

# Antecedents of Organization Performance: Leveraging Assimilation Capacity in the Context of Insurance Companies in Nairobi City County, Kenya

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**Abstract:** The insurance companies constitute a fundamental building block of the global financial system that provides opportunities for hedging against an assortment of risks and as well serve as institutional investors thus promoting sustainability and growth of national economies. Despite the significant role played by the insurance industry in supporting the national economy, there has been a notable decrease in insurance penetration trend. Similarly, the insurance industry has registered an increase in the number of complaints lodged by customers in relation to delayed settlement, erroneous deductions, and unsatisfactory offers. This study therefore sought to investigate the effect of assimilation capacity on performance of insurance companies in Nairobi City County, Kenya. The study was grounded on systems theory and dynamic capabilities theory. Explanatory research design were adopted in this study. The target population of this study comprised of 59 insurance companies operating in Nairobi City County. Cross-sectional data were collected using a semi-structured questionnaire from 216 heads of functional areas in 27 insurance companies which were selected using proportionate stratified random and simple random sampling. Face, construct and content validity of the research instrument were confirmed accordingly. A pilot study was conducted to aid in the statistical test of reliability using Cronbach alpha index of at least 0.7. Administration of the questionnaire was done using drop-and-pick later method. The study had a response rate of 81 percent. Quantitative data were analyzed using descriptive and inferential statistics. Descriptive analysis involved the use of frequency count, percentages, sample mean, sample standard deviation and coefficient of variation. Test of assumptions of linear regression analysis was performed. Linear regression analysis was used to estimate the population parameters and facilitate testing of hypotheses at 95 percent level of confidence. Results of data analysis were presented in tabular form as well as using figures. Qualitative data were analysed using content analysis. The study found out that assimilation capacity has a positive effect on organizational performance. The human resources managers should provide policy guidelines in support of activities that promote internalization of knowledge through simulation as this has potential to strengthen the contribution of assimilation capacity in insurance companies. Management of insurance companies should promote practices that enhance optimization of informational resources.

**Keywords:** Assimilation Capacity, Knowledge Resources, Organization Performance

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## 1. Introduction

The search for a sound and rigorous explanation to heterogeneity in performance amongst organizations in the same industry has dominated scholarly work for a couple of decades [36, 37, 43]. This scholarly pursuit has engendered two extreme perspectives with one school of thought

emphasising endogenous factors [36, 38] while the other anchoring their explanation on exogenous factors [27, 37]. Another stream of scholars has taken what may be considered as integrated approach [43]. Irrespective of the proposition advanced by the distinct school of thought, there is consensus that contextual factors of a business enterprise play a key role in driving creation of value and realisation of

organization' objectives.

The resource-based view (RBV) associates heterogeneity in performance of firms in the same industry with the stock of resources owned and controlled by such firms [4, 38]. However, it has also been observed that tangible resources are elastic in nature and can easily be acquired by the competition from the factor market [16]; Jones & Hill, 2009). This eventuality raises a strategic implication on the need to leverage on intangible resources which are inherently inelastic in nature, immobile and not easy to imitate given that they are largely path dependent [19]. Moreover, any competitive performance that is based on intangible resource may also need to be complemented with deployment of dynamic capabilities which take cognizance of the dynamism of internal and external environment [44, 43]. These dynamic capabilities is what any firm would require to effectively address the rapidly-changing environment.

Absorptive capacity is viewed as a social entity [47, 52]. As a dynamic capability, absorptive capacity may be considered instrumental for enhancing the strategic posture for generation of new ideas, products, services and processes in a dynamic business environment by leveraging on external knowledge. Absorptive capacity has been conceptualized as multidimensional construct comprising of capacity to acquire, assimilate, transform and exploit knowledge [52]. Assimilation capacity entails the processes and routines that facilitates analyzes, processing, and interpretation as well as understanding of knowledge that is drawn from a variety of sources. This dimension of absorptive capacity consists in the routines and activities that promotes analysis of the any information or knowledge acquired by a given firm.

The insurance markets have changed radically and deeply in the last couple of years. The shift of emphasis to liberalization and deregulation of insurance institutions, coupled with adoption of electronic commerce and globalization practices have intensified competition posing significant challenges at both global and local landscapes. As has been noted by [33], operations and performance of firms in the insurance industry has historically been influenced by factors that are internal as well as external nature, presenting both opportunities and threats in equal measures. Moreover, cross-industry integration has seen commercial banks typically combining provision of insurance and banking services as they seek to provide intermediation services in financial markets consequently compounding the intensity of competition and potentially posing a great risk of financial contagion as has been demonstrated in the global financial crisis.

