



Operational Restructuring and the Performance of Insurance Firms in Nakuru County, Kenya

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ABSTRACT

The insurance industry in Kenya exhibits serious performance challenges including low penetration rate of 2.17% against a global average of 7.4%. To address these challenges and improve performance, insurance companies have begun pursuing different restructuring strategies with the view of enhancing efficiency and improving competitiveness. However, there is little evidence that a systematic study has been conducted to examine their impact on organizational performance. It is in this regard that this study sought to examine the influence of operational restructuring on the performance of insurance firms in Nakuru County. The study was guided by the Porter's Theory of Competitive Advantage and adopted a descriptive research design. The study targeted a population of 30 branch managers from the study area obtained but only 19 were able to complete the study. Pre-tested questionnaires were used for data collection. Both descriptive statistics and the Fisher exact test were used for analysis. Descriptive results indicated active engagement in operational restructuring activities including effective delegation of duties, promoting leadership qualities, encouraging employee involvement, maintaining sufficient staffing levels, adopting new information technology, and outsourcing non-core functions. The Fisher's exact test ($p=.023$) revealed a strong, positive, and statistically significant relationship between operational restructuring and performance of the insurance firms. The study concludes that operational restructuring is vital for enhancing performance of insurance firms. The study recommends firms to prioritize operational efficiency initiatives. Managers should invest in upgrading technology, optimizing processes, and expanding outsourcing of non-core functions to improve productivity and cost-effectiveness. Policymakers are encouraged to a conducive environment for operational restructuring. Future research should examine long-term effects, compare across sectors, and incorporate qualitative methods to deepen understanding of contextual influences on operational restructuring outcomes

Keywords: Efficiency, Performance, Insurance, Operational restructuring, Technology.

1. INTRODUCTION

The global economic crisis and growing competition are causing increasing number of companies to strategize their corporate setting to survive and meet their financial challenges. Corporate restructuring is one among many strategies that can aid companies to respond more quickly and efficiently to new opportunities and unexpected pressures, adopt new strategic opportunities, thereby re-establishing their competitive advantage and achieve credibility in the market (Foster et al., 2019). Restructuring can also have an enormous impact on a company's market value, often regarding billions of dollars (Engbith & Jeffereis, 2021). Increased competition, swift advances in technology, and more demanding shareholders have raised the burden on managers to deliver greater performance and value for their shareholders (Foster et al., 2019). During tough economic times, many companies begin to restructure their legal, ownership, portfolio, managerial or operation structure to be more profitable, competitive and efficient.

Operational restructuring involves changing aspects of the inner working of a business like human resources, processes, and technology (Flovick et al., 2019). Human resource restructuring many take various forms including

downsizing, redeployment, reorganization of reporting lines, redistribution of functions and powers and staff rationalization among others (Park & Youn, 2020). Process restructuring reconsiders radical redesign of organizational processes in order to achieve drastic improvement of current performance in cost, service and speed (Park & Youn, 2020). It often entails changing essential processes such as production, distribution, marketing, procurement, or service process with the aim reducing cost, increasing productivity and improving services (Ongeri et al., 2020). On the other hand, technology restructuring is the radical changes in the tools and techniques that an organization uses to fulfill various functions (Gasior, 2021). Of particular importance to the insurance industry are the tools and techniques that an organization uses to manage information and communication. Many organizations are obtaining modern information and communication technology with the view of changing how they acquire, store, process, and retrieve information.

Operational restructuring is a common corporate restructuring strategy in insurance industry global. It was evident in one of America's insurance giants American International Group (AIG) in the aftermath of the 2009 global recession where the company created distinct business units for general insurance and life insurance and made leadership adjustments to reflect new structure (Engbith & Jeffereis, 2021). Its operations were also divided into three geographical segments: North America Commercial Insurance, Global Personal Insurance and International Commercial Insurance. In Europe, Swiss insurers Zurich Insurance Group recently undertook restructuring practices by diversifying its business and re-balancing the weighting of corporate and retail clients. The major insurer combined its global corporate and commercial units into a single division in a bid to simplify its business and give commercial clients a single entry point into the firm (Wollmann et al., 2020). The integration of the two units was undertaken on a country-by-country basis in a bid to provide customers and brokers with one single channel to access the tailored insurance and protection solutions they are looking for. The new structure also aimed to empower each country with the authority and agility they need to make even faster decisions in response to their customer conversations.

