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Influence of Innovation Orientation on Performance of Non-Life Insurance in Kenya

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Abstract
The insurance industry plays crucial role in the social and economic development of every economy. However, the non-life insurance sub-sector in Kenya has had performance downturn in the past ten years. This study sought to examine the effect of innovation orientation on the performance of non-life insurance in Kenya. The study was anchored on the Schumpeter's theory. The target population of the study was 35 non-life insurance companies licensed by the insurance regulatory authority and members of the association of Kenya insurers. The study adopted survey research design and used questionnaires to collect primary data. A pilot study was done to test the reliability and validity of the research instrument. The study used Cronbach's alpha (α) coefficient to test reliability, while construct and content validity were used to check the validity of the research instrument. The data was analyzed using quantitative and qualitative analysis statistics with the help of SSPS version 24. The study used correlation analysis, regression analysis and analysis of variance (ANOVA) to establish the relationship between the variables, strength and direction of the variables and to test hypotheses. The results were presented in tables and models. The study revealed that innovation orientation significantly influenced the performance of non-life insurance companies in Kenya. This meant that non-life insurance companies that prioritize innovation in their products, services, and processes are likely to achieve better performance outcomes. Given the significant impact of innovation orientation on performance, non-life companies should allocate more resources on research to increase gross written premium, insurance penetration and improve underwriting profits. The study recommends future research in other financial services sectors to establish the role of innovation orientation on performance of those sectors. The study focused on non-life insurance in Kenya which limits its application to a fast growing sub-sector of micro-insurance and recommends that a study be conducted on micro-insurance. The findings of such a study may be useful in aiding review of insurance regulations and policy.

Keywords: *Innovation Orientation, Non-Life Insurance, Performance, Strategic Orientation*

1.1 Introduction

The insurance industry forms an important part of a country's financial services sector and its benefits cannot be over-emphasized. It provides long-term funds for physical and social infrastructure, while simultaneously strengthening the risk-taking abilities of individuals and businesses. If this crucial sector was missing, the consequence on the economy would be devastating, knocking off billions of shillings from the Gross Domestic Product (GDP) index. Apart from providing a risk transfer mechanism, insurers also play a major role in channeling funds to support business activities in the economy. However, the insurance sector in Kenya while providing critical interventions and creating wealth through investments has had more than fair share of performance down-turn. Insurance business like other businesses is affected by different factors which collectively affect the business environment. In business environments, there are factors which are critical for the success of organizations such factors are what are referred to as strategic factors. They are

key to the success or failure of business organizations. This study examines the effect of innovation orientation on performance of non-life insurance in Kenya.

Researcher have not agreed on a single definition of strategic orientation that is widely acknowledged. The basic concept of orientation is up for debate, and various literary genres have produced a variety of concepts. The general or persistent direction of thinking, inclination, or interest is referred to as orientation. As a concept, strategic orientation is an attempt to operationalise strategy, one that allows various strategies to be compared using certain characteristics that are common to all organizations and reflect strategy content (comparative method) K.S. Cyfert (2019). Organizations must concentrate on their strategic orientation if they want to achieve their goals because strategic orientation determines the course a company takes to track its operations and improve business performance. As a result, a company's strategic orientation reflects its marketing, operational, and entrepreneurial stance. So, a company succeeds in the market by taking chances, investing in innovation, acting pro-actively, and cultivating insight into the future. Consequently, firms that adopt strategic orientation will be able to predict changes in the external business environment and adapt to them.

The concept of innovation refers to the creation of new value to a company, its stakeholders and customers. An idea or invention only becomes an innovation when its economic potential is effectively realized. Organizations capacity to innovate is considered an important determinant of survival and success in the ever-increasing competitive and sophisticated markets (Cooper, 2019; Ferreras-Mendez et al., 2022; Triani & Handayani, 2018). According to Norris and Ciesielska (2019), innovation orientation is a multiple construct with a focus on driving innovation-based practices and values throughout the organization primarily through four core aspects: culture, structure flexibility, capital and knowledge capabilities, and understanding environmental dynamics with the aim of driving positive organizational performance. According to the organization for economic co-operation and development (OECD) Oslo Manual (2005), there are four different types of innovation namely, product innovation, process innovation, marketing innovation and organizational innovation. OECD Oslo Manual (2005) explains the innovation types as product innovation which is the introduction of a good or service that is new or significantly improved regarding its characteristics or intended uses, including significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics. Process innovation is the implementation of a brand-new or vastly improved production or delivery system. The third component is organizational innovation which is the implementation of a new organizational method in the firm's business practices, workplace organization or external relations.

