

**EFFECT OF CRISIS DETECTION ON ORGANIZATIONAL PERFORMANCE
IN THE INSURANCE INDUSTRY IN KENYA. A SURVEY OF SELECTED
INSURANCE COMPANIES IN KENYA**

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ABSTRACT

The purpose of the study was to examine the influence of crisis detection strategies on organizational performance in the insurance industry. A survey of selected insurance companies in Kenya. The target population for the study was 122 staff members of selected insurance companies in Nairobi. Stratified random sampling was used in the study to select a sample size of 61 respondents. The data collection instrument that was used in the study was the questionnaire. Data was analyzed using descriptive and inferential statistical methods. The study results show a strong positive association between crisis detection on organizational performance in the insurance industry ($R=0.556$). The coefficient of determination adjusted $R^2= 0.306$ which means that crisis detection explains 30.6% of the variance in organizational performance. The study indicated that crisis detection has effect on organizational performance in the insurance industry in Kenya. That Crisis Detection is positively and significantly associated with organizational performance in the insurance industry in Kenya. There are effective monitoring mechanisms for crisis, insurance companies lack effective monitoring mechanisms. There was regular assessment by insurance companies to detect crisis. There were some measures that enabled definition of crisis by insurance companies which enabled them detect crisis.

Keywords: crisis detection, prevention strategies, performance management

INTRODUCTION

Hart (2015) evaluated crisis detection strategy and the impact it has on the Arab Potash Company employee performance. The study used 240 self-administered questionnaires for data collection. The study found that the management of Potash Company purposed to solve their challenges and crisis. The researchers recommended that there is a need for the government and private entities that they must condense their efforts to help mitigate the crises that the Jordanian corporations faced. The government should also provide a manager and leaders training center and thus enable corporations to deal with crisis.

As a contemporary company, chances of instability are inevitable and have an impact that is threat to the operations, survival and reputation of that company. The ability of such organization to successfully craft strategies to manage such crisis is what differentiates an organization that is able to manage instability state of affairs from another organization that allows such horrible state to dampen its strategic objectives (Macfarlane, 2018). Crisis management is hence viewed as the arrangement of an association's pre-arranged, quick reaction ability upheld by an administration, data the executives and correspondences limit in a coordinated style to empower quick decision making at an essential level inside an organized climate, and in this way considering compelling recuperation and safeguarding an association's endurance or reputation.

In Kenya, the insurance sector is characterized by stiff competition as well increased awareness among customers on their policy needs. Research was conducted by Hajdul (2017) to identify the critical factors facilitating success in the multinational corporations (MNCs) in Kenya's insurance industry. The findings show that the MNCs in the insurance sector use strategic management practices and marketing strategies that are pertinent to the sector. The study confirmed that employee performance, morale and financial strategy are the critical factors of success for MNCs in Kenya's insurance sector. Other success factors include a robust development and research capability, significant development of opinion leader, highly effective and well-trained sales force, good employee retention and attraction strategies, product efficacy and quality, proper segmentation of the market and developing sustainable relationships with clients.

In another study, Bundy et al., (2017) examines the critical crisis detection mechanisms as well as empirical analysis of preparation of managing crisis in the Greece pharmaceutical region. The study correspondingly delivers the best practice model that can be used by corporate leaders in the insurance market in Greece to enable them to examine their awareness level and develop their plans for managing crisis by adapting the study findings. From the questionnaires outcomes, the study the insurance sector is highly vulnerable to crisis situations with the monetary crisis in Greece worsening the vulnerability. However, the survey findings indicate companies in the Greece insurance industry have a respectable crisis management adoption level, even if room for improvement to deal with credible market risks in the future exists. This study seeks to develop a scale that can be used to examine the negative and positive effects of distinguishing crisis on the performance of organizations, to determine the association between subscales of the developed scale and determine the differences according to demographical qualifications.

Performance entails the firm's real output which is calculated based on what the firm had purposed to achieve. Litwin (2016) indicate endorsement of firm's performance takes a procedural point of view in which it focuses processes within the organization in the quantification how effective and efficient it sets its metrics. Inclusion of how the organization performs is conceptualized in relation to the quality of the service and products, the extent to which customers are fulfilled, how the firm acts on the lookout, being imaginative in its administrations and the way that it relates with its employees.