Penetration of insurance in Kenya is among the lowest globally with the total value of insurance premiums as at December 2020 being equivalent to 2.17% of the country's GDP, which is lower than the global average of 7.4% (Central Bank of Kenya, 2021). Insurance penetration rate has also declined from 3.1% in 2010 to 2.17% in 2020. These statistics are an indictment to the performance of the insurance industry in Kenya in terms of penetrating the market and growth. The industry is yet to convince the majority of Kenyans that insurance is an essential commodity to have. The insurance industry in Kenya is characterized by many players competing for a tiny market. There were 58 insurance and reinsurance companies in Kenya in 2022 with general insurance dominating the industry (Cytonn Investment Company, 2021). These comprised 28 underwriters conducting general insurance business, 16 conducting long term insurance business, 9 composite companies (conducting both long-term and general insurance business), 3 composite reinsurers and 2 reinsurers conducting general reinsurance business. There were 215 licensed insurance brokers, 31 medical insurance providers (MIPs) and 8,612 insurance agents. Other licensed players included 128 investigators, 122 motor assessors, 31 loss adjusters and 35 insurance surveyors, 10 risk managers and 6 claims settling agents.

The competitive landscape in the Kenyan insurance industry has compelled some of the companies to consider restructuring their operations. Particularly, there has been a wave of mergers and acquisitions in the last five years with the most notable being the purchase of Sanlam Insurance by Mauritius Insurance Company and purchase of 24% share in ICEA Lions by Leapfrog (Central Bank of Kenya, 2021). Changes in the regulatory environment such as the adoption of a risk-based framework by the Insurance Regulatory Authority (IRA) to strengthen the requirements for risk management and ensure capitalization based on insurers risk profiles has also necessitated restructuring exercises. The IRA has made a raft of regulatory reforms aimed at addressing challenges experienced in the industry including structural weaknesses, fraud by both clients and employees, high claims, delays in claims settlement, delayed premium collection, lack of liquidity leading to the collapse of some firms and low economic growth (Cytonn Investment Company, 2021).

Restructuring in the insurance industry is also being fueled by changes in the technological environment. Kenya's insurance industry is fast adopting technology in the development and distribution of insurance products and services

(Cytonn Investment Company, 2021). Technology continues to reduce the cost of doing insurance business by improving efficiency. In addition, the new amendments on direct payment of premium to insurers is likely to increase stability and liquidity of insurance companies and enhance claim payment. Introduction of the agency and mobile banking platforms have seen more financial institutions adopting the innovations that have enabled them to have higher outreach at minimal costs. It has created redundancies that have made it imperative to restructure. These changes have had a considerable effect on efficiency, productivity, market structure and performance in the insurance industry. In response to new technology-driven global markets, companies have increased their use of advanced technologies as well as their innovation efforts (Ng'etich, 2015).

The COVID-19 pandemic has also been a drive of restructuring activities in the Kenyan insurance industry. The pandemic has particularly motivated companies to redefine and alter their product portfolio and develop new products. According to Cytonn Investment Company (2021), the onset of COVID-19 pandemic encouraged insurance companies to repackage 40% of their medical plans and 60% of their life insurance products. Many insurance companies have been compelled to focus on their profitable and core products and dispose of non-core products. Some have also offloaded or reduced stake in non-profitable subsidiaries. Despite the increase in restructuring activities in this industry, there is little evidence that a systematic study has been conducted to examine their impact on organizational performance. The study by Anyona (2017) examined the link between corporate restructuring and performance of insurance firms but analysed restructuring in general as a single concept. It did not delve into specific corporate restructuring strategies. The present study sought to advance research in this area by examining how operational restructuring influence performance of insurance firms. Examining specific strategies will help the development of more precise and specific recommendations about the restructuring strategies that insurance firms ought to adopt in order to improve performance.

2. LITERATURE REVIEW

2.1 Theoretical Framework

The study was guided by Porter's Theory of Competitive Advantage. The theory of competitive advantage contends that organizations can gain a competitive edge by positioning themselves well in the market (Goyal, 2020). The theory led to development of three strategic management frameworks namely: five forces, generic strategy, and value chain framework. The five forces framework calls for analysis of the level of competition in industry by examining the level of rivalry, threat presented by new entrants, threat of substitutes, supplier power, and buyers' power (Imhanzenobe, 2021). Analysis of these forces enables an organization to know how best to position itself in the industry.