The insurance industry in Kenya is governed by the Insurance Act CAP 487 of the Laws of Kenya as the principal legislation and regulated by the Insurance Regulatory Authority (IRA). Compared with other insurers in the East Africa Community, the Kenyan insurance market is relatively mature and dominates insurance activities across the community. Kenyan insurance companies have branches also in the Common Market in East and Southern Africa (COMESA). In 2018, there were 52 insurance companies, 38 of them did non-life insurance business. There were several mergers and acquisitions between 2018 and 2022.

1.2 Statement of the Problem

The performance of non-life insurance companies has been a focal point in business and strategic management research, particularly concerning financial outcomes (Taoub & Issor, 2019). Non-life insurers in Kenya face intense competition due to the homogeneous nature of their products (Alhassan & Biekpe, 2016), prompting some to adopt unethical practices for survival. Tactics such as underpricing premiums, paying excessive commissions to intermediaries and fraud have negatively impacted their financial health. Fraud, particularly in motor, medical, and industrial injury insurance, remains a significant challenge in the non-life insurance sector. Fraudulent claims led to the collapse of several insurers in the past, as highlighted by the FRISS Insurance Survey (2019) and the Insurance Fraud Investigation Unit Report (2019). This

precipitated an increase in total expenses from KES 36.85 billion in 2018 to KES 41.37 billion in 2022. According to the Association of Kenya Insurers (AKI) and the Insurance Regulatory Authority (IRA) statistics, the combined average premium growth rate (CAGR) of non-life insurance was 5.8% compared to 11.28% recorded by the life insurers (2018-2022).

The insurance penetration (IP), which measures the performance of the insurance industry relative to the gross domestic product (GDP) demonstrated a declining trend for non-life insurance from 1.38 % in (2018) to 1.28 % in (2022). The penetration rates from 2018 to 2022 were: 2018 (1.38%), 2019 (1.30 %), 2020 (1.24%) (1.25%) 2021 and (1.28%) in 2022 respectively. Analyzed over the period (2018-2022), the penetration was consistently on a downward trend. Luvisia & Nzulwa (2018) examined factors influencing penetration rate of general insurance services in Kenya and concluded that macroeconomic factors had the highest level of significance, followed by product factors, consumer factors and lastly institutional factors. Therefore, there is need to establish why the insurance penetration in Kenya remains low and come up with strategies that can be adopted to enhance penetration. The underwriting results from 2018 to 2022 was also on a declining trajectory from a loss of KES (-) 2.87 in 2018 to KES (-) 3.99 billion in 2022. The above indicators portray a sub-sector with some inherent performance problems. Murigu (2014) examined the factors determining the profitability of non-life insurance firms operating in Kenya and concluded that profitability of general insurance firms in Kenya is positively and significantly influenced by leverage, equity capital, and management competence index.

Despite the above challenges, Kenya's business environment from 2018 to 2022 was conducive for a better insurance business performance, featuring stable governance, infrastructure projects, a growing middle class, and rapid technological adoption. Innovation orientation has been identified as a critical factor in aligning organizational resources with business opportunities for improved performance (Bernard R Katz 2016). However, the non-life insurance sector in Kenya appears not to have fully capitalized on these favorable conditions. Studies by Abdulrahman Al-Surmi (2019) and Raj Vayyavur (2023) highlight the importance of aligning business strategies with resources to achieve better outcomes, the findings reveal that effective business alignment contributes to streamlined decision-making processes, improved resource allocation, and enhanced adaptability to market changes but such alignment seems to have been lacking in this sector.

Research on innovation orientation across various industries suggests a generally positive relationship with performance. For example, Mwenda (2020) and Mwaura (2018) found that innovation orientation enhances growth and performance in manufacturing and service sectors. However, findings are inconsistent with Akpa, Falade and Adeyinka (2020) study which reported no significant effect of innovation orientation on Nigerian insurers' profitability. These mixed results underscore the need for context-specific research, particularly for Kenya’s non-life insurance sector. The challenges faced by non-life insurers in Kenya, including fraud, unethical practices, and declining growth rates, necessitate a deeper examination of the role of innovation orientation. This study sought to determine whether innovation orientation can positively influence non-life insurance performance in Kenya, potentially offering insights to address the sector's persistent challenges by testing the following null hypothesis:
H_0 Innovation orientation does not significantly influence the performance of non-life insurance in Kenya.

