Imran, Maqbool and Shaffique (2020)

Restructuring Strategy, technology Advancement Strategy and Retrenchment Strategy are key turnaround strategies. This study therefore seeks to analyze the influence of turnaround strategies on performance of insurance firms in Nairobi City County, Kenya.

The main aim of the operation strategy is to save a distressed or underperforming company to a positive trend in terms of liquidity, solvency, cash flow and profitability (Lee & Johns, 2020). Turnaround strategies are defined according to the components of stabilizing, managing, fixing and funding which are applied over the turnaround process of a distressed or underperforming company. For turnaround strategy to be successful, it should be able to resolve the financial problems, causes of performance decline and strive to achieve a fast improvement in the financial sector, retain the support of shareholders and overcome unfavorable organizational characteristics and internal negative constraints (Jeyavelu, 2020).

The insurance industry in Kenya is governed by the Insurance Act; law of Kenya, Chapter 487. The anchor regulator is the Insurance Regulatory Authority. The industry is also led by 10 board of directors and 6 members of the management team. The players in the insurance industry as of 2018 consisted of;53 insurance companies,5 reinsurance companies,215 insurance brokers,14 reinsurance brokers,31 medical insurance providers,128 insurance investigators,122 motor assessors,35 insurance surveyors,31 loss adjusters,6 claims settling agents,10 risk managers and 8612 insurance agents (IRA, 2018).

The main objective of insurance companies in Kenya is to increase their business viability as well as empowering their customers on the best insurance deals that are easy to comprehend and compare with others (PWC, 2016).The insurance penetration in Kenya has been reducing over the years with a record of 2.75,2.71,2.68 and 2.43 in the years 2019,2016,2017 and 2018 respectively (IRA,2018).The subsequent fall in insurance penetration is a sign that the insurance industry has not been effective in capitalizing on the increasing economy's insurance prospects and implementation of proper growth strategies to enhance their market penetration. The low insurance penetration rate in Kenya has been attributed to a multiple factors among which include poor turnaround strategies (Barasa, 2016).

Statement of the Problem

Insurance companies are significant investors in financial markets. They manage substantial investment portfolios, contributing to capital formation and economic growth. By mobilizing funds for investment, insurance firms play a role in the development of infrastructure, businesses, and other critical sectors (Kariuki, Muturi & Njeru, 2021). In Kenya, The Insurance Regulatory Authority is a statutory government agency established under the Insurance Act (Amendment) 2006, CAP 487 of the Laws of Kenya to regulate, supervise and develop the insurance industry. It is governed by a Board of Directors which is vested with the fiduciary responsibility overseeing operations of the Authority and ensuring that they are consistent with provisions of the Insurance Act (IRA, 2023).

The dynamism of the environment dictates that for an organization to remain competitive or to survive they have to continuously redesign their strategies failure to which the organization gets into a strategic problem. Such a problem is seen when there is a blunder between what the organization is offering and what is available in the market. Turnaround strategies are important for firms to grow economically because their activities affect the public and private sector expenditure and resources directly (Kariuki, Muturi & Njeru, 2021). Top management must revert to effective turnaround strategies by responding to internal and external factors leading to the decline. When the visibility of an organization is compromised by decrease in its resources, the organization is said to have declined (Sije, 2017).

Regardless of the fact that in concept and practices, insurance is a millennia-old, insurance it really hasn't caught on among the majority of the population. Uptake remains worrying low, particularly among the economically disenfranchised (Kariuki, Muturi & Njeru, 2021). Overall performance in the insurance sector in Kenya has been poor with the total growth rate either stagnating or dropping every year since the year 2012 (IRA, 2020). Although there has been an improvement as at the end of Quarter 1 2023 with an increase of 14.1% compared to the same period in 2022 (IRA 2023). According to IRA (2021), penetration of insurance remains low at 2.8 percent in 2019 measured using gross premiums as a percentage of Gross Domestic Product. Moreover, IRA (2022) indicates that the insurance sector reported a decline in return on equity (ROE) and return on assets (ROA) to 8.29% and 1.36% from 14.36% and 2.69% respectively in the year 2020. Additionally, 31.8% of the insurance companies posted losses while 68.2% posted profits. This indicates a sector where the sustainability of insurance companies is not guaranteed, despite the various consolidations in the sector aimed at enhancing the success and sustainability of insurance companies. Research indicate that proper implementation of turnaround strategies improve performance.

