International Journal of
Finance and Accounting
(IJFA)

MANAGEMENT CAPABILITY AND SUSTAINABILITY OF KENYA’S INSURANCE COMPANIES

MANAGEMENT CAPABILITY AND SUSTAINABILITY OF KENYA'S INSURANCE COMPANIES

Author 1 Name: Johannes Mwangangi Kitaka,
Department/School: School of Business Management & Economics,
University/Role: PhD Student, Dedan Kimathi University of Technology,
City: Nairobi, Country: Kenya,
Email. joekyutu67@gmail.com / dkiragu@dkut.ac.ke.

Author 2 Name: Dr. David Kiragu (PhD),
Department/School: School of Business Management & Economics,
University/Role: Lecturer, Dedan Kimathi University of Technology,
City: Nairobi, Country: Kenya,
Email. drkirgu@gmail.com.

Author 3 Name: Prof. Simmy M. Marwa (PhD),
Department/School: School of Business Management & Economics,
University/Role: Lecturer, Dedan Kimathi University of Technology,
City: Nairobi, Country: Kenya,
Email. mwitamarwa@yahoo.com / simmy.marwa@dkut.ac.ke

International Journal of Finance and Accounting
ISSN 2518-4113 (online)
Vol.4, Issue 1 No.2, pp 15 - 30, 2019 www.iprjb.org

Abstract

Purpose: The study explored how management capability influences sustainability of insurance companies in Kenya.

Study Methodology: The study adopted the positivist research philosophy and employed a descriptive research design. The target population of the study was the 51 insurance companies as registered by the Insurance Regulatory Authority of Kenya as at 31st December 2016. The study took a proportionate sample of 30 companies from 10 life assurance companies, 15 from those conducting general insurance business and 5 from those performing both life and general business as composite companies. The primary data collection was through a structured questionnaire with closed questions. A pilot study was carried out before questionnaire distribution, which ensured the research instrument validity and reliability, before distribution through both hand delivery and email, followed by a telephone call to the respondents and a research assistant later visiting the respondents to collect the filled questionnaires, while secondary data was collected using data collection sheets. The raw data was cleaned, edited, coded and analyzed using SPSS analytical tool to generate descriptive and inferential statistics. The study performed data analysis using multiple regressions to determine the relationship of the independent variable to the dependent variable. Using descriptive statistics such as the mean, standard deviation and frequencies the data was analyzed. Further, the study applied inferential statistics such as the ANOVA and the T-test.

The Study Findings: The findings of the study were that management capability has a positive and significant effect on sustainability of Kenya's insurance companies. In conclusion, the slogan of people being companies' most valued asset should not just be mentioned in passing in employee-management and board meetings, but must be practiced across the company.

Unique Contribution: The Kenyan insurance companies should review their operating organizational structures so that the mix of employees in the middle management, senior management and junior staff is adjusted to achieve an efficient and effective structure to enhance customer experience, as this is critical and is a significant cost driver in the management cost structure of an insurance company. There should be more staff assigned to operations that is policy administration, renewal retention units, customer service and claims management. Specialists and management should be few and either internal staff or outsourced services. In conclusion insurance companies should ensure embedment of their recruitment, hiring, training and development policies in their business processes.

Key Words: *Management Capability, sustainability, insurance companies*

1.0 INTRODUCTION

The insurance industry contribution to GDP in Kenya is low occasioned mainly by low insurance penetration (Alms et al. 2016). Company size, company age and growth in premiums are key in insurance company's performance while leverage, tangibility, liquidity and risk have limited influence (Ahmed & Souad, 2016). The limited financial and human resources in Africa have curtailed the continents ability and capability to tackle the effects of climate change, as they cannot employ the right technology and human resources for efficient and effective management (Low, 2006). To enhance the industry performance, the Africa Heads of States Conference set up the Africa Risk Capacity Agency (ARC) to help African insurance companies reduce transactional costs and payable insurance premiums through ceding premium in excess of local capacity thereby increasing financial sustainability of members' states insurance programs. This in effect created capacity within the African states to conduct insurance business and be able to withstand the catastrophic effects of climate change.

