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**EFFECT OF EQUITY MODES OF MARKET ENTRY ON PERFORMANCE OF
MULTINATIONAL INSURANCE COMPANIES IN KENYA**

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MBA/110027/18



**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION (MBA) OF STRATHMORE UNIVERSITY
BUSINESS SCHOOL**

NAIROBI, KENYA

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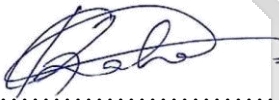
DECLARATION

Student's Declaration

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

Karissa, Gloria Kahaso

ADM NO MBA /110027/2018


Signature:  Date: 15th April 2020

Supervisor's Declaration

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Signature:  Date: 16th April 2020

ABSTRACT

Globalization has made it easy for companies to do business in other jurisdictions and this has been made possible using various market entry modes leading to an influx of multinational organizations into the developing nations cutting across various sectors. The decision to enter a foreign market and the mode of market entry is very important as it will determine the failure and success of an organization with several studies being done on organization performance and the extent to which market entry strategies have played a part. These studies have however been limited to various sectors such as manufacturing, private equity firms with some being done in other countries and not Kenya. This study intended to examine the effect of equity modes of market entry strategies on the performance of insurance companies in Kenya and was limited to multinational companies within the Kenyan insurance industry. It mainly sought to find out whether the type of market entry strategy is chosen by a particular multinational has an effect on the performance of the company and the type of effect it has. The research focused on the resource-based view theory and the balanced scorecard framework. The investigation used a descriptive research design with senior management from the 15 multinational insurance companies in Kenya as the unit of observation. Data was collected by means of a structured research questionnaire. The pilot results indicated that the study constructs were reliable for explaining the research problem. The data collected was examined in detail using descriptive and inferential statistics with results presented in tables and graphs. An 83% response rate was obtained. The study recommends the need for insurance firms to leverage on strategic alliances and direct investments to improve their performance. Further to this, insurance firms ought to improve their joint venture efforts in order to foster their competitiveness.



Keywords: *Strategic alliances, Joint ventures, Direct investments, Organization performance*

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ABBREVIATIONS AND ACRONYMS

AKI	Association of Kenyan Insurers
ANOVA	Analysis of Variance
EPS	Earnings per Share
GDP	Gross Domestic Product
IRA	Insurance Regulatory Authority
MNC	Multinational Corporation
OBG	Oxford Business Group
RBV	Resource-based view theory
R&D	Research and Development
ROA	Return on Assets
ROE	Return on Equity
SEMIL	Sanlam Emerging Markets Ireland Ltd



DEFINITION OF TERMS

Direct Investment	Refers to an investment made in a business enterprise in a new market.
Joint Venture	An arrangement where two or more parties join forces to accomplish a mutual objective but still retain their separate identities.
Strategic Alliance	This is an agreement two firms to undertake a mutually beneficial business operation
Organization Performance	These are the outputs of an organization measured based on the set objectives.



CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Due to globalization, firms have had an easy time in carrying out business operations in multiple parts of the world. As a result, firms intending to enter foreign markets have had to come up with market entry strategies so as to be able to effectively penetrate such markets (Czinkota & Ronkainen, 2016). Of importance to the company's management is the decision around the foreign market entry strategy, channel structure and the marketing channels that are at the disposal of the foreign firms (Mageto, 2014).

The growing Kenyan economy has led to an increased market size thus increasing market demand for products and services offered by foreign firms seeking to enter the Kenyan market. Other items that have enabled foreign firms to do business in Kenya are bilateral trade agreements and political and economic stability in the country (Kinuthia, 2010).

The Kenyan insurance industry is one of the sectors that has experienced an increase in foreign company entry. Oxford Business Group - OBG (2016) pointed out that foreign investors are drawn to Kenya owing to the potential growth of the industry. Some of the reasons that have given Kenya an advantage are innovations such as agricultural cover and development of mobile technology. In addition to this, companies with regional presence have attracted foreign investors who believe that this presence facilitates easier entry into other countries in the region due to the existence of a native parent company. Furthermore, the regulator of the insurance industry, the Insurance Regulatory Authority (IRA), has supported foreign investors entering the industry. Section 22 of the Insurance Act (2015), directs that foreign companies are only limited to two-thirds ownership of a local company's shareholding while the other one- thirds is to be owned locally. As a result, multinational companies (MNC) have been able to move into Kenya and even obtain shareholding of up to 66.7% in some of the companies (IRA, 2018).

It is important however for companies to be careful when determining whether to enter a foreign market or not as such a decision is likely to affect the performance of an organization (Kinuthia, 2010). Any market entry strategy chosen will highly likely influence the performance of an organization (Zekiri and Angelova, 2011).

Several studies as highlighted in the subsequent sections have shown that a certain level of organization performance can be attributed to market entry modes employed by the companies that were studied. These studies have however been limited to various sectors such as manufacturing, private equity firms with some being done in other countries and not Kenya.

The study will therefore focus on the equity modes of market entry employed by multinational insurance companies in Kenya and whether these strategies have had an effect on their organization performance.

While the industry's growth has been linked to improved product development, supportive regulations, consumer awareness and improved global trade with entry of new companies, penetration is still quite low at 2.8% (AIB Capital - formerly Afrika Investment Bank, 2018). Even with improved global trade as a result of entry of new companies into the market, it is important to see how this entry has affected organization performance thus contributing to insurance penetration.

1.1.1 Market Entry Strategies

Market entry strategies are strategies employed by foreign companies that intend to enter a market in that is different from their home country (Mushuku, 2012). Any firm that desires to do business in a foreign market has to decide on the best approach to use. The optimal entry mode is thus dependent on the company's growth strategy. In addition to this, a company with a good entry strategy is unlikely to have challenges penetrating any one foreign market (Zekiri & Angelova, 2011).

A market entry strategy is a plan designed by an organization to successfully enter and compete in a foreign market (Buch, 2013). According to Cavusgil and Riesenberger (2014) the choice of entry mode is fundamentally dependent on the companies nature of business, objectives and products or services offered. Lambin (2011) indicated that foreign market entry strategies are plenty and pose a differing level of risk from the general firm.

The entry mode choice has become an important strategic choice for corporations intending to enter foreign markets due to the influence it will have on their forthcoming business accomplishments (Peinado & Barber, 2006).

Aggarwal et al. (2011) classified entry strategy alternatives for MNCs into two classes: Non-equity modes and equity modes whereby non-equity modes include franchising, contract manufacturing, exporting and licensing. Equity modes comprise strategic alliances, international joint ventures, direct investments and wholly owned subsidiaries. Equity modes generally allow the organization to be closer to the customer.

The scope of the current study covered the three equity modes of market entry: joint venture, strategic alliances and direct investments as it was likely that there are companies in Kenya that have employed at least one of those market entry modes given the regulatory allowance of

acquiring a controlling interest of up to 66.7% (IRA, 2018). Further to this, most studies of a similar nature also focused on equity modes of entry thus making it easier to draw comparisons and identify any research gaps if looking at similar studies.

According to Channon and Sammut-Bonnici (2015), joint ventures enable one to enter new markets by means of pooling together commercial resources. This mode of market entry is useful in instances where there is a restriction on direct investment in the country. Equity positions are normally taken up by the participants in the venture and normally vary by size depending on one party's negotiating power thus determining the level of control one party has. The authors further stated that success in joint ventures is largely driven by clear lines of management that ensure adequate executive control. While they tend to have a high failure rate, some of the advantages of joint ventures are enabling smaller companies to have access to resources that may be useful in entering a new market, provision of specialist knowledge of local markets and also distribution channels. An example of a joint venture in the insurance industry is partnering with a bank to distribute insurance products and having a joint venture agreement where profits are shared, and losses are also shared.

Kinderis and Jucevičius (2013) define strategic alliances as a voluntary arrangement between companies that may include marketing alliances, development of technologies or services and exchange of products. In strategic alliances, companies tend to come together for a common goal but still maintain their independent operations. Companies come together so as to possibly access better and faster technology, establish new markets, reduce financial risk and also make more profit (Kinderis and Jucevičius, 2013).

Companies that use direct investment as a form of market entry strategy choose either mergers, acquisitions or having full ownership of a subsidiary (Dikova & van Witteloostuijn, 2007) with the main aim being to have a controlling interest. There are three types of direct investments as described by (Alfaro & Chauvin, 2017) and these are horizontal, vertical, and conglomerate. Horizontal direct investment involves establishing abroad an associate in a firm's main trade to serve customers in the foreign market and is useful when the cost of setting up such a subsidiary is lower than the cost of producing in the home country and shipping to end-users. One of the original models on horizontal FDI is Markusen (1984) whereby he justified the costs of having two plants in different jurisdictions being cheaper than having one single plant thus minimizing costs. Vertical investment involves establishing a subsidiary that is part of the value chain leading to the manufacture of a final good and is mostly depending on the availability of

factors of production in any one market. Models on vertical direct investments date back to studies by Helpman (1984, 1985) and Helpman and Krugman (1985) which maintain that cross border expansion can be due to differences in factors of production, where the firms headquarter is geographically separated from the production centre.

Another form of direct investment will be for companies to acquire a controlling interest by holding majority of the shares of the company they are investing in. For the Kenyan insurance industry, the maximum shareholding a foreign company can have is 66.7% (IRA, 2018).

1.1.2 Organization Performance

Cliquet (2006) defines organization performance as the act of converting inputs into outputs so to enable realization of results. Borade (2008) also describes organization performance as activities that set up organizational goals, monitors the growth towards the objectives and makes modifications to realize the company's objectives efficiently.