Various studies have been conducted on turnaround strategies and organization performance. For instance; Kariuki, Muturi and Njeru, (2021) conducted a study on factors affecting financial performance of insurance companies in Kenya. Masinde (2020) researched on problems faced in implementing turnaround strategies at Kenya Railways Corporation. Mutunga (2020) researched on factors affecting the operation of turnaround strategies at KBC. Mungai and Bula (2018) researched factors that affect turnaround strategies at KQ. However, none of these studies focused on performance of insurance firms in Nairobi City County, Kenya. In addition, these studies used different research designs which vary in terms of strengths and limitation. The studies were also conducted in different organizations hence the findings cannot be generalized to the insurance sector due to variation in institutional and legal frameworks. To fill the highlighted gaps, the current study sought to analyze the effect of turnaround strategies on performance of insurance firms in Nairobi City County, Kenya

General objective

The purpose of the study is to analyze the effect of turnaround strategies on performance of insurance firms in Nairobi City County, Kenya.

Specific Objectives

i. To establish the effect of retrenchment strategy on the performance of insurance firms in Nairobi City County, Kenya
ii. To determine the effect of restructuring strategy on the performance of insurance firms in Nairobi City County, Kenya

Theoretical Review

Agency Theory

Agency theory was developed by Jensen and Meckling (1976). The agency theory is an economic theory that explores the conflicts of interest and costs that arise between principals (owners) and agents (managers) in organizations (Judge a, Naoumova & Nadejda, 2018). It addresses the challenges that occur when principals delegate decision-making authority to agents to act on their behalf. The theory suggests that there is a natural misalignment of incentives between principals and agents, leading to agency costs (Lik-Jing, Brahmana & Chin-Hong, 2018).

The theory holds that since agency relationships in a corporation is complex than any contractual relationships due to the terms of agents being required to do tasks for the principal, agency theory carries with specific ethical issues and problems as it concerned both parties (agents and principal). The traditional process of agency contracts assumes that agents such as managers should always act in principal's interest, presuming the owners. Jensen and Meckling (1976) and Baker and Anderson (2010) explain that the agency problem arises when company managers attempt to maximize and fulfill their interest at shareholders' expense

In the matter of retrenchment or lay-off in large corporations, the theory stated that investors are rewarded when companies decreased their employees because operating costs are lowered, which in theory may lead to better profits. However, whenever there is news regarding retrenchment being practiced, it also highlights whether investors are pleased or not with the announcement of mass layoff. This theory assumes that management undertaking the layoffs whether in part or whole, has the objectives to please shareholders and to maximize their wealth (Jamal & Salisi, 2021). In this instance it's obvious that shareholders' interests are advanced to the harm of a minimum of one different body, particularly the workers (Morrow, Johnson & Busenitz, 2017). In such cases, question arises on whether it is to serve the principals' interests when those actions harm a large number of people, and whether the benefits shareholders receive are commensurate with the harm inflicted on the laid-off employees, as stated by the theory (Lik-Jing, Brahmana & Chin-Hong, 2018). This theory was used in this study to establish the influence of retrenchment strategy on the performance of insurance firms in Nairobi City County, Kenya.

