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CORPORATE GOVERNANCE AND PERFORMANCE OF INSURANCE COMPANIES IN NAIROBI CITY COUNTY, KENYA

[1] Nyagwoka Duke Masabe, [2] Dr. Muchelule Yusuf. PhD

[1] Master of Science Student in Leadership and Governance, Jomo Kenyatta University of Agriculture and Technology

[2] Lecturer, Jomo Kenyatta University of Agriculture and Technology

ABSTRACT

The main objective of this study is to assess the relationship between corporate governance on performance of insurance companies in Nairobi City County, Kenya. Specifically, the study sought to; explore the effect of independence of directorship on performance of insurance companies in Nairobi City County, Kenya, and to determine the effect of organizational structure on performance of insurance companies in Nairobi City County, Kenya. The study adopted descriptive research design. The target population of this research comprised of 168 management employees from 56 insurance companies in Kenya. The sample size was 118 respondents. Data collection was done using self-administered questionnaires. Collected data was quantitative and was analyzed using Statistical Package for Social Sciences (SPSS) version 28. Descriptive statistics such as mean, frequencies and standard deviation was used to analyze the data. The study also computed the correlation and regression analysis to test the relationship between the study variables. The findings were presented in tables and figures. The study concludes that independence of directors has a positive and significant effect on performance of insurance companies in Nairobi City County, Kenya. Further, the study concludes that organizational structure has a positive and significant effect on performance of insurance companies in Nairobi City County, Kenya. From the findings, this study recommends that the management of insurance companies in Nairobi City County should continue embracing independence of directors to as to facilitate organization performance.

Key Words: Corporate governance, Independence of directorship, Organizational structure, Performance, Insurance companies

Background of the Study

The study sought to establish the relationship between corporate governance and performance of Insurance Industry. Good corporate governance and a competent board of directors are required for enhanced organizational performance. According to Martín and Herrero (2018), corporate governance is the collection of interactions between an organization's management, board of directors, shareholders, and other stakeholders. This study conceptualizes that corporate governance characterized by the independence of directorship and organizational structure could influence performance in an organization.

The board's independence is necessary to ensure that it performs its duties honestly and keeps management accountable. Across jurisdictions, the Independent Director role is considered as a solution to issues like governance failure, corporate fraud, and so on (Jill & Simone, 2019). Independent directorship are a key aspect of modern corporate law, and courts and legislators all over the world are increasingly relying on them to protect investors from dominating shareholder opportunism. In this context, studies on the nexus between corporate governance and performance have attracted the interest of scholars.

In order to do their duty of monitoring, independent directorship must be held accountable to public investors. This can be achieved by allowing investors to elect or retain these directorships, or at the very least to have a considerable influence on their election or retention (Bebchuk & Hamdani, 2017). Increased board independence would considerably improve public investor protection without jeopardizing the controller's ability to choose the company's course. Experience, on the other hand, hasn't always been on our side. Despite having a substantial number of independent directorships on their boards, companies have failed in the past. This calls for studies aimed at explaining this phenomenon.

Organizational structure is another important aspect of corporate governance that could affect the performance of an organization (Agyei-Mensah, 2016). Organizational structure refers to the way a company or any type of organization is arranged in terms of its hierarchy, reporting relationships, and the distribution of responsibilities and roles among employees. The structure of an organization plays a crucial role in defining how tasks are allocated, communication flows, and decision-making processes operate within the organization. There are several common types of organizational structures (Millar et al., 2005). In a functional structure, the organization is divided into departments based on functions such as marketing, finance, operations, and HR. Each department has its own hierarchy and is responsible for specific functions. The "chain of command" refers to the hierarchical structure within an organization that outlines the formal reporting relationships and lines of authority. It defines who reports to whom and how communication and decision-making flow within the organization. The chain of command is crucial for maintaining order, accountability, and efficiency in an organization

Statement of the Problem

The insurance industry of Kenya is undergoing a phase of intense competition. In the past decade, the number of players in the insurance sector has increased significantly with currently 56 insurance companies offering services nationwide by 2021. However, this has changed the dynamics of operations in this sector as the companies are faced with an even harder task in attaining competitive advantage and the regulator had given players a December 2020 deadline of meeting the International Financial Reporting Standards (IFRS17) which required increased capital. The IFRS17 standards team however set 2021 to be the global deadline for meeting the new standards and due to implementation date of IFRS, insurers started to formally assess the impacts and gaps in their processes and systems. The new rules were meant to ensure the stability of the insurance industry and bolster their ability to pay claims. For instance, the new capital requirements increased by Sh300 million for general insurance to 600 million or by 20 per cent of the previous year's net premiums.