Irrespective of the sector of operation, the performance of any organization is dependent on several factors that are extraordinarily critical to management. This is due to the fact that organization performance is a depiction of the results achieved by the entire organization or a collection of individuals within the company (Murage, 2013).

Sukali and Musyoka (2017) defined entry mode performance through efficiency or profitability. According to them, non-profit drivers, such as resource management, knowledge development or strategic initiatives against competition, are assumed to be mirrored in long term profit, with profitability being dependent on income and expenditure. In addition to this, research indicates that entry strategies affect performance by influencing the risk level and control level, ultimately leading to victory or failure of the company in the foreign market.

According to Kaplan and Norton (1993), effective performance measurement is crucial and must be part of a company's management process. They further provided executives with a framework that linked a company's goals into a combination of performance metrics and dubbed it the Balanced Scorecard. The Balanced Scorecard gives management an opportunity to track its performance based on both financial and non-financial measures. In addition to the traditional financial indicators, other performance measures supported by the balanced scorecard are customers, internal processes and innovation, which are normally linked to a company's objectives (Kaplan & Norton, 1993).

Caudle (2008) described the four angles of the Balanced Scorecard as follows: the financial perspective looks at measures of profitability and shareholder value by checking whether the

company is improving its bottom line; the customer perspective looks at how the organization can better identify customer and market segments in which they can compete in and succeed by looking at factors such as cost and quality of service; the internal processes perspective looks at ensuring that the company has efficient business processes that ensure their success in the market by looking at core capabilities and technologies that would gratify various customer desires; the innovation perspective brings about questions on how the organization can continue operating in a sustainable manner by measuring the company's ability to learn, improve and also innovate around its product offering.

Another performance measure by Elkington (1998) was formed due to the growing demand for organizations to show the impacts of its behaviour in a number of areas that reflect economic, social and environmental performance. He further stated that triple bottom line reporting is important in supporting sustainability goals as people look beyond the financials of the organization and also consider long term impact of a firm's activities in the society.

According to Jackson et al. (2011), triple bottom line reporting involves three elements: people, planet, and profit. The social element which looks at people looks at the company's influence on its employees and its community. The environmental element looks at the company's effects on their local, nationwide and worldwide resources within the planet earth while the economic element looks at the firm's financial performance and their contribution to society.

Companies choose to enter new markets so as to generate value for themselves and their customers. In measuring the success of any market entry mode, the most relevant measure of organization performance would be the Balanced Scorecard measure as it links to a company's strategy. This study, therefore, adopted the Balanced Scorecard as a measure of organization performance by assessing the four components: financial, customer, internal processes and innovation as opposed to the Triple Bottom Line method that is mostly used as a measure of sustainability.

1.1.3 The Insurance Industry in Kenya

Based on AIB Capital (formerly Afrika Investment Bank) (2018), there has been significant growth in the Kenyan insurance industry with 2017 Gross Premiums amounting to KES 207.68Bn, a 6.6% growth from KES 174.74Bn. However, insurance penetration which is calculated by gross premiums as a proportion of Gross Domestic Product (GDP) is still low at 2.8% in comparison with Africa's penetration levels of approximately 3.5%. The authors further state that these statistics are one of the main drivers of Africa being identified as a

lucrative continent with immense growth opportunities. The industry's growth has been linked to improved product development, supportive regulations, consumer awareness and improved global trade with entry of new companies.

According to IRA (2018), increasing mergers and acquisitions have resulted in the increase of new players into the local market, further proving the viability of the Kenyan insurance market. The author further states that with provision of financial security through mobilization of savings and promotion of direct and indirect investments, insurance continues being one of the major contributors to the Kenyan economy.

The number of multinational licenced insurance companies in Kenya continues to increase and is currently at 15, with 6 of the companies entering Kenya in 2015 and the rest pre – 2015 (AKI, 2018). This has been characterised by various market entrants into the market through various modes of market entry. In 2014, Prudential Plc, announced its plans to enter the Kenyan market through the acquisition of Shield Assurance Company Limited with the main aim of taking their business to the next level, creating innovative new products and expanding their distribution to enable them expand their customer reach in Kenya (Engage BM, 2014). In announcing its expansion plans, Germany based insurance firm, Allianz, set up a subsidiary in Kenya in 2015 (Mutegi, 2015). Sanlam Emerging Markets Ireland Ltd (SEMIL) acquired an additional 16.63% holding in Saham in May 2017 and Sanlam Life Insurance Limited acquired a 53% holding in, Bright Rock, effective 1 September 2017 (Association of Kenya Insurers (AKI), 2018). Mwangi and Murigu (2015) in studying the financial performance of general insurance companies in Kenya, indicated that foreign ownership of insurance firms was positively correlated to the performance of insurance companies. The entire list of MNC insurance companies in Kenya is covered in Appendix I.

With new entrants in the industry, there has been increased competition within the industry. For a company to survive, it has to employ disruptive ways of doing business such as being customer-centric, be innovative, and be technologically up-to-date (AKI, 2018). With the increase in competition in the industry, it is paramount to confirm whether the increased competition has led to increased organization performance as a result of the mode of market entry used and which mode of market entry has proved to be more useful.

1.2 Statement of the Problem

Kenya has seen an influx of foreign entrants into the insurance industry from as far back as 1995 to as late as 2015. Various studies have been carried out on how market entry strategies

have affected the performance of MNC operations in various industries such as banks and airline industries as shown below.

A firm's market entry strategy greatly influences its competitive positioning in the market (Chen & Mujtaba, 2008). The choice of a market entry strategy has been very key in ensuring a smooth entry into foreign markets since what works for one organization may not necessarily work for another (Estrin & Prevezer, 2010). In addition, the market entry strategy selection impacts greatly on the scale of resources commitment and could complicate the market entry strategy and thus have extensive consequences on the future performance of the business (Gallego et al., 2011).

Burdon et al. (2009) study on market entry strategies showed that type of entry strategy is centred on the company objectives, type of business and products and services. Sadaghiani et al. (2013) studied the impact of international market entry strategy on export performance and showed the performance of export companies is affected by entry strategies.

According to Karkkainen (2010) entry strategies affect performance by influencing the risk level and control level, ultimately leading to victory or failure of the company in the foreign market. Mokaya et al. (2012) discovered that the market entry strategy choice by an organization was guided by competition in the industry and the ultimate choice implemented determined the firm's performance. This study, however, only covered the airline industry. Ogutu and Nyatichi (2012) also discovered that the strategies implemented by multinational banks were guided by competitive industry forces.

Gutiérrez González and Pons-Pons (2017) discovered that internationalization influenced the performance of Spanish insurance firms positively. Appiah-Adu and Amoako (2016) examined the implementation of marketing strategies in a developing economy and affirmed that irrespective of the country of origin, effective marketing strategies are positively correlated with the performance of companies in the insurance sector.

While there has been a study on the insurance industry, this study focused on the performance of insurance companies in Spain. However, studies on equity modes of entry and their effect on the performance of insurance industry in Kenya are limited. With the market entry of foreign players, it is important to assess the effects this has had on the firm's performance especially based on the interests the companies have depending on their market entry mode. This study aimed to address this gap with the main focus on the multinational companies in the insurance industry in Kenya.

1.3 General Objectives

The main research objective is to establish the effect of equity modes of market entry strategies on the performance of multinational insurance companies in Kenya.

1.3.1 Specific Objectives

- i. To determine the effect of joint ventures on the performance of multinational insurance companies in Kenya.
- ii. To examine the effect of direct investments on the performance of multinational insurance companies in Kenya.
- iii. To find out the effect of strategic alliances on the performance of multinational insurance companies in Kenya.

1.4 Research questions

- i. What is the effect of joint ventures on the performance of multinational insurance companies in Kenya?
- ii. What is the effect of direct investments on the performance of multinational insurance companies in Kenya?
- iii. What is the effect of strategic alliances on the performance of multinational insurance companies in Kenya?

1.5 Significance of the Study

The findings of the study are expected to be of relevance to multiple stakeholders within the insurance industry. They will enhance the strategy formulation within local insurance firms and improve their market entry modes into other markets. The findings are further anticipated to augment the managerial practice within these firms and to also foster decision making within multinational insurance firms operating in Kenya.

To the industry regulatory body, the findings will improve the policy formulation in the insurance industry. The implementation of the new policies will further boost the participation of foreign multinationals within the insurance industry. To Academicians and Scholars, the study findings are projected to increase the existing empirical evidence on the connection between market entry and organization performance with results acting as future reference material.

1.6 Scope of the Study

The scope of the study was narrowed to the multinational companies within the insurance industry, where the study examined the effect of market entry strategies on the performance of

these organizations. According to AKI (2018), the number of multinational insurance companies within the industry is 15. The market entry strategies were contextualized into; joint ventures, direct investment and strategic alliances. The geographical scope of the research was limited to Nairobi City County as the head offices of insurance organizations are based in Nairobi. The research was limited to a quantitative study, and the measure of organization performance was based on the balanced scorecard framework. The time taken to collect the data, analyse and document the findings was three months.



CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers the literature that was reviewed in relation to the research concepts. It covers the theoretical and empirical review of literature, summary of research gaps and finally, the conceptual framework showing the interaction of the research variables.

2.2 Theoretical Review

Sakr and Jordaan (2016) study shows the existence of several theories and frameworks for finding and assessing the significance of factors influencing the entry of multinational corporations in a market. These theories focus on competitive advantages acquired by firms and also the advantages enjoyed by the domestic companies in the host nation. The research was informed by the resource-based view theory with the dependent variable anchored on the balanced scorecard framework.