Resource-Based View

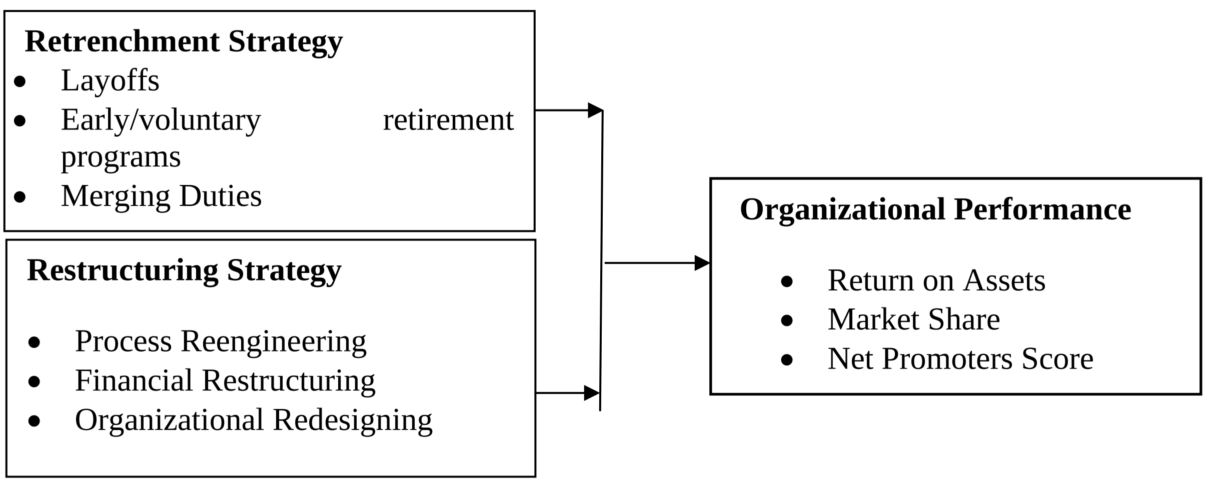
Resource Based View (RBV) of the Firm Theory was developed by Barney (1991). RBV regards the firm as a bundle of resources and capabilities that are heterogeneously distributed across firms that persist over time (Prahalad, & Hamel, 2019). Academicians suggest that when a firm has resources which are valuable, rare, inimitable and no substitutable, they can use them to implement value creation strategies that provide a sustainable competitive advantage (Priem, & Butler, 2019). RBV originates in the strategy literature which provides a useful framework for examining the development of management. This can be achieved by having critical resources that are firm-specific, valuable to customers, non –substitutable and difficult to imitate (Mahoney, & Pandian, 2019).

Resource Based View Theory was employed with a major focus on how firm's resources and knowledge development affects performance (Kor, Mahoney, & Joseph, 2018). It assumes that organization to achieve competitive advantage; it has to develop its resources. Other researchers who expanded the theory were Wernerfelt (1984) and Helfat and Martin (2015). RBV emphasizes resources and capabilities as the origin of competitive advantage. Wana, Ogolla and Datche (2019) looked at maximizing long run profits through exploiting and developing firm resources. It characterizes resources as valuable, rare, inimitable and non-substitutable. Firms generate rents through differences in information, luck and capabilities. The RBV approach sees firms with superior system and structures being profitable not because they engage in strategic investments but because they have markedly lower cost to offer. It focuses on the rents according to the owners of scarce firm-specific resources rather than the economic profits from market positioning. It puts vertical integration and diversification into a new strategic light (Mahoney, & Pandian, 2019).

However, RBV has been criticized for its inability to explain how resources are developed and duplicated and failure to consider the impact of dynamic market environments (Boermans & Roelfsema 2019). Some researchers have criticized RBV that it is a static theory that has failed to develop into a competitive advantage especially in dynamic environment fostered by rapid technological change (Kor, Mahoney, & Joseph, 2018) and in response to concerns; the capability, competencies and dynamic capability approach were developed. The literature indicates while possessing valuable, rare, inimitable and non-substitutable resources may be beneficial. Firms also require complementary capabilities to be able to deploy available resources to match market conditions to drive firm performance (Ashok, 2017). This study will therefore use resource based view (RBV) to assess the influence of restructuring strategy on the performance of insurance firms in Nairobi City County, Kenya.

Conceptual Framework

A conceptual framework is a diagram that explains the relationship between dependent and independent variables. In this research, the dependent variable is performance of insurance firms in Nairobi City County, Kenya after implementing the turnaround strategies while the independent variables are the turnaround strategies which include retrenchment Strategy and Restructuring Strategy.



