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STRATEGIC DE-MERGERS AND ORGANIZATIONAL PERFORMANCE OF MADISON GROUP OF COMPANIES IN KENYA

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Abstract

Insurance companies in Kenya are forced to cope with dynamic and competitive environment due to the increased effects of globalization and internationalization. Strategic demerger is one strategy that aims at differentiating an organization from competitors in a way that in the future it remains competitive. The general objective of the study was to establish the relationship between strategic de-mergers and organizational performance of Madison group of companies in Kenya. Specific objectives were to establish the effect of concentration on core competency on organizational performance of Madison group of companies in Kenya, to determine the effects of operating efficiency on organizational performance of Madison group of companies in Kenya, to examine the effects of strengthening control on organizational performance of Madison group of companies in Kenya and to establish the effects of cost reductions on organizational performance of Madison group of companies in Kenya. This study was anchored on industry change theory, resource-based theory, efficiency theory, corporate control theory and dynamic capabilities theory. The study adopted a descriptive research design. The target population was 161 management level employees in all the branches of Madison group of companies. Stratified random sampling technique was adopted in selecting study sample. The sample size of the study was 115 respondents. Data collection tool was questionnaire. SPSS was used in analyzing data where qualitative data was analyzed by computing descriptive statistics such as mean, SD, percentages and frequencies and displayed in tables and figures. Qualitative data was analyzed using content analysis. The relationship between the variables was determined by computing multiple regression analysis. The study found that concentration on core competency positively and significantly influenced organizational performance of Madison group of companies in Kenya; operating efficiency positively and significantly influences performance; strengthening control positively and significantly influences performance; and cost reductions positively and significantly relate with performance. The study therefore recommends management of the company to resolve to increasing performance of the organization through proper management of core competencies which include cooperation, shared vision and empowerment. Insurance company should enhance their efficiency by considering the company's capital structure. The management of the insurance company to have a strong internal control system which are necessary for organizations to survive, grow and utilized opportunities that arise in their environments while controlling risks.

Keywords: Core competency, Cost reductions, Operating efficiency, Strategic de-mergers: Strengthening control

Introduction

Corporate world is rapidly changing giving an unprecedented threat to the companies that mandates to bring in better focus. Therefore, firms today cannot drown in the luxury of only producing goods to keep life simple, rather an unquenched thirst always remains that makes the quest for value sustainable through rapid growth in technology, squeezed employment market, growing number of discerning consumers, change in the nature of financial market and rising stock market volatility abash the managers to put a single step forward. Strategic adjustment that increases efficiency is inevitable to re-establish their competitive advantage and respond more quickly and effectively to new opportunities and un-anticipated challenges. These adjustments created the avenue for strategic demerger which has become a driving force to increase value in the cut-throat competitive environment, both economic and financial (Limmack, 2013).

The concept of demerger was introduced in the 20s in America. Globally demerger has become popular after the deregulation of policies in many countries (Dittmar, 2013). Over the years, majority of the businesses have embraced demerger as their favorite strategy (Kelly, 2012). As a corporate strategy, demerger is one of many ways that enables a company to divest and focus better on their key operations; this is possible through different ways which include spin offs, split ups, split offs, etc. (Mallick & Rakshit, 2016). The opposite of demerger is merger. When a corporate enterprise decides to dispose off some of its business segments to other corporations-whether this corporations existed or have been newly formed for the purpose of inviting or preventing an acquisition-raising capital through sell off of components no longer part of the core products of the business or developing other separate legal entities for handling various operations (Muller, 2013).

Most of the times, companies that demerger are forced to, in some instances diversify their operations size for instance when company division isn't performing to shareholders expectations or is no longer fitting in the strategic policies of a company or affects rationalization or specialization in manufacturing process or has grown and the profit margins have increased (Kelly, 2012). There are cases when demergers are meant to undo previously done mergers or acquisitions that were not successful. Demerger is highly practiced because large business units may affect entrepreneurial initiatives, lower accountability levels, core activities might be sidelined, and encourages investment in activities that aren't core to the business (Rakshit & Sujit, 2013). Companies are starting to discover that demerger could help them strengthen their key competencies and realize their business's true potential (Muller, 2013). Njeri (2013) in her study on impacts separation of life and general insurance have on financial performance of Kenya's insurance companies established that there was no statistically significant difference between the patterns of returns after the splitting of the insurance companies.