The insurance industry in the continent faces inadequate pool of talented professionals in terms of underwriters, accountants, risk managers and actuarial scientists. This makes the pool from where both the regulators and the insurance companies draw from, inadequate to meet the industry needs (Mabey & Thomson, 2000). The poor financial performance of most insurance companies, continued insolvencies, non-compliance to cash and carry laws, increased customer complaints and unsatisfactory customer service, indicate an industry faced with inability to price the various insurance risks in the continent rightly. Further, the industry faces inadequate reinsurance capacity and limited investment options leading to investment in assets that expose the insurance companies to failure and ultimate inability to raise adequate capital to support the insurance business growth. The challenges of inadequate capital, insensitivity to risk, poor management capabilities and poor investment practices lead to illiquid assets, coupled with inadequate government regulation, making the sustainability of the insurance sector in the continent to be in doubt (IRA, 2015).

This study finding will be instrumental in achieving Kenya's vision 2030. The vision 2030 aims at creating a nation that has a clean, secure and sustainable environment by 2030 through increased forest cover from 2% to 4%, conservation of forest cover, solid waste management and water catchment areas management and thereby reducing the effects of climate change to the country and therefore enhancing the vision of sustainable development. The study findings will also be of help to individual investors who invest their funds in insurance companies expecting safety of their funds and returns when due and therefore the findings will avail a pool of information of the companies that are adopting sustainability strategies and therefore help the investor to make the right investment choices. This will aid in raising funds required in achieving some of the Kenya Governments Big Four agenda items like affordable housing and infrastructure development.

1.1 Problem Statement

The insurance companies in Kenya have persistently faced poor investment practices and non-compliance to cash and carry law, which has led to poor premiums collection. The industry has been slow in innovation and adoption to new technology. Further, significant skilled staff shortage, inadequate capital, mis-selling by insurance intermediaries and severe price undercutting among the many competitors are some of the ills that the industry faced during the period under study.

It was noted that seven insurance companies collapsed during the period understudy, representing 16% of the companies in operation since 2001. The collapse of the insurance companies resulted into loss of employment income, reduction in the taxes paid to the government and loss of shareholder capital.

The collapse of the insurance companies, further meant inability to pay claims in full and on time, resulting into ultimate collapse of the social and economic pillars of the country, thus bringing into doubt the role of insurance sustainability and stability. The collapse of insurance companies coupled with asset and liability mismatch, fraud and mismanagement, necessitated the investigation into the drivers of insurance company's sustainability.

For an insurance company to be sustainable, it has to ensure that the claims costs, management expenses and business acquisition costs are contained at a level that is lower than the net earned premiums. There are several studies done in Kenya in the past on the insurance sectors performance. These studies however, o not explore the drivers of sustainability of insurance companies in the country. It is against this backdrop that this study suggested exploration of the influence of management capability on sustainability of Kenya's insurance companies.

2.0 LITERATURE REVIEW

2.1 Theoretical Literature Review

According to stewardship theory, there is no contention between management and shareholders of the organization, as the two are assumed to pursue common goals. The corporate governance structures come in place to encourage the best coordination between the two (Donaldson, 1990). The principle supposition is that the practices of management are aligned to those of the owners of capital and thus they put more emphasis on objective merging other than the self-interests of the management who are the agent's owners of capital.

The Stewardship theory may be ideal in assuming a rational man. This may not be the case especially in the Kenyan insurance sector that has been bedeviled by fraud among service providers, agents, customers and even the insurance company's own employees. Further, there have been intense price wars due to overcrowded market with many small insurance companies, and controlled by intermediaries whose demand for incentives is sometimes insatiable. The issues of corporate governance are not for purposes of goal alignment only but also for reducing some of the vices that hinder robust stakeholder engagement and management in the insurance business in the country (AKI, 2013). Donaldson and Davies (1991) concluded that shareholder returns in terms of ROE were higher where there was CEO duality, which was interpreted to mean that CEO duality influenced better performance in terms of shareholder returns. CEO duality ensures goal congruence and enhances objective ownership.

In conclusion, stewardship theory sees managers as stewards who are motivated by the desire to achieve and gain intrinsic value, attaining satisfaction by performing challenging tasks and not merely driven by monetary rewards (Donaldson & Dave, 1991). The theory assumes the shareholders give appropriate authority, tools for work execution, governance structures and information to facilitate enhanced manager's competence, build their trust and enable them to take decisions to achieve the firm's objectives. The question however remains on where the board chair is also the CEO and whether the management can really have the requisite authority to achieve the firm's objectives without the frequent interference of the board of directors or the board chair.