Independent Variable **Dependent Variable**

Figure 2. 1: Conceptual Framework

Retrenchment Strategy

A retrenchment strategy is a business strategy that involves reducing the scale or scope of operations to improve financial performance and ensure long-term viability (Lik-Jing, Brahmana & Chin-Hong, 2018). It is typically employed when a company is facing significant challenges or operating at a loss (Morrow, Johnson & Busenitz, 2017). Retrenchment strategies aim to streamline operations, cut costs, and refocus resources on core business activities. Retrenchment strategies are often considered as a last resort when other strategies, such as market expansion or product diversification, have failed to deliver the desired results. While these strategies can help improve a company's financial situation, they may also come with short-term challenges, such as employee morale issues or potential negative impacts on the company's reputation. Therefore, careful planning and effective communication are crucial during the implementation of a retrenchment strategy (Lik-Jing, Brahmana & Chin-Hong, 2018).

Cost retrenchment is a specific type of retrenchment strategy focused on reducing costs within a company. It involves implementing measures to cut expenses, streamline operations, and optimize resource allocation. The primary objective of cost retrenchment is to improve the company's financial performance by increasing profitability and efficiency (Odhiambo, 2019). Staff retrenchment, also known as workforce reduction or layoffs, is a specific cost retrenchment strategy that involves reducing the number of employees within a company. It is often considered a difficult decision and is typically undertaken as a last resort when other cost-cutting measures have been exhausted or when there is a need to align the workforce with the company's financial realities (Judge a, Naoumova & Nadejda, 2018). Branch retrenchment is a strategic decision made by a company to close or reduce the number of branch locations it operates. This strategy is typically employed when a company aims to optimize its operations, cut costs, or respond to changes in market conditions. Branch retrenchment allows the company to focus resources on more profitable locations or channels, streamline operations, and improve overall efficiency (Jamal & Salisi, 2021)

Restructuring Strategy

Restructuring can be referred to as a strategic modification made to the structure, debt or operations of a firm (Heany, 2019). It is a major corporate action that is implemented when a company suffers from significant problems which are putting the organization in jeopardy and causing financial harm. The main objective of restructuring is to improve business and eliminate financial harm. For example, in the event that a firm is having issues repaying its debt, it will in most cases adjust and consolidate the debt terms into a debt restructuring.

After restructuring is undertaken the debt payments become more manageable and also bondholders' payments increase. Common methods of applying to restructure include reducing its size in terms of sale of assets or cutting costs such as payroll. It is a necessary action when the company is almost collapsing (Akrani, 2018).

Empirical Review

Retrenchment Strategy and Organization Performance

Lik-Jing, Brahmana and Chin-Hong (2019) researched on firm performance, retrenchment strategy and different ownership structure: Evidence from public listed companies in Malaysia. This research aims to investigate the relationship between retrenchment strategy and firm performance for a sample of 119 listed firms in Malaysia over the period 2008-. Using robust panel regression, the study found that retrenchment strategy contributes positively to firm performance. The research further indicates that controlling shareholders plays a significant role in the association between retrenchment strategy and firm performance, in which retrenchment strategy decreases the performance of family and government-linked firms.

Morrow, Johnson and Busenitz (2018) conducted a study on the effects of cost and asset retrenchment on firm performance. This research develops and tests arguments that cost and/or asset retrenchment strategies will have different effects on firm performance in competitive environments characterized as growing and declining. In growth industries, asset retrenchment was positively related to performance improvement while cost retrenchment was unrelated. In declining industries, cost retrenchment was positively related to improved performance while asset retrenchment had a negative effect on firm performance.

Judge a, Naoumova and Nadejda (2020) focused on corporate governance and firm performance in Russia. Using the agency and institutional perspectives, this study advances several hypotheses about the board structure–firm performance relationship within Russia. The study tested these hypotheses using survey data. Despite a relatively small sample size, predictions from both theoretical perspectives were supported. Specifically, the study found a negative relationship between “informal” CEO duality and firm performance. This finding is noteworthy given the 1996 Russian Federal law which prohibits the CEO from also serving as board chair. Also, the study found that the more vigorously the firm pursues a retrenchment strategy, the more negative the relationship between proportion of inside directors and firm performance.

Jamal and Salisi (2021) conducted a study on the influence of retrenchment strategy and firm performance: Evidence from Malaysian Construction Companies. Hence this research aims to investigate the relationship between retrenchment strategy and firm performance for a sample of 49 listed construction companies in Malaysia which is to be chosen if the firms has the following criteria that needed by this study over the period of 2008 – 2018. By using regression model in STATA software alongside with multiple tests to examine the data of the firms, the study hopes to find acceptable results to determine the relationship among the variables. The study the results show that the main variable which is retrenchment has no significant influence towards any of the firm performance.

