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Effect of Organizational Culture on the relationship between Corporate Diversification and Financial Performance in the Kenyan Insurance Service Sector

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Abstract

Purpose *- The study examines how organizational culture moderates corporate diversification-performance link in the Kenyan insurance sector.*
Methodology *- The target population comprised fifty six insurance firms in Kenya. Secondary data was collected from published account and company accounts filled at the insurance regulatory authority. Data for organizational culture was gathered using a semi structured questionnaire, from managers and top level employees from registered insurance companies in Kenya. The operational items of the questionnaire to measure organizational culture were guided by the Denison model. Descriptive and inferential analysis was performed by SPSS and STATA. Moderation effect analysis was guided by Baron and Kenny moderation steps.*
Findings *– Based on the findings, it was established that composite organizational culture has a statistically positive moderation effect on the link between corporate diversification and ROA. Moreover, mission, involvement and adaptability, influence corporate diversification-financial performance linkage of the Kenya insurance sector.*
Implications *- The managers gain insights from study findings and use the findings as a tool to instill the right mindset and behavior to employees or agents and formulate the framework to guide actions of participants since the right ethics and culture can only be sponsored from the top. Further research can be extended to contexts within the developing economies category and other financial service sectors and non-financial sectors by evaluating the diversification index that is well suited to them that would provide more insights into the relationships.*

Keywords: *Corporate Diversification, Organizational Culture, Performance, Kenyan Insurance Service Sector*

Introduction

The central goal of diversification strategy employed by organizations is to intensify performance as well as to upscale revenues from the new service, product or market ventured. However, in literature, its effect on performance remains largely a controversy. In the light of global financial crisis, diversification has

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become an imperative issue that concern financial stability. A firm can diversify when core business ceases to offer investors adequate returns for the risk taken, or its cash-flows become gradually uncertain, or when it fails to offer growth opportunities or generally fails to improve sales and profitability. Corporate diversification is used to enlarge firm's operations by enhancing existing business through additional products, markets, services or reworking on the stages of production (Santalo & Becerra, 2008). Diversification exercise therefore helps organizations to create and utilize larger internal capital and build value, hence its net effect is viewed as a function of firms' ability to maximize benefits while minimizing costs.

When firms are faced with shrinking market or diminishing sales, diversification may be considered and used by a firm as a tool for reducing investment risk or facilitating resource deployment thereby enhancing efficiency. In support of this view, Kuppuswamy and Villalonga (2015) and Shi et al. (2016) believe that companies diversify into businesses that have profit opportunities. In pursuit to achieve high effectiveness and productivity in organizations, internal stakeholders, particularly the employees form an overall subjective perception of the organization which becomes the personality of an organization or the organization's culture. Corporate culture is described by Ronald and George (2016) as the persistent underlying structure that shape behavior and perception of members of an organization and acts as a binding factor that guides the interaction of employees and stakeholders. The perceptions whether favorable or not influence productivity, satisfaction and output of employee which has a direct impact on firm performance. Therefore organizational culture represents an active living phenomenon which members of an organization use to create shared meaning and continuously interpret their work. From the definition of Ronald and George (2016), it can be deduced that culture is a key organizational aspect that can build or break an organization. If an organization's culture is to improve its overall performance, its culture must be strong and its beliefs and values must be widely shared and firmly upheld. Culture of ambiguity and mistrust as opposed by Aamah (2012) and Skerlavaj et al. (2007) can impact negatively on organizational performance hence managers are expected to develop the right culture that influence people and their output. Denison et al., (2015) demonstrated that the relationship between organizational culture and firm performance depends on effectiveness of measures and suggested that each organization must establish its own cultural characteristics to meet desired goals.

Firm culture extends to include company values, rules, and conduct with customers, business partners, suppliers, and stakeholders; thus, creating conscious among employees in relation to organizational values and rules of conduct practiced and promoted in business undertakings (Naranjo-Valencia et al., 2016). Organizational culture has been projected to have a very significant impact on behavior and performance of staff. As such, organizational culture acts as a body of solutions that work consistently in an organization and systematically pass on to new members who internalize and use them to approach problems. If closely followed, culture can positively impact on behavior of an organization and guide individuals towards goal achievement (Olson & Tomas, 2016). Therefore, a strong corporate culture allows goal alignment which in turn motivates employees to improve the overall corporate performance.