The second theory was the agency theory. The focus of the agency theory is on the relationship between business owners as the principals and the managers as the agents who perform tasks on behalf of the principals. Where managers feel that debt may place their jobs at risk, they may fail to use debt to the detriment of the principals, mainly due to agency-principal conflict.

On the other hand, shareholders, who can diversify away any company specific risks, prefer riskier projects and therefore management might pass up positive net present value projects whose benefits accrue primarily to owners of debt and not directly to themselves to preserve their benefits. Asset substitution and claim dilution are the other agency conflicts found between owners of debt and shareholders (Smith & Warner, 2009).

Berle and Means (1932) observed that managers are likely to run a firm inefficiently or contrary to shareholder interests if they own only a small portion of a company's stock or when they own no stock at all. In such a case, adverse selection will arise because the principal cannot ascertain whether the agent performs his job with all his ability and therefore cannot justify the pay for the job. A moral hazard will arise in that he cannot be sure whether the agent exerts all his effort, in doing the job that he has been engaged to do. Jensen and Meckling (1976) argued that both the agent and the principal motivation is their own personal gain and conflict will arise when the interests of the agent are divergent from those of the principal, which brings out the fact that agents are stakeholders and hence will pursue their own selfish interests.

The primary agency problem in insurance companies arises between owners and managers, as the managers do not share fully in the residual claim held by owners as the residual claims falls on the owners of capital only. Another conflict arises between owners and policyholders because policyholders' claims to assets have legal priority over owners' claims (Cummins & Nin, 2002). Therefore, owners prefer to use debt financing to transfer wealth from debt holders to themselves whereas managers act opportunistically in the use of debt financing to get incentives such as bonuses to attract better value and performance.

Jensen and Meckling (1976) and Jensen (1986) argue that agency cost arises due to the differing interest of owners and managers or owners and debt holders resulting into conflict. Different costs arise when companies use equity capital, including agency cost of capital, which arises in the firm due to the conflict of interests between shareholders and managers associated with the firm's decision-making process. When there is a disagreement between the shareholders and debt holders in the firm, the agency cost of debt would arise. Thus, when the management inappropriately uses debt or equity in the formation of debt equity mix, it would be risky for the survival of the firm. To mitigate the problem, Jensen (1986) suggests debt holders use their credit as a means of controlling managers in terms of the imposed restrictive covenants.

A firm can reduce the related agency costs by expanding its dependence on debt financing and therefore reducing the requirement for equity financing. An organization's capacity to depend on debt financing is profoundly constrained because of higher operating expenses of debt coming about because of the possibility of the firm falling into financial problems. Notwithstanding money related distress costs, additional debt weakens the claim of existing investors, thereby requiring higher rates of return resulting into higher cost of capital for the company. The agents are usually opportunistic in nature and tend to behave in a way to increase their own interests instead of the interests of the firm's shareholders. The agent uses delegated authority and responsibility to act for the principal. The authority delegation allows the agent to act opportunistically at the expense of the principal's wealth creation goal (Davies *et* al., 1997).

2.2 Empirical Literature Review

K'Obonyo and Munjuri (2015) concluded that employee empowerment does not moderate the influence of human capital, but has a mediating effect on a company's performance. They therefore noted the need for organizations to increase the level of employee empowerment as engaged employees had a significant impact on business productivity, revenue growth and overall staff effectiveness. They further concluded that employees have a desire to make tangible contribution to the success of the firm they work for (Cameron, 2010). Employee empowerment, therefore largely depends on the skills, and knowledge employees possess. Such skills and knowledge influences the quality of the decisions they make. Upon building a high human capital base, organization should enable and empower highly skilled workers to make the decisions that they can handle, which improves competence and support increased productivity (Abata, 2014).

Knowledge management influences performance of companies (Maseki, 2012). Kehinde (2012) reveals in his research that the rising trend in the mobility of labor across national and international borders due to increased globalization and talent management has become an issue of growing concern in modem management practices. Governments, especially in most developing nations, are facing pressure on their capacity to attract, train and retain high quality work force as a measure to develop the much-needed talent in their staff. Results of his study indicate a high correlation between retention power and talent management.