## 2. Statement of the Problem

The insurance companies constitute a fundamental building block of the financial system that offers financial security, encourages direct and indirect investment and mobilizes saving thus promoting sustainability and growth of national economies [1]. Despite the significant role played by the insurance industry in supporting the national economy,

there has been a marked decline in the growth of insurance activities from 6.5 to 5.2 per cent in 2017 and 2018 respectively [22]. This dismal state of affairs has been aggravated by the decreasing insurance penetration trend from a high of 2.88 per cent in 2014 to a low of 2.4 per cent in 2018, a marked departure from the global average insurance penetration of 6.1 percent [17, 22].

Assimilation of knowledge from diverse sources helps a firm to increase its problem solving ability, and as well minimizes the time period for developing a new product. Furthermore, assimilation of knowledge is useful in keeping the firm's knowledge reserves up-to-date for making timely and relevant decisions, and therefore has potential to improve the innovativeness and competitiveness of a firm in the market place [3]. Despite the imperative of assimilation capacity in enhancing organizational outcomes, the existing body of relevant empirical literature is replete with evidence of presence of research gaps which support the case for the current study [49, 2]. This study therefore sought to examine the effect of assimilation capacity on performance of insurance companies in Nairobi city County, Kenya.

## 3. Literature Review

### 3.1. Systems Theory

The systems theory bears its origin from the discipline of biology and was propounded in the 1950s by Ludwig von Bertalanffy with the object of developing a set of systematic theoretical constructs for explaining the empirical world [48]. The work of Kenneth Boulding also contributed significantly to the development of the systems theory [6]. Systems theory seeks to explicate dynamic relationships and interdependence of components of a system and those of the organization's environment. There is no organization that exists in a vacuum but rather in an environment which serves as a source of the assortment of inputs required for creation of value and provides a market for the output [50].

There is a constant interchange between the organization and its environment that is responsible for complex interactions and interrelationships within their boundaries [6, 48]. In this case, success in the market place requires organizations to grow and establish a dynamic equilibrium rather than simply returning to a steady state. The systems theory emphasises organic approach to the study of organizations where a social system is viewed as an aggregation of adaptive, production, management, boundary spanning and maintenance subsystems. Systems theory holds that all organizations are systems, and systems on the other hand are part of even larger systems. The manner in which a subsystem effectively match the needs of larger system ultimately determines if such system would flourish or wither on the vine.

The system approach emphasizes complementarities among different elements of a social entity, integration of such elements, and the outcomes resulting from such interactions [42]. In the case of an open system as signified

by business enterprise, the theory envisions the interactions of the system with its environment [21, 5, 43]. Organizations use their choice of domain, internal dimensions and capabilities to respond to external environments. At the input phase all requisite resources and raw materials are drawn from the environment in different forms, as determined by the nature of the organization and/or industry. Equally, the feedback from the environment is also translated into critical resource for creation of value within the organization. Notably, knowledge as an input factor for value creation is a function of human organisms and of social organization as opposed to something which exists and grows in the abstract [7].

Invariably, social systems have to maintain boundaries that are to a certain degree permeable in order to receive materials or export products to survive [49]. This permeability and inter-dependence are what creates synergy between the subsystems of an organization on one hand, and resources and capabilities on the other hand enhancing the potential of the social system to realize a competitive posture in a dynamic environment. Drawing from the systems perspective, organizations need to establish a fit with the myriad forces that are in constant and random interaction in the broader strategic context. The manner in which the activities and capabilities of a social entity fit together can be easily achieved and reinforced through sustained learning and experimentation and may not be easy to mimic by potential followers in the market place. The propositions of the systems theory were therefore relevant for underpinning assimilation capacity as independent variable and organization performance as dependent variable in this study.

### 3.2. Empirical Literature

The link between assimilation capabilities and organizational performance was investigated by [2] in the context of companies operating in Colombia. In the survey, problem-solving was conceptualized as a key indicator of assimilation capabilities. Empirical data for this inquiry was collected from 227 companies operating in Medellin region in Colombia. Statistical analysis of the observed data revealed that assimilation capabilities positively contribute to organizational performance. Insights from this study demonstrated that any management team that promotes problem solving amongst the different units and levels in the organization has relatively higher likelihood of improve their performance in the market place.

