

## Entrepreneurial Marketing and Performance of Insurance Firms in Kenya

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**Abstract:** Economic and social resilience as well depends upon a robust and stable insurance industry. Its penetration in the globally is a cause for concern, with an unstable rate of below 10%. The Kenyan insurance industry is so fragmented with 58 firms and just 5 of them with their market share sufficient to compete globally. Studies done globally and locally in other sectors of the economy have shown a positive relationship between entrepreneurial marketing (EM) and the performance. This study evaluated the effect of EM variables on the gross premium and market share as performance indicators for insurance firms in Kenya. Specifically, the study determined the effect of: strategic orientation (differentiation strategy, cost leadership, customer orientation) innovation orientation (product innovation, processes innovation, market innovation), and innovation orientation (product, process and market) on the performance of the firms. Further, the effect of market orientation (frequency of market surveys and budget for market research) and resource leveraging (human resources and partnership and alliances) on the performance was analysed. Results indicated that strategic orientation had a positive but insignificant effect on the performance, while innovation, market orientation and resource leveraging had a positive and significant effect on the performance of insurance firms in Kenya. The study also established a negative but significant moderating effect of the regulatory framework (capitalization and licensing) on the relationship between EM and the performance of insurance firms in Kenya. Conclusion was reached that insurance firms should always consider the four dimensions of entrepreneurial marketing if they are to improve their performance.

**Keywords:** Entrepreneurial Marketing, Strategic orientation, Innovation orientation, Market orientation, Resource leveraging, gross premium, Market share, Insurance, Kenya.

### 1. INTRODUCTION

The insurance sector has been experiencing a revolution, stemming from technological innovation, data driven operations and expanded customer demands. Some of those changes are good to both the firm and the customers, for instance digital transformation which has quickened service delivery (IRA, 2019). However, digitization has generated challenges for insurance firms, which is related to digitalizing of small commercials in attempt to keep up with aggressive insurers (PWC, 2020). The other challenge is commoditization, which is the process of treating customers like a commodity, thus the need to consider customer focus as one of the strategies to be investigated in relation to market share of firms (Spaulding, 2020). Global insurance industry accounted for approximately 7.23% of the world gross domestic product (GDP) up from 6.1% in 2018 (Swiss-re, 2020). This however indicates that about 92% of global wealth is exposed to loss and could be termed as irrecoverable in case of global economic disasters. Covid-19 pandemic has caused a global recession due to loss of incomes, unemployment and the negative impact it has on all economic activities, (PWC, 2020).

The best performing country African market in 2019, in terms of penetration rate in the continent remains South Africa recording 13.4% which is above global average. Nigeria and Egypt performed dismally at 0.34% and 0.63% respectively, (Swiss-re, 2020). According to AKI (2020), the highest market penetration in East Africa region stood at 2.37 %, a figure that was recorded in Kenyan market. Rwanda is ranked second in the report and stood at 1.7% while Ethiopia lags behind with a penetration rate of 0.40%. Poor standards of living have lowered the affordability of insurance

products in Africa, with only the upper and middle income earners accessing the insurance products. The Kenyan economy grew by an estimated 1.4% to 6.3% in 2018 up from 4.9% in 2017 (AKI, 2018). This increase in GDP was fostered by conducive market conditions, relatively harmonious political climate and stable inflation, (IRA, 2019). The macroeconomic environment allowed the businesses thrive, thereby increasing the disposable income. This growth was also felt in the insurance industry in 2018, where the performance improved to KES 216.26 billion in gross premium up from KES 209.00 billion recorded in 2017. The growth in the sector was further recorded in 2019 with gross written premium totaling to KES 174.92 billion as at end of Q3 2019, an increase of 6.5% from KES 164.27 billion in Q3 2018 (PWC, 2021). Conversely, the industry net profit dipped significantly by 46.7% from KES 13.6 billion to KES 7.3 billion in 2018. The industry is constituted by over fifty companies with five of them controlling approximately 40% of the market share. Nairobi County has consistently led in the gross premium collected recording over 70% since 2015, (IRA, 2019).

### 1.1. Statement of the Problem

The Kenyan insurance market constitutes 70% of the East African consolidated insurance market of Uganda, Tanzania, Burundi and Rwanda, (AKI, 2018). Performance of insurance companies in Kenya remains low with the overall insurance penetration at 2.37% in 2019 down from best performance of 3.44% in 2013 (AKI Report, 2020). When market looks attractive, more firms are likely to enter, thus increasing rivalry between them (Kibera and Waruingi, 2007), and this is what has happened to Kenyan insurance market. Kenya has 53 insurance companies and 5 reinsurance companies registered by regulatory body by 2020 (Deloitte, 2020). Moreover, lack of consolidation has left this sector so fragmented with only 14 out of 58 registered firms securing more than 1% market share (Statista 2020). Most of insurance firms in Kenya have not performed very well financially and in terms of market share compared to their global counterparts. This explains why there are only 5 firms that are engaged in re-insurance business (Deloitte, 2020). Due to fragmentation, the market is characterized by price wars and outright poaching of insurance agents (AKI, 2020). The competition has been made worse by the fact that, regional and global players have encroached the Kenyan market (Deloitte, 2020), and the business environment is constantly changing. It can be observed that due to fragmentation, insurance industry is characterized by chaos, complexity and ambiguity (Bushe, 2019). Due to very competitive environment, insurance firms are under increasing pressure to be more agile, proactive and innovative in their marketing strategies. Instead of the planned, linear, rational approach of conventional marketing, an entrepreneurially creative response to marketing is required. Given the present competitive situation in this industry, traditional method of marketing will not be effective (Deloitte, 2020). Firms need to be more proactive and come up with more innovative methods of marketing such as entrepreneurial marketing. From the studies examined, the relationship between entrepreneurial marketing and the performance of insurance firms in Kenya has not been clearly analyzed and established. Furthermore, the theory of entrepreneurial marketing has been tested in different sectors of the economy and different regions globally but there is a lack of consensus on the relationship between the independent variables and the dependent variable (Naude and Chiweshe, 2017; Mburu and Achocki (2017). Thus the need for a comprehensive study on entrepreneurial marketing variables and the performance of insurance firms in terms of market share and gross premium.