The challenges facing organizations that are planning to de-merge are; demerger process is governed by different legal requirements, it is important to understand legal aspect of demerger and how it will affect organization operations. One of the key challenge that

companies undergoing demerger and tax authorities are yet to settle is that of taxation, therefore understanding the tax policy would help the organization to know whether demerging would be profitable (Jawa, 2013). Further, demerger predominantly affects shareholders, it's important to understand the effect it has of shareholders wealth and also what the shareholders opinion is (Madura & Murdock, 2012). Demerger also affects employees in terms of their salaries, HR policies, work environment, and transfers. It is essential to know how this will affect performance (Gaughanin, 2010)

After Madison Group of companies went down the path of acquisition and mergers, they are turning their course to demerger as they find it to speed the process of corporate restructuring. In 2015 Madison carried out a number of changes that will enable it to undertake the demerger of the general and life businesses into two wholly-owned subsidiaries of the Madison Group. This strategic change was made in the medical business which included management capacity enhancement and change of the re-insurance treaty from quarter share to excess of loss. These and other strategic initiatives undertaken in 2015 were part of the strategy towards the achievement of the vision for the Madison Group. It is against this background that the study seeks to establish the relationship between strategic de-mergers and organizational performance of Madison Group of Companies in Kenya.

Statement of the Problem

Competitiveness and superior performance in an insurance company can be attained through strategic response that are competent and appropriate (Kamau, 2018). Insurance companies in Kenya, due to internalization effects and globalization, are forced to cope with changes in the competitive business environment (IRA, 2018). Strategic demerger is one strategy that aims to differentiate a company and does so in a manner that ensures its future sustainability (Mohamed, 2016). It's a move aimed at helping insurance firms mitigate risk that has led to the collapse of some insurance companies that were operating as composite companies. Further, it's an action that is meant to help realize profit and survival (AKI, 2018).

A report by AKI (2016) acknowledges that the East African insurance industry is currently undergoing a period of rapid change concerning separation of life insurance from general insurance. This is largely driven by the amendments to insurance regulation in Kenya, and East Africa to disallow composite insurers from operations. In Kenya, only the reinsurer is allowed to be a composite insurer. All composite insurers were expected to have separated by 2015. However, AKI 2016 report shows that only three of the ten major composite insurers had demerged, and the rest were yet to demerge. Madison Insurance profitability has been declining, in 2016/2017 there was 8% decline in profitability, which further went to 11% decline in 2017/2018 (Madison Annual report, 2018). It is against this background that the study seeks to establish the relationship between strategic de-mergers and organizational performance.

Several researches have been conducted on demergers and organizational performance. Singh, Bhowal and Bawari (2013) did a study on impact of demerger on shareholders' wealth among Indian Companies; the study found that demerger positively impacted on shareholder

wealth. Panda and Rao (2016) studied on corporate restructuring: demerging impact on performance of family owned business in India, their study established that demerger negatively impacted on performance of family owned business. Bao (2017) did a study on evaluation of pre and post demerger-merger performance: using ABN AMRO BANK as an example, the study found that there was an increase in performance after the demerger.

Much of the studies done in regard to relationship between strategic de-mergers and organizational performance have yielded mixed results. Further, the studies have been conducted in different industries. From the literature, it is also evident that there is minimal literature on de-mergers and organizational performance in Kenya; hence the research gaps which this study sought to fill by establishing the relationship between strategic de-mergers and organizational performance of Madison Group of Companies in Kenya.

Objective of the Study

The general objective of the study was to establish the relationship between strategic de-mergers and performance of Madison group of companies in Kenya

The study was guided by the following specific objective

i. To establish the effect of concentration on core competency on organizational performance of Madison group of companies in Kenya
ii. To determine the effects of operating efficiency on organizational performance of Madison group of companies in Kenya
iii. To examine the effects of strengthening control on organizational performance of Madison group of companies in Kenya
iv. To establish the effects of cost reductions on organizational performance of Madison group of companies in Kenya

Research Questions

The study was guided by the following research questions

i. What is the effect of concentration on core competency on organizational performance of Madison group of companies in Kenya?
ii. To what extent does operating efficiency affect organizational performance of Madison group of companies in Kenya?
iii. What are the effects of strengthening control on organizational performance of Madison group of companies in Kenya?
iv. What are the effects of cost reductions on organizational performance of Madison group of companies in Kenya?

Significance of the Study

This study is of great importance in filling the knowledge gap that exists on the relationship between strategic de-mergers and organizational performance in Kenya. The study assists the management of Madison Group of Companies in understanding how strategic de-mergers has affected the organizational performance of Madison group of companies; this might assist in the implementation of strategic demerger in order to enhance the company performance.