2.0 Literature Review

2.1 Theoretical Framework

Theories are formulated to explain, predict, and understand phenomena and to challenge and extend existing knowledge within the limits of critical bounding assumptions (Braidotti, 2019). The underpinning theory in this study is Schumpeter’s Theory.

Schumpeter’s Theory

Joseph Schumpeter introduced the world to the concept of the economic significance of entrepreneurship. He came up with the German word Unternehmergeist, meaning entrepreneur-spirit, adding that these individuals controlled the economy because they are responsible for delivering innovation and technological change. Schumpeter in his book, The Process of Creative Destruction, offered a new, unique insight into how economies grow, sharply deviating from the traditional economic dictum of his day, which held that markets passively tend toward equilibrium until profit margins are wiped out. Instead, Schumpeter argued, economic progress is not gradual and peaceful but rather disjointed, abrupt, and sometimes unpleasant. He used the term "creative destruction" to describe the dismantling of long-standing practices in order to make way for new technologies, new kinds of products, new methods of production and new means of distribution. The Schumpeterian view of thinking has been carried forward by successive scholars and researchers (Drucker 1985; Shane, Kolvereid, & Westhead, 1991), Mintzberg (1973), Miller (1983) and Lumpkin & Dess (1996). The internet is one of the best examples of creative destruction. The Schumpeter's theory is relevant to study because it provides a framework for introduction of new insurance products like micro-insurance and agricultural insurance products are all examples of innovation and aggressive initiatives. The advent of the internet and mobile technology, the microprocessor, the laser, fibre optics, and satellite technologies which can be described as a process of creative destruction, have fundamentally altered the way that businesses are conducted. Innovation oriented insurance companies must strive to be ahead of the park in innovation and use of technology.

2.2 Conceptual Framework

The current research is anchored on one independent variable; innovation orientation as the predictors for performance of non-life insurance in Kenya as shown in Figure 1.

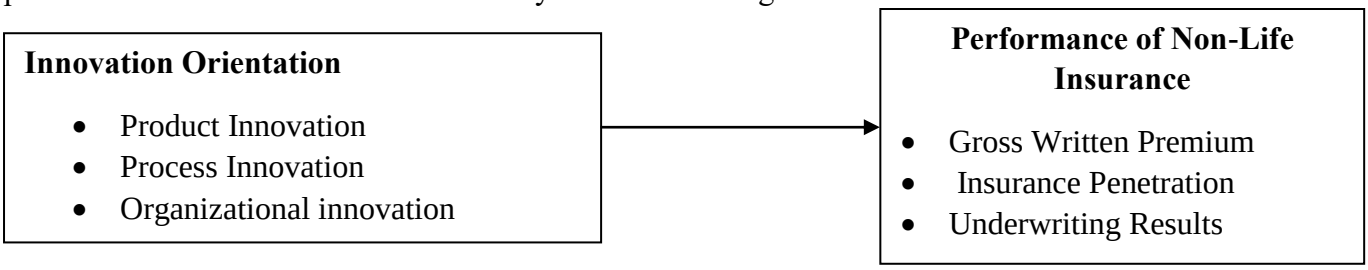

Figure 1: Conceptual Framework

2.3 Empirical Literature Review

Scholars have carried out studies on the influence of innovation orientation on performance of firms or organizations. Xuhua Hu (2020) explored how innovation types, which include process, product, marketing, and organizational innovation, impact performance of star-based hotel firms in Ghana. The study used the hierarchical regression method of analysis and established that process, product, marketing, and organizational innovation employed as innovation types have palpable and statistically significant liaison with performance of hotel firms in Ghana. The study concluded that employees at hotels need to be empowered and encouraged to adopt innovative mindsets and skills if they want to attain high levels of business performance. Kiarie (2019) sought to determine how innovative strategies affected the performance of Kenyan health insurance service providers' organizations. For this study, descriptive research methodology was employed. 224 managers from health insurance service providers made up the research's target population. Descriptive statistics were used to do both quantitative and qualitative analysis. The study concluded that the use of process innovation and market innovation had a significant impact on organizational performance among Kenyan providers of health insurance services. According to the report, organizations should always search for better processes and market innovations to have a competitive edge. Strategic innovations should also be encouraged.