The general objective of the study was to analyze the effects of entrepreneurial marketing on performance of insurance firms in Kenya. The performance of firms in this study focused on the market share and gross premiums of insurance firms in Kenya.

### 1.3. Research Hypothesis

The study tested the following hypotheses based on the general objective of the study:

- i. **H<sub>0</sub>**: Strategic orientation (differentiation strategy, cost leadership, customer orientation) has no significant effect on the performance (market share and gross premium) of insurance firms in Kenya.
- ii. **H<sub>0</sub>**: Innovation orientation (Product innovation, processes innovation, market innovation) has no significant effect on performance (market share and gross premium) of insurance firms in Kenya.

- iii. **H<sub>0</sub>:** Market orientation (frequency of market surveys and budget for market research) has no significant effect on performance (market share and gross premium) of insurance firms in Kenya.
- iv. **H<sub>0</sub>:** Resource leveraging (human resources and partnership and alliances) has no significant effect on performance (market share and gross premium) of insurance firms in Kenya.
- v. **H<sub>0</sub>:** The regulatory framework (licensing and capitalization) has no significant moderating effect on the relationship between entrepreneurial marketing and performance (market share and gross premium) of insurance firms in Kenya.

## 2. LITERATURE REVIEW

### 2.1. Theoretical Background

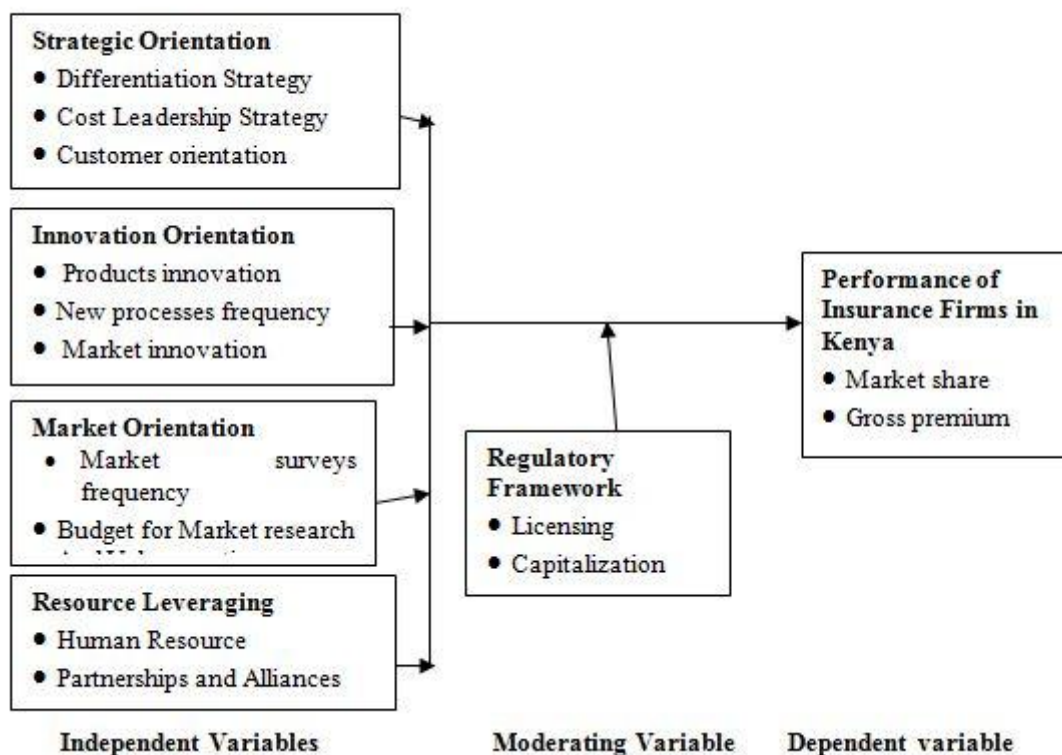
According to Hills and Hultman, (2011), *entrepreneurial marketing (EM)*, is a process of exploring possibilities and creating and growing companies that provide value for customers through innovation, creativity, selling, networking, and flexibility. Hills (2008) identified several crucial features of EM firms through a series of intense examination, including: strategic orientation, resolution to capture and control new prospects, develop prospects, a stable resolution to resource allocation, management of resources, and revolutionary organizational framework (Hills et al., 2008). This study adopted conceptual framework developed by Jones and Rowley (2011) that integrates the above eight dimensions into a framework. This framework is comprehensive as it includes all the areas and the major elements that interact in an entrepreneurial firm from the two separate areas to bring about a cohesive relationship. It is worth noting that these variables have been studied globally and has always given contrasting results; When the relationship between the variables and performance in various industries is measured, both statistically significant and insignificant results are found, (Green,Covin and Slevin, 2008; Homburg, MullerandKlarmann, 2011; Akpa, Victoria, Falade and Adeyinka, 2020) for Strategic Orientation:(Mbogoh 2013; Ombaka ,2014)for Innovation orientation: (Onditi ,2016; Ng'ang'a and Munjuri, 2017) for Market orientation.

*Innovation Orientation Theory-* Innovation is the introduction of a new product or a new process or a new market by an individual of an organization. It is a result of a combination knowledge from both the external and internal environments. It does not end with the introduction but continues with creation of value for the consumer and the consumption and utilization of the product or service, further, for a new market the process continues with the satisfaction of the new needs. Innovation value chain concept comprises of the links and feedback loops that form a continuous cycle that focuses on the firm innovation process.This construct was proposed by Hansen and Birkinshaw (2007) who suggested three phases for this process; idea generation, idea conversion and lastly, diffusion. Each of these phases comprise components that interact to ensure that an innovation is transformed from being an idea to actual value to a consumer. For an innovation process to be successful, all the sources of knowledge, components and the links have to work in tandem. The process is as weak as the weakest link; sources (Pittaway, Munir, Denyer and Nelly, 2004; Cassiman and Veugelers 2002) posit that a correlation between external sources of knowledge and the firm's internal intelligence and operations define the process and determine the success. In this study EM as a combination of four major components that work together to bring value to the customer. An entrepreneurial firm combines focus (SO) to the market, to collect intelligence concerning customer satisfaction, competitor activity (MO) and government action (regulatory framework) with internal resources (RL) to produce new products services or create new markets (IO).