Insurance Industry in Kenya

Presently there are more than 57 registered insurance companies in Kenya, some offering general insurance, some life insurance while composite insurers sell both life and general (Insurance Regulatory Authority, 2014). The main role of insurance companies is removing dangers or fears from you and promising to pay you for any misfortunes or harm that might influence your property or life. The items presented by insurance agency are for the most part something very similar albeit each organization has a bunch of significant worth added administrations for customers. It is vital that any purchaser looks for counsel prior to

purchasing a strategy as this will empower them purchase strategies that will address their issues. Purchasers of protection can be isolated into three principal classes: Individual clients and the overall population; corporate clients who incorporate enrolled organizations and the public authority; different classifications are the unfamiliar clients who buy Kenyan insurance services from Kenyan insurers.

In the Kenyan insurance industry, the players include but not limited to insurance brokers, reinsurance companies, agents and also risk managers. The insurance industry in Kenya is guided by law which is the protection Act under the laws of Kenya, chapter 87. The Ministry of Finance is the one responsible for the administration guidelines and also there is a self – regulation under the Association of Kenya Insurers (AKI). The Insurance Institute of Kenya (IIK) is the legal body which handles matters to do with experts. The 57 insurance registered agencies in Kenya include, 32 organizations composed non-disaster protection business just, 13 composed extra security business just while 11 were composite (both life and non-life). There were 198 authorized protection merchants, 29 therapeutic protection suppliers and 5,155 protection operators (AKI, 2012). Other authorized players included 133 examiners, 108 engine assessors, 25 misfortune agents and 24 protection surveyors (Ernest, 2012).

In Kenya, Insurance availability also, reasonableness is both strategy worries, as confirmed by government's numerous guidelines of the protection market. Sanctioning of any country makes an engaging area and business open entryways for all business visionaries. Insurance expert centers were 21 adversity specialists, 2 cases settling administrators, 193 disaster assessors/analysts, 26 assurance assessors, and 8 danger chairmen during the year. The gross created premium by the business was Kshs 76.9 billion diverged from Kshs 65.0 billion of each and every 2006 addressing an improvement of 18%. The gross created premium from General insurance was Kshs 49.76 billion while that from long haul business was Kshs 23.1 (AKI, 2012).

STATEMENT OF THE PROBLEM

The insurance industries are more vulnerable to crisis than others because of the complexity of regulations in their areas of operations, their nature as well as internal procedures. Therefore, as mentioned above, the insurance industry is certainly more susceptible to crisis because of the role that firms in the industry play in paying for claims, investing on behalf of the clients among other activities (Clemens, 2018). Furthermore, crisis isn't restricted by topographical limits; thus, their belongings can spread across the globe in view of an industry's functional model as well as the sort of association included. Independent of the flightiness of emergency, firms know that emergency will undoubtedly occur, subsequently they should go to proactive lengths and hence escape the unwanted occasions once they occur. Previous studies were conducted by different researchers.

Tonino, Simone & Elisa (2017) did a study on small business strategies in times of crisis empirical evidence Performance has become a critical component of organizations in today's dynamic, customer driven market place. Organizational performance challenge in organizations has many dimensions in today's business environment and creating focused initiatives to overcome these challenges is not a silver bullet approach. Proper implementation of strategy is key to realization of set key result areas through the achievement of strategic objectives in an organization's strategic plan. Young, (2019) asserts that lack of credit is one of the most serious constraints facing SMEs and hindering their development. However, Young, (2019) fails to directly highlight the crisis detection adopted by the SMEs in his study, a gap this study sought to fill.

Ndung'u, (2016) studied challenges of crisis management strategy and strategy implementation in Jomo Kenyatta Foundation and found out that that firms in Kenya operate under increasing competitive and ever-changing environment. Gitonga (2018) studied on the various risk management strategies of Family Bank Ltd to competition in the Kenyan banking industry. However, most of these studies failed to focus on the insurance industry and the respective crisis detection thus a research gap was identified and this study seeks to fill by focusing on the influence of crisis detection on organizational performance in the insurance industry.

SPECIFIC OBJECTIVE

To determine the effect of crisis detection on organizational performance in the insurance industry in Kenya.

LITERATURE REVIEW

Theoretical Literature Review

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

Diffusion of Innovation Theory

Everrett Rogers put up this notion in 1962. The hypothesis illustrates an instance of how quickly novel ideas, behaviours, or products spread throughout a population. The pioneers, early adopters, early majority, late majority, and laggards are among its participants. The diffusion of innovation theory states that only a small fraction of people first adopts new advancements. When 20% of the population or so begins to behave differently, 70% of the surplus will follow suit. This idea has affected emergency management across the board by influencing initiatives to alter attitudes and ways of acting in emergencies.