In the past, several management strategies have been used to help in enhancing employee talent retention as highlighted in a research by Davis *et* al., (2007). These strategies include motivation, career investment, career projection as well as competitive reward structure. All the talent retention strategies, fall under the broad talent management strategy that aims at achieving high job satisfaction rates and improved job security. The research further indicates that in Sri Lanka, public sector organizations enjoy higher employee retention compared to private businesses. The established underlying reasons are that the public sector, on top of making huge career investments, assigns large portions of financial resources specifically towards talent management as opposed to the general human resource management function. The strategies utilized as spelled out by talent management support to not only retain talented people but also retain the talents within the individuals. In line with the findings of a study by Raeespoor *et* al., (2015), it concluded that career investment is a vital component of corporate investment that makes workers to be a magnet of the business throughout their tenure. Muogbo (2013) argues that money rewards alone do not yield the highest level of talent retention. On the contrary, he argues that career investment is the key driver of retention for talented people.

Lira (2014) indicated that majority of the companies listed in the Nairobi Securities Exchange in Kenya have a laid down effective learning and development strategies. The main activities put in place include new streams of knowledge and skills and mastered new methods of doing things. Talent management has proved resourceful in the identification of workers who need learning and career development (Beechler & Woodward, 2009; Scullion & Collings, 2010; Tarique, Schuler,& Jackson, 2010) and encouraging e-learning and coaching coupled with in-house development initiatives (Farrukh & Waheed, 2015).

K'Obonyo and Munjuri (2015) conducted a study on human capital, employee empowerment and performance of commercial banks and insurance firms in Kenya. The study focused on both commercial banks and insurance firms thus presenting a scope gap. Lira (2008) conducted a study on the effects of behavioral factors in investment decision-making: a survey of institutional investors operating at the Nairobi Stock Exchange. The study focused on Nairobi Stock Exchange thus presenting a contextual gap.

2.4 Conceptual Framework

The conceptual framework is to depict the relationship between management capability which is the independent variable and sustainability which is the dependent variable (Dodge, 2009). Sustainability of insurance companies responds to the changes sensitivity parameters (Everitt, 2009).

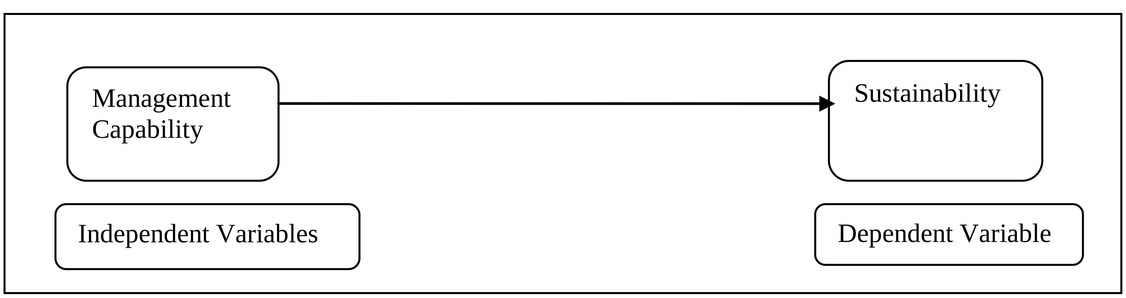

Figure 1. Conceptual Framework for Drivers of Sustainability

3.0 RESEARCH METHODOLOGY

The study adopted the positivist research philosophy and employed a descriptive research design. The target population of the study was the 51 insurance companies as registered by the Insurance Regulatory Authority (IRA) of Kenya as at 31 December 2016. The study proportionately chose 30 companies from the various companies conducting life, general and composite businesses. Using probabilistic procedures for data collection and employing stratified random sampling method, the study collected the required data. Primary data collection was through a structured questionnaire with closed questions. A pilot study conducted before questionnaire distribution ensured their validity and reliability, before distribution by email, followed by a telephone call to the respondents and a research assistant visiting the respondents to collect the filled up ones. The period of the study was 2001-2015, a period during which the insurance industry faced turbulence, increased regulation and collapse of a number of insurance companies. The study collected data by sampling 357 staff from senior, middle and junior cadres of the 30 insurance companies. The data was analyzed using multiple regression analysis, which aimed at determining the influence of management capability on sustainability of Kenya's insurance companies. The study used descriptive statistics such as the mean, standard deviation and frequencies to analyze the data and inferential statistics of ANOVA and T-test. Before conducting the regression model, diagnostic tests, which included normality, multicolinearity and heteroscedasticity, were conducted.