A survey analyzed data gathered from star rated hotel

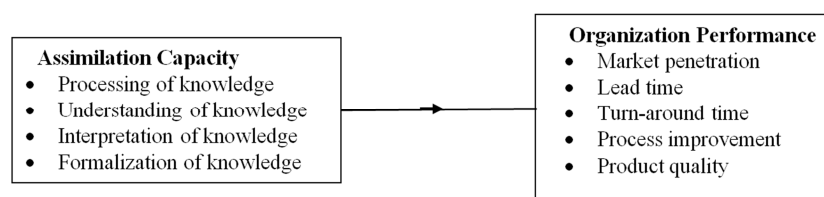
operating in Turkey and found that assimilation capacity has a positive contribution to organization performance [20]. In this statistical inquiry, 1500 questionnaires were electronically administered amongst which 124 were obtained from the target participants for purpose of analysis and making inferences. The researcher made use multiple linear regression model for inferential analysis of the observed data. Variance inflation factor and tolerance were employed to test for conformity of the empirical model with the assumptions of multicollinearity. Nevertheless, other key diagnostic tests of linear regression such as linearity, normality, and homogeneity of variance were not tested to verify the suitability of observed data set for performing inferential analysis and generalizing the findings.

An empirical study was conducted on key informants in leading service firms in selected European countries [40]. In the survey, Partial Least Square (PLS) technique was used to analyse the observed data. The results of this investigation showed that assimilation of knowledge has a strong direct influence on service design success. However, use of Partial Least Square regression was inconsistent as the data points involved in this inquiry were significantly fewer than the independent variables. Similarly, use of key informant is considered to have potential to introduce research bias into the observed data and is not consistent with quantitative research.

A study on technology assimilation ability as a source of competitive advantage amongst financial institutions in Poland was carried out by [49]. Ability to assimilate the acquired technology was operationalized as ability to adapt, ability to learn, and ability to develop gained technologies. Primary data for this inquiry was collected via an online survey 155 heads of commercial companies in the finance sector registered in Poland. Statistical analysis involved the use of Pearson's bivariate correlation analysis. The values of bivariate correlation coefficients confirmed existence of a positive linear relationship among technology assimilation and competitive advantage. In this study, key assumptions of Pearson's correlation analysis such as linearity, normality and absence of significant outliers were not performed. Equally the direction of causality between the research variables was not estimated.

### 3.3. Conceptual Framework

The extensive critical review of existing theoretical and empirical literature was instrumental in the development of the conceptual framework shown in Figure 1.



Source: Author (2020)

**Figure 1.** Conceptual Framework.

The conceptual framework provides a schematic illustration of the relationship between assimilation capacity and organization performance. In this figure, assimilation capacity is postulated as an antecedent variable for organization performance amongst insurance companies. Further, assimilation capacity is operationalized as processing, understanding, interpretation and formalization of knowledge. Similarly, organization performance is operationalized as market penetration, lead time, turn-around time, process improvement and product quality.

### 3.4. Research Hypotheses

The study was guided by the following research hypotheses;

H<sub>0</sub>: There is no significant effect of assimilation capacity on performance of insurance companies in Nairobi City County, Kenya.

H<sub>1</sub>: There is a significant effect of assimilation capacity on performance of insurance companies in Nairobi City County, Kenya.

## 4. Research Methodology

This investigation made use of positivism paradigm for its research philosophy. Positivism paradigm is a variant of objectivism epistemology which is founded on the assumptions that the social reality that is subjected to research is external to social actors [39]. The object of this research philosophy is to unearth the truth concerning the social world, through observation and measurement of facts, from which inferences can be made regarding the universal social reality [14]. Insights provided by empirical inquiries that are anchored on positivism paradigm are likely to have high level of validity and reliability facilitating generalization to the population [18, 8].