Policy makers in the insurance sector might greatly benefit as the study helps them understand how strategic de-mergers influence organizational performance; this might assist them in designing policies that will assist future demergers in the sector. Future scholar and academicians also benefit from the study since it acts as foundational basis for future studies and also it provides literature that can be used in other relating studies. Additional body of knowledge is added on the association between strategic de-mergers and organizational performance.

Scope of the Study

This study sought to establish the relationship between strategic de-mergers and organizational performance of Madison group of companies in Kenya. Specifically, the study sought to establish the effect of concentration on core competency, operating efficiency, strengthening control, and cost reductions on organizational performance of Madison group of companies in Kenya. The study targeted the management level employees in all the branches of Madison group of companies where the sample size of the study was selected. The study was carried out from June 2019 to November 2019.

Theoretical Review

Industry Change Theory

This theory was developed by McGahan (2004). This theory is of great importance when trying to analyze and understand change in the industry in order to guide investments that are intelligent within the company. Obtaining this knowledge is not always easy and most of the time, companies end up misreading clues and therefore generating conclusions that are false. According to McGahan, it is important for true long-term visualization of the company to be made, high-level basis. After a study that focused on impacts of industry structure on profitability of business and investors returns was conducted in USA for more than a decade, McGhan reached a conclusion that industry evolution is in four trajectories: radical; creative; progressive; and intermediating.

Intermediating trajectory can be applied by a company as response to transformations that threatens its survival in the sector. This approach allows a company to follow options with less risks and pursue short-term profit and at the same time avoid those investments which could later cause ramp down of its investments. This theory provides theoretical explanation to the motivation behind separating life assurance from general insurance and therefore it is considered relevant in this study. General insurance had become a threat to the insurance firm due to the coverage given to the then highly risky PSV industry. This theory suggests that the actions taken to restructure the industry could have followed any of the four trajectories presented by the theory (Tranaes, 2009). The study will use the industry change theory to establish the relationship between strategic de-mergers and organizational performance of Madison group of companies in Kenya.

Resource Based Theory

Resource based theory was developed by Barney's (1991). RBT suggest that companies are heterogeneous since their resources are heterogeneous, suggesting that companies can have varying strategies since their resource mix varies. This theory focuses the attention of the management on internal resources of the company as it tries to identify those assets, competencies and capabilities that have the ability of delivering superior performance to the company.

According to Collis and Montgomery (1995) it is possible to establish how valuable a resource is by testing the extent in which they cannot be imitated, how durable, appropriate, sustainable and superior they are. Morgan and Katsikeas (2004) argued that the RBV is made up of internal resources of the company and human capital resources. A company can attain superior performance through competitive advantage generated by the resources. O'Cass and Weerawardena (2010) on a similar note agreed that the competitive advantage of a company can be established using its resources. This study used the resource-based theory to establish the effect of concentration on core competency on organizational performance of Madison group of companies in Kenya.