Odhiambo (2022) conducted a study in Nairobi County among retain store foot wear with the aim of establishing the influence of retrenchment strategies on their performance. To answer the research problem, the researcher adopted cross sectional descriptive survey design. Target population was registered retail stores in footwear. The study selected a sample of 6 stores and collected data using questionnaires. Collected information was analyzed using descriptive statistics and multiple regression. The findings showed that the retail stores have tried to improve their performance by embracing various retrenchment techniques.

Restructuring Strategy and Organization Performance

Olukayode (2020) researched on workplace restructuring in Nigerian manufacturing industries: some unanticipated consequences and employee adaptation strategies. Researchers focus was to determine the effects restructuring had on employees. Companies used in the study were selected using purposive sampling and data was selected over a period of five years. Target population were 3200 employees from the selected companies where a sample of 800 respondents were selected, to form the sample, using stratified random sampling. Data was collected from the respondents using a questionnaire. Data gathered was analyses by use of descriptive and inferential statistics. The findings showed that organizational attributes which included organizational climate and management structure and style were positively correlated with organizational strategies. Also expected effect of restructuring was found to be significantly explained by loss of cohesion among employees, decreased levels of employee morale and heightened workload of employees. Furthermore, the combinations of coping techniques; proactive techniques of task pursuit a recreational approach of intent to quit were adopted by employees as ways of adapting.

Akumu (2021) researched on the association between performance and restructuring strategies: a case of Kenya National Audit Office. Researcher’s main focus was to establish the relationship that exists between the strategy of restructuring and performance of the organization. The strategies that were investigated were business process engineering, delayering, outsourcing, and Virtualization. The target population was 159 employees of the organization and stratified technique of sampling was used to select a sample of 157 respondents. Data used was gathered by use of questionnaire and information gathered was analyzed using SPSS software where descriptive and inferential statistics were computed. The results established that the variables being investigated were strongly and positively related. Further, a great percentage of organizational performance was explained by engineering of business process outsourcing, and virtualization.

Odula (2019) conducted a study to establish how financial organizations in Kenya are affected by restructuring. The study collected data from all the 43 commercial insurances in the country over a period of eight years 2008 to 2019. Sources of secondary data were financial statements from the respective insurances. From the data collected, the study was able to compute the following measures: ROE, asset utilization ratio, profit margin, overhead efficiency, net interest margin, interest expense ratio, spread, provision for loan loss ratio and non –interest expense ratio. Restructuring was found to positively influence performance of commercial insurances, however the effect was very small and therefore the insurances were forced to implement other strategies to improve their performance levels.

Anyona (2020) researched on the effects of corporate restructuring on performance of insurance companies in Kenya. Researchers focus was on those companies that had over the past years undergone restructuring. Corporate restructuring was found to relate with organizational performance. The effect was positive since market share, profitability and competitiveness of the organization increased. Turnover rate of employees in the organizations also increased. During the first phase of restructuring, the organization greatly benefited and performance significantly increased. It was further revealed that during subsequent restructuring efforts, market share, profitability and competitiveness of the organization diminished.

RESEARCH METHODOLOGY

Research Design

The techniques used in collecting, measuring and analyzing data are collectively referred as research design (Newing,2019). The main objective of the research design is to structure and plan a particular research in a way that the findings are not biased or misleading (Yin, 2020). The study used a cross-sectional descriptive research design which ensures that data is collected without altering the environment. The design is considered appropriate because the researcher is able to make comparison of various insurance firms demographics based on the year of incorporation, ownership structure, and others.

Population of the Study

The target population of the study consists of 14 registered and licensed life insurance companies and 7 registered and licensed composite insurance companies, located within Nairobi, for the year 2020 (IRA, 2020). The study target management employees from these firms. From the 21 firms, the study targeted 1 top management employees, 2 middle level management employees and 2 lower level management employees from each firm. This implies that the total population form the study was 105 respondents. The study targeted all the levels of management since they are involved in the formulation and implementation of organization strategies hence they are in a position to provide information on the influence of operations strategy on performance of insurance firms in Nairobi City County, Kenya.