4.0 RESULTS AND DISCUSSIONS

4.1 Descriptive Results

The study sought to explore how management capability influences sustainability of insurance companies in Kenya. Data was collected from the respondents who were requested to indicate their levels of agreement to various management capability statements, using a five point Likert scale with 1 = strongly disagree, 2 = disagree 3 = neutral, 4 = agree, 5 = strongly agree. To further group the data for easy analysis, the data was further grouped with 4 & 5 (agree and strongly agree) being grouped together as agree, 1 & 2 (strongly disagree and disagree) were grouped as disagree while 3 was indicated as neutral.

The results of the influence of various components of management capability and sustainability of insurance companies in Kenya indicated that 80.1% of the respondent's organizations had visionary leadership both at board and management levels. Many of the respondents, 85.5% agreed with the existence of managerial workforce skills set in their companies to support the company's sustainability. In addition, 86.6% of the respondents confirmed that their peers had adequate academic qualifications that are required to support the company's sustainability, with 81.6% of them suggesting their counterparts had the requisite professional qualifications. Further, 70.3% of the respondents confirmed that senior management in the company's they work had undergone corporate governance training. From the study, 86.3% of the respondents agreed that their company's management had adequate formal and informal training and that IRA conducted annual 'fit and proper' assessment/vetting of senior management and directors to enhance company sustainability. The results suggested that 85.9% of the respondents companies had board of directors with diverse skill. Finally, 86.3% of the respondents agreed that their companies encouraged staff to attend continuous professional development courses, which enabled them to build the right and required skills sets and increased the numbers available skilled staff to support the company sustainability.

On a five-point scale, the average mean of the responses was 4.19, which mean that majority of the respondents indicated agreement with the statements; however, the answers were varied as shown by a standard deviation of 1.05. The main concern with these findings are that majority of the respondents seem to agree with the required management skills and practices for a sustainable insurance company. However, findings from the various IRA reports over the period under study depict a completely different picture from the responses. The poor underwriting, poor customer service, price wars, corruption, fraud among other ills facing the industry do not reflect on an industry with excellent management capabilities. Therefore, these results may be a reflection of an industry where the staffs are comfortable with the mediocre performance and practices and therefore the lack of action and remediation as depicted in the IRA reports during the period under study.

4.2 Factorability Test for Management Capability

4.2.1 Sampling adequacy for Management Capability

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as factor analysis, multiple linear regression analysis and other statistical tests, two main tests were performed namely; the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. These tests concludes that for a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000). The results of the KMO and Bartlett's imply that a KMO statistic of 0.87 was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). The KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-Square = 642.65 with 36 degree of freedom, at $p < 0.05$). These results provided an excellent justification for conducting further statistical analysis.

4.2.2 Management Capability Component Matrix

According to Kaiser (1974), factor-loading values that are greater than 0.4 should be accepted and values below 0.5 should lead to collection of more data to help researcher to determine the values to include for further analysis. The values ranges between 0.5 and 0.7 are termed as mediocre, values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great, and values above 0.9 are superb. The factor analysis was conducted regarding management capability and four statements had a coefficient of less than 0.4 and hence were dropped before conducting the regression and correlation analysis.

4.2.3 Total Variance Explained

The study performed Rotation Sums of Squared Loadings values in the panel to determine the distribution of the variance after the varimax rotation. The Varimax rotation tries to maximize the variance of each of the management capability factors, so the total amount of variance accounted for was redistributed over the six extracted factors. The total variance represents the distribution of the variance after the varimax rotation. The varimax rotation tries to maximize the variance of each of the sustainability factors, so the total amount of variance accounted for was redistributed over the four extracted factors. It considers only the variables with eigenvalues of more than 1.0. The study results showed that, the four extracted factors out of the nine components explained 69.94% of the total variations.