Gathua (2018) examined how innovative strategies affected the performance of insurance firms in Kenya. The 52 insurance companies that were the subject of the survey made up the population. It employed both descriptive and inferential data analysis. The relationship between innovation practices and firm performance was revealed, with process innovation practices serving as a performance predictor. Because some insurance companies undercut the market by charging lower premiums, product innovation practices and market innovation practices were not important predictors. Suhag et al. (2017) looked at the connection between organizational performance and innovation in Pakistan's telecommunications industry. Process innovation, product innovation, and organizational innovation were the independent variables, and organizational culture the moderating factor. 200 employees who were interested in innovation in the telecommunications business were the focus of the survey research study. The findings indicate that organizational performance is positively impacted by product, process, and organizational innovation. Mutegi (2018) assessed the role of innovation strategy on insurance penetration in Kenya by reviewing four study variables namely product innovation strategy, market innovation strategy, technological innovation strategy, and scenario plan strategy. The study focused on 51 licensed insurance companies in Kenya and used a descriptive research design. The study concluded that all the independent variables product innovation strategy, market innovation strategy, technical innovation strategy, and scenario planning have a considerable impact on the penetration of insurance.

3.0 Research Methodology

3.1 Research Philosophy:

This study adopted the positivism approach which advocates the application of methods of the natural sciences to the study of social reality and beyond (Clark, Foster, Bryman & Sloan, 2021). The usual process for positivists is to review literature to establish the relevant theories and develop hypothesis which can be tested for the association through deducing logical consequences that are tested against empirical evidence (Heenetigala, 2011). Positivism approach was used to collect all the facts and figures that are associated with the effect of innovation orientation on the performance of non-life insurance in Kenya.

3.2 Research Design:

This study adopted the survey research design that enables the study to combine both quantitative and qualitative research approaches. Survey research can use a variety of data collection methods with the most common being questionnaires and interviews. Surveys are inclusive in the types and number of variables that can be studied, require minimal investment to develop and administer and are relatively easy for making generalizations (Vomberg & Klarmann, 2022). Surveys can also elicit information about attitudes that are otherwise difficult to measure using observational techniques (Glasow, 2005).

3.3 Target Population

The population of insurance companies in Kenya in 2022 were 53 licensed insurers as per the Insurance Regulatory Authority 2022 Report from which the target and accessible population was drawn. However, for purposes of this study the target population comprised 35 non-life insurance companies. To ensure that all the information needed for the study was obtained; a census technique was adopted. Cochran (2007) states that although cost considerations make census technique impossible for large populations, a census is attractive for small populations of 200 or below. He further says that a census eliminates sampling error and provides data on all the individuals in the population. The non-life insurance companies used in the study as unit of analysis were few 35 firms making census feasible for the study. The study targeted eight respondents from each company; two senior managers- CEO, General Manager/ Chief Operating Officer and six middle level managers from underwriting, claims, marketing, finance, HR and ICT departments. These were the groups with information that is required for the study.

3.4 Instrumentation

The study adopted questionnaires to collect primary data. A 5-point Likert questionnaire was used to solicit the scale of response by respondents for each question. A questionnaire was more preferred by respondents due to anonymity. The primary data was collected using self-administered questionnaire which comprised of both open and closed ended questions. This study also used information sourced from the Association of

Kenya Insurers and IRA reports and the Economic Surveys of Kenya. In this study, a pilot test was conducted using questionnaire administered to selected respondents to detect weaknesses and to ensure that it is relevant, effective and reliable. A pilot study was conducted in 3 out of the 38 non-life insurance companies in Kenya. A pilot study was undertaken for the purpose of pre-testing the data collection instruments for reliability and validity. The researcher pretested on 10% of the sample population. Therefore, a total of 24 respondents from senior and middle management levels were selected for pilot-testing (8 respondents per each company). After confirmation of reliability and validity of the questionnaire full data of 280 was solicited but only 216 questionnaires were successfully filled and handed back to the researcher which generated a response rate of 77.14%.