The generic strategy framework prescribes four ways in which an organization can position itself in an industry: broad differentiation, focused differentiation, broad cost leadership, and focused cost leadership (Tanwar, 2013). On the other hand, the value chain analysis contends that an organization should position itself by analyzing and optimizing elements in its value chain. These elements include inbound logistics, operations, outbound logistics, human resource, infrastructure, technology, procurement, marketing, and services (Mustafa et al., 2020).

The study anchored the study by providing a plausible explanation on how operational restructuring can influence performance of insurance firms. The theory identifies operations as one of the essential elements of an organization's value chain that ought to be considered when an organization seeks to position or reposition itself in an industry (Tanwar, 2013). Similarly, generic strategies such as cost leadership and differentiation require an organization to restructure its operations either to reduce cost or create unique attributes that add value to the customer.

2.2 Empirical Review

A study by Harwood, et al (2016) on the organizational restructuring in National Bank of Kenya found that organization restructuring positively affects a firm's performance although not statistically significant. This implies that the more the bank restructures the better the performance of the bank although the extent of the effect caused by organization restructuring is statistically insignificant. Lay-offs unaccompanied by other organizational changes tend to have a negative impact on performance while downsizing announcements combined with organizational

restructuring are likely to have a positive, though small effect on performance. This is according to the findings of Bowman & Singh (2013).

According to the study by Rayand and Forsyth (2002), down scoping has a more positive effect on the firm's performance than downsizing does. Down scoping is eliminating businesses that are unrelated to the firm's core business, example divestitures, while downsizing is the process of reducing the size of a company by laying off employees on the basis of incompetence and inefficiency. There are various methods with which an organization can achieve restructuring. These methods include but are not limited to, downsizing which is the need to retrench the excess manpower of the business to cut costs (Sahdev, 2003; Tyler & Wilkinson, 2007), and decentralization which involves redistribution of functions and powers so that the people at lower hierarchy benefit (Mellahi & Wilkinson, 2004).

In a study by Mbogo and Waweru (2014) on the corporate turnaround response by financially distressed companies listed on the NSE, surveyed companies were listed for the entire period of the study (2002-2008) and results indicated that operational restructuring, specifically employee layoff was the most preferred course of action, portfolio restructuring through asset restructuring was the second most preferred turnaround strategy and capital reorganization was the least preferred turn around strategies.

The study conducted by Mokaya (2016) on the effect of corporate restructuring on EABL's performance, employee layoff was one of the restructuring methods undertaken by EABL and resulted in improved performance of the company. In a study by Yeh and Hoshino (2002) on the effects of corporate restructuring on operating performance of firms on the basis of its effect on efficiency, profitability, and growth, a sample of 86 Japanese corporate mergers between 1970 and 1994 was used. Results of the study indicated that there was insignificant negative change in productivity, significant decline in profitability, significant adverse effect on sales growth rate, and restructuring caused downsizing in the workforce.

3. RESEARCH METHODOLOGY

The study adopted a descriptive research design that answers research questions; who, what, where, when and how (Saunders et al., 2009). The study targeted the branch managers of 30 insurance firms within Nakuru County bringing the entire population of the respondents to 30. The study employed the census approach that entailed collecting data from all the 30 firms. The study relied on primary data that was collected using a questionnaire that was administered by drop and pick methods. The questionnaire was divided into two sections: section A operational restructuring and section B measured organizational performance. The researcher used the Drop-Off and Pick-Up whereby the researcher allowed respondents to fill the questionnaire at their free time and returned to collect the questionnaires after two weeks in order to improve the response rate. Data analysis constituted descriptive statistics which involved frequencies, percentages, means and standard deviations. More so, the analysis encompassed inferential statistics in the form of Fisher's exact test. Fisher's exact test is a non-parametric statistical test that is used to determine if there is a significant association between two variables particularly in small samples.

4. FINDINGS AND DISCUSSION

4.1 Response Rate

The study targeted to collect data from branch managers in 30 insurance firms in Nakuru County. However, branch managers from only 19 insurance firms were available for data collection. This translates to a response rate of 63.3%. This rate is comparable to those from previous studies (Giteru & Bula, 2023; Kituyi, 2021; Koskei, 2019; Murima, 2017; Wanyeki, 2023) and, according to Mugenda and Mugenda (2018), a response rate of 60% and above is considered good. Therefore, the obtained response rate is considered sufficient to draw reliable and representative conclusions for the study and still offer valuable insights into the insurance sector in Nakuru County, but it also highlights potential limitations in representativeness.