Firm performance is defined by Liebenberg and Lin (2019) as the fulfillment of organization's economic goal while Goll and Rakesh (2015) equate performance to having above-average profitability. Financial performance of a firm is described as a measure of value created by an organization or outcomes that result from management decisions (Olson & Tomas, 2016). Harker and Zenios (2013) view firm performance in terms of satisfying key stakeholders and addressing customer perspective. Since organizations pursue identifiable and ultimate goals, organizational performance can be expressed in relation to goal attainment. Further, Ronald and George (2016) assert that organizational performance is best evaluated by quality products and services, satisfying customers and employees and market performance. However, performance is situational since it depends on what the observer finds valuable and characteristics of an industry. Concept of performance is anchored on the idea that organizations are interconnections of productive assets and capital resources with the core objective of achieving a shared purpose (Westerman, De Ridder, & Achtereekte, 2020). Performance therefore becomes an ultimate test of the firm's health and ensures that all elements and systems within a firm are working harmoniously towards a unity of purpose (Odundo, 2015). It is obligatory on providers of capital to evaluate the value they derive from their asset as the quest to invest further is dependent on the present value received. Similarly, shareholders and other stakeholder's expectation can be realized if entities achieve a steady and progressive positive performance. Yet still, excess returns can be recouped for investment in additional lines of business.

Research Problem

Insurance companies and other financial intermediaries are faced with financial crises that have an adverse effect on their performance. This has been occasioned by reliance on one source of income, poor

organizational culture and shrinking size among others. Challenges facing insurance companies in Kenya are many and varied and they include low penetration, low profitability, internal management issues, constrained resources, consumer apathy and competition among others. The industry gross earned premium has been relatively constant over the past 5 years. However, profit before tax was on a decreasing trend from 2016 to 2018 as profits after tax dropped by 61.56% but increased significantly in 2019 then significantly dropped with over 68% in 2020. Insurance industry also faces negative attributes for instance unhealthy competition and apathy by consumers. This could be attributed to the culture practiced in this industry that shapes actions and behavior of firms or fraudulent actions experienced by consumers and low level of consumer awareness (IRA, 2017). During 2020, 1,637 while in 2019 1,962 complaints were filed with the insurance fraud investigation unit (IFIU), 75% filled against general insurance business whereas 25% were made against long term insurers. The Authority had also registered 2,233 complaints in 2018 compared to 2,126 complaints reported in 2017 rising from delayed settlements, erroneous deductions, declined claims, theft and unsatisfactory compensations. These cases can be associated to organizational culture issues that trickle down to clients and reflect badly on image of insurance industry.

An empirical review of literature has concurred on lack of consensus on the link between diversification and firm performance. Corporate diversification has been projected by Chen and Keung (2018) as a critical strategy to turn around performance of financial institutions. Observations have cited a positive relationship that diversification improves profitability over time (Hoskis & Hill, 2016; Nyaingiri & Ogollah, 2015) and still stress the relevance of corporate diversification in gaining competitive edge in a dynamic market (Nisar et al., 2018) stressed Critics of diversification have indicated negative linkage and that diversification derail performance (Ibragimov et al., 2011; Chakrabarti et al., 2007). Still others have demonstrated that diversification and performance relation is dependent on business cycles (Liebenberg & Lin, 2019). Santalo and Becerra (2008) provided evidence that differences on diversification components adopted brings variations on results. Disagreement also exists as to whether diversification is universally profitable or unprofitable hence the relationship becomes controversial, contradictory and inconclusive. Evidence also reveals that effect of diversification is shaped by larger economic stability and business group affiliations (Rudolph & Schwetzler, 2013). Moreover, researchers' show that differences could stem from selection bias and database biases. Therefore whether diversification improves or diminishes value remains an empirical question.

