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LEARNING ORIENTATION AND COMPETITIVE ADVANTAGE: THE CASE OF INSURANCE FIRMS IN KENYA

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Abstract

Explaining how firms operating within an industry can vary in their performance outcomes continue to generate debate among strategic management scholars. The objective of this study was to examine whether learning orientation influenced competitive advantage. The population of study comprised all the 56 insurance firms in Kenya. Primary data was collected using a self-administered questionnaire. The data was tested for reliability, validity and sampling adequacy. Simple regression analysis was carried out to understand the relationships among the variables. The findings established that learning orientation had a statistically significant effect on competitive advantage. The study concludes that for insurance firms to gain and sustain competitive advantage, they need to embrace a culture of learning orientation. The study contributes to knowledge by providing empirical evidence that learning orientation significantly influence competitive advantage. This study presents opportunities for future research. For instance, the study used cross-sectional survey design and therefore future studies could consider use of longitudinal research design using the same study variables. Further, the study used a questionnaire to collect data from a single respondent. Future studies could consider using both questionnaires and an interview guide and with at least two respondents so as to cure both common method and respondent bias.

Key Words: Learning orientation, Firm Innovation, Competitive Advantage, Insurance firms in Kenya

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Introduction

The emergence of globalization which has brought with it changes in customer requirements and accelerated technological advancements has rendered conventional strategies obsolete forcing organizations to continuously search for new strategies to attain and sustain competitive advantage (Comez & Kitapci, 2016; Vij & Farook, 2015). As such, firms have been forced to explore for and exploit new knowledge through a learning mechanism for use in innovatively designing new products that meet new markets and the emerging customer dynamics (Vij & Farooq 2015). Indeed, with the diminishing competitive power of many companies in the increasingly globalized market, interest in embracing a learning orientation by companies has grown, with the the area of learning orientation now widely receiving attention as a critical domain of academic research.

Learning orientation is an attribute that mirrors the significance that firms place on continuously interrogating the beliefs that define the firm's link with its environment (Martinette & Obenchain-Leeson, 2012). Amin (2015) defined it as firm beliefs that impact a firm's inclination to develop and apply knowledge. It involves the sharing of information about customer needs, market changes, and competitor actions that assist in the development of products that position firms to achieve and sustain competitive advantage (Martinette, Obenchain-Leeson, Gomez & Webb, 2014). Learning orientation therefore reinforces the learning norms in firms aimed at increasing firm capabilities to perform better and gain a competitive advantage. Baba (2015) provided insights that learning orientation enables firms to cultivate a new culture that disrupts the status quo. Comez and Kitapci (2016) contend that a company's capacity to learn faster than its rivals is the foremost source of long-term competitive advantage. And according to Salim and Sulaiman, (2011),

an effective strategy for gaining and improving firm's competitive edge and performance is embracing a high level of organizational learning orientation.

This study is anchored on the dynamic capabilities theory which posits that a firm's competitive advantage is the outcome of dynamic capabilities embedded in firm routines and rooted in the organization's paths, processes and market position (Teece, Pisan & Shuen, 1997; Arndt & Pierce, 2017). The theory explains the performance of firms in uncertain environments and argues for firms to constantly re-configure and re-new their capabilities to enable them achieve and sustain competitive advantage (Teece, 2018). It propagates for learning-oriented firms to use their dynamic capabilities to obtain market information on market needs and competitor moves, for use in shaping competition and market place outcomes, by embracing innovation and business transformation (Teece, 2014).

The insurance industry in Kenya is growing in importance and has been identified in the Vision 2030 as critical in the country's transformation under the economic pillar. Despite this, the industry is still characterized by low penetration (a decline from 2.43% in 2018 to 2.34% in 2019 to 2.3% in 2020 and 2.27% in 2021), increased frauds and the offer of duplicate products (IRA, 2020; AKI, 2021). Additionally, customers are now more informed, and keen on convenience and looking to insurers as risk consultants rather than just underwriters. And while companies around the world are filling this role by utilizing smart technology to assist their clients in preventing risk occurrences, lowering the cost of claim, and enhancing the entire consumer experience, insurance companies in Kenya are lagging behind. They need to implement a plan that provides clients with goods and services that are relevant to them and available when they are needed. It is

expected therefore that the insurance companies adopting a learning orientation will enable them to build and enhance their competitive advantage.