*Market orientation Theory-* Kravitz, Pattermitti, Hay and Subramanian, (2009), suggest that marketing orientation focuses on customer and competitors, and it consists of a thorough analysis of the target market in a bid to obtain intelligence on customers and competitors and conveying such intelligence across the organization. This, they posit, demands for the integration and harmonization of all departmental effort toward this goal. All functions in the organization must use the information generated to create superior customer value, (Jobber 2010). To safeguard the organization from loss due to encroachment by competitors on the superior value created, a lot of resources needs be invested, (Kotler, 2009). The three components, market analysis, intelligence conveyance and responsiveness form a distinct strategic marketing resource that is crucial for the success of any organization, (Kibera and Waruingi, 2007).

*Resource Leveraging Theory*- Resource-advantage theory (RAT) theory was proposed by Hunt and Morgan (1997) and was built on the mistakes that occurred when organizations tried to build on comparative advantage. It is a combination of several theories at its core; is the resource-based view and the heterogeneous demand theory (Aaker, 2005). RAT argues that the significance of a resource to a firm is determined by its ability to produce substantial distinction and superior customer value that translates to superior performance, (Hunt, 2000). It is a process theory of competition that views each firm as unique with own position in the market and struggles to attain financial gain and growth through proper utilization of both tangible and intangible resources thereby creating an economy's private sector capital (Aaker, 2005). Each firm combines heterogeneous and imperfectly mobile resource to create comparative advantage in the market through innovation which in turn creates sustained development for the industry. These features of RAT framework explain and fit the dimensions that are the core of EM concept fully. Morris et al, (2002) defined these dimensions as resource leveraging, value creation and risk management as well as opportunities management.

**Conceptual Framework**



Source: (Research, 2021)

**3. EMPIRICAL LITERATURE**

**3.1. Strategic Orientation and Firm Performance**

Irajpour and Zabihi (2015) analyzed the impact of strategic planning on the overall performance in Iran, and established that strategic process affects the financial performance of the firms. The study further emphasized the need for strategic planning and a focus on the tools used to analyze pertinent issues. The strategic orientation adopted by a firm has a positive impact on the overall performance emphasized that it affects how the culture of the organization is shaped (Balodi, 2014). The study further indicated that the SO adopted defines how decisions are made and implemented, defines the organizational practices and even affects how resources are allocated. This means that if a firm adopts a customer orientation as its SO, all decisions, practices, and allocations are geared towards the satisfaction of the customer. Lonial and Carter, (2015) have found that an integration of several orientations has an even greater impact on the overall performance. Another study found that both differentiation and cost leadership strategies positively influence contemporaneous performance (Rajiv, Raj and Arindam, 2014). According to the study, differentiation strategy enables a firm to sustain its current performance in the future to a greater extent than a cost leadership strategy, despite



the former being associated with higher systematic risk and more unstable performance. A related study, (Luliya, Sununta, Yuosre and Chotchai, 2013) investigated competitive strategies and firm performance with the mediating role of performance measurement methods and found that firms' differentiation strategy has both direct and indirect significant impact on firm's performance. Studies done on proposed categorization which include customer orientation have varying outcomes on the performance (Narver et al 2004). It indicated that a firm that adopts customer orientation is reactive and waits to learn the known and expressed needs and preferences to make decisions. This stance maybe profitable in the short run as the firm may fail to create demand to underlying and hidden preferences thereby losing on loyalty, (Atuahene-Gima, 2001).

### **3.2. Innovation Orientation and Firm Performance**

One of the endearing and crucial factors of entrepreneurial firms is the continuous pursuit of and the adoption of innovations albeit the high risks involved in them. Though it has been noted that the failure rate of innovations is as high 50%, this does not deter entrepreneurial firms from innovating, and in fact may be seen to be the a deciding factor in profits allocation, (Wong and Tong, 2012). The entrepreneurial extent of an organization in risk taking, creating new products, production processes and markets has been observed to result to superior performance in the firms and enterprises in the developed economies, (Rauch, Wilklund, Frese and Lumpkin, 2009; Wales and McKelvie, 2011). Mehrdad, Sadati, , Delavari, Mohsen, and Ramin, (2011) concluded that firms with greater innovativeness will be more successful in responding to changing environment and in developing new capabilities that allow them to achieve better performance. According to Muhammad, Mohammed and Halimu (2012) in their study on the mediating role of innovation in the relationship between EO, firm resources, branding and SME performance. The study asserts the importance of innovation to the growth for SMEs in developing countries in other parts of the world. Mbogoh (2013) investigated the relationship between financial innovation and monetary performance of Kenyan insurance firms. The findings were supported by Ombaka (2014) analyzed the moderating role of external environment and innovation on the relationship between resources and performance of insurance firms in Kenya.

### **3.3. Market Orientation and Firm Performance**

Jaworski and Kohli, (1993) categorized the components of market orientation (MO) namely generation and analysis of relevant market information, dissemination of the information and lastly adopting strategic action to satisfy the market based on the information collected. An analysis on the relationship between MO and business economic performance in the European Union Insurance firms found that firms that implement MO are more likely to produce new products in line with customer needs which in turn increases customer loyalty and improved economic performance (Albert, Olivares, and Lado, 2003). This study noted that when insurance firms redirect their focus to market needs by utilizing customer data and the use of market research are able to adopt a market based product development which in turn results in efficacy and efficiency. A Study on the effect of MO and SME and large manufacturing exporters in China found that the effect of MO of both firms was similar and showed an increased customer value, (Zhang, 2015). This study confirmed the findings of a study done Malaysia earlier on EO effect on SME performance mediated by MO. In Malaysia, SMEs that were highly entrepreneurial were more likely to be highly market oriented and both improved the financial performance, (Baker and Sinkula, 2009). In Nigeria, the adoption of Market information systems by insurance firms resulted in better performance than those that relied on their experience and age, (Ogbonna and Ogwo 2013).