2.2.1 Resource-Based View Theory

Barney (1991) developed the resource-based view theory (RBV), one of the most influential and quoted theories in knowledge management. It explains the in-house sources of a company's sustained competitive advantage (Anitha, 2014) and views the company as a pool of capabilities. Prietula & Levine (2006) cite firm specific resources and capabilities as main differentiators of successful and failing firms.

The potential for a firm's competitive advantage is realized when resources and capabilities are valuable, inimitable, and hard to substitute (Khamseh & Jolly, 2008). Firms' resources and capabilities are categorized as either tangible or intangible assets. Those that can be quantified such as financial, organizational, physical and technological are classified as tangible assets. Intangible assets are qualitative in nature and are the fabric of the company's history having being built up over time (Ogendo, 2014). Examples of intangible assets are organizational reputation, human resources, innovation and creativity.

One of the gaps identified in this theory is that the two concepts of resource and value that underpin it are very static. This does not lend itself well in a dynamic environment.

One of the criticisms of this theory is by Kraaijenbrink et. al (2009) who felt that there is a limited way in which the RBV deals with dynamic issues such as boundaries, timing, innovation, and entrepreneurship. With its focus on the possession of resources and capabilities, the RBV is inherently static, not well equipped to explain the timing of when value

is created, rents are appropriated and how firms innovate and generate new sources of sustainable competitive advantage.

However, a successful market entry strategy is hinged on a firm's ability to mobilize and sustain adequate resources. The strategy chosen should permit companies to best exploit their core competencies internally relative to opportunities in the external environment. By exploiting competencies relative to opportunities in the external environment, this means that the RBV theory is able to deal with any dynamic issues that may arise as a result of external influences.

Another criticism by Priem & Butler (2001a) is that RBV lacks substantial managerial implications and seems to tell managers to develop and obtain the resources and capabilities needed to develop an appropriate organization, but it is silent on how this should be done.

While there may be criticisms, the RBV theory is important in identifying resource and competency gaps that may prevent organizations from competing and achieving above average returns. To counter the argument on the lack of substantial managerial implications, RBV never intended to provide any management prescriptions but to enable people identify their resources and capabilities and how to use them as a source of competitive advantage.

The RBV theory was thus seen to be suitable to show the adequacy of a multinational firm to employ a specific entry strategy within the Kenyan market driven by the availability of resources and capabilities at the firm's disposal.

2.2.2 Balance Scorecard Framework

Kaplan and Norton (1996; 2004) established the balanced scorecard framework as a key conceptual framework for measuring organizational performance. The authors suggested that the balanced scorecard is a strategy-based system that relies on results to make knowledgeable decisions at different managerial levels in a company. To utilize the balanced scorecard effectively, it is important that firms focus on both the performance measures and the desired outcomes. The aim of the balanced scorecard approach is to afford management a combined set of actions, which give an all-inclusive business understanding. It is largely used to measure the performance based on the effects of executed plans, decisions made and any actions taken in an organization.

The scorecard aids by providing information necessary, in the form of reports, which prevents sub-optimal performance by managers (Kaplan, 1996). Consequently, the balanced scorecard gives organizations a wide ranging review of their operations and by using it, companies can devise clear measures on how to balance management practices and how to complement drivers

of past performance such as financial measures. The Balanced Scorecard gives management an opportunity to track its performance based on both financial and non-financial measures. In addition to the traditional financial indicators, other performance measures supported by the balanced scorecard are customers, internal processes and innovation, which are normally linked to a company's long-term goals (Kaplan & Norton, 1993).

Caudle (2008) described the four aspects of the Balanced Scorecard as follows: the financial perspective looks at measures of profitability and shareholder value by checking whether the company is improving its bottom line; the customer perspective looks at how the organization can better identify customer and market segments in which they can compete in and succeed by looking at factors such as cost and quality of service; the internal processes perspective looks at ensuring that the company has efficient business processes that ensure their success in the market by looking at fundamental capabilities and skills that would satisfy various customer desires; the innovation perspective brings about questions on how the organization can continue operating in a sustainable manner by measuring the company's ability to learn, improve and also innovate around its product offering.

One of the gaps identified is that the Balanced Scorecard framework is still yet to bridge the gap between vague mission statements and day to day operations. Better alignment between the two aspects would make it easier to use this as a tool in measuring organization performance.

Voelpel et al. (2005) and Rillo (2004) argue that in practice, the Balanced Scorecard hampers a firm's innovation capability, which it could derive from external networks. The original and successive conceptions of this framework imply that firms are in isolation and adversarial to competitors thus focusing almost exclusively on a firm's internal processes and excluding linkages with related firms and the environment.

While there are criticisms to the balanced scorecard framework, there are certain benefits attached to it such as overcoming inadequacies of the traditional financial-based performance measurement tools, providing a holistic performance outlook, transforming strategy into tangible performance measures, aligning organization activities to strategy and providing a deeper insight into business operations and ways of creating value.

The balanced scorecard framework was of great significance to the study as it was used to provide the constructs of the dependent variable. The four elements of the balanced score card

framework are the measures of the organization performance that were studied and how each of those will be affected by the various equity modes of entry.

2.3 Empirical Literature

This section covers existing writings on the various research objectives. The review further presents the research gaps that the current study aimed to fill.

2.3.1 Joint Venture and Organization Performance

Li et al. (2012) examined symbiotic ownership, cultural alignment, and firm performance in China. The research sought to study how strategic alliances affect firm performance. The research data was collected from multiple secondary sources and evaluated using panel data regression analysis which showed that joint ventures had a positive effect on the performance of MNCs.

Guo and Jiang (2013) utilized secondary data for the period 1998-2007 for 258 venture-based investment by MNC's in China. The study relied on correlational and regression analysis with the results indicating that firms backed by venture capital had improved organizational performance as a result of R&D investment in the firms. The study was centred on general firms whereas this study focused on insurance companies in Kenya.

Siddiqua and Parvin (2017) did a cross-sectional study on five private non-life companies in Bangladesh using secondary data from each company's financial statements for the year 2012-2014. The collected secondary research data was analysed via trend equations and the square of the correlation coefficient. The study findings revealed that joint venture institutions have a positive effect on financial performance indicators such as earnings per share (EPS) and the return on assets (ROA). The study was focused on financial performance whereas the current study focused on overall organization performance.

Hearn (2015) examined how board structures affects global joint venture firms listed on emerging stock exchanges. The study sampled 202 firms that had undertaken joint venture investments and cross-listing within various securities exchange in Africa. The research used both qualitative and quantitative research data. The data analysis indicated that involvement in joint venture enterprises was positively associated with the performance of listed firms. Main focus was on listed firms within the region whereas the current study concentrated on all registered multinational insurance corporations in Kenya.

Luo (2017) researched on the performance of foreign owned manufacturing businesses in Kenya and the factors affecting their marketing strategies. The research utilized descriptive

research using both secondary and primary data. The collected research data was evaluated using descriptive, correlation and regression analysis. The findings showed that joint venture entry and licencing strategies were positively associated with the performance of the manufacturing firms.

The various studies as done on joint ventures and organization performance as highlighted above were centred on companies in other countries such as China and Bangladesh and focused on other industries. In Kenya, there was a study that focused on the manufacturing sector. While there was a similar study done on listed firms in various stock exchanges in emerging markets, the limitation of this study was that the insurance companies covered were not limited to Kenya and although there are multinational insurance companies in the stock exchange in Kenya, they do not constitute all the multinational insurance companies in Kenya.

Therefore the study sought to fill this gap by focusing on multinational insurance companies in Kenya.

2.3.2 Direct Investments and Organization Performance

Yüce and Zelaya (2014) investigated the organization performance after foreign direct investment by using a global database on all the foreign direct investments. The results indicated that the key influencers of investment decisions and amount of money to invest is the size of the company and how profitable it is. While the study looked at multinational firms in general, it revealed that direct investments did have a positive effect on the financial performance of these firms.

Adeleke et al. (2019) studied how forward integration strategies affected on organizational growth of some insurance companies and banks in Nigeria. Using structured questionnaires, the study findings showed that there was a substantial positive correlation between direct marketing activities, direct investments and profit growth in the nominated organizations.

Appiah-Adu and Amoako (2016) used a case study method in Ghana and looked at leading firms and evaluated the execution of their marketing strategies. The research was qualitative and used structured interviews in the data collection process with content analysis being relied upon in the research. The findings indicated effective marketing strategies do improve an organizations performance regardless of the country of origin or whether or not it is in a developing or developed economy. Further to this, the findings indicated that companies with significant direct financial investments did have a competitive edge when entering a new market.

Ezirim et al. (2018) looked at insurance companies in Nigeria. Using data from the Nigeria Stock Exchange from 2006 – 2015 the authors concluded that the size of the investment was positively related to both ROA and ROE of listed insurance firms. The main focus of the study was financial performance only.

Kadurenge et al. (2017) studied the connection between direct investments and performance of listed insurance companies on the Nairobi Securities Exchange. The research utilized a longitudinal design where the performance of insurance firms was analysed over a four-year period from 2012-2015. The findings of the research showed that the greater the investment levels the better the performance of the company. The study, however, relied on panel data while this study used quantitative data collected via a structured questionnaire.

Previous studies on the effect of direct investments on organization performance of insurance companies have been in other countries such as Nigeria. In Kenya the main focus was on listed insurance companies thus the companies studied were both local and MNCs with a limited number of MNCs covered since not all insurance companies are listed on the stock exchange. The listed insurance companies' results may not have been a good representation of the entire multinational insurance company population thus this study aimed to fill that gap.