4.2 Operational Restructuring in Insurance Firms in Nakuru County

Operational restructuring was the third independent variable of the study. It was measured using six items that were also rated on a five point scale. Table 1 presents the results.

Table 1: Operational Restructuring in Insurance Firms in Nakuru County

S/N	Statement	N	Mean	S.D.
C1	Our firm ensures that duties are delegated as per the duties assigned	19	4.42	.769
C2	Our firm embrace leadership abilities portrayed by the employees	19	4.53	.697
C3	Our firm encourages employee involvement in every single development within the organization	19	4.21	.713
C4	Our firm has enough staff to handle operational restructuring	19	4.42	.607
C5	Our firm has adopted new information technology in the past five years	19	4.68	.582
C6	Our firm has outsourced non-core services to reduce the manpower and transfer the fixed costs of the company to variable costs	19	4.00	.882
Operational Restructuring Score		19	4.38	.521

The mean score of 4.42 for item C1 indicates a strong agreement among respondents that their firm effectively delegates duties according to assigned roles. This suggests that clear delegation is a prevalent practice within these insurance firms in Nakuru County. The standard deviation of 0.769 reflects low variability, implying that there were not major perceived differences in how responsibilities are delegated across firms. Overall, the delegation process appears to be a significant component of operational restructuring. The results are consistent with those of Njue et al. (2017), where 69% of respondents from microfinance institutions reported that their managers delegate responsibility to their subordinate and allow them to initiate tasks on their own.

A high mean of 4.53 for item C2 signifies that respondents strongly agreed that their firms promote leadership qualities among employees. This indicates a culture that values and develops leadership skills, which is crucial for effective operational restructuring. The standard deviation of 0.697 suggests relatively consistent perceptions across all the 19 firms. The findings imply that promoting leadership quality is an important component of operational restructuring in the insurance firms. The findings are congruent with Kinungi (2023), who also found that on average (mean= 4.15), insurance companies in Kenya support the individual learning of employees through training and mentorship programmes.

The mean of 4.21 for item C3 signifies that employees generally perceive their firms as supportive of involvement in organizational development. This indicates a positive organizational climate where employee participation is valued during restructuring efforts. The standard deviation of 0.713 shows little variability, suggesting that involvement levels differ slightly across firms or departments. These results also congruent with Kinungi (2023), who found that most insurance firms were receptive to new ideas from employees (mean=4.23) and are involved in planning of organizational activities (mean=4.09). These findings imply that fostering employee involvement is an integral part of insurance firms' operational restructuring strategies.

A mean of 4.42 for item C4 reflects a strong consensus that the firms believe they have sufficient staffing to manage restructuring activities effectively. This perception underscores the importance of adequate human resources during change initiatives. The standard deviation of 0.607 indicates relatively high agreement among respondents, with minimal variability. The results are in line with those of Gichungu et al. (2024), which showed that the level of employee turnover in the insurance industry in Kenya had declined due to improvement in work environment indicators like work schedules, the physical environment, and work relationship. Generally, these findings suggest that most firms in the insurance industry have aligned their staffing levels with their human resource needs.

The mean score of 4.68 for item C5 indicates a very high level of agreement that these insurance firms have integrated new information technology recently. This implies that technology adoption is a key component of operational restructuring in the insurance firms. The standard deviation of 0.582 shows strong consensus, with most respondents viewing technology adoption as a key component of their strategic change efforts. The findings are congruent with those of Gasior (2021), who observed that many organizations in Europe were obtaining modern ICT with the view of changing how they acquire, store, process, and retrieve information as well as how they communicate with stakeholders.

A mean of 4.00 for item C6 suggests that respondents agree that outsourcing non-core functions is a common practice in their firms. The standard deviation of 0.882 points to low disagreement or similarity of practices among firms. Outsourcing appears to be a strategic move for restructuring operations in the insurance firms. These results echo those of Anoke et al. (2022), which illustrated that outsourcing had become a popular strategy for improving corporate performance in Nigerian insurance companies. These findings support the position that outsourcing of non-core business function has been a vital operational restructuring strategy in the insurance industry.