### **3.4. Resource Leveraging and Firm Performance**

The level of risk affinity is exhibited by the commitment of resources and the consequences thereof which in turn determines the level of innovation, venturing efforts, and the firm's growth. Consequently the risk taking behavior is a crucial element in entrepreneurial orientation and is a major determinant for possible high profits, (Miller and Le Bruton-Miller, 2011). Risk-taking behavior displays the ability of the business owner and managers to make to make ambitious decisions and to take decisive action when need arises. Hardwick (2009) observed that economies of scale apply in the insurance sector notably in the attaining cost efficiency in service delivery, production especially for innovative products, where large companies outdo their minor counterparts as well as lowering operating costs. Additionally in human resources large firms have the capacity to absorb costs

associated with attracting and retention of superior talent in all departments but especially in the management who in turn strategize for even higher returns, (Grace and Timme, 2012). An important aspect of resource utilization is seen when large companies acquire smaller institutions or merge with other to improve overall performance. Mergers and acquisitions were found to be one of the most popular strategic partnerships in the banking industry in Kenya and are motivated by expected increase in profits and returns, (Nzengya, 2013). Miyianda (2015) reports that mergers and acquisitions positively influence performance of Kenyan insurance companies, especially after the merging and acquisition take place. In contrast, mergers were found to have a negative psychological impact on the human element in the financial sector. This is due to psychological distress of expected job losses which in turn affects productivity translating to overall output for the organizations, (Kemal and Shahid, 2012). It is therefore imperative to analyze the impact of resource leveraging on insurance companies in Kenya

#### 4. REGULATORY FRAMEWORK

The development, growth, delivery, administration monitoring and evaluation of insurance services depends on sound regulation, supervision, and policy, (Williams, 2010). In 2011, the global standard setting body for insurance services, the International Association of Insurance Supervisors (IAIS) in recognition of the importance of inclusive insurance markets, documented a brief on regulation and supervision issues regarding comprehensive insurance markets (International Monetary Fund, 2013). Regulation dictates the operations of insurance firms from commencement to daily operations in addition proper behavior in the market place. For this reason, regulatory framework needs to be assessed to establish if there is a mediating effect between EM and performance.

##### 4.1. Performance of Insurance Firms in Kenya

Hamann, Schiemann, Bellora and Guenther (2013) in their study to explore the dimensions of organizational performance established that there was evidence of four aspects organizational performance. The behavior and success of the firm in stock market was categorized as one dimension of performance; Accounting specifics such as profitability and liquidity are the other aspects. This study focused on two performance indicators, gross premium and the market share.

#### 5. RESEARCH METHODOLOGY

The study population comprised of 406 heads of the 7 departments in the companies that are involved in the dimensions being studied, namely marketing, finance, human resources, sales, risk, IT, and operations department

Sample size: 197 respondents comprising of senior managers who are the decision makers in the insurance firms. The study utilized both primary data and secondary data, the secondary data was obtained from regulatory bodies, journals articles and other online sources. The primary data was obtained from the respondents in the insurance companies. In this regard, a questionnaire was an appropriate instrument to help the researcher collect the required information from the respondents. To ensure content validity, the questionnaire was subjected to a pilot test to check for any weaknesses in design and development. This was done by randomly selecting 2 registered firms from where 7 officials from the relevant departments were selected and invited to take part in pilot study. Their feedback and time required for completion were recorded so that the items were refined and the final questionnaire developed. Cronbach's alpha determines the internal consistency of items in a survey instrument to gauge its reliability.

Quantitative methods of data analysis were used when investigating the relationship between variables. The choice of methods was based on the review of the literature and the study objectives. Regression analysis was used to investigate the effect of independent variables identified in the conceptual framework on the gross premium and the market share. As indicated in the theoretical literature, the identified independent variables could have some effect on the market share as an indicator of performance of insurance firms. The following multiple regression models were estimated to find out whether there is any significant relationship between the dependent variable and the independent variables and was estimated using the method of ordinary least squares. This model is appropriate because in this study, the dependent variables (Gross premium and the market share) are continuous. The models are presented below:

**Model 1:**  $Y_1 = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_{8+} + \beta_9X_9 + \beta_{10}X_{10} + \beta_{11}X_{11} + \varepsilon_1$

**Model 2:**  $Y_2 = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_{8+} + \beta_9X_9 + \beta_{10}X_{10} + \beta_{11}X_{11} + \varepsilon_1$

**Model 3:**  $Y_1 = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_{8+} + \beta_9X_9 + \beta_{10}X_{10} + \beta_{11}X_{11} + \beta_{12}X_{12} + \beta_{13}X_{13} + \varepsilon_1$

**Model 4:**  $Y_2 = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_{8+} + \beta_9X_9 + \beta_{10}X_{10} + \beta_{11}X_{11} + \beta_{12}X_{12} + \beta_{13}X_{13} + \varepsilon_1$

Where:

$Y_1$  = Gross premium;  $Y_2$ = Market Share;

$X_1$ = Differentiation strategy;  $X_2$ =Customer Orientation;  $X_3$ =Cost Leadership;  $X_4$ : product innovation;  $X_5$ = process innovation;  $X_6$ = market innovation;  $X_7$  = market survey frequency;  $X_{8+}$ = budget for market research and value creation;  $X_9$  = Human resource;  $X_{10}$  =financial resource;  $X_{11}$  = Partnership and alliances;  $X_{12}$  Licensing;  $X_{13}$ : capitalization

$\beta_0$ = Constant

$\beta_5$  = Coefficient for the moderating variable

$\beta_1 \beta_2 \beta_3 \beta_4$ = Coefficient of Independent Variables

$\varepsilon$ =Error Term

## 6. RESULTS, DISCUSSIONS AND RECOMMENDATIONS

### 6.1. Cronbach's Alpha and Correlated Item-Total Correlation for the Constructs

The value of the Cronbach's alpha strategic orientation construct which was 0.77, innovation orientation construct, 0.73, market orientation construct 0.81, resource leveraging 0.75 and regulatory framework construct, 0.76. The values were above the 0.7 level as recommended (Nunnaly, 1978; and Gliem and Gliem, 2003)). The correlated item-total correlations indicated that there was a moderate item-total correlation for strategic orientation construct items which ranged between  $r = 0.56$  and  $r = 0.74$ . The results in the table therefore indicated that items used in each construct measured what they were intended to measure in order that reliable results were arrived at.