2.3.3 Strategic Alliances and Organization Performance

Odediran et al. (2013) conducted an evaluation of business development strategies in the insurance industry in Nigeria. The research utilized structured questionnaires in collecting research data from operational managers of the firms. The collected research data was analyzed using One-Way Analysis of Variance (ANOVA) to test the level of significance of strategies. The results revealed that financial partnership, diversification and strategic alliances were ranked highly as positive determinants of the competitiveness and financial performance of the firms. The study however considered Nigerian insurance firms while the current study scope was Kenyan companies.

Ogutu and Samuel (2012) conducted a study on competitive strategies implemented by MNCs in Kenya. The study used a descriptive research design with a sample of 19% of the 213 multinational corporations operating in Kenya being considered in the research. The study utilized both descriptive and inferential analysis techniques. The study findings indicated that strategic alliances, joint venture, mergers and acquisitions were all positively related to the competitive capacity of both the local and foreign multinationals. The study however covered companies in multiple industries and was not specific to the Kenyan insurance industry.

Okoth (2015) examined the strategic positioning and performance of insurance firms in Kenya using a cross-sectional descriptive survey method with the population of the study being drawn from the 41 registered insurance companies in Kenya at the time. The study relied on both descriptive and inferential analysis. The results of the study showed that strategic positioning strategies lead to an improvement in market share, customer brand loyalty, customer satisfaction, profitability improvement and growth in the customer base. The results also indicated strategic alliances as integral in enhancing the competitiveness of insurance firms.

Muia (2017) conducted an examination on the influence of competitive strategies on the performance of insurance companies in Kenya. The research adopted a descriptive research design and targeted 47 registered insurance firms. The study relied on descriptive and correlational analysis of research data. The researcher indicated that insurance companies should embrace the use of alignment and partnership with other players in the market as such to minimize operational costs and enhance market coverage and improve their revenues. The study, however, did not take into consideration other market entry strategies that the current study relied on.

Otieno and Ogutu (2017) examined the perceptions of Cooperative Insurance Company group managers on strategic alliances and competitive advantage. The research adopted a survey research design that targeted twenty-three departmental heads for the various subsidiaries of CIC insurance group. The research relied heavily on quantitative data that was analyzed using descriptive statistics and inferential statistics. The findings of the research revealed that strategic alliance had led to large market share, huge profitability, enhanced and stronger customer loyalty, strong technological capability and superior portfolio of products. The study only considered a single insurance firm while the current research focuses on all registered insurance firms in Kenya.

Overall, Boso et al. (2018), in their study in Nigeria, indicate that entry mode strategies were positively associated with improved performance within new markets. Ochola (2015) studied the foreign market entry strategies adopted by paint manufacturers in Kenya and indicates that licencing and direct investments entry strategies have improved the performance of manufacturing firms. Mungai and Ogot (2017) indicated that backward and horizontal linkages in market-entry are positively associated with increased firm performance. Kioko (2013) indicate that merger and acquisition as entry strategies were positively associated with improved organization performance.

While studies have been done on insurance companies in Kenya, these covered the entire population of the insurance industry. Given the population of local insurance companies outweighs that of multinational insurance companies, the results of the study may be skewed towards the local insurance companies. It was thus important to have a study focused on MNCs to be able to bring out the specifics of market entry strategies on MNCs.

2.4 Summary of Research Gaps

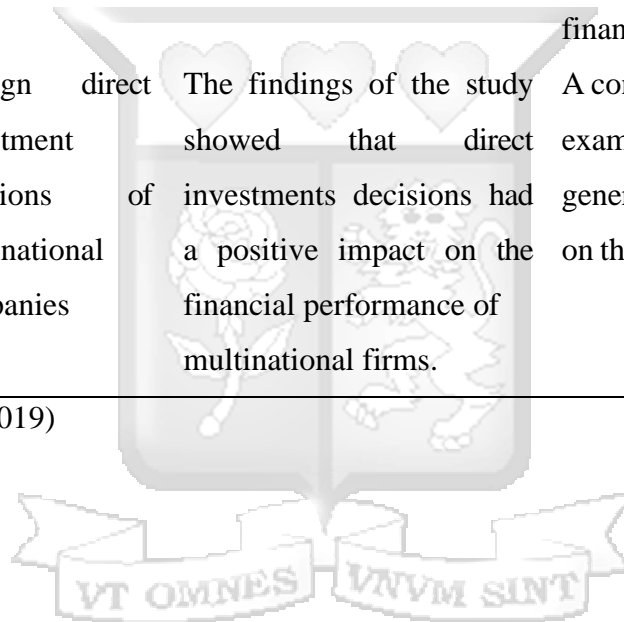
There are various studies on market entry strategies and how this affects an organizations performance. The table below highlights the various researches done and the types of gaps identified in the study.

Table2.1 Summary of Research Gaps

Author	Title	Findings	Research Gaps
Kadurenge, Mwanza, Munihu and Nkwain (2017)	Relationship between direct investments and performance of insurance companies listed on the Nairobi Securities Exchange	The research findings showed that investments levels were positively related to the performance of the listed insurance firms	The study relied on panel data collected from firms listed in the NSE. This method is different from what we used in assessing organizational performance.
Luo (2017)	Factors affecting marketing strategies on the performance of foreign-owned manufacturing firms in Kenya: A Case Study of Erdemann Gypsum Limited	The study finding showed that joint venture entry and licencing strategies were positively associated with the performance of the insurance firms	The study context was manufacturing firms in Kenya while this study focused on insurance firms in Kenya.
Okoth (2015)	Strategic positioning and	The study findings showed that strategic	The gap identified was in relation to the methodology used in

	performance of insurance firms in Kenya.	positioning strategies had a positive influence on the performance of insurance firms	measuring performance. This study was limited to financial performance while we aimed to consider both financial and non-financial performance.
Siddiqua and Parvin (2017)	Performance of private non-life insurance companies in Bangladesh	The findings of the study showed that joint venture institutions have a positive effect on financial performance	The gap identified was in relation to the methodology used in measuring performance. This study was limited to financial performance while we aimed to consider both financial and non-financial performance.
Yüce and Zelaya (2014)	Foreign direct investment decisions of multinational companies	The findings of the study showed that direct investments decisions had a positive impact on the financial performance of multinational firms.	A contextual gap exists as the study examined multinational firms in general while we wanted to centre on the insurance industry in Kenya.

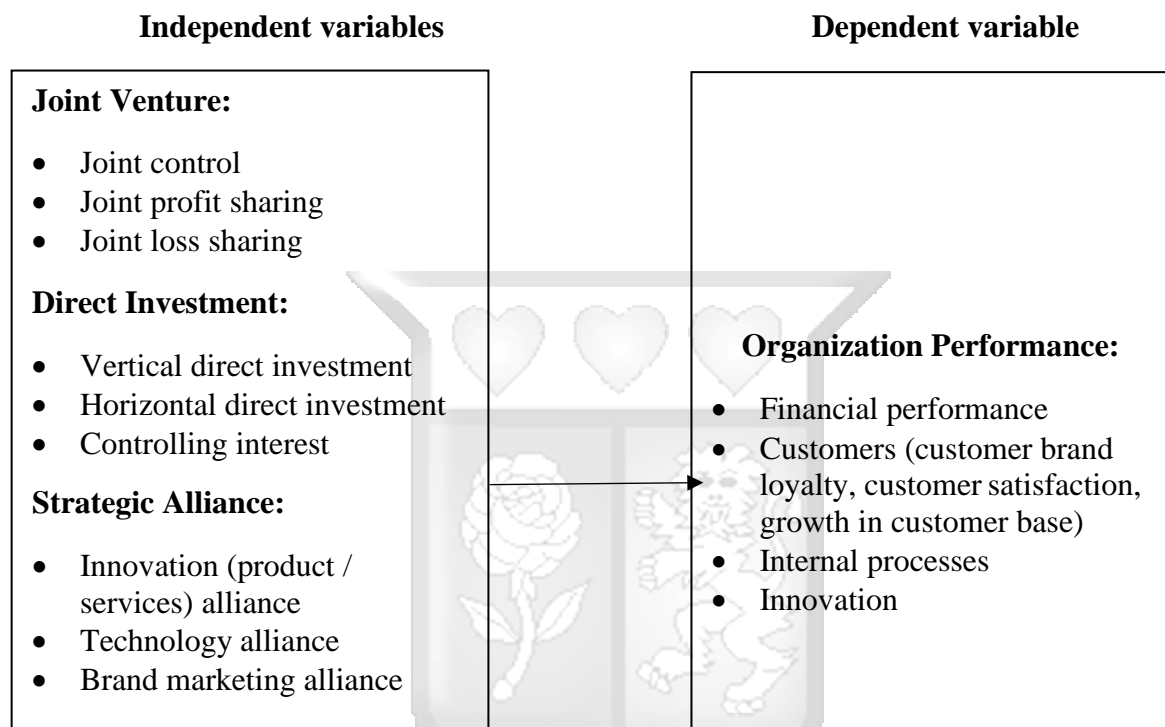
Source: Researcher (2019)



2.5 Conceptual Framework

A conceptual framework outlines the graphical representation of the link between study variables building up from ideas developed from the researchers' perspective (Borg, 2005).

Figure 2.1 Conceptual Framework



Source: Researcher (2019)

The conceptual framework of this study looks at the interaction between market entry strategies and organizational performance of multinational insurance firms in Kenya. The independent variables of the study were joint ventures, direct investment and strategic alliances. The dependent variable, organization performance of the insurance firms, was measured using the Balanced Scorecard framework.