This saw various insurance companies that were not meeting the stakeholder's expectations or experiencing huge losses seeking for other alternatives. Some of this include; Mergers and acquisitions.eg Allianz acquired jubilee general, Mua acquired Saham, Barclays acquired first assurance and Sanlam acquired Pan Africa insurance and currently 2022 sanlam and Allianz are merging to create a 37 billion unit in Kenya. This shows that despite the importance of the sector to the economy, it is very delicate which raises concern (IRA 2021). The downward trend in market penetration is as a result of the challenges in the insurance industry which include; governance issues like independence of directors and organizational structure.

Various studies on corporate governance have been conducted, such as those by Asiinwe (2015), Mutua and Kilika (2016), Ngaithe (2016) and Ongore, Kobonyo, Ogutu and Bosire (2017) on corporate governance and organization performance. Regrettably, the nexus between corporate governance and organization performance in Kenya especially among insurance companies remains a foggy area. As a result, this research sought to determine the extent to which good corporate governance affects performance of insurance companies in Nairobi City County in order to close this apparent knowledge gap.

Objectives of the Study

The main objective of this study was to establish the relationship between corporate governance and performance of Insurance Industry. This study was guided by the following specific objectives;

i. To explore how independence of directors relate to performance of insurance companies in Nairobi City County, Kenya
ii. To determine how organizational structure relate to the performance of Insurance industry in Nairobi City County, Kenya

LITERATURE REVIEW

Theoretical Literature

Stewardship Theory

The theory was pioneered by David and Donaldson, (1993) and further advanced in explaining management in organizations. The theory postulates it's the core aim of managers in maximizing the performance of organizations in attempts of ensuring prosperity and growth. The interests of the managers are therefore purely oriented in accomplishment of the organizational goals and not their self-interests. The importance of the theory is that it incorporates the concept of accountability among the stakeholders (Otieno et al, 2015).

The stewardship theory has its roots from psychology and sociology. Stewards are company executives and managers working for the shareholders. The stewards protect and profits for shareholders and they are satisfied and motivated when organizational success is attained (Abdulla & Valentine, 2019). The theory argues that the effective control held by external (independent directorship) professional managers empower them to maximize firm performance and corporate profits. Regarding the leadership structure, stewards maximize their utility because they achieve organizational rather than self- serving objectives (Balta, 2018). Stewardship theorists argue that superior corporate performance is associated with the majority of inside directorshiphip because; firstly, they ensure more effective and efficient decision – making and secondly, they contribute greatly to maximize profits for shareholders (Kiel & Nicholson, 2017). Consequently, insider-dominated boards are favored more for their depth of knowledge, access to current operational information, technical expertise and commitment to the firm.

A key assumption made by the theory is that there is harmonization between the stakeholders, managers and owners. The proposition of the theory to the study is that stewards constitute a crucial component of performance of entities. A main focus of the theory is that decisions made by the corporate board take into consideration the intrinsic interests of the stewards. The stewards' interests are also assumed to over-ride all other interest that may deter profit maximization and improvement of performance. The theory utilized in describing the influence of independence of directorship on performance of insurance companies in Nairobi City County.

Systems Theory

Systems theory was first introduced in the 1940s by biologist Ludwig von Bertalanffy and furthered by W. Ross Ashby and George Bateson. Bertalanffy initially argued for open systems as opposed to the more closed systems associated with classical science. Systems theory is the transdisciplinary study of systems, i.e. cohesive groups of interrelated, interdependent components that can be natural or human-made. Every system has causal boundaries, is influenced by its context, defined by its structure, function and role, and expressed through its relations with other systems. A system is "more than the sum of its parts" by expressing synergy or emergent behavior

Changing one component of a system may affect other components or the whole system. It may be possible to predict these changes in patterns of behavior. For systems that learn and adapt, the growth and the degree of adaptation depend upon how well the system is engaged with its environment and other contexts influencing its organization. Some systems support other systems, maintaining the other system to prevent failure. The goals of systems theory are to model a system's dynamics, constraints, conditions, and relations; and to elucidate principles (such as purpose, measure, methods, tools) that can be discerned and applied to other systems at every level of nesting, and in a wide range of fields for achieving optimized equifinality.