Linear regression analysis requires all variables to be multivariate normal. If the residuals are not skewed, that means that the assumption is satisfied. In this study, normality was tested by using skewness and kurtosis. The results are as indicated that the smallest value for skewness is 0.112 (budget for market share) while the largest is 0.402 (partnership and alliances)). The smallest value for kurtosis is 0.109 (market share variable) while the largest is 0.392 (partnership and alliances). The data is therefore normal because all the skewness and kurtosis values are less than +1, and this is in line with recommendations by Kothari (2004).

Multicollinearity diagnostic tests were performed to obtain collinearity statistics and establish whether the predictors are highly correlated. A high correlation between one independent variable with another independent variable leads to multi-collinearity which is a problem in regression analysis. In such a situation, the method of analysis cannot distinguish from each other preventing multi-regression from estimating coefficients, and the equation is unsolvable

### 6.2. Descriptive Analysis for Variables

#### *Differentiation Strategy*

The findings indicated that 78.2% respondents believed that their companies had implemented the differentiation strategy. This group of respondents believed that their companies had unique products as compared to competition, a strong brand, implemented aggressive marketing campaigns, customized products, and conducted regular competitor analysis. There was 21.8% that either disagreed or were neutral to the statements concerning differentiation strategy.

**6.3. Customer Focus**

The respondents were asked to rank their level of agreement on whether their companies prioritize customer service, products are designed according to customer needs, segment markets according customer type, offer after sale services and have various access points for customers. The responses were showed that 69% of the respondents agreed and believed that their companies focus on the customer while a surprising 28.2% were neutral in their belief on their companies’ behavior towards their customers. A further 2.8% disagreed with the statements meaning that they believed that their companies were not concerned with customer focus as a strategy.

**6.4. Cost Leadership/Minimization Strategy**

Cost leadership strategy was measured by summarizing the ranking by respondents on matters related to cost effective product designs, competitive pricing, promotions and discounted prices, optimized operation costs and investment on latest technology to reduce on cost. The responses showed that about 90.1% of the respondents disagreed with statements that cost leadership is generally not a strategy in the sampled companies, 6.3% of the respondents were neutral in their view, and only 3.5% perceived their companies as cost sensitive in the areas being measured. It can therefore be concluded that the sampled companies do prioritize cost leadership in their strategy.

**6.5. Summary of Other Independent Variables Means, Std. Deviations and Frequencies**

The results showed that the average market share was 3.25% and 42% of the respondents were male, implying that 58% were female. The average age of the respondents was 34 years, and the average frequency of change in operations was 10.97, while that of market innovation was 6.2. The average of frequency of market survey was 8.78 approximately 3 times within the last 5 years, and the average budget for market surveys for the last five years was 1.87 million Kenya shillings, while the average of employees in was approximately 7 members of staff. The average premium was 90.81 million per year, and average number of partnerships and alliances was 2.54 (both local and foreign), while average annual licensing renewal fees required is 1.85 million shillings, average capital base required to continue with operations (capitalization) is 30.475 million Kenya shillings. The average years of service in the current company was is 5.17.

**6.6. Results of Regression Model I**

**Table4.** ANOVA Results for Regression Model I

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	41.961	12	3.497	13.824	.000b
	Residual	32.631	129	0.253		
	Total	74.592	141			
a Dependent Variable: Gross premium						

The table above explains the extent to which the model has goodness of fit. From the sum of squares, the residual sum of squares (that variation in the dependent variable that is explained by the error term) was 32.631 against the regression model at 41.961. The model was found to fit the data with a P-value of 0.00, which was statistically significant at 0.05 significance level.

**Table4. 1.** RegressionModel I Results

Linear regression		No of obs.	142	
		F(10,131))	13.824	
		Prob>F	0	
		R squared	0.563	
		Adj R squared	0.522	
		Root MSE	0.674	
		Durbin Watson	1.471	
	Unstandardized Coefficients			
	B	Std. Error	T	Sig.
(Constant)	2.618	0.478	5.477	0.000
Differentiation strategy	0.064	0.048	1.333	0.187
customer focus	0.057	0.051	1.118	0.263



cost leadership strategy	0.02	0.043	0.465	0.643
product innovation	0.014	0.027	0.519	0.041
process innovation	0.103	0.046	2.240	0.027
market innovation	0.088	0.035	2.514	0.014
market surveys frequency	0.254	0.062	4.097	0.000
budget for marketing research	0.178	0.063	2.825	0.005
human resources	-0.022	0.08	-0.275	0.001
strategic Partnership/alliances	0.021	0.01	2.100	0.045

**Source:** *Research data, 2021*

From the table above, the  $R^2$  is 0.563, implying that 56.3% of the variation in the dependent variable can be explained by the predictors identified in the regression model. The model as a whole is statistically significant at a P-value of 0.00 at 0.05 significance level. Results indicated that strategic orientation (differentiation strategy) has a positive but insignificant effect on the gross premium of insurance firms in Kenya (Coefficient 0.064, p-value = 0.187). Given that P-value of 0.187 was more than 0.05, hypothesis that strategic orientation (differentiation strategy) has no significant effect on the performance of insurance firms in Kenya was accepted and null hypothesis rejected. The results contradicted findings of studies by Luliya, Sununta, Yuosre and Chotchai (2013), Rajiv, Raj and Arindam(2014) and Muia (2017). However, the researcher findings are in line with findings by Balodi (2014), who found that differentiation strategy has insignificance effect on firm performance. Customer focus had a positive but insignificant effect on gross premium (Coefficient 0.057, p-value = 0.263). Given that P-value of 0.263 was more than 0.05, hypothesis that strategic orientation (customer focus) has no significant effect on the performance of insurance firms in Kenya was accepted, and the null hypothesis rejected. The findings contradicts findings by and Homberg, Muller and Klarmann, (2016),Atuahene-Gima, 2001 and Muia (2017). However, the findings supports findings by Kiumbi,(2011)and Akpa et al, (2020), who indicated that customer focus has positive but insignificant effect on firm performance.