The reliability of the questionnaire was tested using the Cronbach's Alpha correlation co-efficient with the aid of Statistical Package for Social Sciences (SPSS) software. According to Cronbach (1951), the closer the alpha coefficient is to 1, the higher the internal consistency reliability. He recommended co-efficient of 0.7 for a newly developed questionnaire. Innovation Orientation had a Cronbach alpha of 0.847 and Performance of Non-Life Insurance had an alpha of 0.827. The study used construct validity. Construct validity according to Mugenda (2003) is the degree to which a test measures an intended hypothetical construct. All the items were retained based on the general rule of thumb for acceptable factor loading of 50%. The factor loading ranged from 0.675 for innovation orientation to 0.738 for performance. The study used experts in the insurance industry and issued them with the questionnaires to assessed if the questionnaires were suitable, clear and relevant for the study. Their views were evaluated and incorporated to enhance construct validity of the questionnaire.

3.5 Data Analysis and Presentation

The diagnostic tests were conducted to establish whether the data collected was accurate, reliable and capable of inferring the study results to the target population. The data was entered into a spreadsheet and analyzed using frequencies and percentages obtained from SPSS version 24 (Ahmed et al 2019). Data presentation of the findings or results was in the form of frequencies, percentages, mean, median, mode, standard deviation, tables, graphs, and pie charts. The statistic measures were classified into two descriptive statistics and inferential statistics. Descriptive analysis was used to describe the basic features of the collected data in the study providing a summary about the sample and the measure thus helping in simplifying massive amounts of data in a sensible and convenient style. The findings were expressed as percentages, mean and standard deviation. The inferential statistics dealt with the populations based on results obtained from samples that include correlation analysis, coefficient analysis, Analysis of Variance (ANOVA) and regression analysis. Correlation Analysis measured the extent of interdependence where two variables are linearly related (Lucy, 1996). Pearson correlation co-efficient was used to determine the strength and the direction of the relationship between the dependent variable and the independent variables. The ANOVA was applied to test the goodness of fit of the models and significance of the relationship between the dependent variable and independent variables based on a 5 % level of significance. This study examined the effect of innovation orientations on performance of non-life insurance using simple regression analysis.

4.0 Findings and Discussions

4.1 Descriptive Statistics of Variables in the Study

To determine the influence of innovation orientation on performance of non-life insurance in Kenya, the researcher sought to find information regarding the performance of non-life insurance in Kenya. The results are as shown in Table 1.0.

Table 1.0: Performance of non-life insurance in Kenya

Strongly Disagree=1, Disagree =2, Neutral =3, Agree =4 and Strongly Agree=5

Statement	5	4	3	2	1	Mean	S. D

1.	There was consistent growth in gross written premiums (GWP) from the year 2016 to 2020	20.8 (45)	45.8 (99)	17.1 (37)	13 (28)	3.2 (7)	3.68	1.05
2.	The company experienced increase in gross written premium over gross domestic product (insurance penetration) from the year 2016 to 2020	18.1 (39)	52.8 (114)	13 (28)	9.7 (21)	6.5 (14)	3.66	1.08
3.	The company's profitability has been on an increasing trajectory from the year 2016 to 2020.	28.7 (62)	31.5 (68)	16.7 (36)	16.7 (36)	6.5 (14)	3.59	1.24
4.	The company's market share had increased from the year 2016 to 2020.	28.2 (61)	28.7 (62)	17.1 (37)	16.2 (35)	9.7 (21)	3.50	1.32
5.	The company was able to retain its customers from year 2016 to 2020.	25.5 (55)	55.1 (119)	6.5 (14)	9.7 (21)	3.2 (7)	3.90	1.00
6.	The company's staff increased from the year 2016 to 2020 due to increase in demand for its services.	24.1 (52)	56 (121)	6.9 (15)	9.7 (21)	3.2 (7)	3.88	0.99
	Overall						**3.7014**	**1.113**

The assessment of the performance of non-life insurance from 2018 to 2022 provides valuable insights into various aspects of company operations and respondent perceptions. Regarding the consistent growth in gross written premiums (GWP), a moderate level of agreement was observed, with a mean score of 3.68 and 20.8% of respondents strongly affirming the growth. However, 13% disagreed, and 3.2% strongly disagreed, indicating some skepticism. The standard deviation of 1.05 reflects moderate variability in perceptions, suggesting room for improvement in ensuring consistent growth in GWP. In terms of the increase in GWP relative to gross domestic product (GDP) or insurance penetration, 52.8% agreed with the notion, with a mean score of 3.66. Despite this, 9.7% disagreed, and 6.5% strongly disagreed, revealing dissent among respondents. A standard deviation of 1.08 indicates moderate variability, highlighting the need for strategies to improve perceptions of GWP growth relative to GDP.