Concepts under analysis have been analyzed in different sectors or across several countries. The current study aims to bridge the gap by analyzing these concepts in the Kenyan insurance sector. Other than the conceptual gaps, the effect of diversification is contingent on data and methodologies applied, time period and geographic location. Studies have employed HHI. To address the shortfalls of this measure, current study utilizes Shannon Entropy Index. Shannon Entropy Index incorporates diverse business segments and quantifies unrelated product diversification. Because of the logic of its development and application, the entropy index is sensitive to very small firms and also takes into account the number of segments that a firm undertakes and the relative significance of each segment in sales. It is against this backdrop that this study examines the moderating effect of organizational culture on corporate diversification-financial performance linkage in the insurance sector in Kenya. The question then hinges on; does organizational culture moderate the link between corporate diversification and financial performance?

Research Objective

The objective of this study is to determine the moderation effect of organizational culture on the relationship between corporate diversification and financial performance of insurance companies in Kenya.

Theoretical Background

The diversification and performance relationship is founded on modern portfolio theory (MPT). The fit in of organizational culture in this relationship is supported by the stakeholder theory. Modern portfolio theory was originally advanced by Markowitz (1952) and is among significant economic theories concerned with investment and weighs the advantages of diversification. The theory explains how investors optimize wealth and reduce exposures through introduction of different products in various investment portfolios. The theory projects diversification as a factor to minimize risk even though assets or product returns are positively correlated. In advocacy of MPT, Jansson and Biel (2011) argue that it’s commonly applicable and acts a vital task to financial institution performance studies. The theory conceptualization indicates that investors minimize exposures through diversification of business activities where firms can profitably apply resources and increase return on asset. The underpinning of modern portfolio theory in this study forms the basis for assessment of lines of business undertaken by insurers (as insurers investment portfolios) and what return they give in proportion to the total gross premium written by a company.

Stakeholder theory was coined by Freeman (1984) who proposed that businesses are solely responsible for maximizing profits. In its ideological form, stakeholders are comprised of individuals and groups who directly or otherwise benefit from or injured by actions of the firm. Additionally, these individuals and groups have rights, which are either violated or respected by decisions of a body corporate. The theory puts forward that it is the prerogative of organizations to make sure that shareholders wealth is maximized and put into perspective other stakeholders. Therefore according to this theory, firms need to address stakeholders demands or risk conflicts with them which can lead to diminished performance through go slows, protests or lawsuits. Proponents of stakeholder theory such as Mojibi, Somayeh and Yacob (2013) view the purpose of the firm as broader than economic value creation and include societal interests. According to Naranjo-Valencian et al. (2016), the motivation behind this theory is economic value creation and distributing wealth to numerous benefactors or shareholders. Marcoux (2013) argue that as stakeholder theory demands, all stakeholders interests should be served non-partially in the course of governing a firm. Stakeholders are involved in managing the process of firm's performance in various ways with different intentions. Parties that directly and significantly impact on performance of a body corporate are the executive, shareholders and board of directors who largely ensure that the mission of business is achieved. Stakeholder theory focuses overtly on balance between stakeholder interests as key influencer of corporate policy, whether in emphasizing culture, corporate diversification or firm performance hence its applicability in guiding the study.

Empirical Review

A study by Setianto (2020) examined how growth opportunities determined the connection of corporate diversification and firm's value. The study employed a five year data of Indonesian manufacturing firms. While testing for possible nonlinear linkage between diversification and value, the analysis utilized a nonlinear regression model. Baron and Kenny's (1986) procedure was employed to test the mediating role of growth opportunities. Path analysis method was utilized to check robustness of mediating role on the relationship. Findings revealed the U-shaped diversification and value relationship; suggesting variations of diversification effects on value the across firms. The negative impact of diversification strategy on the value of firms was also found to reverse in instances of higher diversification levels. In addition, analysis indicated that the relationship was entirely mediated by growth opportunities of a firm. The study assessed manufacturing firms which have different operational characteristics from financial service firms like insurance.

Hoskis, Maria and Ronald (2016) focus was multiproduct diversification and firm performance. Empirical findings indicated that unrelated multiproduct diversification is often used in developed and efficient markets. Models tested suggested that unrelated diversification is linked to less attractive risk and return profiles while related diversification is linked to more attractive risk and return profiles. The study supported the predicted curvilinear connection of diversification and firm performance. The relationships were reported to be temporarily stable throughout swings in business economic cycles. The study analyzed data across developed and efficient markets which have distinct market features hence the study findings could not be generalized in developing economies. This study sought to address similar constructs in an emerging market.