The study made use of explanatory research design to ensure that the empirical evidence obtained in the research process sufficiently addresses the research problem by testing the research hypotheses that have been formulated. As has been observed, explanatory research design is useful for addressing the questions 'why' and 'how' by providing corresponding explanations as well as accounting for descriptive information regarding social phenomena [39]. In particular, explanatory research design seeks to provide empirical explanations on existence of associations between research variables and if the relationship is causal. It's necessary to make use of the explanatory research design as the researcher sought to sufficiently respond to the dominant questions 'why' and 'how' concerning the research variables adopted in this study. Explanatory research design has been adopted and successfully used in past empirical studies [23, 25, 13, 35].

The researcher targeted 59 insurance companies whose head offices are in Nairobi City County. The choice of insurance companies was supported by the revelation of

existence of problem of performance through the review of contextual literature and the fact that the head offices of these companies are in Nairobi City County. These companies that comprise the target population of this study are further classified into non-life insurance, life insurance, reinsurance and composite insurance.

The unit of analysis in the proposed theses is insurance companies. However, the unit of observation comprises functional areas in insurance companies including information technology, research and development, finance, human resource management, strategy and innovation, public relations, operations and sales. These functional areas are headed by senior managers who sit in the head office and are directly answerable to the chief Executive officer or managing director. In addition, the functional heads are essentially involved in making strategic decisions and thus informing the practices and behavior of employees in these companies. In this case, 472 heads of functional areas in the 59 insurance companies constituted the population size.

Multi-stage sampling technique was adopted for the purpose of selecting a representative sample in this study. In particular, proportionate stratified random sampling and simple random sampling was successively executed to attain an appropriate sample for the purpose of collecting empirical data. Since the sample size is above 5% of the target population, the appropriate sample size was established using Yamane formula which assumes a normal distribution, 95% level of confidence and precision level of 0.05 [50] and has been used widely in empirical studies [33, 45].

$$n = \frac{N}{1+N*e^2} \quad (1)$$

Where; n=Sample size,  
N=Population size  
e=level of precision

The Yamane formula is appropriate for parametric tests such as linear regression which essentially obeys the assumption that sample data set is drawn from a population that can be sufficiently modelled using a probability distribution with fixed set of parameters [31].

In the case where the population, level of confidence and level of precision are 472, 95 percent and 0.05 respectively, the sample size is thus given;

$$n = \frac{472}{1+472*(0.05)^2} = 216 \quad (2)$$

Consequently, the sampling factor that was employed in the process of selecting the sample is given as follows;

$$k = \frac{n}{N} = \frac{216}{472} = 0.46 \quad (3)$$

This sampling factor was used for establishing the number of insurance companies that were involved in this study on the basis of the categories established by the Insurance Regulatory Authority.

*Table 1. Distribution of the Sample.*

Category	Total Number of Companies	Sampling Factor	Number of Companies Sampled	Percentage
Non-life	28	0.46	13	48.2
Life	17	0.46	8	29.6
Reinsurance	5	0.46	2	7.4
Composite	9	0.46	4	14.8
Total	59		27	100

Source: Author (2020)

The proportions of the sample attained in the respective categories fairly agree with the distribution of the target population as depicted in Table 1. The 27 insurance companies comprising the sample and spread across the four categories were systematically chosen using simple random sampling technique and all managers of the identified functional areas participated in this study. This implies that data was gathered from a total of 216 corporate level managers in the head offices of the sampled 27 insurance companies.

This study predominantly relied on primary data which were gathered using a semi-structured questionnaire. Notably, semi-structured questionnaire is the most widely used research instrument, since its mixed format involving closed-ended and open-ended questions makes it suitable for use in a diverse range of situations [32, 29]. Expert opinion was sought to verify that the research instrument had face validity. In accordance with [26] sound instrument for purpose of collecting research data must meet the criteria of validity and reliability. Content validity signifies the degree to which items on a test are a fair representation of the domain of the construct of interest [26, 6]. Moreover, construct validity is appraise the degree to which scores on a test can be attributed or associated with the explanatory constructs of a sound theory for purpose of supporting transformation of a given concept into a functioning reality [26, 42]. In this study extensive review of existing and relevant body of theoretical and empirical literature was used to ensure both content validity and construct validity.

A small-scale preliminary study was carried out on twenty subjects drawn from the management team that is directly answerable to the heads of functional areas. The object of this pilot study was to provide empirical data for the purpose of testing the reliability level of the instrument for collecting empirical data. Reliability is particularly concerned with the internal consistency of assortment of test items constructed for measuring a given research variable [46]. The results of reliability test are depicted in Table 2.