The operational restructuring aggregate score for the insurance firms in Nakuru County is 4.38, with a standard deviation of 0.521. This high mean score indicates that, overall, respondents perceive their organizations to be actively engaged in the six operational restructuring activities included in the scale. The relatively low standard deviation implies consistent perceptions across respondents, highlighting a general consensus that operational restructuring is a significant and well-implemented aspect within these insurance firms. The operational restructuring aggregate scores were used to classify the firms into two operational restructuring categories. Low restructuring category comprised firms with scores of less than 2.5 while the high restructuring category comprised firms with scores of 2.5 or above. Table 2 presents the distribution of the firms across the two categories of operational restructuring.

Table 2: Distribution of Firms across Operational Restructuring Categories

Operational Restructuring Categories	Frequency	Percent
Low operational restructuring	5	26.3
High operational restructuring	14	73.7
Total	19	100.0

Results in Table 2 reveals a notable skew towards higher levels of restructuring activity. Specifically, 73.7% of the firms are classified as high operational restructuring firms, with scores of 2.5 or above, indicating that the majority have undertaken significant operational changes. In contrast, only 26.3% of the firms fall into the low operational restructuring category, with scores below 2.5, suggesting relatively minor or less extensive operational adjustments. This distribution underscores a strong industry trend towards intensive operational restructuring, possibly driven by the need to improve efficiency, adapt to market changes, or implement technological innovations. The prominence of firms in the high restructuring group suggests that operational change is a critical focus within the sector, perhaps reflecting strategic efforts to remain competitive or to respond to external pressures. The relatively small proportion of firms in the low restructuring category indicates that fewer firms are maintaining status quo levels of operations.

4.3 Organizational Performance of Insurance Firms in Nakuru

The dependent variable of the study is organizational performance of insurance firms in Nakuru County. This was measured using six items that the respondents' rates on a five point scale. Table 3 displays the results.

Table 3: Organizational Performance of Insurance Firms in Nakuru

S/N	Statement	N	Mean	S.D.
D1	The revenues of the company have increased in the last five years	19	4.47	.697
D2	Company profits have increased in the last five years	19	4.21	.918
D3	Operational costs have reduced over the past five years	19	3.74	.872
D4	The company share of the market has increased in the last five years	19	4.05	1.079
D5	The level of customer satisfaction has increased in the last five years	19	4.37	.684
D6	Efficiency and effectiveness has generally improved in the last five years	19	4.63	.496
Organizational performance score		19	4.25	.625

The mean score of 4.47 for item D1 indicates a strong positive perception among respondents that their company's revenues have grown over the past five years. The high score reflects confidence in financial growth, which is a key indicator of organizational success. The standard deviation of 0.697 suggests low variability, with most respondents agreeing. The results are consistent with the study by Gitau (2023), who found that the sales and clientele base of insurance firms in Kenya had increased while Kinungi (2023) found that most insurance firms in Kenya had recorded a growth in premiums. These findings support the position that insurance firms in Kenya have strong sales performance.

With a mean of 4.21 for item D2, respondents generally agree that their company's profits have risen over the past five years. This signifies perceived profitability growth, reinforcing the firms' financial health. The standard deviation of 0.918 indicates some variation in responses, with a few respondents possibly perceiving less profit increase or fluctuations. These results are congruent with those of Gitau (2023), which showed that there was significant growth in the profitability of insurance firms in Kenya marked by increases in ROE and ROA. These findings suggest a general upward trend in the profitability of insurance companies in Kenya.

The mean of 3.74 on item D3 suggests an agreement that operational costs have decreased in recent years. While many respondents perceive cost reductions, the score indicates room for improvement. The standard deviation of 0.872 reflects little differences in responses across firms. The results are in agreement with those of Zhang and Cao (2023), which showed that the cost efficiency of insurance firms had improved by a reduction in operational costs and enhanced resource utilization. Decrease in operational cost is a vital indicator of organizational performance because lower cost leads to higher profits and financial health of the company.

Respondents show a high agreement with item D4 with a mean of 4.05, indicating that many perceive their companies' market share has expanded over five years. The higher standard deviation of 1.079 points to varied perceptions, with some firms experiencing significant growth while others may have faced challenges. The results reinforce those of Kinungi (2023), which showed that insurance firms in Kenya had increased their market share marked by an increase in the number of distribution channels, opening of new market territories, and establishment of new agency deals. These findings imply that insurance firms have performed well in terms of expanding their market share.