4.2.4 Scree Plot for Management Capability Variables

The study obtained scree test results by plotting the latent roots, eigenvalue, against the factors in order of extraction. From the second factor on, the line is almost flat, meaning the each successive factor is accounting for smaller and smaller amounts of the total variance.

4.2.5 Rotated Component Matrix for Management Capability

The study rotated the variables and performed testing of variability. Since after rotation, only factor was tested, the results show that all the variables are significant. Therefore, the final analysis of management capability will have only one (1) factor consisting of visionary leadership, skills set, professionally qualified staff, academic attainment, formal and informal staff training, vetting of senior management and directors by the regulator, corporate governance training of senior management, directors with diversity in skills and continuous professional development among the staff.

4.3 Correlation Test

The researcher performed correlation analysis between management capability and sustainability of insurance companies in Kenya. The results show the correlation between management capability and sustainability of insurance companies. Visionary leadership and sustainability of insurance companies have a relationship which is positive and significant ($r=0.570$, $p=0.000$). Further, managerial workforce skills and sustainability of insurance companies have a significant but positive relationship ($r=0.469$, $p=0.000$).

In addition, adequate academic qualification by the management and sustainability of insurance companies are positively but significantly correlated ($r=0.360$, $p=0.000$) while corporate governance training and sustainability of insurance companies was positively but significantly correlated ($r=0.542$, $p=0.000$). The board of directors skills and sustainability of insurance companies are positively but significantly correlated ($r=0.543$, $p=0.000$).

4.4 Regression Analysis

The regression analysis was used to examine whether management capability can be used to explain sustainability of the insurance companies in Kenya. The regression results in the Table 1 below, present the fitness of model used for the regression analysis in explaining the study phenomena (management capability and Kenya’s Insurance Companies).

Table 1: Model Fitness for Management Capability

Parameters	R	R^2	Adjusted R^2	Std. Error of the Estimate
Coefficients	0.693	0.480	0.471	0.433

Management capability was found to be satisfactory in explaining sustainability of insurance companies which is supported by coefficient of determination also known as the R^2 of 48%. The R^2 of 48% means that the model fitness found out that Management capability explain 48% of the variations in the dependent variable which is sustainability of the insurance companies.

The results of ANOVA for management capability are presented in the Table 2 here below.

Table 2: ANOVA for Management Capability

Measure	Sum of Squares	df	Mean Square	F	Sig.
Regression	46.834	5	9.367	49.934	0.000
Residual	50.647	270	0.188		
Total	97.481	275			

Further, the results implied that the management capability is a good predictor of sustainability of insurance companies as supported by an F statistic of 49.934 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level. The Null Hypothesis that Management Capability does not affect sustainability of insurance companies in Kenya was tested by using multiple linear regression. The acceptance/rejection criteria was that, if the p value is greater than 0.05, the H_o1 is rejected but if it is less than 0.05, the H_o1 fails to be accepted. The null hypothesis was that there is no significant relationship between management capability and sustainability of insurance companies in Kenya. The results in the table above show that the p-value was 0.000<0.05. The null hypothesis was rejected, indicating there is a significant relationship between management capability and sustainability of insurance companies in Kenya. The results of regression of coefficients for management capability are presented in the Table 3 here below.

Table 3: Regression Results for Management Capability

Variable	B	Std. Error	T	Sig.
Visionary Leadership	0.181	0.032	5.731	0.000
Managerial Workforce Skills	0.001	0.036	0.039	0.969
Academic Qualification	0.031	0.031	1.004	0.316
Governance Training	0.147	0.028	5.184	0.000
Board of Directors Skills	0.146	0.034	4.257	0.000

International Journal of Finance and Accounting
ISSN 2518-4113 (online)
Vol.4, Issue 1 No.2, pp 15 - 30, 2019 www.iprjb.org

The study concluded that visionary leadership and sustainability of insurance companies have a positive and significant relationship (r=0.181, p=0.000) Further, managerial workforce skills and sustainability of insurance companies have a positive and insignificant relationship (r=0.001, p=0.969). Adequate academic qualification by the management and sustainability of insurance companies have a positive and insignificant relationship (r=0.031, p=0.316) while corporate governance training and sustainability of insurance companies are positively and significantly related (r=0.147, p=0.000). Finally the findings suggested that Board of Directors Skills and sustainability of insurance companies have a positive and significant relationship (r=0.146, p=0.000).