*Table 2. Reliability Statistics.*

Research Variable	Cronbach's Alpha	Decision
Assimilation capacity	.776	Reliable
Organization Performance	.732	Reliable
Aggregate Score	.754	Reliable

Source: Pilot Data (2021)

The reliability statistics for the research variables ranged between 0.732 for organization performance to 0.776 for assimilation capacity. The aggregated Cronbach's alpha index for the seven research variables was 0.754. The index reported for the distinct research variables as well as the

overall reliability statistics exceeded the adopted threshold of 0.7 considered appropriate for confirming reliability of a research instrument for purposes of statistical inquiries [9, 10]. Accordingly, the set of items for the distinct research variables were therefore found to be reliable for use in the final study. The benchmark alpha index of 0.7 has been adopted by past research for making decision on reliability of research instrument [33, 24, 12, 15, 28, 34].

The letter of approval of thesis proposal from Kenyatta University was used for processing a research permit from the National Council of Science, Technology and Innovation. In return, the research permit and researcher's letter of introduction were helpful in securing the letter of research authorization from the Education Offices in Nairobi City County. The researcher also sought informed consent for taking part in the research study from the heads of functional areas in the sampled insurance companies before embarking on collection of research data. The data collection instrument was administered by the researcher through drop-and -pick latter method so as to accord the participant sufficient time to relate with and complete the research instrument. The researcher maintained a register of questionnaires to facilitate tracking of movement of the research instrument.

Empirical modelling provides a useful approach for analysis of different problems across numerous fields of knowledge. This study made use of simple linear regression to model the relationship among the predictor and response variables. Linear regression model is considered appropriate for statistical inquiries involving a single continuous outcome variable and at least two categorical or continuous predictor variables [44]. The empirical model adopted for this study is displayed in equation (iv).

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon \quad (4)$$

Where:  $Y$ =Organization Performance

$X_1$ =Assimilation Capacity

$\beta_0, \beta_1$ =Beta coefficients

$\varepsilon$ =error term

In model, assimilation capacity was regressed on organization performance. This regression analysis was useful for testing research hypotheses  $H_0$  and  $H_1$  respectively.

## 5. Descriptive Results

### 5.1. Response Rate

The research instrument was administered to a total of 216 corporate level managers in the head offices of the sampled

27 insurance companies. Amongst the selected 216 participants, the researcher collected 176 questionnaires for analysis. The response and non-response rates were 81% and 19% respectively. This proportion of response exceeded the 60% that allows for extrapolations of sample characteristics to the entire population as recommended by [11]. Consequently, the effective proportion of participants in this research facilitated statistical analysis and generalization of findings to the population of interest.

## 5.2. Descriptive Characteristics for Assimilation Capacity

Similarity capacity was operationalized as activities undertaken by insurance companies to facilitate processing, understanding, interpretation and formalization of information obtained from external sources. The measures of central tendency and variation for similarity capacity are displayed in Table 3.

*Table 3. Descriptive Measures for Assimilation Capacity.*

Assimilation Capacity	n	Mean	Std. Dev	CV
Information technology systems supports processing retention and coding of knowledge	176	4.28	0.63	0.15
New knowledge is disseminated among organizational members during daily working meetings	176	4.06	0.92	0.23
Potential benefits of new knowledge are discussed in teams	176	3.82	0.91	0.24
Management decisions are usually explained	176	3.76	0.44	0.12
There is internalization of external knowledge through simulations	176	2.82	0.68	0.24
Members discuss and make comments on management decisions	176	2.85	1.16	0.41
External information is translated into forms that are easy to understand	176	3.31	1.03	0.31
Informational resources are reorganized into meaningful forms to support execution of operational activities	176	3.51	0.56	0.16
Informational resources are documented in a manner to promote functional activities	176	3.70	0.87	0.24
Aggregate Measures		3.63	0.80	0.22

Source: Survey Data (2021)

The results displayed in Table 1 show that internalization of knowledge through simulation recorded the lowest mean response of 2.82 and a corresponding sample standard deviation of 0.68. On the converse, the support accorded to processing, retention and coding of knowledge by information technology systems had the highest mean response of 4.28 and a corresponding sample standard deviation 0.63. Even though the spread of the mean responses for different aspects of assimilation capacity were observed to have cut across two response points on the rating scale, a majority of the sample means tended towards 4.00. This tendency is corroborated by the aggregated sample mean response of 3.63 with corresponding small standard deviation and low variability of 0.8 and 22 percent respectively. This signifies that participants concurred that the aspects measured for assimilation capacity were integral to the value creating processes and practices of the insurance companies.