Goll and Rakesh (2015) examined the moderating effect of diversification on the relation of corporate culture (as measured by corporate ideology) and firm performance. A cross-sectional survey of leading manufacturing firms in the US was carried out. They conducted a moderated regression analysis and revealed that an interaction of ideology and diversification exerts a considerable impact on firm performance consequently supporting position of strategic focus. The study focused on the largest manufacturing firms in a developed economy which has different market and operational features from a developing economy like Kenya. The study also focused on manufacturing firms which have different operational and environmental features from financial institutions such as insurance firms which is the context for this study.

Chakrabarti et al. (2007) studied how diversification effected on performance for firms operating in different institutional settings between 1988 -2003. Six East Asian countries at different phases of economic and institutional development were sampled and tested. They measured diversification using HHI and 1-year lag ROA as a determiner of firm performance. Current ratio, age and dummy variable - to differentiate periods preceding the economy-wide shock were integrated in the model as control variables. A negative link between diversification and firm performance for entire sample, and varied associations across analyzed countries was reported. Negative impact was more in developed institution and improved performance for least developed environments only. Based on findings, diversification outcomes were influenced by country and institutional culture, affiliation to groups and economic stability. Inter-country studies are affected by many factors like legal requirements in reporting, political differences, market cycles and culture which are difficult to harmonize and can significantly affect findings. Results cannot be

generalized across countries because of varied continental features and cultural difference. Financial shock hit countries differently and the financial turmoil experienced was different for each economy, hence the degree of shock could affect findings significantly.

Diversification, structure and organizational assets to improve on performance are emphasized by Howard and Walters (2014) who studied Chinese firms for a five year period using primary data. They revealed that organizations are dependent on assets that are key task in establishing structures to enable firms to derive best performance. The study found that market changes that call for diversification relied on structure and asset configurations. In china for instance, changing market patterns led to multiple strategic fits of culture, resources and markets. The results of the study were based on China's transition economy and must be viewed with caution for generalization and applicability to other contexts since conditions of other economies could vary significantly.

A study by Aamah (2012) investigated effects of corporate culture on organizational effectiveness in the banking industry. 388 managers were drawn randomly from all 24 banks in Nigeria. Data was collected by questionnaires and oral interviews and analyzed by spearman's rank colleration. Findings indicated that adaptability had a positive influence on organizational effectiveness and market share. Shared values, shared mission and employee involvement were found to positively relate to effectiveness, productivity and market share. Corporate culture was found to have a significant sway on organizational effectiveness. However, the study relied on perceived measures of firm performance which could introduce self-reporting bias since different managers perceive and interpret things differently.

Conceptual Framework

The conceptual model depicts a moderating relationship of organizational culture between corporate diversification and financial performance of insurance companies. A possible link between corporate diversification and financial performance was represented in the model and empirically supported by Nyaingiri and Ogollah (2015). The model showed that organizational culture moderates corporate diversification and firm performance connection as supported by findings of Aamah (2012). The conceptual model showing the schematic linkages between the study variables is illustrated in Figure 1.1.