Literature Review

It is widely acknowledged that an organization's potential to gain competitive advantage is boosted by having a strong learning orientation (Baker, Mukherjee & Perin, 2022). And while this ought to be the focus, empirical literature has largely focused on the influence of learning orientation on organizational performance (Tajeddini, 2016; Martinez, Vega & Vega, 2016; Vij & Farooq, 2015). These studies have established that learning orientation positively influence organizational performance. Tajeddini (2016) contend that the level of learning orientation and innovation in public organizations determines the speed of delivery of service, cost leadership and quality confidence.

Literature further indicate that studies linking learning orientation and competitive advantage are scanty and yet learning orientation is considered key for a firm's competitive advantage (Baker, Mukherjee & Perin, 2022). Prior studies established a strong and significant relationship between learning orientation and competitive advantage of public accounting services firms (Martinette, Obenchain-Leeson, Gomez & Webb, 2014). Meanwhile, Mahmood and Hanafi (2013) in study on women-owned SMEs in Malaysia established that learning orientation influenced performance with full mediation of competitive advantage. Further, Martinette and Obenchain-Leeson (2012) established a statistically significant link between learning orientation and competitive advantage among firms that are purely service-based. Similar findings were found by Martinette and Obenchain-Leeson (2010) and Martinette (2006).

Research Methodology

This study was anchored on positivist paradigm as it was based on theory testing, hypotheses testing and generalizability of research findings (Blumberg, Cooper & Schindler, 2014). The positivist philosophy, places a strong emphasis on finding logical or mathematical proof generated from statistical analysis and the scientific testing of hypotheses (Collis & Hussey, 2014). It assumes the existence of independence between the observer and the observed and that knowledge is developed by interrogating the social reality by observing objective facts. Further, the study not only sought to determine the correlations between the variables but also the robustness and direction of the relationships.

And in order to describe, compare, or explain people's knowledge, attitudes, and behavior, the study used a descriptive cross-sectional survey approach as proposed by Fink (2003). The study targeted all the insurance companies in Kenya, with primary data being collected using a self-administered questionnaire. The reliability and validity of the research instrument was assessed and diagnostic tests conducted to check the assumptions for linear regression. The assumptions include tests for linearity using Probability- Probability (P-P) plots and test for normality using Shapiro-Wilk test. Linearity is confirmed when data points cluster around a straight line when a chosen variable fits the test distribution, whilst normality is confirmed when all p-values for the study variables are greater than 0.05. Learning orientation was operationalized using the dimensions of open-mindedness, commitment to learning and shared vision as recommended by Nybakk (2012). Competitive advantage was measured using market responsiveness, firm flexibility and product differentiation as recommended by Agha, Alrubaiee, and Jamhour (2012).

Simple regression analysis was used to test the influence of learning orientation on competitive advantage using the below analytical model.

$$CA = \beta_1 + \beta_2 LO + \epsilon_1$$

Where

CA = Competitive advantage

β_1 = Regression constant

β_2 = regression coefficient.

LO = composite score for learning orientation

ϵ_1 = Error term

The hypothesis was tested at 5% level of significance.

Data Analysis and Results

Response rate

The study was a survey targeting all the 56 licensed insurance companies in Kenya. 54 self-administered questionnaires were emailed to senior managers of the targeted respondents. Of this, 48 responses were received, with 47 questionnaires correctly filled and analyzable.