Notably, participants had varied viewpoints as to whether members discussed and made comments on management decisions as demonstrated by the low sample mean of 2.85 and a

relatively high sample standard deviation of 1.16. This is further confirmed by the high variability signified by the corresponding coefficient of variation of 0.44 for this aspect of assimilation capacity. Responses were also fairly varied as to whether external information is translated into forms that are easy to understand as denoted by a sample standard deviation and variability of 1.03 and 31 percent. Generally the variability of responses from participants for a majority of aspects of assimilation capacity was narrow implying that the sample mean was suitable for estimating the corresponding population parameter for assimilation capacity.

## 5.3. Descriptive Characteristics for Organization Performance

Organization performance was operationalized as outcomes operational practices in insurance companies relating to market penetration, lead time, process improvement, turn-around time and product quality. The measures of central tendency and variation for organization performance are displayed in Table 4.

*Table 4. Descriptive Measures for Organization Performance.*

Organizational Performance	n	Mean	Std. Dev	CV
Bundled protection is used to enhance customer benefits	176	3.93	0.82	0.21
Sufficient resources have been made available to support the operations of the company's agencies	176	4.16	0.76	0.18
Collaborative initiatives have been used to enhance the company's market reach	176	4.03	0.94	0.23
The company is continuously enhancing its presence and visibility in social media platforms	176	4.18	0.73	0.17
The company is using referral marketing to enhance its market reach	176	4.09	0.93	0.23
Informational resources have been used to generate new processes that are friendly to end users	176	4.16	0.58	0.14
There is continuous improvement of operational processes in the company	176	3.98	0.84	0.21
Customers complaints are attended to in a timely manner	176	3.97	0.70	0.18
There is reduction of time taken to offer services to our stakeholders.	176	3.99	0.84	0.21
There is reduction of delays in receiving of supply of essential inputs to the company	176	4.13	0.66	0.16
Informational resources have aided the inclusion of product features that matter to the company's customers	176	4.30	0.72	0.17
The company is continuously introducing new innovative products	176	4.08	0.47	0.12
Aggregate Measures	176	4.08	0.75	0.18

Source: Survey Data (2021)

The results in Table 4 show that the sample mean response in respect of observed aspects of organization performance had a narrow range of between 3.93 for bundled protection and 4.30 for the role of informational resources in inclusion of product features. The implication of this typical behaviour is that there was agreement amongst the research participants that the performance outcomes under consideration were manifest in the observed insurance companies. The highest variability amidst the observed aspects of organizational outcomes was 23 percent signifying that these responses were generally clustered around the reported sample means.

It was evident from the responses gathered that observed insurance companies were keen on introducing innovative products aided by informational resources as demonstrated by the sample mean of 4.30 and corresponding low variability of 17 percent. Presence and visibility of insurance companies in the social media is noted as a fundamental concern as denoted by the respective sample mean of 4.16 and narrow variability of 17 percent associated with

responses to this aspect of organizational performance. Moreover, all aspects of performance of insurance companies measured had aggregate sample mean of 4.08 and sample standard deviation of 0.75. Notably, the aggregate variability of responses regarding organizational performance was narrow at 18 percent signifying that the observed sample mean is appropriate for estimating the respective population parameter.

## 6. Inferential Analysis

In this study linear regression was used as an approach for modelling the relationship between the set of research variables chosen. The research hypotheses drawn from the independent and dependent variables were modelled on the basis of simple linear regression analysis. As a result, assimilation capacity was regressed on organizational performance. The output of this regression analysis is displayed in Table 5.