Cost leadership strategy has a positive but insignificant effect gross premium as an indicator of insurance firms’ performance (Coefficient 0.02, p-value = 0.643).Given that P-value of 0.643 was more than 0.05, hypothesis that strategic orientation (cost leadership strategy) has no significant effect on the performance of insurance firms in Kenya was accepted. This contradicts the findings of the study by Rajiv et al, (2014), who found adoption of cost leadership strategy to have a positive and significant effect on firm performance. Product innovation has a positive and significant on gross premium (Coefficient 0.014, p-value = 0.041). The hypothesis thatinnovation orientation (product innovation) has no significant effect on the performance of insurance firms in Kenya was rejected. The results supported the findings in a study by Rauchet al, (2009), Waleset al (2011), Kropet al (2005) and Mehrdad et al, (2011), since the findings indicated a positive and significant effect of product innovation on firm performance. The study findings were also in line with the theory of innovation by Wang and Chen (2010).Similarly, process innovation has a positive and significant effect on gross premium of insurance firms in Kenya (Coefficient 0.103, p-value = 0.027).Thus the hypothesis that innovation orientation (process innovation) has no significant effect on the performance of insurance firms in Kenya was rejected. The results contradicted findings by Wales et al (2011), Krop et al (2005), which indicated process innovation) has no significant effect on the performance of firms.

Market innovation had a positive and significant effect on gross premium of insurance firms in Kenya (Coefficient 0.088, p-value = 0.014). Hypothesis that innovation orientation (market innovation) has no significant effect on the performance of insurance firms in Kenya is rejected. The finding supported findings by Schumpeter, (1934), Rauchet al, (2009), Wales et al (2011).Market survey frequency and budget for market research had a positive and significant effect on gross premium (Coefficient 0.254, p-value = 0.000) and (Coefficient 0.178, p-value = 0.005) respectively. Thus, the hypothesis that market orientation (frequency of market surveys and budget for market research and sales promotion) has no significant effect on the performance of insurance firms in Kenya was rejected. The results supported findings by Miyienda (2015) and Kiragu (2016) respectively.

Human resource had a negative but significant effect on the performance (gross premium) of insurance firms in Kenya (Coefficient - 0.022, p-value 0.001). The results contradicted findings by

Dogan (2013). Partnerships and strategic alliances had positive and significant effect on the gross premium of insurance firms in Kenya (Coefficient 0.021, p-value 0.045).The results supported findings by Liyai (2014), which indicated that partnerships and alliances had a positive and significant effect on firm performance.

**Table4.1.2.** ANOVA Results for Model II (with Moderating Variables)

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	42.872	10	4.187	16.765	.000b
	Residual	33.719	131	0.25		
	Total	75.591	141			

Table 4.12 above explains the extent to which the model has goodness of fit. From the sum of squares, the residual sum of squares (that variation in the dependent variable that is explained by the error term) was 33.719 against the regression model at 42.872. The model was found to fit the data with a P-value of 0.00, which was statistically significant at 0.05 significance level.

**Table4.1.3.** Regression Model II Results

Linear regression		No of obs.		142
		F(10,131)		13.824
		Prob>F		0
		R squared		0.587
		Adj R squared		0.542
		Root MSE		0.664
		Durbin Watson		1.478
		Unstandardized Coefficients		
	B	Std. Error	T	Sig.
(Constant)	2.687	0.501	5.363	0
Differentiation strategy	0.065	0.049	1.327	0.183
customer focus	0.056	0.051	1.098	0.282
cost leadership strategy	0.019	0.044	0.432	0.667
product innovation	0.012	0.028	0.429	0.007
process innovation	0.1	0.047	2.128	0.037
market innovation	0.085	0.036	2.363	0.020
market surveys frequency	0.258	0.063	4.095	0.000
budget for marketing research	0.178	0.064	2.781	0.006
human resources	-0.021	0.06	-0.533	0.001
strategic Partnership/alliances	0.023	0.01	2.300	0.049
licensing fee	-0.029	0.059	-0.492	0.004
Capitalization	-0.022	0.044	-0.500	0.013

Source: Research data, 2021

The results in Table 4.13 indicates that coefficient of determination (R-squared) increased from 0.563 to 0.587. This implies that about 58.7 % of the variation in the gross premium could be explained by the combined action of all the predictors in the model. R-Adjusted increased from 0.522 to 0.542, implying that inclusion of the moderating variables improved the model than would be expected by chance. F (10,131) was 13.824, with a significance of 0.000, implied that the probability of these results occurring by chance was less than 0.05. Therefore, a significant relationship was present between gross premium and the predictors included in the regression model. RMS decreased from 0.674 to 0.664, a further indication of a higher degree of goodness of fit of the regression model than before. Results also indicated that strategic orientation (differentiation strategy) still had a positive but insignificant effect on the gross premium of insurance firms in Kenya (Coefficient 0.065, p-value = 0.183). The effect remained insignificant. Effect of customer focus on performance (gross premium) remained positive but insignificant (Coefficient 0.056, p-value = 0.282). Cost leadership strategy still had a positive but insignificant effect on the gross premium (Coefficient 0.019, p-value = 0.667). Product innovation still indicated a positive and significant on the market share (Coefficient 0.012, p-value = 0.007). Similarly, process innovation had a positive and significant effect on gross premium of insurance firms in Kenya (Coefficient 0.1, p-value = 0.037).Market innovation effect on gross

premium of insurance firms in Kenya was still positive and significant (Coefficient 0.085, p-value = 0.02). Effect of market survey frequency and budget for market research was still positive and significant (Coefficient 0.258, p-value = 0.000) and (Coefficient 0.178, p-value = 0.006) respectively. Effect of human resource on the performance (gross premium) of insurance firms in Kenya was still negative but significant (Coefficient -0.021, p-value 0.001). Partnerships and strategic alliances has positive and significant effect on the market share of insurance firms in Kenya (Coefficient 0.023, p-value 0.049). Both licensing and capitalization had a negative but significant effect on insurance firms' performance (gross premium), (coefficient - 0.029, P-value 0.004) and (Coefficient -0.022, P-value 0.013).

ANOVA Results for Model III

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	52.79	10	52.799	32.635	.000
Residual	21.19	131	1.618		
Total	73.9928	141			

(Source: Research data, 2021)

The table above explains the extent to which the model has goodness of fit. From the sum of squares, the residual sum of squares (that variation in the dependent variable that is explained by the error term) was 21.19 against the regression model at 52.79.961. The model was found to fit the data with a P-value of 0.00, which was statistically significant at 0.05 significance level.