The Efficiency Theory

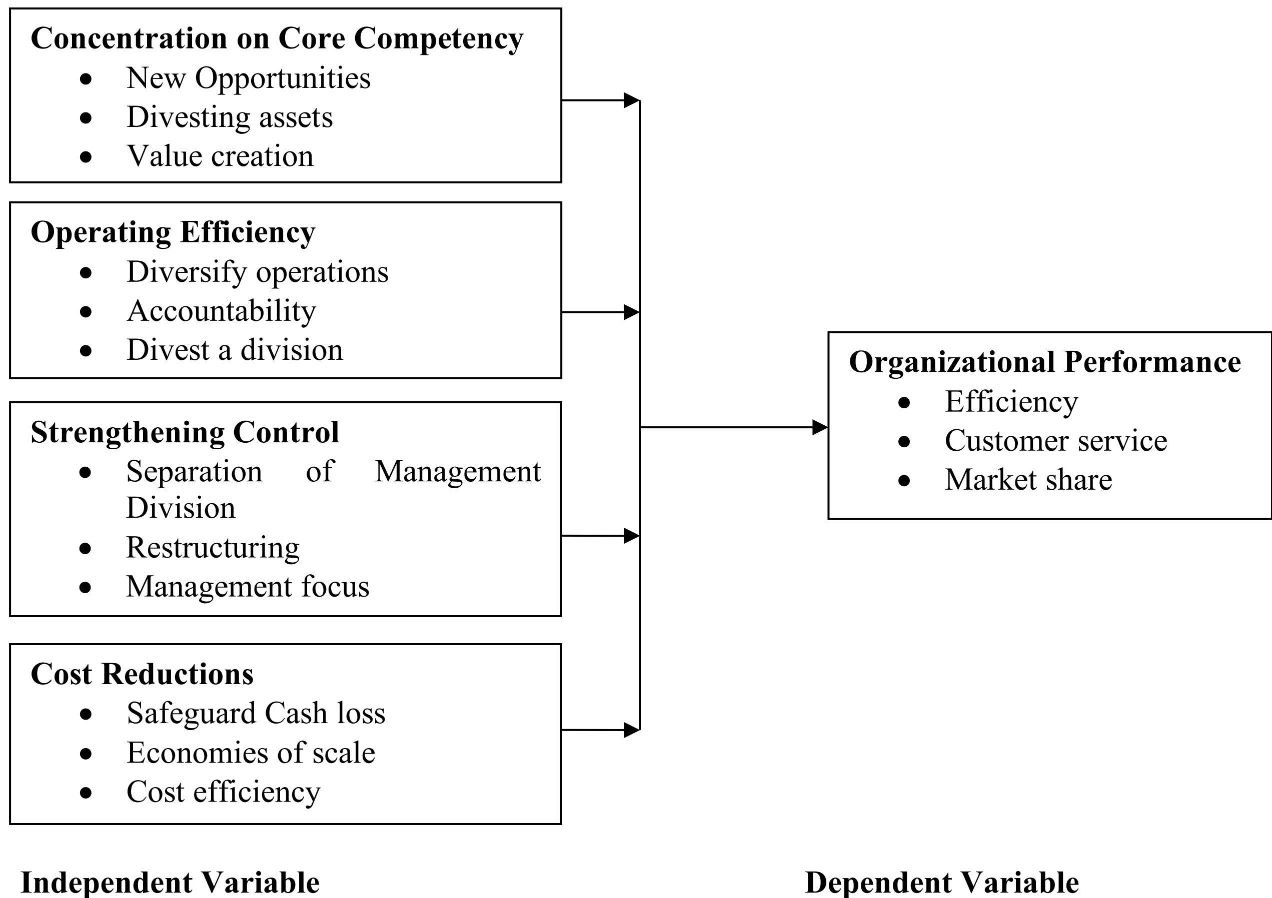
Eckard and Banerjee (1998) support this theory and explain that the only way merger can take place is if enough realizable synergies can be generated to ensure that both parties benefit from the deal. Generally, there are three distinguishable forms of synergies. The first is the financial synergy and can result in low capital costs. This can be achieved by reducing the systematic risk of investment portfolio of companies through its investment of businesses that are unrelated. To increase the size of the company is another way, and this allows the company to access cheap capital. The third technique is through establishment of internal capital market. The operations of an internal market could be on superior information thus increasing efficiency in allocation of capital.

The final synergy is that of managerial synergies and this is attained when the manager for the bidder pose monitoring abilities and superior planning benefiting the performance of the target. The basis of this argument is the positive motivational impact of LBOs (Jensen & Murphy, 1988). The idea of financial synergies has been criticized a lot. It is mainly argued that any form of financial synergy can't be attained in a capital market that is efficient. Researches have revealed that no proof exists to support either lower systematic risk or a superior internal capital market (Rumelt, 1986; Montgomery & Singh, 1984). The efficient theory was applied in determining the form of synergy the demerger process in the study adhered to. The study used the efficiency theory to determine the effects of operating efficiency on organizational performance of Madison group of companies in Kenya

Conceptual Framework

According to Kombo and Tromp (2009) a conceptual framework is generated from a particular instance and is based on an idea. It can also be defined as set of principles and ides

that are selected from various areas relating to the topic of study and are combined together to form a basis for another presentation. Mugenda and Mugenda (2008) and Smith (2014), defined it as a hypothesis identifying the model under study and the link that exists between the variables. Kothari (2010) explained that an independent variable or predictor variable is the variable that is assumed to be the cause of changes observed in the dependent variable while the dependent variable is what the study seeks to investigate. Figure 2.1 is a figurative representation of variables being studied.



Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

Figure 2.1 show that core competencies, operational efficiency, internal controls and cost reduction influence organizational performance. When key capabilities are combined they form special expertise referred to as core competencies and are responsible for differentiating the organization from its rivals. Core competencies can also be said to be unique, complicated, difficult to differentiate, and combination of resources that are value adding, capabilities as well as competencies generating key support for company strength (Holahan, Sullivan & Markham, 2014). The role played by core competence is very crucial in the creation of synergy between various units of business. From the experimental results the core competencies obtained focuses on determining organizations superiority in terms of its competitive performance (Besle & Sezerel, 2012).