**Table 5.** Multiple Regression for Direct Relationship.

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.671 <sup>a</sup>	.450	.412	.42193	1.811	
ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
Regression		8.668	4	2.167	12.172	.000 <sup>b</sup>
Residual		29.908	171	.178		
Total		38.575	175			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
(Constant)		.388	.581		.668	.505
Assimilation Capacity		.115	.051	.154	2.256	.025
Dependent Variable: Organizational Performance						
Predictors: (constant), Assimilation Capacity						

Source: Survey Data (2021)

The model summary in Table 5 reveals that the adjusted R-square is 0.412 implying that assimilation capacity explains 41.2 percent of performance of insurance companies. Conversely 58.8 percent of performance of insurance companies can be attributed to other factors outside the scope of this study. The F-test on overall statistical significance of the estimated model and signified by the output of analysis of

variance (ANOVA) reveals an F statistic of 12.172 at 0.001 level of significance. This statistical test confirms that the estimated model provides the best fit for the observed data, and is statistically significant at 95 percent level of confidence and  $p \leq 0.05$ . The estimated statistical model is depicted by equation (v).

$$\text{Organization Performance} = 0.388 + 0.115 \text{Assimilation Capacity} \quad (5)$$

In this model it's evident that when all the independent variables are held at a constant value of 0, organization performance would be 0.388. However, the corresponding p value is 0.505 exceeding the 0.05 threshold for affirming statistical significance of the respective parameter. Consequently, estimated value of beta coefficient for the intercept is not statistically significant at 95 percent level of confidence.

The study sought to determine the effect of assimilation capacity on performance of insurance companies in Nairobi City County, Kenya. The output of regression coefficients

reveals a beta coefficient of 0.115 and p value of 0.025 for assimilation capacity. Given that the calculated p-value lies below 0.05, it follows that the parameter for assimilation capacity is statistically significant. As a result, there was no sufficient statistical evidence to fail to reject the null hypothesis that there is no significant effect of assimilation capacity on organizational performance. It therefore means that at 95 percent level of confidence assimilation capacity has a positive effect on performance of insurance companies in Nairobi City County, Kenya. Notably, a unit increase in assimilation capacity is responsible for an increase of 0.115

in organizational performance.

The findings of this study are in concurrence with the conclusion made by [2] to the effect that assimilation capabilities contribute positively to organizational performance. Moreover, the inferences made in this study corroborate the conclusion that assimilation capacity has a positive contribution to organizational performance [20]. Similarly, the findings of this study are consistent with the assertion of dynamic capabilities theory that in order to discern changes in the environmental variables, threats and new opportunities, business enterprises must have relevant processes and practices for acquiring and assimilating new information into the organizational knowledge base, and acting on it.

## 7. Analysis of Qualitative Data

The study sought the opinion of respondents on the value of assimilation of acquired knowledge in insurance companies. The participants considered assimilation as critical to understanding the information obtained in the environment in the context of the organization. Moreover, internalization of the information acquired enhance the ability of insurance companies for solving problems and making decision that support creation of value. It was noted that assimilation is useful for reconciling the acquired knowledge with the existing informational resources. In essence, assimilation is fundamental to actualization of the potential of acquired knowledge. In the absence of assimilation the acquired information cannot be translated into productive use in the form of organizational activities. The participants noted that effective assimilation of acquired knowledge is instrumental to sound decision making in insurance companies.

## 8. Conclusion

The study intended to determine the effect of assimilation capacity on performance of insurance companies in Nairobi City County, Kenya. Results of inferential analysis showed that the parameter for assimilation capacity was statistically significant. In particular, the reported statistical results revealed that assimilation capacity has a positive effect on organizational performance. Nevertheless, among the four dimensions of absorptive capacity, assimilation capacity accounts for the least variation in performance of insurance companies. Therefore, the null hypothesis that there is no significant effect of assimilation capacity on organizational performance was rejected.

## 9. Recommendations

The managers in charge of human resources should provide policy guidelines in support of activities that promote internalization of knowledge through simulation as this has potential to strengthen the contribution of assimilation capacity in insurance companies. The managers in charge of

information technology functional area should enact policies that would essentially strengthen the practices on assimilation of knowledge and informational resources. These activities are important for enhancing the ability of the insurance companies to leverage on assimilation capacity to reduce the turn-around time, improve operational processes and enhance quality of offerings relative to others in the market place. Management of insurance companies should promote practices that enhance optimization of informational resources.

This study was confined to assimilation capacity and organizational performance as independent and dependent variables respectively. The coefficient of determination manifested by the regression analysis confirmed that besides assimilation capacity there are a host of other factors that are integral to explaining variation in performance of insurance companies. As such, future researches can be directed towards unearthing these other factors in order to enhance the empirical literature on the concept of organizational performance.

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