An organization is like a system with the departments being the parts of the system. Proper coordination of departments (parts of the system) leads to proper performance hence enabling the organization to achieve its goals. Insurance companies can achieve their goals through ensuring integration of their departments. This study therefore used systems theory to assess the influence of organizational structure on performance of insurance companies

Conceptual Framework

A conceptual framework is an assumed model that aids in the identification of study concepts as well as their interactions with one another (Mugenda & Mugenda, 2003). There are certain good governance characteristics that influence performance of insurance companies in Nairobi City County in this framework. These characteristics, which are independent variables, include but are not limited to, independence of directors, organizational structure.

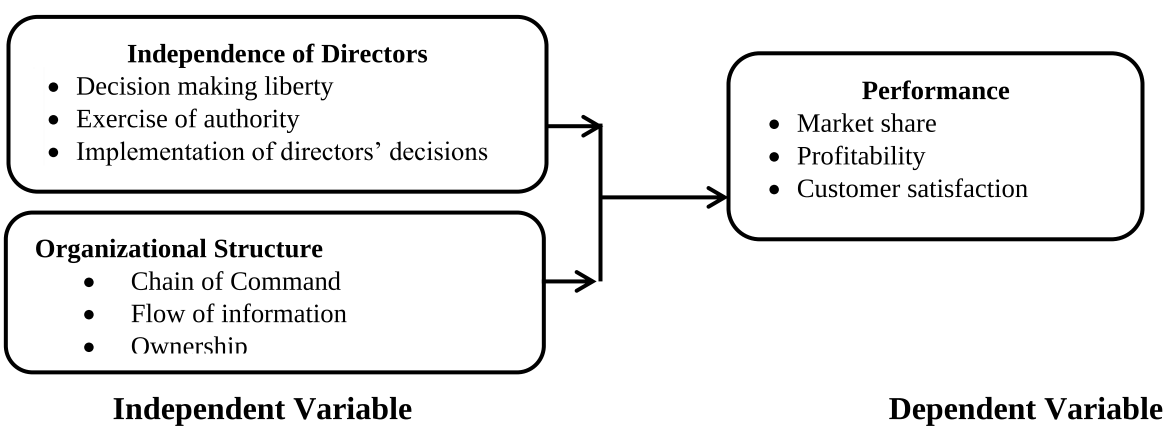

Figure 1: Conceptual Framework

Independence of Directors

The major contribution of the board is formulating company's strategy and exercise proper oversight function throughout company operations (Zinkin, 2019). Independent directorship could contribute their independent views and actively participate in board discussion. They will represent shareholders on the company's board. As independent persons, they must ensure their presence and performance is free from any influence of insiders or management. The company appoints independent directorship to monitor the performance of executive directorship and top managements. Therefore, they would pursue the interest of shareholders by maximizing shareholders' value.

Zinkin (2019) stated that several areas should be addressed by independent directorship that would contribute to the effective formulation of the company strategy. They should ask questions pertaining to the businesses that the company ventures in, product market segmentation, and the valuable customers within the market segmentation (Fuzi, Rahim & Tan, 2018). Independent directorship with relevant industry background and wide expertise would be more willing to challenge Chief Executive Officers (CEOs) and the management team in board discussion.

The independent directorship are required by state corporations in the composition of board member and board committees. For instance, all members of the audit committee must be non-executive directorship by the majority of them are independent. These to ensure the independent directorship would protect the interest of shareholders from management controlled. Further, if the chairman of the company is not independent, the majority members of the board must be independent and board should review the independence of its independent directorship annually.

Organizational Structure

Organizational structure refers to the framework or hierarchy that defines how an organization is organized, how authority and responsibilities are distributed, and how communication flows within the organization. It is a critical element of organizational design and plays a significant role in determining how effectively an organization can achieve its goals and objectives. Organizational structures typically involve a hierarchical arrangement, where individuals and units are organized in layers or levels. Each level has a specific set of responsibilities and decision-making authority (Eze, Bello & Adekola, 2017).