The company's profitability from 2018 to 2022 received mixed responses. While 28.7% strongly agreed and 31.5% agreed, a notable 16.7% disagreed, and 6.5% strongly disagreed, yielding a mean score of 3.59. The standard deviation of 1.24 reflects moderate variability, emphasizing the importance of addressing profitability concerns among stakeholders. Regarding market share, responses showed moderate agreement, with a mean score of 3.50 and 28.2% strongly affirming an increase. However, 16.2% disagreed, and 9.7% strongly disagreed, reflecting skepticism among some respondents. The standard deviation of 1.32 indicates variability in perceptions, pointing to the need for strategies to strengthen market presence.

Customer retention emerged as a strong performance area, with 25.5% strongly agreeing and 55.1% agreeing. A relatively high mean score of 3.90 and a lower standard deviation of 1.00 suggest consistent acknowledgment of the company's success in retaining customers. However, 9.7% disagreed, indicating room for improvement in customer retention strategies. The question of staff increases due to growing service demand revealed similar positive feedback. A substantial 24.1% strongly agreed and 56% agreed, with a mean score of 3.88. Only 9.7% disagreed, and the standard deviation of 0.99 reflects relatively consistent perceptions. This highlights the company's capacity to expand its workforce in response to service demand growth.

Table 2.0: Innovation orientation

5Strongly agree; 4-Agree; 3-Neutral; 2- disagree;1- strongly disagree

Statement	5	4	3	2	1	Mean	S. D
1. The company creates new or significantly improved products that provide value to customers.	13.4 (29)	52.3 (113)	13.9 (30)	13.9 (30)	6.5 (14)	3.52	1.09
2. The company re-designs products/ services to deliver	24.5 (53)	45.4 (98)	13.4 (29)	10.2 (22)	6.5 (14)	3.71	1.14

	more value to customers.							
3.	The company always looks out for new business opportunities.	13.9 (30)	58.3 (126)	21.3 (46)	3.2 (7)	3.2 (7)	3.76	0.85
4.	The company incorporates employees' ideas for business improvement.	13.9 (30)	53.2 (115)	13 (28)	13.4 (29)	6.5 (14)	3.55	1.09
5.	The company uses new innovative ways such as social media and digital platforms to reach customers.	26.4 (57)	39.4 (85)	21.3 (46)	6.5 (14)	6.5 (14)	3.73	1.12
6.	The company allocates budget for research for improvement of internal processes.	31.5 (68)	38.4 (83)	13.4 (29)	10.2 (22)	6.5 (14)	3.78	1.18
7.	The management holds consultative meetings to come up with new innovations that makes it easy to pay premiums and claims.	35.6 (77)	37.5 (81)	10.2 (22)	10.2 (22)	6.5 (14)	3.86	1.20
8.	The company uses new or significantly improved methods to minimize operational costs.	46.3 (100)	24.1 (52)	13.4 (29)	6.5 (14)	9.7 (21)	3.91	1.316
9.	The company implements new organizational method in business practices and workplace organization.	24.5 (53)	27.8 (60)	31 (67)	10.2 (22)	6.5 (14)	3.54	1.157
10.	The management holds quarterly process innovation consultations to improve efficiency.	20.8 (45)	44 (95)	14.4 (31)	14.4 (31)	6.5 (14)	3.58	1.158
Overall							**3.694**	**1.1301**

The assessment of innovation strategies and their influence on financial performance highlights various aspects of organizational practices across different domains. Regarding the company's creation of new or significantly improved products to provide value to customers, the findings show moderate agreement among respondents, with a mean score of 3.52 and a standard deviation of 1.09. While 52.3% agreed, a minority expressed skepticism, with 13.9% disagreeing. These results align with Nadwa (2016), who established a connection between product innovation and financial performance. When evaluating the redesign of products or services to deliver more customer value, 45.4% agreed, while 24.5% strongly agreed. A small percentage (6.5%) expressed dissent, and the mean score was 3.71 with a standard deviation of 1.14, indicating moderate agreement. This finding is supported by Xuhua Hu (2020), who underscores the importance of process and product innovation in improving business performance.