With a mean score of 4.37 for item D5, there is a strong consensus that customer satisfaction has improved over the last five years. This suggests that the firms have been effective in enhancing service quality and client relations. The low standard deviation of 0.684 indicates consistent perceptions across respondents. The results echoes the study by Gitau (2023), which showed that there had been a reduction in the service waiting time in insurance firms in Kenya. Similarly, Kinungi (2023) found that most insurance firms in Kenya had shortened the time they take to settle claims, provide quick solutions to customers' problems, address customer queries through the internet and have recorded a

drop in customer complaints. These findings suggest improvement in the performance of the insurance companies in the customer service domain.

The highest mean score of 4.63 for item D6 reflects a very strong agreement that overall efficiency and effectiveness have improved within these firms. The low standard deviation of 0.496 signifies very consistent perceptions among respondents, implying widespread recognition of operational improvements. Gitau (2023) also found that insurance companies in Kenya had become more efficient by adopting new organizational structures. This implies that insurance companies have also performed well in terms of efficiency and effectiveness.

The aggregate organizational performance score of 4.25, with a standard deviation of 0.625, indicates that respondents generally perceive their organizations as performing well over the past five years. The high average reflects positive outcomes across revenue growth, profitability, customer satisfaction, and efficiency. The moderate variability suggests a consensus on overall performance improvements, emphasizing that these firms view themselves as successfully achieving key performance indicators and strategic goals. The firms were classified into two organizational performance categories. Those that had aggregate scores of less than 2.5 were grouped into the low organizational performance while those with scores of 2.5 or above were grouped into the high organizational performance category. Table 4 displays the distribution of firms across the two organizational performance categories.

Table 4: Distribution of Firms across Organizational Performance Categories

Organizational Performance Categories	Frequency	Percent
Low organizational performance	9	47.4
High organizational performance	10	52.6
Total	19	100.0

Results in Table 4 indicate a relatively balanced split, with a slight majority in the high-performance group. Specifically, 52.6% of the firms are classified as having high organizational performance, with scores of 2.5 or above, suggesting that these firms are effectively achieving their strategic and operational objectives. Conversely, 47.4% of the firms fall into the low organizational performance category, with scores below 2.5, indicating less favorable performance outcomes. This near-equal division highlights that while a majority of firms are performing well, nearly half are still experiencing challenges in achieving desired organizational results. The close distribution suggests that organizational performance varies significantly across the sample, reflecting differences in management effectiveness, resource allocation, or strategic execution.

4.4 Operational Restructuring and Organizational Performance of Insurance Firms

The third objective of the study was to determine the effect of Operational restructuring on the organizational performance of insurance firms in Nakuru County. This objective was also realized by cross-tabulating operational restructuring categories with organizational performance categories and then computing the Fisher's exact test statistics. Table 5 displays the results.

Table 5: Cross-Tabulation of Operational Restructuring and Organizational Performance

		Organizational Performance Categories		
		Low Organizational Performance	High Organizational Performance	Total
Operational Restructuring Categories	Low operational restructuring	8 (80.0%)	2 (20.0%)	10 (100.0%)
	High operational restructuring	2 (22.2%)	7 (77.8%)	9 (100.0%)
Total		10 (52.6%)	9 (47.4%)	19 (100.0%)

Fisher exact test results p-value = 0.023

The results revealed that among firms with low operational restructuring, a substantial majority (80.0%) experienced low organizational performance, whereas only 20.0% achieved high performance. Conversely, firms with high operational restructuring demonstrated a markedly different pattern: 77.8% reported high organizational performance, with only 22.2% experiencing low performance. This suggests a strong positive association between higher levels of operational restructuring and improved organizational performance. The Fisher's exact test produced a p-value of 0.023, indicating a statistically significant relationship at the 0.05 significance level. Since this p-value is less than the conventional significance threshold of 0.05, we reject the null hypothesis. This indicates that there is a statistically significant association between operational restructuring and organizational performance among the surveyed firms. Specifically, the data suggest that higher levels of operational restructuring are linked to a greater likelihood of achieving high organizational performance.