The ability of a business to provide its customers with quality products or services in a manner that is cost effective is what is considered to be operational efficiency. Organization's net profit merging is what determines the efficiency of organization operations in relation to how efficiently it utilizes its assets. Despite high return margin being an indication of better performance, a low margin does not necessarily suggest that ROA turnover of the company is low. The overall operating efficiency of a firm therefore can be assessed on the basis of a combination of both (Dhillon, 2012).

The process of internal control is affected by management, BODs, and other personnel of the entity whose responsibility is to provide assurance on achievement of objectives that relate with operations, compliance and reporting (Jokipii, 2010). The main focus of internal controls is enhancing either directly or indirectly the reliability of financial performance by improving accountability levels among providers to information in a company (Jensen, 2013). The purpose of internal control is broad to the extent that the level of control in an organization deals with challenges relating with low revenue, exploring the link between fraud and disclosure of material weakness, management of earnings or restatements provided by internal controls; an independent quality appraisal of performance by management in conducting assigned duties to facilitate improved generation of revenue (Jensen, 2013).

According to Asaolu and Nassar (2007) cost reduction is an approach towards improving efficiency that is planned and positive. There are several ways through which cost reduction can be viewed and they include improving levels of productivity and eliminating waste. Lockey (2012) explained that a company having competitive advantage is in a position to increase its market share and become market leader. Other competition means can be made feasible using the technique of cost reduction.

Research Methodology

The study adopted a descriptive research design; in this research design, the questions of who, what, when, where, and how relating to the research problem are answered.

The unit of analysis was Madison group of companies while employees in Madison group of companies were the unit of observation. The target population was management level employees in all the branches of Madison group of companies. The study covered Madison insurances branches in Nairobi Region, Western Region, Coast Region and Central Region. According to the human resources in the company, the target population was as shown in table 1

Table 1: Target Population

Category	Frequency	Percent
Nairobi Region	53	33
Western Region	42	26
Coast Region	35	22
Central Region	31	19
Total	**161**	**100**

This study adopted a stratified random sampling technique. For this sampling technique, population elements are divided into subgroups called strata and the grouping is done in a

manner that the elements in the group are homogeneous and the groups are heterogeneous. Elements from each stratum are the selected using simple random sampling. The number of units selected for the purpose of data collection is called a sample size.

Yamane formula was used in calculating the sample size

The formula is n= N / [1+N (e) 2]

Where n = sample size,

N = population size

e = error term (0.05)

Hence, n = 161/ [1 + 161(.05)2] = 115

The sample size of the study was 115 respondents this formed (115/161*100) = 71.4% of the target population.

Table 2: Sample Size

Category	Frequency	Sample percent	Sample Size
Nairobi Region	53	71.4%	38
Western Region	42	71.4%	30
Coast Region	35	71.4%	25
Central Region	31	71.4%	22
Total	**161**	71.4%	**115**

Structured questionnaires were used for this study. Questionnaires were considered to be valuable technique in collecting wide information range from a large population. Structured questionnaires ask direct and closed questions. An introduction letter was sought from the university. This helped in introducing the study to the respondents. The questionnaires were administered by the researcher in Nairobi branches while research assistants administered the questionnaires in the branches outside Nairobi. This study adopted the drop and pick later technique of collecting data. The respondents were given a period of one week to fill in the questionnaires. This helped in achieving a high response rate.

Pre-testing a questionnaire among a small group of respondents is a valid way of making sure that the data collection tool can accurately capture the required information. The study used validity and reliability tests to ensure meaningfulness and consistency of the results. This study tested validity using content analysis. In this study the researcher sought expert opinions who in this case were lecturers in business management department at the university to determine validity of the questionnaire. This facilitated modification and revision of the questionnaire and therefore enhance its validity. This study used the test-retest method where the data collection tool was administered to a small group of individuals selected from the target population. The test was conducted at an interval of seven days. From each test, the scores obtained were correlated to obtain the reliability coefficient. Cronbach alpha which measures internal consistency was used. The value of Cronbach alpha rage between 0 and one with values between 0 and 0.6 suggesting that reliability of the instruments is low while values greater or equal to 0.7 suggesting high reliability.