Table 3. 1: Target Population

Category	Population	Percent
Top Management	21	20
Middle Level Management	42	40
Low Level Management	42	40
Total	105	100

Sample and Sampling technique

In this study, due to the small size of the study population, the census sampling approach was used. Census sampling is a technique of statistical sampling that involves collecting data from every member of a population (Särndal, Swensson & Wretman, 1992). In a census, every member of the population is included in the sample and data is collected from all of them. Census sampling is an appropriate technique for small sample sizes as it allows for the representation of the entire population (Ngechu, 2018). This is supported by Mugenda and Mugenda (2008), who established that when the target population is too small, a census is the most appropriate method of obtaining the sample size. Therefore, census approach was appropriate for selecting the sample for this study, and the sample size for the study was 105 respondents.

Data Collection Instrument

The study used both primary and secondary data. Secondary data is data that is normally collected for other research purposes and it includes data from organization records and reports, as well as reports by regulators and other government departments. The study used a data extraction tool to collect secondary data from annual reports of the selected insurance companies. Specifically the data extraction tool collected information on return on asset and Net promoter score for five years between 2017-2021. According to Babbie (2017), primary data is the data collected directly from first-hand occurrence which has not been exposed to processing or any other handling. Primary data was collected using structured questionnaires which were made up of close-ended questions that were standardized in order to enable comparisons of the results from the different respondents.

Pilot Study

Pilot test is a replica and rehearsal of the main study. The pilot testing brought to the fore weaknesses or otherwise of the questionnaire for respective improvements to be made. This test was used to ensure reliability and validity of the research tools. According to Lancaster, Dodd, and Williamson (2019), the sample size for high precision pilot studies should be between 1% and 10%. This study piloted the questionnaire on 30 respondents. Such tests help identify possible problems, clarity on the instruments and appropriateness of the language during the main study, Kvale, (2017). The pilot test assesses the relevance of the research objectives as it tests the understand ability of the research tools.

Data Analysis and Presentation

Data obtained from the field was coded, cleaned, and entered into the computer for analysis using the SPSS version 25. The data was summarized in order to see emerging trends and issues around specific themes, which are dependent on the variables and objectives. Presentation of data was done in form of quantitative and qualitative reports which was presented in forms of tables and essay. For the quantitative reports, the tables consisted of mean and standard deviation values that were used to make interpretation of the analysis. Percentage, mean and standard deviation were used to show the frequency of responses. Tables were used to display the rate of responses and to facilitate comparison. Qualitative reports were presented in form of essay which was discussed as per the study objectives aligned with the theories and empirical study. Descriptive statistical included frequencies, percentages, mean and standard deviation. Inferential statistical analysis to be used was regression analysis and correlation analysis. The significant of each independent variable was tested at a confidence level of 95%. Both multiple linear regression and simple linear regression model that was utilized.

RESEARCH FINDINGS AND DISCUSSIONS

Descriptive statistics

Retrenchment Strategy and Performance of Insurance Firms

The first specific objective of the study was to establish the effect of retrenchment strategy on the performance of insurance firms in Nairobi City County, Kenya. The participants were requested to indicate their level of agreement on various statements related to retrenchment strategy and the performance of insurance firms in Nairobi City County, Kenya. A five point Likert scale was used Whereby 1 represent strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree. The results were as shown Table 4.1.

From the results, the respondents agreed that retrenchment strategy plays a significant role on firm performance. This is shown by a mean of 3.958 (std. dv = 0.636).As shown by a mean of 3.930 (std. dv = 0.972), the respondents agreed that their firm has applied retrenchment strategy in the past to minimize organizational costs. Further, with a mean of 3.872 (std. dv = 1.005), the respondents agreed that employee retrenchment is a key aspect in the organizations retrenchment strategy. The participants agreed that there are various retrenchment strategies that the organization can use to reduce cost. This is shown by a mean of 3.852 (std. dv = 0.608). As shown in the results, the respondents agreed that retrenchment strategy is always the last option in our organization. This is shown by a mean of 3.773 (std. dv = 0.983). The respondents also agreed that insurance firms that implemented the retrenchment strategy have experienced enhanced competitiveness in the market. This is shown by a mean of 3.745 (std. dv = 0.897).