Table 1: Reliability Test

Variables	Cronbach's Alpha	No. of Items	Conclusion
Learning Orientation	0.947	16	Reliable
Competitive Advantage	0.922	22	Reliable

Source: Field data (2021)

Table 1 indicates that the alpha coefficients were greater than the 0.7 threshold, hence all the variables were reliable and acceptable for the study.

Hypothesis Testing

The study used inferential statistics to assess the character and breadth of the linkages amongst variables using regression analysis. Prior to performing hypothesis testing, diagnostic tests for assumptions of linear

This was 88.9% response rate. Previous studies among insurance companies in Kenya by Ombaka (2014) and Arasa (2008) achieved response rates of 69.5% and 72% respectively. Mugenda and Mugenda (2003) contend that a response rate of 50% is adequate, 60% generally good and 70% good enough. Therefore, the response rate achieved of 88.9% in this study was regarded as being adequate for data analysis.

Reliability test

To evaluate the internal consistency of items within the instrument, Cronbach's Alpha coefficient was utilized. Various scholars have proposed varied thresholds to measure reliability of a research instrument. This study had adopted an alpha coefficient of 0.7 and above to denote an acceptance level as proposed by Cooper and Schindler (2011).

The table below indicates the Cronbach's alpha for the study variables.

regression analysis were conducted. These included the assumptions of linearity and normality. To test for linearity, charting of data for each variable on P-P plots is conducted to assess if a variable's distribution corresponds to a specific cumulative frequency. If the points cluster around a straight line when a chosen variable fits the test distribution, then linearity is confirmed. In the study, P-P plots for both learning orientation and competitive advantage clustered a straight line thus confirming linearity.

Normality of data distribution is tested using Shapiro-Wilk test. Normality is confirmed if all p-values for the variables of study are greater

than 0.05 (Razali & Wah, 2011). The findings are shown in Table 2 below;

Table 2: The Shapiro–Wilk test

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Learning Orientation	.113	47	.166	.954	47	.064
Competitive Advantage	.090	47	.200*	.986	47	.829

Table 2 indicates that learning orientation recorded significance level of (0.064) and competitive advantage (0.829), all above 0.05 thus satisfying the normality assumption. All the regression assumptions therefore were satisfied thus allowing linear regression to be conducted.

The objective of the study was to assess the influence of learning orientation on competitive advantage of insurance companies in Kenya.

To address this objective, the below hypothesis was tested:

H₁: Learning orientation has a significant effect on competitive advantage of insurance companies in Kenya

Table 3 below summarizes and presents the findings of the regression analysis performed to determine the impact of learning orientation on competitive advantage.

Table 3: Regression outcome of Learning Orientation on Competitive Advantage

Model summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.626a	.392	.378	.50175		
Anova						
Model		Sum of squares	DF	Mean Square	F	Sig.
1	Regression	7.295	1	7.295	28.977	.000b
	Residual	11.329	45	.252		
	Total	18.624	46			
Coefficient						

Model		Unstandardized Coefficients		Standardized Coefficients		Sig
		B	Std Error	Beta	t	
1	(constant)	.602	.424		1.418	.163
	Learning Orientation	.587	.109	.626	5.383	.000

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Learning Orientation

Source: Field data 2022

The findings in Table 3 demonstrate that learning orientation explained 39.2 % of the variation in competitive advantage among insurance companies in Kenya. This suggests that additional variables not accounted for by the model were responsible for 60.8% of the variation in competitive advantage. This is demonstrated by R² (coefficient of determination) value of 0.392 in the model summary. The results also indicate that the regression model fitting the correlation between learning orientation and competitive advantage was robust and statistically significant as shown by F = 28.977, p<0.05. The standardized regression coefficient value for learning orientation was β=0.626. This suggests that competitive advantage improved by 0.626 for every unit increase in learning orientation. Further, learning orientation t=5.383, p<0.05 was established to have a positive statistically significant influence on competitive advantage of insurance companies in Kenya. Based on these findings, the hypothesis H₁: Learning orientation has a significant effect on competitive advantage of insurance companies in Kenya was supported.