The chain of command defines the vertical lines of authority within the organization. It outlines who reports to whom and the flow of information and decision-making from the top management to lower levels. Organizational structures can be centralized, where decision-making authority is concentrated at the top, or decentralized, where decision-making is distributed across various levels or units within the organization. A divisional structure organizes the organization into semi-autonomous divisions or business units, often based on products, geographic regions, or customer segments. Each division has its own set of functions and resources (Kanten, Selahattin & Mert, 2015).

Empirical Literature

Independence of Directors and Organization Performance

Government agencies can carry out their legally assigned functions and provide excellent public service delivery through good governance. In the field of public administration, governance has become a reoccurring issue. According to Asiimwe (2015), "Good Corporate Governance ensures that the working environment is fair and transparent and that devolved units may be held accountable for their activities." Furthermore, the alternative state will result in corruption, waste, and resource misuse. While Corporate Control began as a means of managing modern enterprises, it has since grown in importance in the governance of public organizations.

Hendriarto and Susanty (2018) sort to test whether there is an influence of organizational structure and position analysis on work motivation and its impact on the performance of the Office of Cooperatives for Small and Medium Enterprises, Industry and Trade, Mentawai Islands Regency. The study used a quantitative approach with the path analysis method. Questionnaires were used to collect data. Respondents of this study were 50 employees from the Office of Cooperatives for Small and Medium Enterprises Industry and Trade. The results of the study found that organization structure had a significant influence on work motivation and performance.

Nuria and Francisc (2017) analyzed how the tenure and the number of directorshiphips of independent directorship may influence the relationship between board independence and firm performance in the US. The sample consisted of listed firms for the period 2008–2012. The findings show that the board's independence positively influences the firm's performance. The findings show that these variables determine the effectiveness of independent directorship. Therefore, this study highlights the need for a more specific approach, based on the organization characteristics, in order to determine the effect of the independence of directorship on performance of insurance companies in Nairobi City County.

García and Begoña (2018) looked into whether current board structures are more effective than in the past. Also, to see if increasing the number of independent directorship in a company with a high managerial entrenchment has a greater influence on shareholder value. The findings back up the idea that when management is deeply entrenched, bringing in more outsiders reduces the detrimental impact of a large number of independent directorship on the firm's value.

Armstrong, Core, and Guay (2014) investigated a regulatory shock that significantly boosted board independence for some firms and found that information asymmetry, as well as management disclosure and financial intermediation, changed at these firms. The researchers also looked at whether these effects differed depending on managerial entrenchment, information processing costs, and audit committee independence requirements. The findings show that companies can tailor their corporate openness to the needs of a specific board structure.

Eugenio, Eduardo, and Igor (2019) looked into the performance of independent directorship and organizations. The study took a meta-analytic approach. The results reveal that boardroom independence has a favorable and negative impact on accounting and market-based financial performance indicators, respectively. Further research reveals that while the link between board independence and financial performance is higher in non-communitarian societies, it is weaker in countries with more developed systems to protect minority investors' interests. Different model specifications and the existence of a set of methodological control variables had no effect on the results. They are relevant to board composition processes because they suggest how organizations should actively rebalance the proportion of independent directorship across various social and institutional environments to achieve financial performance.

Organizational Structure and Organization Performance

Eze, Bello and Adekola (2017) researched on the Effects of Organizational Structure on the Performance of Organizations. The research adopted quantitative design and applied mono method which brought about numerical data generated from questionnaire administered. The population of this study comprises of all staff of Covenant Micro Finance Bank as well as the customers of the banks. Total sum of 354 sample size comprising of both employees (51) and customers (303) of Covenant Micro Finance Bank is the sample size. The propositions assumed for this study are that: there is no relationship between organizational centralization and organizational customer satisfaction, there is no relationship between organizational centralization and organizational profit, there is no relationship between organizational formalization and organizational customer satisfaction and that there is no relationship between organizational formalization and organizational profit.