Regression model

The regression testing resulted into a final regression model as presented here below.

$Y_1 = 1.801+0.181V_l+0.147G_t+0.146B_d+ \varepsilon$ Where Y_1 = Sustainability, V_l - Visionary Leadership, G_t - Governance Training, Bd - Board of Directors Skills and ε - Error term

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Study Findings

The study found that most of the insurance companies had visionary leadership, both at board and senior management level, the workforce had sufficient managerial skills set, and most of the companies' management had adequate academic qualifications', sufficient to support the insurance company's growth and operating strategies. In addition, most of the insurance companies in Kenya had board members who have diverse skill sets. The Null Hypothesis, $H_0$1: Management Capability does not influence sustainability of Insurance Companies in Kenya was rejected. The Null hypothesis rejection indicated that there was a significant influence of management capability on sustainability of insurance companies in Kenya, implying that companies have to continue investing in people management and development. The companies further have to come up with staff compensation policies that make staff/employees, stakeholders and stewards of the various insurance companies they work for and not just agents of the various capital contributors.

5.2 Study Conclusions

The study concluded that management capability had a positive and significant effect on sustainability of insurance companies in Kenya. Therefore, companies should ensure their recruitment; hiring, training and development policies are embedded in their business strategies, procedures and practices, and the slogan of people being a company's most valued asset should not be just heard in employee-management meetings or boardrooms but should be practiced across the company. Further, having visionary leadership, both at board and senior management levels, supports sustainability of the organization, suggesting companies should be careful about the people they put in senior management positions and those they appoint as board members. The managerial workforce skill sets and adequate academic qualifications of the managers, in addition to having board members with diverse skills set makes an insurance company have a better sustainability chances.

In conclusion, the main question insurance companies should address is, firstly, the standardization of the required skill sets in the sector at senior, middle and junior levels of the organizations so that there is clarity on the type of professionals required in the sector. Secondly, the organizational structures should be addressed so that they are aligned to customer requirements to enhance customer experience and remediate many customer and regulatory ills as highlighted in the various annual IRA reports.

5.3 Recommendations and Roadmap

There has been inadequate and poorly trained insurance workforce in the country for a long time. The efforts by IRA to offer scholarships to bright actuarial students to study abroad and enhance the industry skills bank have not been sufficient to diminish the skills gap problem and therefore the need for the industry to adopt a common approach. The efforts to bridge the skills gap cannot be left solely to the regulator. An industrywide stakeholder management approach is required.

The IRA and Association of Kenya Insurers (AKI) have over time, levied charges to insurance companies to support their operations. IRA too charges underwriters insurance levies and fees to support their operation. These efforts are not sufficient to support the required partnership efforts with the industry and therefore the need for re-evaluation. It is time the two bodies worked together to source for their funding and other resources in partnership with the private sector and especially the various universities offering business courses so as to design curriculum that is relevant to the industry needs.

The skills shortage and standardization of the professional approach in the industry requires a review. It is time the country adopted a centralized, structured approach to the industry management by defining who an insurance professional ought to be and working with the college of insurance to ensure that all insurance professionals have gone through the college and gets certified to work in the sector. Such an approach should apply across all cadres of staff from junior management, all the way to the board of directors. Centralized professional certification and sanctioning those found to have committed misdeeds may help wild out corrupt misdeeds and thereby streamlining the insurance sectors performance and sustainability.

Finally, there is need to review and reorganize the organizational structures in the insurance sector which will allow commitment of more resources towards customer service and policy administration. Only a small number of the work force should go into specialized operations of underwriting and risk management. This will reduce the management expenses if tempered with innovation and technology adoption and therefore go a long way in remediating the many ills facing the industry.

REFERENCES

Abata, M. A. (2014). Asset Quality and Bank Performance: A Study of Commercial Banks in Nigeria. *Research Journal of Finance and Accounting*, pp. 39-44.

Beechler, S. & Woodward, I. C. (2009). The global “war for talent”. *Journal of International Management* 15 (2009) 273–285

Berle, A. & Mean, G. (1932). *The Modern Corporation and Private Property*, Macmillan, New York.