Before the collected data was analysed it was checked first for completeness and consistency. Then, to facilitate grouping of the data into different categories, the data was coded. SPSS (version 21) was used in analysing the data where quantitative data was analysed by computing descriptive statistics and presentation done through percentages, means, SD and frequencies. Tables, figures and prose form were used in displaying the information. To achieve this, responses were tallied, percentages of variation computed and described and interpretation of the data done in line with study objectives to communicate the research findings.

Content analysis was used to analyses qualitative data. Content analysis involves categorizing of behavioral and verbal data, summarizing it and tabulating the. This was done by examining the qualitative data, the researcher then identified coding units, the data was analyzed by applying the coding units and a tally was made up on the number of times a coding unit appears.

Multiple regression analysis was conducted using SPSS (version 21) to determine the strength of the relationship between the variables. The regression equation is

($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4+\varepsilon$):

Whereby Y = Organizational Performance

X_1 = **Concentration on core competency**

X_2 = **Operating efficiency**

X_3 = **Strengthening control**

X_4 = **Cost reductions**

$\beta_1, \beta_2, \beta_3, \beta_4,$ =Coefficients

ε = Error term

Research Findings and Discussions

The study selected a sample of 115 respondents; all respondents were issued with questionnaires but only 93 returned them having been dully filled. The returned questionnaires formed a response rate of 80.9% which was considered excellent and was therefore used for analysis and reporting. Data collected from the pilot test was used to test for reliability of the questionnaire where Cronbach alpha which measures internal consistency was used. Concentration on core competency had a Cronbach alpha value of 0.861, operating efficiency had alpha value of 0.754, strengthening control had 0.785, cost reductions had 0.745, and organizational performance an alpha value of 0.801. These findings show that all the variables had Cronbach alpha values greater than the selected threshold value of 0.7 suggesting that variables were reliable. Therefore, they were all included in the study.

Descriptive Statistics

Respondents indicated their level of agreement with various statements as shown below;

Concentration on Core Competency

Table 3: Concentration on Core Competency in Madison group of Companies

Statements	Mean	Std. Dev.
The organization is restructured to meet new customer needs	3.958	1.266
The organization is restructured to improve the existing products	3.858	1.261
The organization is restructured to ensure maximum use of resources	3.929	1.404
The organization is restructured to focus on new innovations	3.750	1.343
The organization is restructured to offer innovative products in the market	3.750	1.342
The organization is restructured to meet the needs of emerging markets	3.893	1.193
The organization is restructured to focus on different customer segments	3.821	1.336
The organization is restructured to create and deliver value in an efficient way	3.929	1.193

Results show respondents agreeing that the organization is restructured to meet new customer needs as shown by a mean of 3.958; the organization is restructured to create and deliver value in an efficient way as shown by a mean of 3.929; the organization is restructured to ensure maximum use of resources as shown by a mean of 3.929; the organization is restructured to meet the needs of emerging markets as shown by a mean of 3.893; the organization is restructured to improve the existing products as shown by a mean of 3.858; the organization is restructured to focus on different customer segments as shown by a mean of 3.821; the organization is restructured to focus on new innovations as shown by a mean of 3.750; the organization is restructured to offer innovative products in the market as shown by a mean of 3.750. The study findings are in agreement with Mugo, Namusonge and Sakwa (2016) who in their study established that core competencies were found to enhance companies' performance and therefore suggested for organizations to ensure that the policies in the company encouraged employees to have a sense of belonging, provided constant feedback, encourage open communication, and the polices should communicate goals and employee expectation.

Operating Efficiency

Table 4: Operating Efficiency in Madison group of Companies

Statements	Mean	Std. Dev.
Demerging help in creation of more business components	3.893	1.337
Demerging help in focusing on specific tasks hence improving efficiency	3.964	1.480
Demerging makes the business units more accountable on their roles	3.821	1.490
Organizations formed after demerging has more control on its operations	4.000	1.405
Demerger has reduced the range of functions in the business hence lowering management costs	3.929	1.484
Demerging has helped to reduce the levels of the business hierarchy, thus making communication faster	3.857	1.411

Results show respondents agreeing that organizations formed after demerging have more control on its operations (M=4.000); demerging help in focusing on specific tasks hence improving efficiency (M=3.964); demerger reduced the range of functions in the business hence lowering management costs (M=3.929); demerging helps in creation of more business components (M=3.893); demerging helps to reduce the levels of the business hierarchy, thus making communication faster (M=3.857); and demerging makes the business units more accountable on their roles (M=3.821). These agree with Itumo (2013) that efficiency and ROI are positively and significantly related.