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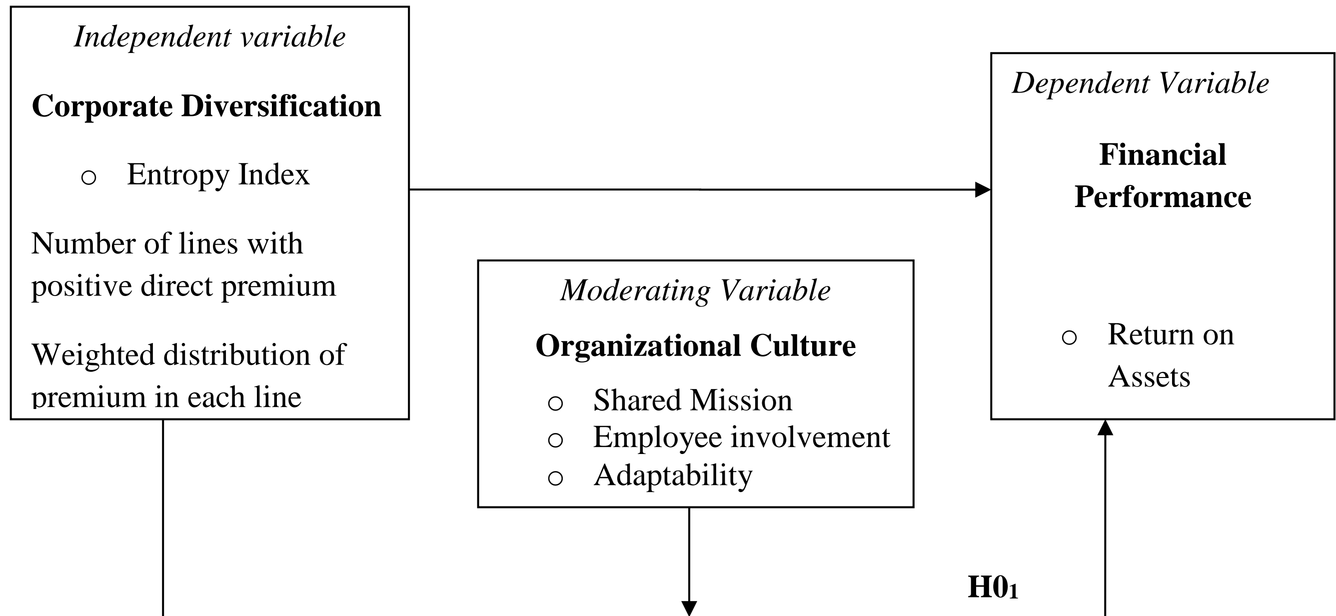

Figure 1.1 Conceptual Model

Research Hypothesis

H_{01}*: *The moderating effect of organizational culture on the relationship between corporate diversification and financial performance is not significant.

Methodology

The target population in this study comprised fifty six insurance firms in Kenya. According to the AKI report (2020), 56 firms were registered to undertake insurance business in Kenya as at December, 2020. Of the 56 insurance companies, 18 operate life insurance business, 33 are in general insurance business and 5 combine both life and general businesses. All the 52 companies in the insurance industry that met the sought data requirements for computing diversification index, and financial performance measures during the years 2016-2020 were encompassed in the analysis.

Secondary data for computing performance measures were drawn from the firm's annual accounts, Insurance regulatory authority (IRA) and association of Kenya insurers (AKI) annual reports. Firstly, return on assets (ROA) for each company for each year during the period 2016-2020 was computed. To measure corporate diversification, data was sourced on insurance premiums for each line of insurance collected from annual records

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Primary data on organizational culture was gathered using a semi structured questionnaire containing five point Likert statements as well as open-ended statements. The use of a semi-structured questionnaire was preferable for the study as it allows liberty to the researcher to frame specific questions subject to organizational specific context as well as allowing the researcher to introduce additional questions that explore research objectives given the specific nature of events existing within an organization. The target respondents were senior managers or directors, head of department or general or line managers who are considered to be best positioned to respond to the research questions as they are well-informed and define the course of the organization.

Denison model (1990) that operationalized organizational culture in terms of mission, involvement, and adaptability was adopted in this study to measure organizational culture. Corporate diversification was measured by Entropy index. The index is considered more reliable when measuring related and unrelated diversification. Because of the logic of its development and application, entropy measure is also more sensitive to very small firms. Entropy measure also takes into account the number of segments that a firm undertakes and the relative significance of each segment in sales therefore was found to be appropriate and adopted in this study. Financial performance was measured by return on assets computed as an aggregate ratio of total earnings after tax to total assets for each company. This measure is apt in insurance industry since most insurers are not publicly traded, hence lack market equity values. ROA is also widely used by practitioners and academicians since it controls for differences in firm's financial design.