Kanten, Selahattin and Mert (2015) researched on the effects of organizational structures and learning organization on job Embeddedness and Individual Adaptive Performance. In this context, the data which were collected from 216 employees of hotel establishments by the survey method were analyzed using the structural equation modelling technique. The results of the study indicate that organic organization structure has been found to have no direct effect on job embeddedness and individual adaptive performance. In addition to this, mechanistic organization structure affects job embeddedness positively, while it has no direct effect on individual adaptive performance. However, learning organization affects both job embeddedness and individual adaptive performance positively and learning organization has a fully mediator role in the relationships between organic organization structure and job embeddedness. It also has a fully mediator role in the relationships between organic organization structure and individual adaptive performance

Fiedler and Isabell (2018) researched on the influence of organizational structure on organizational memory. This study is based on recent survey data from 122 respondents of multi-unit organizations that are mainly from the consulting, financial, automotive, and electrical industries. The results suggest that structural organizational factors, i.e. specialization and standardization as well as organizational processes such as codification and personalization of information and electronic communication influence organizational memory. Furthermore, the results show that codification of information fully mediates the relationship between standardization and organizational memory and that electronic communication partially mediates the relationship between specialization and organizational memory.

Ashton (2016) researched on the impact of organisational structure and practices on learning in the workplace. The main thrust of the research effort into workplace learning has been to identify the characteristics of workplace learning as experienced by the learner. The impact of the wider organisational process in which that learning is embedded have been played down. This paper, building on the work of Koike and Darrah, uses research conducted in a major multinational corporation (MNC) in South-East Asia, to explore the impact of the wider organisational structures on the process of learning. The model it develops not only shows how these processes impact on workplace learning but also helps explain why workers acquire different levels of skill.

RESEARCH METHODOLOGY

The study employed the descriptive research design. This design is pertinent in "developing the profile of a situation and a community of people by getting complete and accurate information through an interaction between the researcher and the respondent via data collection tools" (Kothari & Garg, 2004). According to IRA (2022), there is a total of 56 insurance companies. The target population in this study was therefore all the 56 insurance companies in Nairobi City County. The unit of analysis was the insurance companies while the unit of observation was the management employee working in the insurance companies. In every insurance company, the study targeted 1 top manager, 1middle manager and 1 lower level manager. This implies that the total target population was 168 respondents. The management employee were targeted since they are in a better position to avail information on corporate governance and performance

The sample size of the study was determined using Yamane's Formula. Therefore, the sample size for the study was 118 respondents. The study adopted a simple random sampling because the method is free of sampling error or classification error. Creswell (2014) assert that, in simple random sampling, each member of the population under study has an equal chance of being selected. The study collected primary data using questionnaires. The data collected was quantitative in nature. According to Lancaster, Dodd, and Williamson (2019), the sample size for high precision pilot studies should be between 1% and 10%. Therefore, the study was piloted on 12 respondents which represents 10% of study sample size. Quantitative data was analyzed using descriptive statistics such as frequency, percentages, and means and summary graphs, pie charts, and frequency distribution tables to depict the data's sets of categories. This study conducted inferential statistics through correlation analysis. Multiple regression analysis was used to assess the effects of corporate governance on performance of insurance companies in Nairobi City County

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

Out of 118 questionnaires which were distributed, 106 were duly filled and returned. The response rate was therefore 94.6%. Kothari (2012) indicates that a response rate of 50% should be considered average, 60% to 70% considered adequate while a response rate of above 70% should be regarded as excellent. This implies that the response rate of 89.8% was adequate for analysis, drawing conclusions and reporting

Descriptive Statistics Analysis

Performance of Insurance Companies

The respondents were requested to indicate the extent to which they agree with various statements relating to performance of insurance companies in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 1. The respondents agreed that performance of their organization has improved over the years. This is shown by a mean of 3.985 (std. dv = 0.867). In addition, the participants agreed that in the last one years they have gained new customers. This statement is supported by a mean of 3.938 (std. dv = 0.978). As shown by a mean of 3.894 (std. dv = 0.989), the respondents agreed that the profitability of their organization has improved in the last one years. The respondents agreed that there are few customer complaints concerning quality of their services. This is supported by a mean of 3.861 (std. dv = 0.816). In addition, the participants agreed that they are satisfied with the performance level of their organization. This statement is supported by a mean of 3.857 (std. dv = 0.775). The respondents agreed that the market share of their organization has been growing significantly over the years. This is shown by a mean of 3.809 (std. dv = 0.897). In addition, the participants agreed that the level of customer satisfaction has improved. This statement is supported by a mean of 3.786 (std. dv = 0.823).