Table 4. 2. Estimation of Regression Model III

Linear regression	No of obs.		142	
	F(10,131))		32.645	
	Prob>F		0.000	
	R squared		0.716	
	Adj R squared		0.692	
	Root MSE		0.271	
	Durbin Watson		1.787	
	Unstandardized Coefficients	T	Sig.	
	B	Std. Error		
(Constant)	2.413	1.215	1.986	0.049
Differentiation strategy	0.060	0.123	0.488	0.627
customer focus	0.091	0.0007	0.701	0.484
cost leadership strategy	0.058	0.110	0.527	0.601
product innovation	0.014	0.070	0.200	0.039
process innovation	0.024	0.118	0.203	0.039
market innovation	0.023	0.089	0.258	0.012
market surveys frequency	0.068	0.159	0.428	0.000
budget for marketing research	0.069	0.161	0.429	0.000
human resources	-0.046	0.153	-0.301	0.003
strategic Partnership/alliances	0.014	0.026	0.538	0.000

Source: Research data, 2021

Results indicates in the table that, R-squared is equal to 0.716 while adjusted R-squared is equal to 0.716. This implies that there is high degree of goodness of fit of the regression model. It also means that slightly over 71% of variation in the dependent variable (the market share) can be explained by the regression model. The F test result was (F, 10,131) was 32.635, with a significance of 0.000. Consequently, the hypothesis that all regression coefficients in the model are zero is rejected. Therefore, a significant relationship was present between market share and the explanatory variables in the regression model. RMSE which is the square root of the variance of the residuals or the standard deviation of the unexplained variation is 0.271. This was low given that it is below 0.500, which was an indication that there is high degree of goodness of fit of the regression model. Strategic orientation (differentiation strategy) has a positive but insignificant effect on the market share of insurance firms in Kenya (Coefficient 0.060, p-value = 0.627). Given that P-value of 0.627 was more than 0.05, hypothesis that strategic orientation (differentiation strategy) has no significant effect on the performance of insurance firms in Kenya was accepted and null hypothesis rejected. The results

contradicted findings of studies by Luliya et al (2013), Rajiv et al(2014) and Muia (2017), but they supported findings by Balodi (2014).

Results further indicates that differentiation strategy (customer focus) has a positive but insignificant effect on the market share (Coefficient 0.091, p-value = 0.484). Given that P-value of 0.484 was more than 0.05, hypothesis that strategic orientation (customer focus) has no significant effect on the performance of insurance firms in Kenya was accepted, and the null hypothesis rejected. The findings contradicts findings by and Homberg et al, (2016),Atuahene-Gima, 2001 and Muia (2017), but they supported findings by Kiumbi,(2011)and Akpa et al, (2020).Differentiation strategy (cost leadership strategy) had a positive but insignificant effect on the market share (Coefficient 0.058, p-value = 0.601). Given that P-value of 0.601 was more than 0.05, hypothesis that strategic orientation (cost leadership strategy) has no significant effect on the performance of insurance firms in Kenya was accepted. This contradicts the findings of the study by Rajiv et al (2014). Despite that effect of cost leadership is insignificant, insurance firms should always strive to minimize costs in order to increase revenue required to carry out activities which would increase their market share.

Results further indicate that product innovation has a positive and significant on the market share (Coefficient 0.014, p-value = 0.039).The hypothesis that innovation orientation (product innovation) has no significant effect on the performance of insurance firms in Kenya was rejected. The results supported the findings in a study by Rauch et al, (2009), Wales et al (2011), Krop et al (2005), Mehrdad et al, (2011) and Wang and Chen (2010).Similarly, process innovation has a positive and significant effect on the market share of insurance firms in Kenya (Coefficient 0.024, p-value = 0.039). Thus the hypothesis that innovation orientation (process innovation) has no significant effect on the performance of insurance firms in Kenya is accepted. The results concurred with the findings by Wales, et al (2011), Krop, et al (2005).

Results also indicated that market innovation has a positive and significant effect on the market share of insurance firms in Kenya (Coefficient 0.023, p-value = 0.012. Hypothesis that innovation orientation (market innovation) has no significant effect on the performance of insurance firms in Kenya is rejected. The finding supported findings in a study by Schumpeter, (1934), Rauch et al, (2009), Wales et al (2011).Market survey frequency and budget for market research had a positive and significant effect on the market share (Coefficient 0.068, p-value = 0.000) and (Coefficient 0.069, p-value = 0.000) respectively. Thus, the hypothesis that market orientation (frequency of market surveys and budget for market research and sales promotion) has no significant effect on the performance of insurance firms in Kenya was rejected. The results supported findings in a study by Miyienda (2015) and Kiragu (2016) respectively. Human resource had a negative but significant effect on the performance (market share) of insurance firms in Kenya (Coefficient -0.046, p-value 0.003). The results supported findings by Dogan (2013). Partnerships and strategic alliances has positive and significant effect on the market share of insurance firms in Kenya (0.014, p-value 0.000).The results supported findings in a studyby Liyai (2014).

**6.7. Estimation Regression Model IV**

The table 4.12 shows the Analysis of Variance for full regression model when the moderating variables are included. Given a significance level of 95% the p value (sig) is 0.000, the levels of variability within the regression model remained acceptable, and therefore the model was still fit to be used when investigating the effect of all the variables on the market share of insurance companies in Kenya.

*ANOVA Results for Regression Model IV*

	Sum of Squares	df	Mean Square	F	Sig.
Regression	529.479	12	44.123	27.046	0.000
Residual	210.449	129	1.631		
Total	739.928	141			

**Source:** *Research data, 2021*



**6.8. Regression Model IV Results**

The results in the table below indicate that, the coefficient of determination (R-Squared) increased from 0.716 to 0.719. This implies that about 71.9 % of the variation in the market share could be explained by the combined action of the twelve predictors together in the model. The Adjusted R-squared increased from 0.692 to 0.697, implying that, inclusion of the controlled variables improved the model than would be expected by chance. F (12, 129) was 27.046.29 and with significance of 0.000. Thus, the probability of these results occurring by chance was less than 0.05. Therefore, a significant relationship was present between the market share and the twelve independent variables. The model therefore fit the data well. RMSE decreased from 0.271 to 0.269, an indication of a higher degree of goodness of fit of the regression model than before.