The table below shows how the identified variables are going to be measured using the data collection tool.

Table 2.2 Operationalization of Variables

Variable	Indicators	Author	Measurement tool	Data analysis
Joint venture	<ul style="list-style-type: none"> • Joint control • Joint profit sharing • Joint loss sharing 	Channon and Sammut-Bonnici (2015)	Structured questionnaire 5-point Likert scale	Descriptive, correlation and regression analysis
Direct investments	<ul style="list-style-type: none"> • Vertical direct investment • Horizontal direct investment • Controlling interest 	Helpman (1984, 1985) and Helpman & Krugman (1985) Markusen (1984)	Structured questionnaire 5-point Likert scale	Descriptive, correlation and regression analysis
Strategic alliances	<ul style="list-style-type: none"> • Innovation (product / services) alliance • Technology alliance • Brand marketing alliance 	Kinderis and Jucevičius (2013)	Structured questionnaire 5-point Likert scale	Descriptive, correlation and regression analysis
Organization performance	<ul style="list-style-type: none"> • Financial performance • Customers • Internal processes • Innovation 	Kaplan and Norton (1993)	Structured questionnaire 5-point Likert scale	Descriptive, correlation and regression analysis

Source: Researcher (2019)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Chapter three outlines research design that was adopted for this study so as to answer the research questions. Details are also provided on the sampling methodology, measurement tools and data analysis procedures used in the study. It further gives details on the reliability tests, validity tests and the ethical considerations that were carried out during this research.

3.2 Research Design

A research design describes the data collection methodology, the justifications for the sample size chosen and explains whether the analysis was quantitative or qualitative (Cooper & Schindler, 2014). Research design aides the process of research from the construction of the research questions and theories being tested to finally giving results on the research findings (Sekaran & Bougie, 2011). Lavrakas (2008) states that the choice of a suitable research design is largely dependent on the type of research questions, the variables under study, the selection of participants and the methodology of collection and analysis of data.. The current research employed a descriptive research design that allowed for quantitative data to be collected and analysed with the aim of fulfilling the research objectives. According to (Dulock, 1993), a descriptive research design is one that is used to systematically describe facts and characteristics of a given population by using measures such as frequencies, averages and other statistical information.

3.3 Population of the study

According to Cooper and Schindler (2014), a population as a group of elements within which a researcher can make some conclusions. The population of this study was the employees of the MNC insurance companies registered and licenced by the IRA. The geographical scope was within Nairobi as all insurance company headquarters are based in Nairobi County with the unit of analysis being the 15 registered multinational insurance firms in Kenya as per IRA (2018) annual report. The unit of observation were the senior managers working within the MNC insurance firms responsible for some of the key organizational performance elements such as Human Resources, Operations, Strategy, Finance and Marketing. Some organizations had some of the functions combined into one.

3.4 Sampling Design

Schmidt and Hollensen (2006) defined sampling as finding and selecting a set of individuals who have the relevant data required to solve a specific problem at a point in time. Purposive

sampling was used as the study needed information rich respondents. This sampling method is suitable, as one is able to acquire information from those who are deemed to have an ample understanding on the area being studied (Saunders et al., 2016). The purposive sampling method enabled respondents to be selected as a result of them working for an MNC. These respondents were decisively chosen due to their level of involvement in the company's strategy and knowledge of each of their companies. The sample size for the research was 60 respondents drawn from the senior management of the 15 multinational insurance firms.

3.5 Data Collection

Data collection is a way of collecting information about a topic of interest that aids in fulfilling the objectives of the study. The research collected primary data using questionnaires with an ordinal scale of measurement where a Likert scale was applied (Cooper & Schindler, 2014). This was done through questionnaires administered electronically through Google forms. Google forms were created electronically and sent to the identified senior management of the 15 multinational insurance companies via email. Responses were also received electronically and recorded. Louis et al. (2007) describe primary data as original information related to the study while Ember and Ember (2009) describe it as data gathered by investigators in several study sites.

3.6 Research quality

To check on quality, the research further adopted reliability and validity tests. A pilot study was carried out to test the reliability and validity of the questionnaire. A pilot study is a groundwork survey carried out to check on any potential weaknesses of the research measurement tool before carrying out the main study (Kothari, 2004). 5 people out of the target population of 60 were used for the pilot test with their results excluded from the main study. The piloted individuals were asked for feedback on the questions and the time required for completion. The questionnaires were sent via email to the selected pilot study group. Detailed feedback was received from all the individuals with no requirement needed to change the structure of the questionnaire as it was well understood with the questions meeting the set out objectives.

3.6.1 Reliability Test of Research Instrument

By ensuring a consistent approach of interpreting and understanding the questions in the measurement tool by the respondents, we were able to achieve reliability. It is important to test for reliability as it denotes the consistency across the parts of a measuring tool. The Cronbach

Alpha coefficient is the most commonly used internal consistency measure. The study chose all constructs with an Alpha value of 0.7 (Gall, Borg, & Gall, 2006).

Table 3.1 Reliability Results

Effect of market entry strategies on the performance of insurance companies in Kenya.			
Variable	Cronbach's Alpha	Number of Items	Comment
Joint venture	.745	3	Reliable
Direct investments	.860	5	Reliable
Strategic alliances	.820	5	Reliable
Organization performance	.835	7	Reliable

Source: Researcher (2019)

The study results indicated that all the research variables had a Cronbach Alpha of above 0.7; thus, indicating there was internal consistency within the research instrument.

3.6.2 Validity Test of Research Instrument

Validity describes how well the data gathered is relevant to the topic of study (Ghuri & Gronhaug, 2005). One of the measures of validity is content validity whereby content validity is the extent to which items in the questionnaire reflected the general context of the area under study, Straub et al. (2004). The validity was computed by subjecting the questionnaire to academic supervisors to establish whether the constructs represents what is being measured.

3.7 Data Analysis

Data analysis is the manner in which data is evaluated using both descriptive and inferential statistics whereby model specification, approximation and basis of variables is conducted. The collected data was edited and coded into SPSS 24 for further analysis. Descriptive statistics used included maximum, minimum, standard deviation and mean. The inferential statistics were also used to check the interaction between the independent and dependent variables using both correlation and regression analysis and ANOVA tests.

The regression model used was;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Y = Organization performance

X₁ = Joint Venture

X₂ = Direct Investment

X₃ = Strategic Alliances

ε = Error term

Testing of the regression model was done at a 5% level of significance.

3.8 Ethical Issues

In carrying out research, numerous ethical matters need to be considered so as to certify that the privileges of the participants are not violated and to ensure research is carried out in an ethical manner. Before the data was collected, consent was sought and granted by Strathmore University Ethics and Review Board. Further to this a research permit from NACOSTI was obtained to allow the conducting of the research. Informed consent was also acquired from the intended participants with the study carried out in a manner that ensured fair and just treatment of participants. Participants were informed of their right to confidentiality and anonymity. This ensured that no single respondent felt uncomfortable particularly if they felt they were revealing sensitive material. Voluntary participation was stressed and refusal to answer any questions was valued. The data collected was stored securely with access only limited to the researcher. Data was analyzed without bias bearing in mind discretion so as to avoid linking any information collected to the participants.

CHAPTER FOUR: PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter presents the findings of the data analysis. The data concerning the general information from the respondents is first presented. The rest of the chapter is presented in order of the specific research objectives. The chapter specifically outlines the backgrounds information, the descriptive results, the correlation results and the regression results.

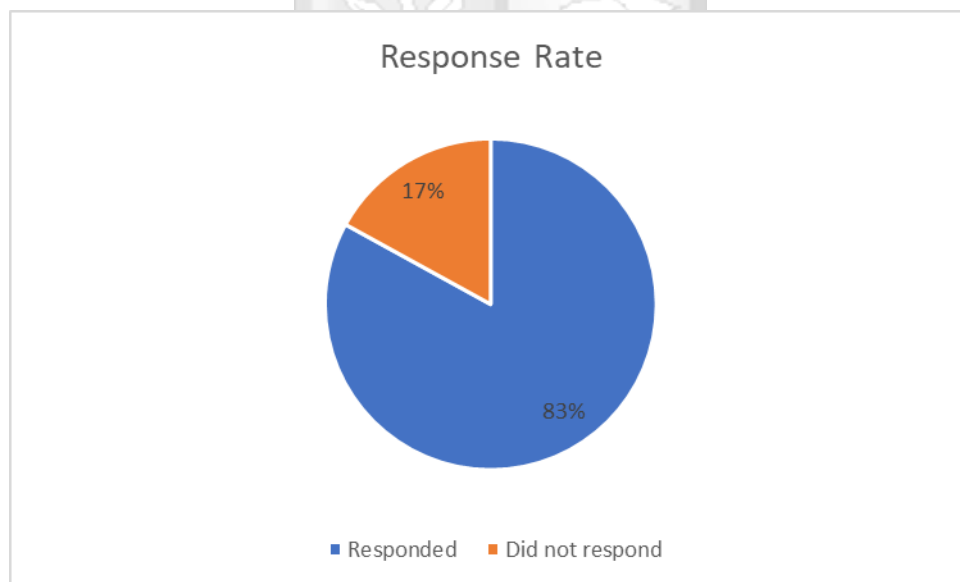
4.2 Background Information

The respondents' background information outlined below is based on the response rate of the respondents, their age, gender, position within the organization and the number of years they have served in their respective companies.

4.2.1 Response Rate

Data was collected from senior personnel members drawn from the MNC operating within the insurance industry. The study managed to obtain 83% (N=48) responses from a target of 55 responses, after excluding those used in the pilot study, which were deemed adequate for statistical analysis, as shown in Figure 4.1 below.