Multiple regressions as advocated by Baron and Kenny, (1986) three steps were utilized to test the moderating effect of organizational culture on the relationship between corporate diversification and performance. Correlation analysis was conducted to establish relationships among the study variables, to reveal direction as well as the magnitude of the relationships. The Baron and Kenny (1986) models adopted were as follows:-

$FP = \alpha + \beta_1 CDV + \varepsilon$ .... (3.1)

$FP = \alpha + \beta_1 CDV + \beta_2(OC) + \varepsilon$ ....(3.2)

$FP = \alpha + \beta_1 CDV + \beta_2(OC) + \beta_3(CDV*OC) + \varepsilon$ ....(3.3)

Where;

α: Intercept/ constant

β_1, β_2 & β_3: are regression coefficients

ε: is the Error term

FP: is Financial Performance

CDV: Corporate Diversification

OC: is composite score of Organizational Culture calculated as geometric mean of mission, adaptability and involvement

Findings and Discussions

Pearson Moment Correlation was utilized to test the presence of relationships. Results indicated that financial performance depicted by ROA, had a positive relation with corporate diversification (*r*=0.367). Such that, for every unit variance of diversification activity undertaken, return on assets of insurance companies varied by 0.367 units in the same direction. This implies that if insurance companies' diversification activities increased, this accelerated the overall performance perspective. Organizational culture had a positive relationships with ROA (*r*=0.498). This implies that every unit variance in composite organizational culture, performance was accelerated by 0.498 units.

Table 1: Regression Results for Corporate Diversification and Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.171122	0.876260	-1.340101	0.1865
CDV	1.466322	0.524702	2.794580	0.0072
R-squared	0.135096			
Adjusted R-squared	0.117810			
S.E. of regression	2.393411			
Sum squared residual	286.4203			
F-statistic	7.809482			
Prob.	0.007412			

Dependent Variable: FP (ROA)
Predictors: (Constant), CDV
Periods included: 5
Observations: 52

The moderation effect was estimated using the technique suggested by Baron and Kenny (1986). The procedure encompassed testing the direct effect of corporate diversification (CDV) on performance, the

effect of the moderating variable organizational culture on performance and lastly the effect of the interaction term between corporate diversification and organizational culture (CDV*OC) on the dependent variable (performance). The model of first step was as follows: $FP = a + \beta_1 CDV + \varepsilon$

From Table 1 results, the relationship between corporate diversification and financial performance was positive and significant with coefficient of 1.466 and p value of 0.0072. The research findings implied that corporate diversification was a significant predicator of return on assets of insurance companies in Kenya ($\beta = 1.47$, $p<.05$). The overall model was statistically significant. The adjusted (R^2), that indicate the amount of variation in the dependent variable explicated by the independent variable was reported at Adjusted R^2=.1178, F=7.8, and p values of 0.0074. Therefore, based on the results of the overall model, there exist a statistically significant relationship between corporate diversification and financial performance of insurance companies in Kenya.

Table 2: Regression Result of Moderation Effect of Organizational Culture on Relationship between Corporate Diversification and Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.020033	3.007075	-1.669407	0.1024
CDV	1.525821	-0.508167	3.002597	0.0044
OC	0.883848	0.686552	1.287372	0.2040
CDV*OC	-1.325784	0.496670	-2.669345	0.0110
R-squared	0. 2488			
Adjusted R-squared	0. 2019			
S.E. of regression	2.2765			
Sum squared residual	48.7635			
F-statistic	5.3010			
Prob.	0.0031			

Dependent Variable: FP
Predictors: CDV, OC, CDV*OC
Sample: 2016- 2020
Periods included: 5
Observations: 52

To construct an interaction term, CDV and composite OC ratios were first centered and a single item indicator signifying the product of the two measures calculated (CDV*OC). To solve the possible

multicollinearity problems, which could have an effect on the approximation of the regression coefficients for the direct effect, the two factors were standardized to Z scores with a mean of zero and std. deviation of one. The two standardized variables (CDV and OC) were then multiplied to obtain the interaction term. A progressive-stepwise regression analysis incorporating the three models was utilized to assess composite OC as a moderator variable of the study and the results were presented in Tables 2.

Table 2 shows the results of the hierarchical regression conducted to assess the moderating effect of composite organizational culture on the relationship between corporate diversification and ROA. The model shows that corporate diversification, composite organizational culture and the interaction variable (CDV*OC) significantly predict ROA ($F = 5.30$ $p<0.05$). Adjusted R^2 for step one was 0.1178 as indicated in table 4.1. Model further shows that the variation in ROA explained by corporate diversification and composite organizational culture with the inclusion of the interaction term (CDV*OC) changed to 20.19%, reporting 8.41% difference in adjusted R^2.