The significant positive relationship between operational restructuring and organizational performance observed in this study aligns with prior research indicating that restructuring activities, such as employee layoffs and portfolio adjustments, can enhance firm performance when strategically implemented. Mbogo and Waweru (2014) found that operational restructuring, particularly employee layoffs, was a preferred turnaround strategy among distressed firms, often leading to performance improvements. Similarly, Mokaya (2016) reported that restructuring methods like layoffs contributed to better performance in organizations like EABL. These findings suggest that, when executed effectively, operational restructuring can streamline operations, reduce costs, and improve efficiency, ultimately boosting organizational performance. The current study's results reinforce the importance of such restructuring activities in the insurance sector, emphasizing that deliberate operational changes can have a meaningful and statistically significant impact on organizational outcomes.

Conversely, some previous studies point out that operational restructuring's effects may vary depending on context and implementation. Yeh and Hoshino (2002) observed that restructuring, particularly workforce downsizing, often led to negative or insignificant effects on productivity and profitability, especially when not accompanied by other organizational changes. Bowman & Singh (2013) also noted that layoffs without complementary restructuring efforts tend to negatively impact performance. These contrasting findings highlight that operational restructuring's success depends heavily on how well it is integrated with broader organizational strategies. The significant positive effect found in the current study suggests that in Nakuru's insurance firms, operational restructuring was likely well-structured and strategically aligned, resulting in notable performance gains. This underscores the importance of carefully planning and executing restructuring initiatives to realize their full potential.

Furthermore, the findings emphasize the potential benefits of comprehensive operational restructuring strategies, such as portfolio realignment and cost-cutting, in driving organizational performance. Rayand and Forsyth (2002) illustrated that downsizing (eliminating unrelated or non-core business units) can positively influence performance more than downsizing alone. The current results support this notion, indicating that operational restructuring can be a powerful tool for improving performance, provided it is part of a broader strategic effort. This underscores that organizations, including insurance firms in Nakuru, should consider integrating various restructuring initiatives such as asset divestitures, process improvements, and cost efficiencies to achieve sustainable performance improvements. When executed effectively, operational restructuring can serve as a catalyst for organizational growth and resilience amid competitive and economic challenges.

5. CONCLUSIONS AND RECOMMENDATIONS

The findings suggest that operational restructuring has a strong and positive impact on the organizational performance of insurance firms in Nakuru County. Firms actively engage in various operational improvements such as delegating duties effectively, adopting new technologies, and outsourcing non-core functions, which are consistently implemented across the industry. The high operational restructuring score reflects a strategic focus on enhancing operational efficiency. The regression analysis confirms that these activities are significantly associated with improved organizational outcomes, indicating that effective operational restructuring can lead to streamlining processes, reducing costs, and boosting overall performance. These results highlight the critical role of deliberate operational changes in achieving organizational success within the insurance sector. Consequently, firms that prioritize comprehensive operational restructuring are more likely to realize substantial performance gains, emphasizing the importance of strategic operational initiatives in maintaining competitive advantage and fostering growth in Nakuru's insurance industry.

The strong positive correlation between operational restructuring and organizational performance highlights the need for firms to prioritize operational efficiency initiatives. Managers should invest in upgrading technology, optimizing processes, and expanding outsourcing of non-core functions to improve productivity and cost-effectiveness. Policymakers can support this by creating a conducive environment for technological adoption, such as offering tax incentives or funding for digital transformation projects. Industry-wide training programs on best practices for operational restructuring can enhance implementation standards. Managers are encouraged to develop strategic operational plans that align with overall organizational objectives, ensuring that operational reforms are deliberate and comprehensive. By continuously refining operational processes and leveraging technological advancements, firms can sustain competitive advantages and foster long-term growth in Nakuru's insurance industry and beyond.

Future research could investigate the long-term effects of different restructuring practices on organizational performance to assess whether the impacts of portfolio and managerial restructuring manifest over time. Comparative studies across different sectors like banking, manufacturing, and healthcare could determine whether the observed relationships hold true elsewhere or are unique to the insurance industry. Future studies should also consider deploying qualitative methods to examine the relationships in this study. Incorporating qualitative methods such as interviews or case studies could provide deeper insights into the contextual factors influencing the effectiveness of restructuring initiatives. In addition, the examine how other relevant restructuring strategies like financial restructuring, market restructuring, and legal restructuring influence organizational performance in insurance firms.

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