Figure 4.1 Response Rate



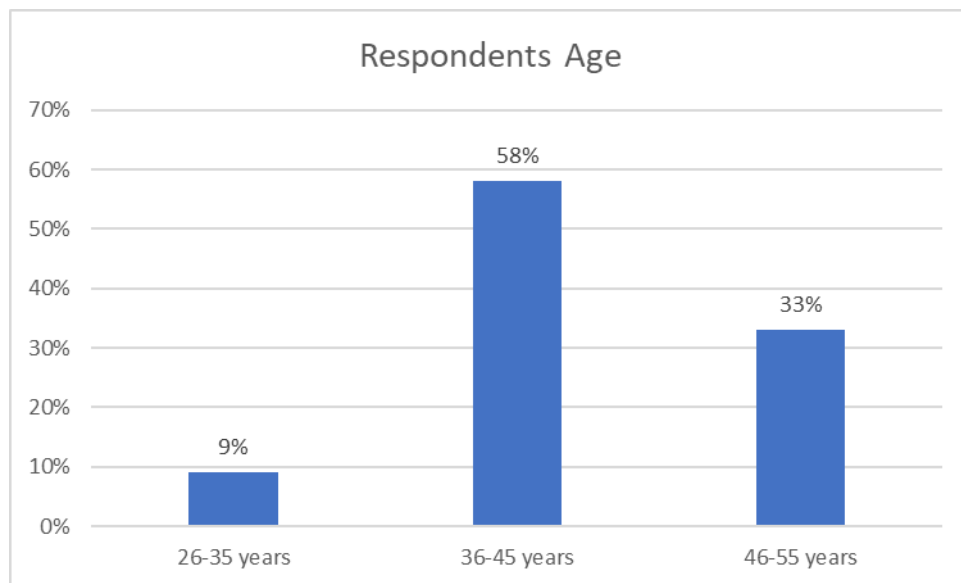
Source: Researcher (2019)

4.2.2 Age of Respondents

The study findings indicate that a large number of the respondents, 58%, were aged between 36-45 years, 33% ranged from 46-55 years and only 9% were between the ages 26-35 years as

exhibited in Figure 4.2 below. This shows that there is a concentration of people in young adulthood in the workforce.

Figure 4.2 Respondents Age

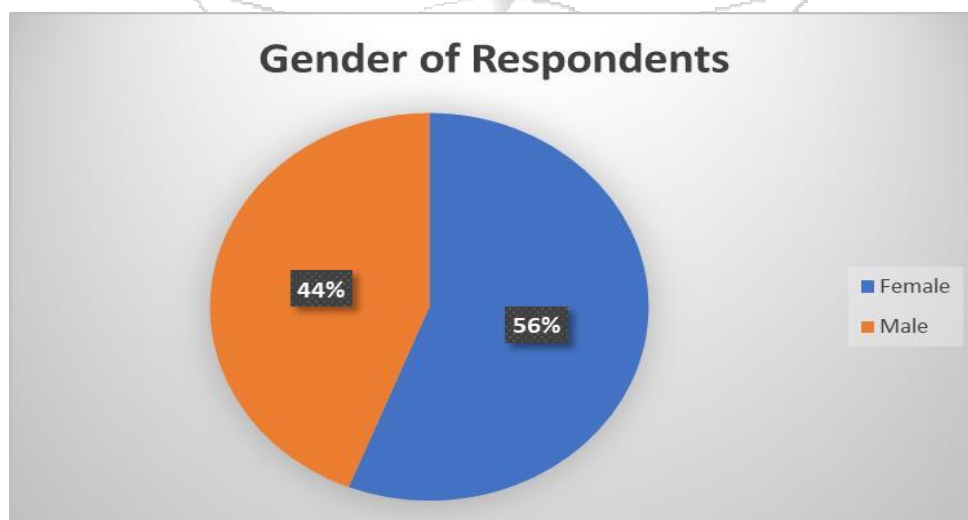


Source: Researcher (2019)

4.2.3 Gender of Respondents

The results further showed that the respondents' gender distribution was 56% female and 44% male. This shows an increasing involvement of women in the insurance sector workforce.

Figure 4.3 Respondents Gender



Source: Researcher (2019)

4.2.4 Level of Education

The study findings showed in Table 4.1 below that a bulk of the participants, 58% had reached graduate-level education, while only 42% of the respondents had attained a post-graduate-level education.

Table 4.1 Respondents Education

	Frequency	Per cent
Graduate	28	58.3
Postgraduate	20	41.7
Total	48	100.0

Source: Researcher (2019)

This demonstrates that most of the respondents within the insurance sector have the necessary academic qualifications that is to their work engagements.

4.2.5 Position Held in Organization

The study also aimed to establish the position held by the respondents in their respective organizations. The results are indicated below;

Table 4.2 Position in Organization

	Frequency	Per cent
Human Resource Manager	7	14.6
Operations Manager	11	22.9
Finance Manager	8	16.7
Marketing Manager	5	10.4
Actuarial Manager	10	20.8
Risk/Compliance Manager	6	12.5
Managing Director	1	2.1
Total	48	100.0

Source: Researcher (2019)

Findings show that most of the respondents, 22% were operational managers, 20% were actuarial managers, 16% were finance managers, 14% human resource managers, while 12% were risk/compliance managers. This indicates that the respondents have adequate knowledge of the organization hence, can offer pivotal information to solving the research problem.

4.2.6 Length of Service

The research also looked at each respondent's length of service within the insurance firms. The findings are indicated below;

Table 4.3 Length of Service

	Frequency	Per cent
0-3 years	13	27.1
4-6 years	20	41.7
7-10 years	15	31.3
Total	48	100.0

Source: Researcher (2019)

The study findings show that the highest number of respondents, 41%, had been employed in their organization for 4-6 years, 31% for 7-10 years and only 27% had been employed at their firm for between 0-3 years. This proves that the respondents have abundant experience, which is crucial to providing suitable knowledge required to answer the research problem.

4.3 Descriptive statistical findings

The subsection describes the descriptive findings for each of the variables under study, presented in terms of means and standard deviations.

4.3.1 Joint Venture

The first variable of the research focused on the joint venture entry strategies and how they affected organization performance.

The research findings show that respondents moderately agreed that their companies had shared control in the insurance industry (Mean (M) = 3.3333, Standard deviation (SD = 0.75324) indicating moderate variations. Results further show a moderate agreement among respondents that the does engage in joint profit sharing within the industry (M = 3.4583, SD = 0.98841) and also that respondents agree that there has been an increase in joint venture activities by their company (M = 3.6042, SD = 0.81839).

The main implication of the study findings on this variable is that all respondents feel that there is indeed some form of involvement in joint venture activities by their organizations.

4.3.2 Direct Investments

The second variable of the research focused on the direct investment entry strategies and how they affected organization performance.

There was reasonable agreement that there was an increase in vertical direct investment ($M = 3.1042$, $SD = 1.18931$) with also an increase in horizontal direct investment ($M = 3.0833$, $SD = 1.02798$). Findings further showed that sufficient respondents believe that their insurance company is a fully owned subsidiary ($M = 3.1458$, $SD = 1.28807$) while others believe that there is a controlling interest in their company ($M = 4.5$, $SD = 0.71459$). The findings further showed that respondents believe in the increased active foreign participation within the insurance firms ($M = 4.0833$, $SD = 1.08830$).

The main implication of the study findings on this variable is that all respondents feel that there is indeed some form of involvement in direct investment activities by their organizations with majority indicating that there is a controlling interest in their company.

4.3.3 Strategic Alliances and Organization Performance

The third variable was centred on the strategic alliances within multinational insurance corporations and the effect they have on organization performance.

Findings indicate there was agreement among respondents that there is an increase in agency alliances within my company ($M = 3.875$, $SD = 0.78889$). The study results also show agreement that there is an increase in brand marketing alliances ($M = 3.6875$, $SD = 0.99266$), increase in innovation alliances ($M = 3.8333$, $SD = 0.95279$), improvement in technology alliances ($M = 4.0417$, $SD = 0.98841$) and an increase in market expansion ($M = 3.8542$, $SD = 0.85027$).

The main implication of the study findings on this variable is that all respondents feel that there is indeed some form of involvement in strategic alliances by their organizations with majority concluding that there has been an increase in technological alliances by their company.

4.3.4 Organization Performance

This was the dependent variable used in the research and it focused on the organization performance within multinational insurance firms in Kenya. The results are as shown below:

With regards to customers, respondents largely agreed that their respective companies had attained increased customer brand loyalty ($M = 3.9167$, $SD = 0.76724$), improved its customer satisfaction ($M = 4.0417$, $SD = 0.68287$) and there was a growth in the customer base ($M = 3.8125$, $SD = 0.98188$). With regards to financial performance, responses showed that there was an improvement in the insurance company's profitability ($M = 3.7708$, $SD = 0.92804$). The study also indicates there is agreement among respondents that there is increased

innovation capacity (M = 3.8333, SD =0.93019) and an improvement in the internal operations (M = 4.125, SD = 0.86603).

The main implication of the study findings on this variable is that all that there has been company performance improvement that can be attributed to some of the equity modes of market entry strategies employed by their organizations.

4.4 Inferential Statistical findings

This section shows how the research variables interact. The study depended on the correlation and regression analysis and regression coefficients in determining the magnitude of the relationship. Pearson correlations was used to establish the association between all the variables and regression was performed to establish the relationship between the equity modes of market entry (joint venture, direct investments, strategic alliances) and organization performance.