Table 2 shows the results of the hierarchical regression conducted to assess the moderating effect of composite organizational culture on the relationship between corporate diversification and financial performance (ROA). The model shows that corporate diversification, composite organizational culture and the interaction variable (CDV*OC) significantly predict financial performance (ROA) ($p<0.05$).

The results of step one test of moderation (Table 1) showed a significant linkage between ROA and CDV ($p<0.05$). Tests of the regression coefficients (β) of the second model show that the inclusion of composite organizational culture as a predictor of ROA was positive but not statistically significant ($\beta= 0.883$, $p>0.05$). In third hierarchy model, the p values were statistically significance ($p<0.05$). The regression model was presented as follows;

$$FP = -5.021 + 1.525\, CDV + 0.883 OC - 1.325(CDV*OC)$$

Adjusted R^2 for step one was 0.1178 as indicated in (Table 1). The overall model reported $F = 5.30$ and P value of 0.003. Model further shows that the variation in ROA explained by corporate diversification and composite organizational culture with the inclusion of the interaction term (CDV*OC) changed to 20.19%, reporting 8.41% difference in adjusted R^2.

The study findings established that composite organizational culture has moderation effect on the relationship between corporate diversification and financial performance (ROA) since both the interaction term and the overall model are significant. This means that the insurance companies that uphold a strong organizational culture in terms of mission, employee involvement, and adaptability, their effects of diversification activities on enhancing returns on assets yield greater results than companies with a weak organizational culture. Based on the findings, the study null sub hypothesis was rejected.

The findings on effect of composite organizational culture on corporate diversification and financial performance are backed by those of Olson and Tomas (2016). They concluded that a strong corporate culture allows goal alignment and if closely followed, culture can positively impact on how individuals and groups apply the available resources towards goal achievement. From the viewpoint of stakeholder theory, organizational culture can be broadly viewed as the purpose of the firm that extends the economic value creation to include societal interests. Marcoux (2013) a proponent of stakeholder theory argue that all stakeholders' interests should be served non-partially in the governance of the firm. Stakeholder theory becomes central in this study as it focuses overtly on balance between stakeholder interests as key influencer of corporate policy, whether in emphasizing culture, deciding on firm size, and steering corporate diversification activities or firm performance and largely ensures that the mission of business is achieved.

Policy and Practice Implications

Based on the evidence of the study, managers of the insurance companies can be guided on logical and well thought diversification agenda coupled with the right organizational culture that can alleviate challenges of the insurance sector such as fraudulent activities, theft by insurance agents or brokers, failure to honor claims which result to poorly performing companies or exit from insurance business.

Empathy for insurance products has been steady and experienced across the globe. Particularly in African countries, the insurance market has remained small with diminishing returns as companies fold away or merge in quest for improving performance. It is therefore imperative to identify factors such as culture prevailing in the insurance industry that can help this essential service sector to enhance performance and compensate the investors in the insurance sector.

The study contributes to policy decision makers especially the stakeholders such as insurance regulatory bodies and the government on formulating policies that regulate and uphold the insurance sector activities. Insurance sector is a key pillar to economic growth and development. This sector provides stability to businesses and shields them against financial losses and sound allocation of scarce resources.

Conclusions and Recommendations

The rejection of H_1 further implies that organizational culture had a moderation effect on the association of corporate diversification and financial performance of insurers in Kenya. Therefore, when making decision on corporate diversification and financial performance association, organizational culture is regarded as a subject of consideration. It can therefore be deduced that organizational mission, engagements with employees and its adaptability capacity plays a big role in explaining how diversification activities influence return on assets as projected by predictions of the stakeholders theory.

As evidenced by study findings, organizational culture has a positive effect corporate diversification-financial performance link. The managers should therefore gain from insights of this study and instill the right mindset and behavior to employees and agents and formulate the framework to guide actions by these participants since the right ethics and culture can only be sponsored from the top. Managers should therefore set and reinforce the key drivers of culture that is appealing to insurance product consumers.

A study can be conducted that targets either companies in life insurance business or those in non-life that would address specific issues in the two lines of operation. Similar studies can be extended to contexts within the developing economies category and other financial service sectors and non-financial sectors by evaluating the diversification index that is well suited to them that would provide more insights into the relationships.

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