In particular, the diffusion of progress hypothesis can identify people who might adopt novel practises (and influence others) as well as the most effective channels for disseminating ground-breaking ideas. As the name implies, every representative during an emergency should look within the box and come up with something creative to get over challenging stretches. One should be equipped with a backup plan. When a worker has an original notion, he shouldn't keep it to himself. Share the idea with all employees and offices. Effective communication is essential for conveying ideas and information in the right format.

Real-world examples of successful crisis management and proof of the innovation's efficacy are two techniques for appealing to this demographic. The late majority is wary of advancement and will only adopt a development once the majority has tried it first.

Techniques for communicating with this group help them retain information about how many other people have tried the advancement and successfully embraced it. However, loafers are very mild and constrained by tradition. They are the most difficult group to bring on board since they have a great deal of doubt about progress. Statistics, fear appeals, and peer pressure from other adopter groups are all tactics used to sway this population (Lewin, 2018).

Empirical Literature Review

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

Crisis Detection and Organizational Performance

The key to being able to manage a crisis is doing as much planning as practical before a crisis starts in order to best position the business to respond to and mitigate such a situation. Crisis management involves planning, incidence response, and actual management of crisis and business continuity (Mueler, 2010). Planning relates to getting your institution in the best position to react to, and recover from, a crisis. Incident responses are the processes that one has to put into place to ensure that his business reacts properly and orderly to an incident as it occurs (Wimmer, 2016) actual management takes into account the planning and automatic incident response, but must also dynamically deal with situations as they unfold, often in unpredictable ways. Business continuity relates to those steps necessary to restore the business to normal functioning (Mueler, 2010).

Prevention of all crises is not the basic purpose of planning and crisis management. But constant testing and revision of plans should allow an organization to cope more effectively with crises that occur because such efforts help it learn how to "roll with the punches." Prevention and preparation take the form of safety policies, maintenance procedures, environment impact audits, crisis audits, emergency planning, and worker training (Wimmer, 2016). Most important, is that most crisis are preceded by a string of early

warning signals. To prevent some major crisis, organizations need only learn to read these early warning signals and respond to them more effectively.

Jeane, (2017) carried a study to establish the crisis detection strategies adopted by SMEs in Garissa town, Kenya. The study revealed that the following crisis situations were very common: terror attacks, harsh weather conditions, financial crisis, competitor factor, inter-clan rivalry, robbery incidents, political instability, technological development, fire outbreaks and employee theft. The study further revealed that the most adopted crisis management strategies by the small and medium enterprises in Garissa town were: one-off basis crisis management, proactive approach, re-active approach and adaptive decision making.

Bryson (2018) studied the influence of crisis detection practices on business enterprise sustainability. It designed to examine the influence of leadership patterns in terms of transformational leadership as a moderating variable among the connection of organizational overall performance and organizational sustainability inside the context of public listed groups in Palestine. The study allowed the researcher to achieve this goal by use of quantitative approach. A survey was conducted in a try, understanding the relationship between (the disaster management strategies, crisis management crew, decision making, conversation competency) organizational sustainability and the organizational overall performance. Also surveyed was the impact of transformational management on the relationship between organizational overall performance and organizational sustainability.

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CONCEPTUAL FRAMEWORK

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

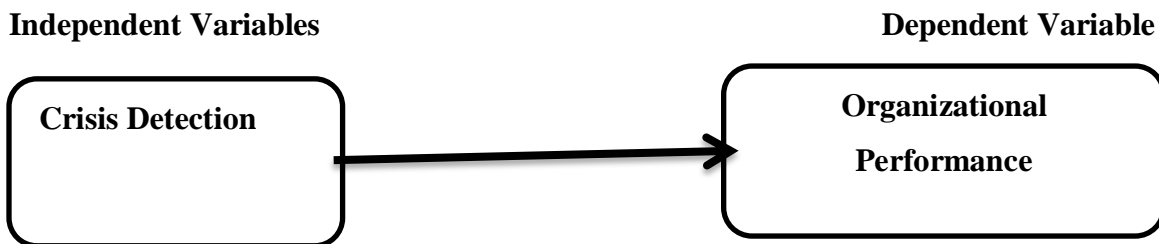


Figure 1: Conceptual Framework

RESEARCH DESIGN AND METHODOLOGY

Research design

Research design defines the different strategies that are employed to integrate the different components of the study in a logical and coherent manner. It formed the blueprint for the collection, measurement and the analysis of the data. Descriptive research design was employed as it gravitates towards qualitative methods which included quantifiable data for research. The study objective was the main point of influence of this methodology. The

basic idea behind the choice of the research design was to have guidelines and frameworks of what is contained in the research, the way the research was performed as well as the inferences that were available based on the data collected. Descriptive research has some crucial factors driving its core elements in describing, explaining, or validating any type of hypothesis (Codo, Dans, & WeI, 2008). When sampling from a population, one needs to define the population, the target population or sampling frame and the sample.