4.4.1 Correlation analysis

The study aimed to determine the causal link between the research variables using Pearson Correlation Analysis with the findings shown on the table below;

Table 4.4 Correlation Results

		Organization Performance
Joint Venture	Pearson Correlation	.086
	Sig. (2-tailed)	.563
	N	48
Direct Investment	Pearson Correlation	.372**
	Sig. (2-tailed)	.009
	N	48
Strategic Alliance	Pearson Correlation	.539**
	Sig. (2-tailed)	.000
	N	48

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Researcher (2019)

The first study objective sought to establish the effect of the joint venture on the organization performance of insurance companies in Kenya. The findings show there is a positive insignificant effect of the joint venture on the performance of insurance companies in Kenya ($P=.086, Sig=.563>.05$).

The second study objective sought to establish the effect of direct investment on the organization performance of insurance companies in Kenya. The study findings indicate there is a positive significant effect of direct investment on the performance of insurance companies in Kenya ($P=.372$, $Sig=.009<05$).

The third study objective sought to establish the effect of strategic alliance on the organization performance of Kenyan insurance companies. The findings indicate there is a positive significant effect of strategic alliance on the performance of insurance corporations in Kenya ($P=.539$, $Sig=.000<05$).

The distribution of the correlation variables was tested with the range between -1 to +1. -1 indicates perfect negative correlation while +1 indicates a perfect positive correlation. On the other hand, 0 is an indication of no correlation at all. From the findings above, all the variables had a positive correlation however the highest one was strategic alliances with a correlation of coefficient of 0.539. This implies that strategic alliances had a higher effect on organization performance than joint ventures and strategic alliances.

4.4.2 Regression Analysis

The key research objective was to establish the effect of equity modes of market entry strategies on the performance of insurance companies in Kenya. The level of association was measured using a generalized linear regression model.

The regression equation used was;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Y = Organization performance

X_1 = Joint Venture

X_2 = Direct Investment

X_3 = Strategic Alliances

ε = Error term

The regression results for the model are summarized below:

Table 4.5 Regression Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.586 ^a	.343	.298	3.43478

a. Predictors: (Constant), Strategic Alliances, Direct Investment, Joint Venture

Source: Researcher (2019)

The research also aimed to study the magnitude of the connection between equity modes of market entry strategies on the performance of multinational insurance companies in Kenya. The findings of the research indicate that there are variations in the performance of insurance firms in Kenya due to market entry strategies. This is shown by a Pearson correlation R value of 0.586 and R square value of 0.343. The R square value means that market entry strategies have contributed to 34.3% improvement in the organization performance of these companies. 65.7% variance in the performance of multinational insurance companies in Kenya is explained by other factors not considered in the study.

4.4.3 ANOVA Analysis

The ANOVA test tried to find out the statistical significance of the regression model and whether is a significant predictor of the dependent variable. The results are presented in the table below;

Table 4.6 ANOVA Summary

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	270.901	3	90.300	7.654	.000 ^b
	Residual	519.099	44	11.798		
	Total	790.000	47			

a. Dependent Variable: Organization Performance

b. Predictors: (Constant), Strategic Alliance, Direct Investment, Joint Venture

Source: Researcher (2019)

The findings of the ANOVA model show that the association between the study variables (market entry strategies*performance of insurance companies) presented by the f-statistic = 7.654, is greater than the f-critical value while the sig-value = .000<.05 showing a statistically significant and fit association between the study variables.

4.4.4 Regression Coefficients

The table below presented the statistics on the coefficients obtained from the regression analysis.

Table 4.7 Regression Coefficients

Model		Unstandardized		Standardized		
		Coefficients		Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	11.535	4.774		2.416	.020
	Joint Venture	-.142	.283	-.066	-.502	.618
	Direct Investment	.366	.217	.220	1.685	.009
	Strategic Alliance	.564	.157	.495	3.591	.001

a. Dependent Variable: Organization Performance

Source: Researcher (2019)

From the regression model, the following regression equation was derived: $Y = 11.535 - 0.142X_1 + 0.366X_2 + 0.564X_3$ where

The above results indicate a constant $\alpha = .11.535$ is significantly divergent from 0 since the p-value $.020 < .05$. The beta value is $(\beta) = -.142$ is not significantly different from 0 since the p-value $.618 > .05$. This indicates that there is a statistically insignificant negative effect of the joint venture on the performance of insurance companies in Kenya. A unit change in the joint venture will result in a $-.142$ -unit change on the performance of insurance firms in Kenya.

The beta value is $(\beta) = .366$ is significantly different from 0 since the p-value $.009 < .05$. This indicates that there is a statistically significant positive effect of direct investment on the performance of insurance firms in Kenya. A unit change in direct investment will result in a $.366$ -unit change on the performance of insurance firms in Kenya.

The beta value is $(\beta) = .564$ is significantly different from 0 since the p-value $.001 < .05$. This indicates that there is a statistically significant positive effect of strategic alliance on the performance of insurance firms in Kenya. A unit change in the strategic alliance will result in a $.564$ -unit change on the performance of insurance firms in Kenya.

In summary, both the descriptive and inferential statistics show that the equity modes of market entry do have an effect on organization performance, with some modes having a higher effect than others.

Both analysis conclude that strategic alliances are the most preferred mode of market entry as they do have significant effect on multinational insurance companies' performance.



CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines a review of the summary, discussions, conclusions and recommendations of the research in line with the research variables.

5.2 Summary

The study aim was to examine the effect of market entry strategies on the performance of insurance companies in Kenya. The specific objectives of the study were to examine the effect of joint ventures, direct investments and strategic alliances on the performance of multinational insurance companies in Kenya. The independent variable was anchored on the resource-based view theory and the dependent variable used in measuring organization performance was anchored on the balanced scorecard framework. Data was collected using a structured research questionnaire and it was further analyzed using descriptive and inferential statistics. In analysing the first study objective, most respondents felt that there had been an increase in joint venture activities undertaken by their company. Looking a direct investments as a mode of entry, majority of the respondents indicated that there was a controlling interest in their company while for strategic alliances most respondents felt that there was an increase in technology alliances in their company. The main findings of the study were that joint ventures had a positive insignificant effect on the organization performance while both direct investments and strategic alliances had a positive significant effect of with strategic alliances having the highest effect on insurance MNCs in Kenya. The highest effect market entry strategies had on organization performance was an improvement of internal operations with overall findings of the research indicating that variations on the Kenya insurance companies' performance were to a certain extent determined by the market entry strategies.

5.3 Discussion

This section summarizes the findings according to the specific study objectives. The ojectives of the study were to determine the effect of joint ventures on the performance of insurance companies in Kenya, to examine the effect of direct investments on the performance of insurance companies in Kenya and to find out the effect of strategic alliances on the performance of insurance companies in Kenya.

5.3.1 Joint Venture and Organization Performance

The first study objective looked at the effect of joint ventures on the organization performance of insurance MNCs in Kenya. The types of joint ventures analysed were shared control, joint

profit sharing and increase in joint venture activities in the companies. Respondents indicated



that there were policies in place for profit sharing and managerial control within their insurance firms owing to the improved joint venture activities locally. However most respondents felt that there had been an increase in joint venture activities undertaken by their company. The overall findings of the study indicated that there was a positive influence of the joint venture on the performance of insurance organizations in Kenya. The effect was however insignificant. These findings are not consistent with Hearn (2015) who viewed joint ventures as an avenue for enhancing the performance of listed firms.

Li et al. (2012), in their research paper, pointed out to the joint venture efforts that have been affected by multinational firms positively influence their performance. Luo (2017) also points out that joint venture entry strategies have improved the performance of firms. Guo and Jiang (2013) also indicated in their study that joint venture opportunities had been on the rise and have vastly improved organization performance. Siddiqua and Parvin (2017) in their research also indicate that joint venture institutions have positively enhanced the financial performance of insurance companies.

The study findings are also inconsistent with some of the studies indicated above that joint ventures had a significant effect on the performance of an organization. This is due to the fact that the positive effect was insignificant thus leading us to conclude that joint ventures as a market entry strategy may not be the best way to enter a foreign market.

5.3.2 Direct Investments and Organization Performance

The second study objective looked at direct investments and their effect on organization performance. In analysing this objective, various methods of direct investments were analysed and some of these were vertical direct investment and horizontal direct investment. Respondents were also asked whether their company was a fully owned subsidiary, whether there was a controlling interest in their company and finally whether there had been increased foreign participation in their company. Most respondents agreed that there was a controlling interest in their company. The overall study findings indicate there is a positive significant influence of direct investment on the performance of insurance companies in Kenya.

The findings are consistent with Adeleke et al. (2019), who notes that there is a positive relationship between direct investments and profit growth in insurance corporations. Yüce and Zelaya (2014) also showed that direct investment decisions have positively influenced the financial performance of multinational firms by helping them foster their scalability of

operations and investment decisions. Kadurenge et al. (2017) indicate that direct investments have positively led to improved performance of listed insurance companies in Kenya.

5.3.3 Strategic Alliances and Organization Performance

The findings show that insurance companies within the country have achieved increased agency alliances, brand marketing alliances and innovation alliances. The findings also showed that insurance firms have been able to improve technological alliances and enhance their market share through expansion programmes.

While most respondents agreed that their companies were involved in all the various strategic alliance methods, there was strong agreement that there was an improvement in technology alliances within their organization. The findings further indicate there is a positive significant effect of strategic alliances on the performance of insurance companies in Kenya. Odediran et al. (2013) study showed that strategic alliances and partnerships had improved the performance of insurance firms. Otieno and Ogutu (2017) note that strategic alliances have improved the market share and profitability of insurance companies. Mungai and Ogot (2017) indicated that market linkages have been essential to improve firm performance.