Table 1: Performance of Insurance Companies

	Mean	Std. Dev.
Performance of our organization has improved over the years	3.985	0.867
In the last one years we have gained new customers	3.938	0.978
The profitability of our organization has improved in the last one years	3.894	0.989
There are few customer complaints concerning quality of our services	3.861	0.816
Am satisfied with the performance level of our organization	3.857	0.775
The market share of our organization has been growing significantly over the years	3.809	0.897
The level of customer satisfaction has improved	3.786	0.823
Aggregate	**3.846**	**0.871**

Independence of Directors and Performance of Insurance Companies

The first specific objective of the study was to explore the effect of independence of directors on performance of insurance companies in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to independence of directors and performance of insurance companies in Nairobi City County. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 2.

From the findings, the respondents agreed that the board of directors in our organization is very independent when it comes to decision making. This is shown by a mean of 3.981 (std. dv = 0.958). In addition, the participants agreed that stakeholders do not have special influence to the board of directors when it comes to running the company. This statement is supported by a mean of 3.949 (std. dv = 0.870). As shown by a mean of 3.881 (std. dv = 0.762), the respondents agreed that the board of directors in their organization have the liberty to make their on decision on matters affecting the company. The respondents agreed that the board of directors in their organization exercises authority over the company. This is supported by a mean of 3.845 (std. dv = 0.859). In addition, the participants agreed that the implementation of the board of directors decisions is not influenced in any manner by the shareholders. This statement is supported by a mean of 3.795 (std. dv = 0.953). From the findings, the respondents agreed that the board of directors in their organization is gender diverse. This is shown by a mean of 3.768 (std. dv = 0.897). In addition, the participants agreed that they are satisfied with the effectiveness of the board of directors in their organization. This statement is supported by a mean of 3.745 (std. dv = 0.892).

Table 2: Independence of Directors and Performance of Insurance Companies

	Mean	Std. Dev.
The board of directors in our organization is very independent when it comes to decision making	3.981	0.958
Stakeholders do not have special influence to the board of directors when it comes to running the company	3.949	0.870
The board of directors in our organization have the liberty to make their on decision on matters affecting the company	3.881	0.762
The board of directors in our organization exercises authority over the company	3.845	0.859
The implementation of the board of directors decisions is not influenced in any manner by the shareholders	3.795	0.953
The board of directors in our organization is gender diverse	3.768	0.897
Am satisfied with the effectiveness of the board of directors in our organization	3.745	0.892
Aggregate	**3.851**	**0.888**

Organizational Structure and Performance of Insurance Companies

The third specific objective of the study was to determine the effect of organizational Structure on performance of insurance companies in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to organizational Structure and performance of insurance companies in Nairobi County. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 3.

The respondents agreed that their insurance company has a clear and well-defined organizational structure. This is shown by a mean of 3.941 (std. dv = 0.822). In addition, the participants agreed that the hierarchy within their insurance company is easily understandable by employees. This statement is supported by a mean of 3.858 (std. dv = 0.813). As shown by a mean of 3.817 (std. dv = 0.861), the respondents agreed that decision-making processes within their insurance company are transparent and efficient. The respondents agreed that there is effective communication and collaboration among different departments in their insurance company. This is supported by a mean of 3.751 (std. dv = 0.701). In addition, the participants agreed that their insurance company regularly reviews and updates its organizational structure to adapt to changing needs. This statement is supported by a mean of 3.706 (std. dv = 0.862).

The respondents agreed that employees have a clear understanding of their roles and responsibilities within the company. This is shown by a mean of 3.675 (std. dv = 0.863). In addition, the participants agreed that the leadership team in their insurance company is accessible and approachable for employees. This statement is supported by a mean of 3.657 (std. dv = 0.786).

Table 3: Organizational Structure and Performance of Insurance Companies

	Mean	Std. Dev.
Our insurance company has a clear and well-defined organizational structure.	3.941	0.822
The hierarchy within our insurance company is easily understandable by employees.	3.858	0.813
Decision-making processes within our insurance company are transparent and efficient.	3.817	0.861
There is effective communication and collaboration among different departments in our insurance company.	3.751	0.701
Our insurance company regularly reviews and updates its organizational structure to adapt to changing needs.	3.706	0.862
Employees have a clear understanding of their roles and responsibilities within the company.	3.675	0.863
The leadership team in our insurance company is accessible and approachable for employees.	3.657	0.786
Aggregate	**3.823**	**0.846**

Inferential Statistics

Correlation Analysis

This research adopted Pearson correlation analysis determine how the dependent variable (performance of insurance companies in Nairobi City County, Kenya) relates with the independent variables (independence of directors, and organizational structure).