Linear regression	No of obs.		142	
	F(12,129))		27.046	
	Prob>F		0.000	
	R squared		0.719	
	Adj R2		0.697	
	Root MSE		0.269	
	Durbin Watson		1.794	
	Unstandardized Coefficients	t	Sig.	
	B	Std. Error		
(Constant)	2.692	1.271	2.118	0.036
Differentiation strategy	0.064	0.124	0.516	0.605
customer focus	0.084	0.131	0.641	0.521
cost leadership strategy	0.062	0.113	0.548	0.581
product innovation	0.013	0.071	0.183	0.009
process innovation	0.023	0.120	0.192	0.007
market innovation	0.022	0.091	0.242	0.020
market surveys frequency	0.070	0.161	0.435	0.000
budget for marketing research	0.070	0.162	0.432	0.000
human resources	-0.049	0.153	0.320	0.003
strategic Partnership/alliances	0.015	0.026	0.577	0.000
Licensing	-0.017	0.150	-0.113	0.027
Capitalization	-0.019	0.112	-0.170	0.044

Source: research data, 2021

Results indicated that effect of strategic orientation (differentiation strategy) on the market share of insurance firms in Kenya was still positive but insignificant effect (Coefficient 0.064, p-value = 0.607). Given that P-value of 0.627 was more than 0.05, hypothesis that strategic orientation (differentiation strategy) has no significant effect on the performance of insurance firms in Kenya was still accepted and null hypothesis rejected. Results further indicates that effect of differentiation strategy (customer focus) was positive but insignificant effect (Coefficient 0.084, P-value = 0.521). Given that P-value of 0.521 was more than 0.05, hypothesis that strategic orientation (customer focus) has no significant effect on the performance of insurance firms in Kenya was still accepted. Effect of differentiation strategy (cost leadership strategy) on the market share improved slightly though it was positive but insignificant effect (Coefficient 0.062, p-value = 0.581). Effect of product innovation on the market share decreased slightly but it was positive and insignificant (Coefficient 0.013, p-value = 0.009). The hypothesis that innovation orientation (product innovation) has no significant effect on the performance of insurance firms in Kenya was still accepted given that p-value = 0.009.

Effect of process innovation on the market share of insurance firms in Kenya remained positive and significant effect (Coefficient 0.023, p-value = 0.007). Results also indicated that market innovation has a positive and significant effect on the market share of insurance firms in Kenya (Coefficient 0.022, p-value = 0.020). Hypothesis that innovation orientation (market innovation) has no significant effect on the performance of insurance firms in Kenya remained rejected. Effect of market survey frequency and budget for market research on the market share increased slightly and it was positive and significant (Coefficient 0.700, p-value = 0.000) and (Coefficient 0.070, p-value = 0.000)

respectively. Thus, the hypothesis that market orientation (frequency of market surveys and budget for market research) has no significant effect on the performance of insurance firms in Kenya was still rejected.

Effect of human resource on the performance (market share) of insurance firms in Kenya was still negative but significant (Coefficient -0.049 p-value 0.003). Thus, the hypothesis that human resource has no significant effect on the performance of insurance firms in Kenya was still rejected. Effect of Partnerships and strategic alliances on the market share of insurance firms increased slightly and was positive and significant effect (0.015, p-value 0.000). Licensing had a negative and significant on the market share of insurance firms (coefficient -0.017, p-value= 0.027). Capitalization had a negative and significant effect on market share of insurance firms (Coefficient -0.019, p-value= 0.044). Therefore, the hypothesis that the regulatory framework (licensing and capitalization) has no significant moderating effect on the relationship between between entrepreneurial marketing and performance of insurance firms in Kenya is rejected.

### 7. SUMMARY AND CONCLUSION

The challenges of the sector in the country was highlighted by several empirical studies with a major emphasis on the marketing strategies as well as the perception in the market. The global performance of the sector is generally reviewed is a function of the GDP (penetration). Kenyan insurance industry is rather small in terms of market share in global terms such that they are not a preferred choice when it comes to re-insuring of big risks. Local investors have to turn to big global players, and the question is how the local insurance firms can grow their market share and their gross premium so that they can play in the same league with big global firms. This being the situation, a gap exists which this study seeks to address, and the purpose of this study was to investigate effect of Entrepreneurial Marketing on the marketing share of insurance firms in Kenya. Specifically, the study aimed at determining the effect of strategic orientation, innovation orientation, market orientation and resource leveraging on the market share and gross premium of insurance companies in Kenya whilst evaluating the moderating effect of regulatory framework on the relationship.

The results indicated that effect of strategic orientation (differentiation strategy, customer focus, and cost leadership strategy) on the market share and gross premium of insurance firms in Kenya was positive but statistically insignificant. The Study therefore failed to reject the hypotheses that (differentiation strategy, customer focus and cost leadership) has no significant effect on the performance of insurance firms in Kenya. The second objective was achieved since the results indicated that product innovation and process innovation have a positive and significant effect on the gross premium and market share of insurance firms in Kenya. Further, both market orientation and resource leveraging predictors had a significant and positive effect on the indicators of performance and therefore the study rejected the second, third and fourth hypotheses. In contrast, the moderating variable, regulatory framework had a negative and insignificant effect on the relationship between EM variables and the performance of insurance companies in Kenya and therefore the study failed to reject the hypothesis that regulatory framework (licensing and capitalization) has no significant moderating effect on the relationship between between entrepreneurial marketing and performance (market share and gross premium) of insurance firms in Kenya.

From the overall findings, it can be concluded that the traditional approach to marketing of insurance premiums will not be effective on improving performance of insurance firms in Kenya in terms of market share. Instead they should adapt service based models in order to remain focused on the customers. They should strive to become innovative in terms of products, processes and market, which requires them to rethink their operational model if they are to become leaders in this industry locally and globally. They also have to reconsider reducing number of employees in order to improve their performance. Further, insurance firms should consider changing from the traditional marketing approach to entrepreneurial marketing approach, and the firms that will be quick to adapt the new approach will be the only ones that will survive in this competitive industry. Finally conclusion was reached that government through the regulating authority should consider reducing the licensing fee and the capitalization required by insurance firms. However, while this would be a good idea, this should be done with caution since insurance firms deals with compensation of risks. This requires them to have enough capital for doing business if they are to compensate their clients at the event of a loss.

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