Strengthening Control

Table 5: Strengthening Control in Madison Group of Companies

Statements	Mean	Std. Dev.
Separation of management promotes commitment to certain goals	3.786	1.415
Separation of management helps to streamline the business	3.964	1.480
Restructuring ensures an increased focus on the business	3.834	1.496
Strengthening control has created a focused business to better meet consumer needs	3.964	1.208
Strengthening control has helped in reducing conflict between the cultures	3.893	1.193
Strengthening control has ensured that employees work towards the set business goals	3.929	1.269

Results show respondents agreeing that separation of management helps to streamline the business (M=3.964); strengthening control creates a focused business to better meet consumer needs (M=3.964); strengthening control ensures that employees work towards the set business goals (M=3.929); strengthening control helps in reducing conflict between the cultures (M=3.893); restructuring ensures an increased focus on the business (M=3.834); and separation of management promotes commitment to certain goals (M=3.786). The study findings concur with Sitkin, Cardinal and Bijlsam-Frabkema (2010) who did a review on organizational control and revealed that control practices are mainly aimed at ensuring that employees are given information regarding the acceptable standards of performance, to correct deviant behavior and encourage them to perform effectively.

Cost Reductions

Table 6: Cost Reductions in Madison Group of Companies

Statements	Mean	Std. Dev.
Demerging helps an organization focus on its core business hence lowering management costs	3.929	1.269
Demerging helps the management to efficiently manage the business as a whole	3.750	1.193
Demerging helps the management to ensure maximum utilization of organization resources	4.022	1.152
Demerging ensures that the labour is minimal and efficient	3.893	1.193
Demerging ensures that just enough stock in available	3.821	1.336
Demerging ensures that financial resources are accounted for hence minimal cash loss	3.821	1.187
Demerging helps in ensuring that supply chain is reasonable	3.893	1.337

Results show respondents agreeing that demerging helps the management to ensure maximum utilization of organization resources (M=4.022); demerging helps an organization focus on its core business hence lowering management costs (M=3.929); demerging ensures that the labour is minimal and efficient (M=3.893); demerging helps in ensuring that supply chain is reasonable (M=3.893); demerging ensures that just enough stock in available (M=3.821); demerging ensures that financial resources are accounted for hence minimal cash loss (M=3.821); and demerging helps the management to efficiently manage the business as a whole (M=3.750). The study concurs with Gichuki (2014) that company's financial performance is positively influenced by cost management strategies; therefore, management of companies should focus on managing distribution, labor and stock cost. This includes making sure that available stock is enough, that there is reasonable supply chain and that there is efficient and minimal labor.

Organizational Performance

Table 7: Organizational Performance of Madison Group of Companies

Statements	Mean	Std. Dev.
The demerger has improved organizational customer service	3.857	1.261
The demerger has improved organizational efficiency	3.714	1.267
The demerger has improved organizational market share	3.929	1.193

Results show respondents agreeing that the demerger has improved organizational market share (M=3.929) the demerger has improved organizational customer service (M=3.857); and the demerger has improved organizational efficiency (M=3.714). This concus with Wheelen and Hunger (2012) strategy management determine capabilities needed in order to facilitate organizational development, the size and form of requirements needed to enhance profitability and plated ROI by the company.

Multiple Regression Analysis

The study computed multiple regression analysis to determine the strength of the relationship between the variables. The findings were presented in three tables discussed in subsections below.

Model Summary

Model summary was used to show amount of variation in performance of Madison group of companies in Kenya due to change in strategic de-mergers was sought.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.841[a]	.707	.698	.24213

a. Predictors: (Constant), Concentration On Core Competency, Operating Efficiency, Strengthening Control, Cost Reductions

Results show that the value of adjusted R^2 was 0.698 an indication that 69.8% variation in performance of Madison group of companies in Kenya can be explained by changes in concentration on core competency, operating efficiency, strengthening control, and cost reductions. The remaining 30.2% variation in performance suggests that all aspects affecting performance were not discussed in this study, there are other variables affecting performance that were not included in this study. The findings also show that the variables were strongly and positively correlated (R) as indicated by correlation coefficient value of 0.841.

Analysis of Variance

ANOVA was used to determine significance of the model; the significance of the model was tested at 5% significance level.

Table 9: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.738	4	7.184	12.177	.002[b]
	Residual	51.920	88	0.59		
	Total	**80.658**	**92**			

From ANOVA table, the p-value (0.002) is less than 0.05, an indication that the model was significant in predicting performance of Madison group of companies in Kenya. F-critical value (2.475) from f distribution tables was less than f-calculated value (12.177). This therefore suggested that concentration on core competency, operating efficiency, strengthening control, cost reductions were significant predictors of performance of Madison group of companies in Kenya.