On the company's efforts to explore new business opportunities, 58.3% of respondents agreed, with a notable minority (21.3%) remaining neutral. The mean score was 3.76, reflecting moderate to high agreement. Davenport and Beck (2016) support the value of customer input in driving innovation and creating business opportunities. Similarly, incorporating employees' ideas for business improvement garnered 53.2% agreement, with a mean score of 3.55. Research by Wangu (2016) highlights the significant role of process innovation in Kenya's insurance sector. Efforts to leverage digital platforms and social media for customer engagement received a mean score of 3.73, indicating moderate agreement, with 26.4% strongly affirming this practice. Schneider and Bowen (1985), emphasize the role of such innovations in enhancing customer experience and operational efficiency. Additionally, the company's willingness to allocate budgets for research into improving internal processes was strongly supported, with a mean score of 3.78 and 31.5% strongly agreeing. Karlsson and Tavassoli (2015) emphasize the long-term productivity benefits of innovation investments.

Management's consultative meetings for new innovations related to premium and claims payment were

strongly affirmed, with a mean score of 3.86 and 35.6% strongly agreeing. *Rust, R.T., Lemon, K.N. and Zenithal, V.A. (2004),* underscore the value of customer-centric strategies in maintaining competitive advantage. Using improved methods to minimize operational costs also garnered strong support, with 46.3% strongly agreeing and a mean score of 3.91. Suhag et al. (2017) illustrate the positive impact of such innovations on organizational performance. The implementation of new organizational methods in workplace practices received moderate support, with 27.8% agreeing and a mean score of 3.54. Tsaur, Chang, and Yen (2002) highlight how such initiatives can enhance customer perceptions and loyalty. Finally, holding quarterly process innovation consultations to improve efficiency showed moderate agreement, with a mean score of 3.58 and 44% of respondents agreeing. Gathua (2018) reinforces the importance of process innovation in driving the performance of insurance businesses.

4.2 Linear Regression between Innovation orientation and Performance of non-life insurance in Kenya

The study used a Simple Linear Regression between to assess the influence of Innovation orientation on performance of non-life insurance in Kenya. The researcher tested the following hypothesis:

H_{01}*: *Innovation orientation does not significantly influence the performance of non-life insurance in Kenya.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.634[a]	**.402**	.399	.75405

a. Predictors: (Constant), Innovation Orientation
b. Dependent Variable: Performance of non-life Insurance

The model summary (Table 3) revealed that the correlation coefficient (R = 0.634) indicates a moderate positive relationship between the two variables. This suggests that improvements in innovation orientation are associated with enhanced performance of non-life insurance companies. Furthermore, the R Square value of 0.402 demonstrates that innovation orientation explains 40.2% of the variation in performance. While this is a substantial proportion, it also implies that 59.8% of the performance variation is influenced by other factors. The Adjusted R Square value of 0.399, accounting for model complexity, reaffirms the model's explanatory power. The Standard Error of Estimate (0.75405) shows the typical deviation of observed performance values from the predicted ones.

Table 3: ANOVA Table

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	81.755	1	81.755	143.785	.000[b]
	Residual	121.679	214	.569		
	Total	203.434	215			

a. Dependent Variable: Performance of non-life Insurance
b. Predictors: (Constant), Innovation orientation

The analysis of variance (ANOVA) (Table 4) underscored the statistical significance of the model, with an F-statistic of 143.785 and a p-value of .000. The high F-value indicates that the model is highly significant, and the p-value below the standard threshold of 0.05 confirms the existence of a statistically significant relationship between innovation orientation and performance of non-life insurance.

Table 5: Linear Regression Analysis Coefficients

Coefficients[a]

Model	Unstandardized Coefficients β	Std. Error	Standardized Coefficients Beta	T	Sig.
1 (Constant)	1.044	.227		4.589	.000
Innovation Orientation	.728	.061	.634	11.991	.000

a. Dependent Variable: Performance of non-life insurance

Performance of non-life insurance = 1.044+ 0.728 Innovation orientation

The regression coefficients (Table 5) provide further clarity. The constant (β = 1.044) represents the baseline performance level when innovation orientation is absent. It indicates that even without innovation efforts, non-life insurance companies could achieve a minimal level of performance. The coefficient for innovation orientation (β = 0.728) demonstrates that for every one-unit increase in innovation orientation, the performance of non-life insurance companies increased by 0.728 units. The standardized beta coefficient (0.634) further highlights the strong positive relationship. The t-statistic of 11.991 with a p-value of .000 indicates that innovation orientation was a highly significant predictor of performance.