Table 4: Correlation Coefficients

		Organization Performance	Independence of Directors	Organizational Structure
Organization Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	106		
Independence of Directors	Pearson Correlation	.879**	1	
	Sig. (2-tailed)	.001		
	N	106	106	
Organizational Structure	Pearson Correlation	.880**	.182	1
	Sig. (2-tailed)	.000	.080	
	N	106	106	106

From the results, there was a very strong relationship between independence of directors and performance of insurance companies in Nairobi City County, Kenya (r = 0.879, p value =0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the findings of Hendriarto and Susanty (2018) who revealed that there is a very strong relationship between independence of directors and organization performance.

Further, the results revealed that there was a very strong relationship between organizational structure and performance of insurance companies in Nairobi City County, Kenya (r = 0.880, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the findings of Szono-Koguc (2018) who revealed that there is a very strong relationship between organizational structure and organization performance.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (independence of directors, organizational structure) and the dependent variable (performance of insurance companies in Nairobi County, Kenya)

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.911[a]	.830	.833	.09756

a. Predictors: (Constant), independence of directors, organizational structure

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.830. This implied that 83.0% of the variation in the dependent variable (performance of insurance companies in Nairobi City County) could be explained by independent variables (independence of directors, organizational structure).

Table 6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	101.145	4	25.286	495.804	.001[b]
	Residual	5.141	101	.051		
	Total	106.286	105			

a. Dependent Variable: Organization Performance
b. Predictors: (Constant), independence of directors, organizational structure

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 495.804 while the F critical was 2.462. The p value was 0.001. Since the F-calculated was greater than the F-critical and the p value 0.001 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of independence of directors, organizational structure on performance of insurance companies in Nairobi City County.

Table 7: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.439	0.083		5.289	0.009
	Independence of Directors	0.305	0.071	0.306	4.296	0.001
	Organizational Structure	0.364	0.081	0.367	4.494	0.000

a. Dependent Variable: Performance of Insurance Companies

The regression model was as follows:

$Y = 0.439 + 0.305X_1 + 0.364X_2 + \varepsilon$

From the results, findings revealed that independence of directors has a significant effect on performance of insurance companies in Nairobi City County, Kenya $\beta 1=0.364$, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the findings of Hendriarto and Susanty (2018) who revealed that there is a very strong relationship between independence of directors and organization performance.

In addition, the result revealed that organizational structure has a significant effect on performance of insurance companies in Nairobi City County $\beta_1=0.294$, p value= 0.002). The relationship was considered significant since the p value 0.002 was less than the significant level of 0.05. The findings are in line with the findings of Szono-Koguc (2018) who revealed that there is a very strong relationship between organizational structure and organization performance.

Conclusions

The study concludes that independence of directors has a positive and significant effect on performance of insurance companies in Nairobi City County, Kenya. The study found that decision making liberty, exercise of authority and implementation of directors' decisions affect performance of insurance companies in Nairobi City County

Further, the study concludes that organizational structure has a positive and significant effect on performance of insurance companies in Nairobi City County, Kenya. The study found that chain of command, flow of information and ownership affect performance of insurance companies in Nairobi City County

Recommendations

The study found that independence of directors has a positive and significant effect on performance of insurance companies in Nairobi City County, Kenya. This study therefore recommends that the management of insurance companies in Nairobi City County should continue embracing independence of directors to as to facilitate organization performance

Further, the study found that organizational structure has a positive and significant effect on performance of insurance companies in Nairobi City County, Kenya. This study therefore recommends that the management of insurance companies in Nairobi City County should ensure clarity and simplicity in chain of command, flow of information and ownership structure.

Suggestions for Further Studies

This study focused on assessing the relationship between corporate governance and performance of insurance companies in Nairobi City County, Kenya. Having been limited to insurance companies in Nairobi City County, the findings of this study cannot be generalized to other companies in Kenya. The study therefore suggests further studies on the effects of corporate governance on performance of companies in other sectors in Kenya.

Further, the study found that the independent variables (independence of directors and organizational structure) could only explain 83.0% of the performance of insurance companies in Nairobi City County, Kenya. This study therefore suggests research on other factors affecting performance of insurance companies in Nairobi City County, Kenya.

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