The findings are thus consistent with some of the previous studies done in relation to this. Further to this Min and Joo (2016) noted that firms have been focusing on implementing strategic alliances as a channel of fostering operational efficiency within the firm due to their positive effect. Ogutu and Samuel (2012) similarly indicate that strategic alliances have helped organizations in enhancing their competitiveness locally.

Okoth (2015) notes that strategic alliances have been essential in improving customer satisfaction, market share and profitability growth in insurance firms.

In summary, all these market entry modes do have an effect on organization performance with some being more significant than others. Based on the study findings, while joint ventures do have an effect on organization performance, it may not be the best market entry strategy for insurance companies in Kenya due to the insignificant effect.

5.4 Conclusions

Based on the study findings we can conclude that market entry strategies do have an effect on performance of insurance MNCs in Kenya, some more significant than others. This is supported by Karkkainen (2010) who indicated that market entry mode was a key predictor of

performance. Appiah-Adu and Amoako (2016) in their research also notes that marketing strategies have a positive effect on the performance of insurance sector firms.

The research concludes that while joint ventures have an effect on organization performance, it is quite insignificant. The research further concludes that direct investments across the multinational insurance firms have been integral to increased performance of insurance firms especially if the foreign firms have a controlling interest. The study notes that increasing foreign participation within the insurance industry will result in improved performance. The research also concludes that technological alliance, agency alliances and innovation alliances can be leveraged by the multinational insurance firms to foster their performance with technological alliances taking centre stage.

AIB Capital (2018) notes that there is increased growth within the insurance industry which has seen an increase in premiums, product development and long-term business improvement. This can be attributed to some of the market entry strategies employed by the MNCs since their entry into the Kenyan insurance industry.

5.5 Recommendations

The study did indicate that there was indeed a positive effect of these market entry strategies on the performance of multinational insurance companies in Kenya. These results will be very useful to various stakeholders identified as potential beneficiaries to this research.

To the insurance companies in Kenya, the findings were to help in their strategy formulation especially if they were to enter other markets now that there is evidence on how the market entry modes of multinationals have affected their organization performance. Based on the results of the three research objectives, the study recommends that insurance firms should sustain their competitiveness by leveraging on their market entry strategies. The research also recommends that the insurance firms should continue and enhance their strategic alliances such as innovation, technological and agency in order to enhance their performance as this was the entry mode with the most positive significant effect on organization performance.

Companies should leverage on their controlling interest as a measure of fostering the performance of insurance firms through employing core competencies and capabilities from the parent company to improve the local company's performance. The study recommends that multinational insurance firms should ensure they have institutional control which can be integral in enhancing growth and improvement of the insurance firms' operations.

While the effect of joint ventures was insignificant, it was still positive. Therefore it is recommended that multinational insurance firms should improve their joint venture strategies as a mechanism of improving their local operations and fostering service offerings. They can perhaps learn other means of joint venture strategies that other studies have pointed out to be successful and implement them.

The study was to assist the regulator in improving the policy formulation around allowing foreign companies to do business in Kenya. As the study findings indicate that most companies have a controlling interest and that this has led to improved organization performance, the regulatory body should encourage the multinationals to enter the market not only through allowing them to acquire a controlling interest but to also have policies and frameworks that support some of the other entry modes such as strategic alliances and joint ventures. This will enable companies to exploit these means to their full advantage.

Academicians and scholars were to benefit from this study through availability of empirical evidence on equity modes of market entry and organization performance of multinational insurance companies in Kenya. It is recommended that this research be used as a starting point to further understand the organization performance of multinational insurance companies in Kenya while adding on to any existing studies on the factors that may affect performance of insurance MNCs in Kenya apart from market entry modes.

5.6 Limitations of the study

The study sought information from senior managers of the various insurance MNCs in Kenya and how their organizations performance was affected by the various modes of market entry. We did not have an opportunity to get information from the parent companies on their opinion as to whether the modes of market entry they employed have worked in their favour when they consolidate their overall results.

The study also used primary data from questionnaires. Although we got information on from the respondents, it was not possible to quantify some of the aspects such as financial performance and customers. This could have been done by trend analysis on secondary data from available company statistics.

5.7 Suggestions for Further Research

The study sought to examine the effect of market entry strategies on organization performance using three market entry modes: joint ventures, direct investments and strategic alliances.

Direct investments and strategic alliances had a significant positive effect as shown by the study results and previous research work. However, the study results on joint ventures were inconsistent with previous studies done. The study recommends that further studies be done on joint ventures within the insurance industry to examine how they undertake their joint ventures and compare this with other sectors where joint ventures have been successful as highlighted by Siddiqua and Parvin (2017) .



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APPENDICES

APPENDIX I: LIST OF MNCS IN KENYAN INSURANCE INDUSTRY

Name of Company	Type of Company	Parent Country	Year of Entry
Allianz Insurance Company of Kenya	General Insurance	Germany	2015
Barclays Life Assurance Kenya Limited	Life Insurance	South Africa	2015
Capex Life Assurance Company Limited	Life Insurance	Nigeria	2007
First Assurance Company Limited	General Insurance	South Africa	2015
Heritage Insurance (K) Limited	General Insurance	South Africa	2011
Liberty Life Assurance(K) Limited	Life Insurance	South Africa	2011
Metropolitan Cannon Life Assurance Ltd	Life Insurance	South Africa	2007
Metropolitan Cannon General Insurance Ltd	General Insurance	South Africa	2007
Prudential Assurance Company Limited	Life Insurance	United Kingdom	2014
Saham Assurance Company Limited	Composite	Morocco	2013
Sanlam General Insurance Company Limited	General Insurance	South Africa	2015
Sanlam Life Insurance Limited	Life Insurance	South Africa	2000
UAP Old Mutual Life Assurance Limited	Life Insurance	South Africa	1995
UAP Insurance Company Limited	General Insurance	South Africa	2015
UAP Life Assurance Company Limited	Life Insurance	South Africa	2015

Source: AKI (2018)



APPENDIX II: QUESTIONNAIRE

Survey on the effect of market entry strategies on the performance of insurance companies in Kenya.

Purpose of the Survey

The purpose of this questionnaire is to assist in identifying the effect of market entry strategies on the performance of insurance companies in Kenya. The scope of this study the multinational insurance companies in the industry. The exercise will take about 10 minutes, and your participation will be highly appreciated. Your participation in this survey is purely voluntary, and you are free to terminate should you feel uncomfortable to proceed. The information provided will be treated with utmost confidentiality and will be used solely for the research. The findings will be reported on aggregate, not on an individual basis.

Should you have any questions, kindly contact Gloria K. Karissa on 0720844111.

SECTION A: INTRODUCTION

1. Name of your Company _____
2. Age
 25 – 35 36 – 45 46 - 55 Above 55
3. Gender
 Male Female
4. Level of Education
 O level
 Diploma
 Graduate
 Post graduate
5. Position held within the organization _____
6. How long have you worked in this company?
 0 - 3 years
 4 – 6 years
 7 – 10 years
 Greater than 10 years

SECTION B: MARKET ENTRY STRATEGIES OF MULTINATIONALS WITHIN THE KENYAN INSURANCE INDUSTRY

This section looks at the various modes of market entry.

On a scale of 1-5 indicate the extent to which you agree with the following statements where:

1= Strongly Disagree; 2= Disagree; 3=Moderate; 4 = Agree; 5= Strongly Agree.

No	Joint Venture	5	4	3	2	1
1.	The company has shared control within the insurance industry					
2.	The company is involved in joint profit sharing within the industry					
3.	There has been an increase in joint venture activities by my company.					

No	Direct Investment	5	4	3	2	1
1.	There is increased vertical direct investment in my company					
2.	There is an increase in horizontal direct investment in my company					
3.	My insurance company is a fully owned subsidiary					
4.	There is a controlling interest in my company					
5.	There is increased active foreign participation in my company					

No	Strategic Alliances	5	4	3	2	1
1.	There is an increase in agency alliances within my company					
2.	There is an increase in brand marketing alliances within my company					
3.	There is an increase in innovation alliances within with my company					

4.	There is an improvement in technology alliances within my company					
5.	There is an increase in market expansion in my company					

SECTION C: PERFORMANCE OF MULTINATIONAL FIRMS WITHIN THE KENYAN INSURANCE INDUSTRY

This section looks at the performance of multinational firms within the insurance industry in Kenya.

On a scale of 1-5 indicate the extent to which you agree with the following statements where: **1= Strongly Disagree; 2= Disagree; 3=Neutral; 4 = Agree; 5= Strongly Agree.**

No	Organization Performance	5	4	3	2	1
1.	The insurance company has attained increased customer brand loyalty					
2.	The insurance company has improved its customer satisfaction					
3.	There is an improvement in the insurance company's profitability					
4.	There has been a growth in the customer base of the insurance company					
5.	There is increased product development within the insurance company					
6.	There is an increase in the innovation capacity of the insurance company					
7.	There has been an improvement in the internal operations of the company.					

Thank you for your time and cooperation.

APPENDIX III: LETTER OF RECOMMENDATION

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 386940	Date of Issue: 10/October/2019
RESEARCH LICENSE	
	
<p>This is to Certify that Ms. Gloria Kariza of Strathmore University, has been licensed to conduct research in Nairobi on the topic: EFFECT OF MARKET ENTRY STRATEGIES ON PERFORMANCE OF INSURANCE COMPANIES IN KENYA for the period ending : 10/October/2020.</p>	
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