Table 4. 1: Retrenchment Strategy and Performance of Insurance Firms

	1	2	3	4	5	Mean	Std. Deviation
Retrenchment strategy plays a significant role on firm performance	5.3	10.5	10.5	47.4	26.3	3.958	0.636
Our firm has applied retrenchment strategy in the past to minimize organizational costs	5.3	15.8	10.5	47.4	21.1	3.930	0.972
Employee retrenchment is a key aspect in the organizations retrenchment strategy	5.3	10.5	36.8	31.6	15.8	3.872	1.005
There are various retrenchment strategies that the organization can use to reduce cost	0.0	5.3	21.1	57.9	15.8	3.852	0.608
Retrenchment strategy is always the last option in our organization	0.0	15.8	26.3	47.4	10.5	3.773	0.983
Insurance firms that implemented the retrenchment strategy have experienced enhanced competitiveness in the market.	5.3	10.5	21.1	42.1	21.1	3.745	0.897
Aggregate						**3.864**	**0.819**

Restructuring Strategy and Performance of Insurance Firms

The second specific objective of the study was to determine the effect of restructuring strategy on the performance of insurance firms in Nairobi City County, Kenya.The participants were requested to indicate their level of agreement on various statements related to restructuring strategy and the performance of insurance firms in Nairobi City County, Kenya. A five point Likert scale was used Whereby 1 represent strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree. The results were as shown Table 4.2.

From the results, the respondents agreed that their company has undergone restructuring in the past. This is shown by a mean of 3.955 (std. dv = 0.839). As shown by a mean of 3.942 (std. dv = 0.898), the respondents agreed that the primary objective of their recent restructuring was to improve efficiency, enhance customer service and reduce costs. Further, with a mean of 3.915 (std. dv = 0.112), the respondents agreed that the restructuring process in their company involved changes in organizational structure and processes. The participants agreed that they are well-informed about the restructuring process in their company. This is shown by a mean of 3.898 (std. dv = 0.969). As shown in the results, the respondents agreed that they believe that the restructuring efforts have positively impacted our company's operations. This is shown by a mean of 3.873 (std. dv = 0.983).

Further, with a mean of 3.865 (std. dv = 0.734), the respondents agreed that the communication regarding the restructuring process was clear and transparent. The participants agreed that the restructuring has led to improvements in their company's operational efficiency. This is shown by a mean of 3.843 (std. dv = 0.856). As shown in the results, the respondents agreed that the company's processes have become more streamlined after the restructuring. This is shown by a mean of 3.811 (std. dv = 0.912). The respondents also agreed that the restructuring has resulted in better resource utilization and cost management. This is shown by a mean of 3.798 (std. dv = 0.871).

Table 4. 2: Restructuring Strategy and Performance of Insurance Firms

	1	2	3	4	5	Mean	Std. Dev.
Our company has undergone restructuring in the past	5.3	10.5	31.6	47.4	5.3	3.955	0.839
The primary objective of our recent restructuring was to improve efficiency, enhance customer service and reduce costs	0.0	5.3	36.8	47.4	10.5	3.942	0.898
The restructuring process in our company involved changes in organizational structure and processes	0.0	21.1	42.1	31.6	5.3	3.915	0.112
I was well-informed about the restructuring process in our company.	0.0	10.5	26.3	26.3	36.8	3.898	0.969
I believe that the restructuring efforts have positively impacted our company's operations.	5.3	10.5	31.6	42.1	10.5	3.873	0.983
The communication regarding the restructuring process was clear and transparent.	5.3	10.5	31.6	47.4	5.3	3.865	0.734
The restructuring has led to improvements in our company's operational efficiency.	0.0	5.3	36.8	47.4	10.5	3.843	0.856
Our company's processes have become more streamlined after the restructuring.	0.0	21.1	42.1	31.6	5.3	3.811	0.912
The restructuring has resulted in better resource utilization and cost management.	0.0	10.5	26.3	26.3	36.8	3.798	0.871
Aggregate						**3.835**	**0.598**

Correlation Analysis

This research adopted Pearson correlation analysis determine how the dependent variable (performance of insurance firms in Nairobi City County, Kenya) relates with the independent variables (retrenchment strategy and restructuring strategy). The findings were as depicted in Table 4.3.