Target Population Target

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

Table 1: Population

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

Sample Size and Sampling Technique

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

Table 2: Sample Size per Target Group

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

Data Collection Methods and Instruments

A research instrument is a device that a researcher uses to gather information from respondents in a specific unit of study on variables of interest. The interview guide, focus group discussion guide, and research questionnaires are a few of the often-utilised research instruments. To facilitate data collection, processing, and reporting, structured questionnaires with a 5-point Likert scale were used to collect primary data for this investigation. Because it is a time-saving tool, a questionnaire was chosen above other instruments for gathering the primary data. Questionnaires are appropriate to gather information from the population especially when the population is small which gives the respondents a free hand in submitting their responses (Mugenda and Mugenda, 2019). The secondary information was gathered from pertinent sources, including libraries, performance management reports, current journals, and earlier studies on the topic.

Data Analysis and Presentation

Through the use of questionnaires and other quantitative methods, the research data was gathered. The numerical values were used to retrieve this quantitative data, and inferential and descriptive methods were used to analyse it. Several variables including Coefficient of Variation, Cross Tabulation analysis and frequency were used to find the significance of the findings (Marshall, 2005). The coefficient concept was used to identify if there was a connection with the various factors of study.

FINDINGS AND DISCUSSIONS

Descriptive Statistics

Crisis Detection on organizational performance

Respondents were asked to use a five-point likert scale to indicate views on whether crisis detection affects organizational performance in the insurance industry in Kenya as indicated by the statement and the response were as tabulated in table 3.

Table 3: Crisis detection on organizational performance

Statement	Strongly Disagreed	Disagreed	Neutral	Agreed	Strongly Agreed	Mean	Std. Deviation
Activities are well coordinated to handle crisis	0%	0%	2%	62%	36%	4.23	0.547
There is proper evaluation during crisis	0%	0%	0%	38%	62%	3.74	1.01
There is improved capacity to handle crisis	0%	12%	7%	38%	43%	3.74	1.039
There are measures to prevent income loss in the company during crisis	0%	0%	2%	62%	36%	3.43	1.195
Aggregate						3.79	0.95

Activities are well coordinated to handle crisis, 36% of respondents strongly agreed, 62% agreed and 2% were neutral. On the second view, there is proper evaluation during crisis, 62% strongly agreed and 38% agreed. There is improved capacity to handle crisis, 43% strongly agreed, 38% agreed while 5% were neutral and 12% disagreed and finally there

are measures to prevent income loss in the company during crisis, 36% strongly agreed while 62% agreed and 2% were neutral.

Correlation Analysis

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

Table 4: Correlation Analysis

Indicator		Organizational Performance	Crisis Detection
Organizational Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	48	
Crisis Detection	Pearson Correlation	.556**	1
	Sig. (2-tailed)	.000	
	N	48	48

The results in Table 4 indicate that Crisis Detection is positively and significantly associated with organizational performance in the insurance industry in Kenya ($r=0.556$, $p=0.00<0.05$).

Regression Analysis

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

Table 5: ANOVA Results

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

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Crisis Detection

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

SUMMARY OF RESEARCH FINDINGS

Respondents were asked to use a five-point likert scale to indicate views on whether crisis detection affects organizational performance in the insurance industry in Kenya. On the statement Activities are well coordinated to handle crisis, 36% of respondents strongly agreed, 62% agreed and 2% were neutral. On the second view, there is proper evaluation during crisis, 62% strongly agreed and 38% agreed. There is improved capacity to handle crisis, 43% strongly agreed, 38% agreed while 5% were neutral and 12% disagreed and finally there are measures to prevent income loss in the company during crisis, 36% strongly agreed while 62% agreed and 2% were neutral. Respondents highly agreed that crisis detection has effect on organizational performance in the insurance industry in Kenya with a Mean of 3.79 and Standard Deviation of 0.95. The study correlation results showed that Crisis Detection is positively and significantly associated with organizational performance in the insurance industry in Kenya ($r=0.556$, $p=0.00<0.05$).

CONCLUSION

In conclusion, on whether there is analysis of crisis when they happen in the company, insurance companies' management did not take time to analyze the crisis in the organization. There are effective monitoring mechanisms for crisis, insurance companies

lack effective monitoring mechanisms. There was regular assessment by insurance companies to detect crisis. There were some measures that enabled definition of crisis by insurance companies which enabled them detect crisis.

RECOMMENDATIONS

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

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