Beta Coefficients of the Study Variables

Table 10: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.679	0.073		9.301	.000
	Concentration on Core Competency	0.243	0.059	0.231	4.119	.029
	Operating Efficiency	0.512	0.072	0.486	7.111	.001
	Strengthening Control	0.353	0.073	0.348	4.836	.013
	Cost Reductions	0.362	0.058	0.35	6.241	.005

From the findings, the following regression equation was fitted;

$\mathbf{Y = 0.679 + 0.243X_1 + 0.512X_2 + 0.353X_3 + 0.362X_4 + \varepsilon}$. Whereby Y = Organizational Performance; X_1 = Concentration on core competency; X_2 = Operating efficiency; X_3 = Strengthening control; X_4 = Cost reductions; and ε = Error term. From the extracted equation, it is seen that holding the variables; concentration on core competency, operating efficiency, strengthening control, and cost reductions to a constant zero, organizational performance will be at a constant value of 0.679.

The findings also show that concentration on core competency is statistically significant in explaining performance of Madison group of companies in Kenya ($\beta = 0.243$, $P = 0.029$). This is an indication that concentration on core competency had a positive relationship with performance of Madison group of companies in Kenya. This shows that a unit increase in concentration on core competency results to an increase in performance of Madison group of companies in Kenya.

The study found that operating efficiency is statistically significant in explaining performance of Madison group of companies in Kenya ($\beta = 0.512$, $P = 0.001$). The findings also suggest that operating efficiency has a positive relationship with performance of Madison group of companies in Kenya. This shows that a unit increase in operating efficiency results to an increase in performance of Madison group of companies in Kenya.

From the findings, the study established that strengthening control is statistically significant in explaining performance of Madison group of companies in Kenya ($\beta = 0.353$, $P = 0.013$). These findings suggest that strengthening control has a positive relationship with performance of Madison group of companies in Kenya. a unit increase in strengthening control results to an increase in performance of Madison group of companies in Kenya.

The study also established that cost reductions is statistically significant in explaining performance of Madison group of companies in Kenya ($\beta = 0.362$, $P = 0.005$). This is an indication that cost reductions have a positive relationship with performance of Madison group of companies in Kenya. This shows that a unit increase in cost reductions results to an increase in performance of Madison group of companies in Kenya.

Conclusions

The study found out that the variables used were statistically significant in explaining the performance of Madison Group of companies in Kenya since the variables had a positive relationship which significantly influenced the company's performance. Based on the findings, the study concludes that a unit increase in any of the variables results to an increase in performance of Madison Group of companies in Kenya.

Recommendations

The study found that concentration on core competency has a positive influence on performance of Madison group of companies. The study therefore recommends management of the company to resolve to increasing performance of the organization through proper management of core competencies which include cooperation, shared vision and empowerment. The study also recommends the insurance company to ensure that the policies

in the company encourage employees to have a sense of belonging, provide constant feedback, encourage open communication, and the polices should communicate goals and employee expectation.

Operating efficiency was found to have a positive influence on performance. The study therefore recommends the insurance company to enhance their efficiency which can be attained by considering the company's capital structure. The study also recommends the company to consider vital inputs in the company that can influence efficiency.

Strengthening control had positive influence on performance of Madison group of companies. The study therefore recommends the management of the insurance company to have a strong internal control system which is necessary for organizations to survive, grow and utilize opportunities that arise in their environments while controlling risks. Strong internal controls in an organization can be enhanced by having regular feedback provided to its employees/officers which strengthens the performance of the organization. The study also recommends the management of the organization to consider knowledge needed for a particular task when determining the form of control, they will apply.

The study recommends management of Madison group of companies to manage costs which includes distribution, labor and stock; this can be achieved by making sure that there is enough available, there is reasonable supply chain and that there is efficient and minimal labor. The study also recommends the company to use ratio on asset management, to be able to determine their efficiency in the use of assets and therefore intensively create efficient and intensive revenue.

Suggestions for Further Studies

This study sought to establish the relationship between strategic demergers andperfor mance of Madison group of companies in Kenya. The study focused on Madisongroup of c ompanies; the study therefore recommends replication of the study in otherinsurance compa nies to facilitate comparison and generalization of research findings.The study explained 6 9.8% variation in performance; the study therefore recommends a study to be conducted on other aspects of demerger that can influence performance. The study further recommends a study to be conducted on the challenges encountered by companies during de-
merger and their effects on performance.

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