From the results, there was a very strong relationship between retrenchment strategy and performance of insurance firms in Nairobi City County, Kenya (r = 0.821, p value =0.002). The relationship was significant since the p value 0.002 was less than 0.05 (significant level). The findings are in line with the findings of Aleman and Guererro (2016) who indicated that there is a very strong relationship between retrenchment strategy and firm performance.

Moreover, there was a very strong relationship between restructuring strategy and the performance of insurance firms in Nairobi City County, Kenya (r = 0.831, p value =0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the findings of Caritas, Julius and Zenon (2016) who indicated that there is a very strong relationship between restructuring strategy and firm performance.

Table 4. 3: Correlation Coefficients

		Firm Performance	Retrenchment Strategy	Restructuring Strategy
Firm Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	97		
Retrenchment Strategy	Pearson Correlation	.821**	1	
	Sig. (2-tailed)	.002		
	N	97	97	
Restructuring Strategy	Pearson Correlation	.831**	.297	1
	Sig. (2-tailed)	.001	.060	
	N	97	97	97

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (retrenchment strategy and restructuring strategy) and the dependent variable (performance of insurance firms in Nairobi City County, Kenya).

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.801. This implied that 80.1% of the variation in the dependent variable (performance of insurance firms in Nairobi City County, Kenya) could be explained by independent variables (retrenchment strategy, restructuring strategy).

Table 4. 4: **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.895[a]	.801	.803	.10213

a. Predictors: (Constant), retrenchment strategy and restructuring strategy

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 687.52 while the F critical was 2.396. The p value was 0.002. Since the F-calculated was greater than the F-critical and the p value 0.002 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of retrenchment strategy and restructuring strategy on performance of insurance firms in Nairobi City County, Kenya.

Table 4. 5: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	102.028	2	51.014	1382.49	.002[b]
	Residual	13.868	376	.0369		
	Total	115.895	378			

a. Dependent Variable: Performance of insurance firms
b. Predictors: (Constant), Retrenchment Strategy and Restructuring Strategy

The regression model was as follows:

$$\mathbf{Y = 0.345 + 0.390X_1 + 0.382X_2 + \varepsilon}$$

According to the results, retrenchment strategy has a significant effect on performance of insurance firms in Nairobi City County, Kenya β_1=0.390, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the findings of Lik-Jing, Brahmana and Chin-Hong (2019) who indicated that there is a very strong relationship between retrenchment strategy and firm performance.

The results also revealed that restructuring strategy has a significant effect on performance of insurance firms in Nairobi City County, Kenya β1=0.382, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the findings of Olukayode (2020) who indicated that there is a very strong relationship between restructuring strategy and firm performance.

Table 4. 6: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.345	0.089		3.876	0.002
Retrenchment Strategy	0.390	0.097	0.398	4.021	0.000
Restructuring Strategy	0.382	0.097	0.389	3.938	0.001

Conclusions of the Study

The study concludes that retrenchment strategy has a positive and significant effect on the performance of insurance firms in Nairobi City County, Kenya. The study found that layoffs, early/voluntary retirement programs and merging Duties influences performance of insurance firms in Nairobi City County, Kenya

In addition, the study concludes that restructuring strategy has a positive and significant effect on the performance of insurance firms in Nairobi City County, Kenya. The study found that process reengineering, financial restructuring and organizational Redesigning influences performance of insurance firms in Nairobi City County, Kenya.

Recommendations of the Study

The study recommends that the management of insurance companies should strategically implement retrenchment measures, considering factors such as organizational structure, workforce skill sets, and market conditions. Retrenchment should be targeted at areas where redundancies or inefficiencies exist while preserving critical talent and capabilities.

In addition, the study recommends that insurance firms should ensure that restructuring efforts are aligned with the organization's strategic objectives and long-term vision. This involves clarifying the purpose of the restructuring, identifying areas for improvement, and establishing clear goals and targets for performance enhancement.

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