Cameron, K. S. (2010). Enablers of a positive strategy: Positively deviant leadership. In *Oxford handbook of positive psychology and work*.

Crutchley, C. & Hansen, R. S. (2009). A Test of the Agency Theory of Managerial Ownership, Corporate Leverage, and Corporate Dividends. *Financial Management Journal*, pp. 36-46.

Davis, J. H., Schoorman, F. D. & Donaldson, L. (1997). Toward A Stewardship Theory of Management. *Academy of Management Review*, pp. 20-47.

Davis, T., Maggie, C. & Flynn (2007). Talent Assessment, A New Strategy for Talent Management. Gower, United States.

Gardner, T.M. (2002). In the Trenches at the Talent Wars: Competitive Interaction for Relationship of Mentoring and Network Resources with Career Success in the Scarce Human Resources. *Human Resources Management, Wiley Periodicals*, pp. 225-237

Jansson, H. (2007). *International Business Strategy in Emerging Country Markets. The Institutional Network Approach*. Edward Elgar, Cheltenham, UK

Jensen, M.C & Meckling, W. (2006). Theory of the Firm: Managerial Behavior, Agency Costs and Debt Equity Mix. *Journal of Finance and Economics*, pp. 305-360.

K'Obonyo, P. & Munjuri, M.G. (2015). Human Capital, Employee Empowerment and Performance of Commercial Banks and Insurance Firms in Kenya. *International Journal of Arts and Commerce*, pp. 163-181

Kahinde, J. S. (2012). Talent Management Effect on Organization Performance. *Journal of Management Research*, pp. 76-88.

Liargovas, P. & Skandalis, K. (2008). Factors affecting firms' financial performance. The Case of Greece, University of Peloponnese.

Lira, N. M. (2008). The effects of behavioural factors in investment decision-making: a survey of institutional investors operating at the Nairobi Stock Exchange. *International Journal of Business and Emerging Markets*, *1*(1), 24-41.

Low, P. S. (Ed.). (2006). *Climate change and Africa*. Cambridge University Press.

Mabey, C. & Thomson, A. (2000). The Determinants of Management Development: The Views of MBA Graduates. *British Journal of Management*, pp.33-48.

MacBeath, J. (2006). The Talent Enigma. *International Journal of Leadership in Education*, pp. 183-204.

Maseki, C. (2012). Knowledge Management and Performance of Commercial Banks in Kenya. Unpublished MBA Project, University of Nairobi

Muogbo, U. (2013). The Impact of Employee Motivation on Organizational Performance, A Study of Some Selected Firms in Anambra State. *The International Journal of Engineering and Science*, pp. 1319-1805.

Raeespoor, A., Loghmani, S. A., Rashidi, V., Noshadian, A. & Mohamad, A. (2015). Survey in Evaluation Outcome of Motivation in Organizations. *AENSI Journals*, pp. 863-868

Schindler, D. W. (2006). Recent Advances in the Understanding and Management of Eutrophication. Limnology and Oceanography, pp. 356-363.

Scullion, H. & Collings, D. G. (2010). *Global Talent Management*. *Journal of World Business.* 45 (2010) 105–108

Smith, R. & Warner, M. (2010). Environmental Dynamism, Financial Leverage and Performance: A Theoretical Integration and an Empirical Test. *Strategic Management Journal*, pp. 31-49.

Snell,S., & Dean,J.(2005). Integrated manufacturing and human resources management: A human capital perspective. *Academy of Management journal*, pp.467-504.

Stahl, et al. (2007). *Global Talent Management:* How Leading Multinationals Build And Sustain Their Talent Pipeline. Pp. 34.

Stiglitz, J. (2014). Irrelevance of Corporate Financial Policy. *American Economic Review*, pp. 1-66.

Tansley, C. (2011). What Do We Mean By The Term "Talent" In Talent Management? Industrial and Commercial Training. *The Annual meeting of the Academy of Management, Seattle*, pp. 266-274.

Tarique, I., & Schuler, R. (2010). Global talent management: Literature review, integrative framework, and suggestions for further research, *Journal of World Business*, pp. 122-133

Vaiman, V. & Vance, C. M. (2008). *Smart Talent Management: Building Knowledge Assets for Competitive Advantage*, Edward Elgar Publishing.