From the results, the prediction equation is substituted as follows:

$$CA = \beta_1 + \beta_2 LO + \epsilon_1$$

$$CA = 0.602 + 0.626 LO + \epsilon_1$$

Where;

CA= Competitive Advantage

LO= Learning Orientation

The findings of the study were consistent with studies by Martinette and Obenchain-Leeson (2012), Martinette and Obenchain-Leeson (2010), and Martinette, Obenchain-Leeson, Gomez and Webb (2014). According to Martinette, Obenchain-Leeson, Gomez and Webb (2014), learning orientation had a significant impact on competitive advantage in organizations that provided public accounting services. The findings were further corroborated by results of a study by Mahmood and Hanafi (2013) which reported similar. Alegre and Chiva (2008) assert that the more organizations learn, the greater their knowledge base and capabilities that will enable them to better understand the customer needs and the necessity for organizational renewal and transformation. The findings, however, contradicted the findings of Altinay, Madanoglu, De Vita, Arasli, and Ekinci (2015). There was no statistically significant association found between the learning orientation indicators of open-mindedness, commitment to learning, shared vision, and competitive advantage.

Conclusion, Implications of the study and Recommendation

With the diminishing competitive power of many companies in an increasingly globalized market, interest in embracing a learning orientation by firms has grown. Keskin (2006) established that firms espousing a high degree of learning orientation have created clearly defined systems for knowledge sharing, supported by a common vision that exploits the passion of employees towards generating exceptional benefits for the customers. For instance, ideas generated through continuous learning enable a business to make the necessary adjustments to its management systems, processes, and products to meet changing customer needs. This aligns well with the dynamic capabilities theory which argues for firms to keep integrating, reconfiguring and renewing their capabilities, in tandem with the dynamic environment thus achieving competitive advantage. According to this study's findings, as learning orientation increased among insurance firms in Kenya, competitive advantage also increased. Therefore, for insurance firms in Kenya to enhance their competitiveness, they ought to identify proper and right training that could help them improve their learning orientation skills.

This study advances research and literature on learning orientation in achieving competitive advantage. The study found that learning orientation significantly influenced competitive advantage. This implies that insurance firms have to emphasize the development of human resource and other organizational policies that promote learning. In this study, learning orientation was operationalized using the indicators of shared vision, commitment to learning and open-mindedness. Specifically, therefore, a learning culture that promotes commitment to learning, fosters a shared vision and encourages employees to question the status quo especially the long-held

assumptions, routines and beliefs, if nurtured will help insurance firms to create and sustain competitive advantage.

The findings of this study hold potential to scholars and practitioners alike. Indeed, senior managers of insurance firms should emphasize, prioritize and consider learning as a driver of competitive advantage. Further, Chaveerug and Ussahawanitchakit, (2008) argued that learning orientation involves the acquisition and sharing of information on consumers, competitors, and changes in the market that enable firms to develop new services that are of a higher value than those of rivals. Taking cue from this, insurance companies in Kenya can utilize the results of this study to create and implement knowledge management, communication and customer relationship management policies and strategies that will assure them competitiveness in the market place regardless of the regulated nature of the industry. The study concludes that for insurance firms to gain and sustain competitive advantage, they need to embrace a learning-oriented culture. This requires of them to commit to learning, have a shared direction and to embrace a culture of open-mindedness. The study concludes that when firms learn what customers desire, they will have the ability to understand their requirements and will be able to generate higher value for them and hence gaining a competitive advantage over its competitors.

Suggestions for further study

It is noted that a cross-sectional survey design applied in this study provides a snapshot of one point in time and therefore restricts the extent to which conclusions about the causal ordering of variables can be drawn. Future studies can consider use of longitudinal research design that allows for the collection of data at different points in time. Further, the data collection tool used was a questionnaire emailed to single respondents from among the insurance companies. It is suggested that future could consider using both questionnaires and an

interview guide and at least two respondents so as to cure both common method and respondent bias.

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