4.3 Discussion of the findings

The inferential results revealed that there is direct relationship between innovation orientation and performance of non-life insurance in Kenya. This implies that increase in innovation orientation would result to increase in the performance of non-life insurance in Kenya. Karlsson and Tavassoli (2015) indicated that those firms that choose and afford to have a complex innovation strategy are better off in terms of their future productivity compared with both those firms that choose not to innovative (base group) and those firms that choose simple innovation strategies. Nadwa (2016) showed a significant connection between product innovation and performance. The innovative performance measurements and the process innovations had no meaningful association. The market performance measures and the pricing innovative measures had a substantial association, and the financial performance measures and the market performance measures also had a significant relationship.

The coefficient of determination through the R square indicated that up to 40.2% of change in performance of non-life insurance in Kenya is significantly accounted for by innovation orientation (R2=0.402, P=0.000). This implies that innovation orientation is a significant predicator of performance of non-life insurance in Kenya. Wangu (2016) showed that both process and product innovation had a favourable and significant impact on organizational performance. There was no proof that there was any connection at all between market innovation and performance. The findings also indicated that process innovation dominated other types of innovation in Kenya's insurance sector. Xuhua Hu (2020) concluded that employees at hotels need to be empowered and encouraged to adopt innovative mind-sets and skills if they want to attain high levels of business performance.

Linear regression coefficient indicated that when other variables are controlled, a unit increase of innovation orientation will result to significant increase in performance of non-life insurance by 0.728 units (β1=0.728, P=0.000). Kiarie (2019) concluded that the use of process innovation and market innovation had a favorable impact on organizational performance among Kenyan providers of health insurance services. According to the research, organizations should always search for better processes and market innovations to have a competitive edge. Strategic innovations should also be encouraged. Mutegi (2018) came to the conclusion that all the independent variables product innovation strategy, market innovation strategy, technical innovation strategy, and scenario planning have a considerable impact on the penetration of insurance. Suhag et al. (2017) indicated that organizational performance is positively impacted by product, process, and organizational innovation. However, Gathua (2018) showed that relationship between innovation practices and firm performance has been shown to be considerable, with process innovation practices serving as a performance predictor. Because some insurance companies undercut the market by charging lower premiums, product innovation practices and market innovation practices were not important predictors.

5.0 Conclusions and Recommendations

The findings from this study highlight the significant influence of innovation orientation on the performance of non-life insurance companies in Kenya. Innovation, encompassing product redesign, process improvements, and the adoption of new technologies, emerges as a pivotal factor in enhancing operational efficiency, customer satisfaction, and financial performance. The positive correlation between innovation orientation and performance underscores the importance of fostering an organizational culture that values creativity, adaptability, and continuous improvement. However, despite the demonstrated benefits of innovation, a considerable portion of respondents indicated skepticism or neutrality, pointing to potential gaps in execution or communication of innovative practices within organizations. The regression analysis further confirmed that innovation orientation accounted for 40.2% of the variance in performance, indicating its critical but not sole role in driving success. The study concluded that while innovation strategies significantly contribute to improved performance, their effectiveness depends on how well they are implemented and integrated into the organization's broader strategic goals.

Non-life insurance companies in Kenya should invest more in innovation strategies, with a deliberate focus on creating new products and redesigning existing ones to meet changing customer needs effectively. This can include leveraging advanced technologies such as artificial intelligence, data analytics, and mobile applications to streamline processes and enhance customer experiences. Allocating adequate resources for research and development is essential to foster innovation in internal processes and service delivery. Additionally, companies should empower employees by creating platforms to share ideas and actively involve them in the innovation process. Management should institutionalize regular consultative meetings to address challenges and generate creative solutions, particularly in areas like premium payments and claims processing. Furthermore, organizations should prioritize the use of digital platforms and social media to expand their market reach and improve customer engagement. Operational efficiency can be enhanced through the adoption of cost-minimization techniques, such as automating repetitive processes and optimizing resource allocation. Finally, continuous monitoring and evaluation of innovation strategies will be crucial for ensuring their effectiveness and alignment with organizational objectives, enabling non-life insurance firms to adapt to market dynamics and maintain a competitive edge.

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