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ORGANIZATIONAL STRUCTURE AND FINANCIAL PERFORMANCE OF INSURANCE COMPANIES LISTED AT NAIROBI SECURITIES EXCHANGE, KENYA

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Abstract

In Kenya, insurance companies have been experiencing a decline in their financial performance assessed by ROE. In the turbulent and competitive business environment, firm characteristics have been playing a vital role in shaping overall financial performance and market competitiveness. The general aim of this study was to establish the interplay between organizational structure and financial performance of listed insurance companies listed at the NSE in Kenya. This research was guided by the growth of the firm theory. This research applied descriptive research methodology. The target population of this research was 6 firms listed at the NSE. The period under study spanned from 2018 to 2022. A Census of the 6 listed insurers in the NSE in Kenya was performed. This study utilized secondary data, extracted using a data extraction tool. Descriptive and inferential statistics were utilized in data analysis. Descriptive statistics comprised of standard deviation, mean, minimum and maximum. The relationship between independent and dependent variables was established using inferential statistics such as multiple regression and correlation analysis. The study found that organizational structure positively and significantly influences the financial performance of insurance companies listed at the NSE in Kenya. The study recommends that regulatory bodies, like the Insurance Regulatory Authority (IRA), encourage insurance companies to adopt organizational structures that improve decision-making, efficiency, and accountability, alongside supporting training and performance evaluations. It also suggests a decentralized approach to organizational restructuring, empowering lower-level employees, to enhance operational efficiency, innovation, and overall financial performance.

Keywords: *Organizational Structure, Financial Performance, Insurance Companies*

INTRODUCTION

On a global scale, the insurance industry has experienced notable changes, especially in the past decade. Insurance firms play a vital role in the financial system, facilitating intermediation, risk transfer, and the efficient mobilization of savings (Abubakar, Sulaiman & Haruna, 2018). They act as a bridge for trade and resource allocation between different economic units by transferring risks and channeling funds through financial institutions. Embedded within the broader financial system, insurance companies offer unique financial services vital to the development and growth of economies. These specialized services involve assuming risks associated with diverse

economic entities and mobilizing substantial funds through long-term premium-based investments. The capacity of insurers to absorb risk contributes to financial stability within markets and instills a sense of security among economic entities. In the dynamic and unpredictable global economy, insurance becomes indispensable for sustaining businesses, providing them the means to navigate the multitude of risks they encounter (Khalid *et al.* 2022).

Within the Kenyan context, the insurance sector assumes a significant role in fostering economic development and growth. Over the previous two decades, this sector has witnessed substantial expansion, emerging as a significant contributor to the GDP. However, despite the impressive growth in premiums and revenues, there remains untapped potential in the market. This underscores the potential for further enhancement by addressing the foundational factors that impact financial performance of insurance firms. The financial performance of a company holds a pivotal position in augmenting its market value and contributing to the overall growth of the company, which, in turn, bolsters prosperity of entire economy. This underscores the reason why the assessment of measures of financial performance among publicly traded companies has gained substantial significance, even though it has received relatively limited attention, particularly within developing economies, in the realm of corporate finance literature (Kagwiria, 2017).

Insurance companies face challenges in boosting shareholder earnings due to their risk coverage responsibilities. They play a crucial role in infrastructure development through long-term financial resources. Evaluating a company's financial performance involves assessing its structure, size, and organizational framework, which impact key metrics like sales turnover, profitability, and dividend growth. Financial success can also be measured by profit and earnings growth, as reflected in rising share prices. In the insurance industry, performance is evaluated using indicators such as underwriting profitability, premiums, turnover, and return on investment. These factors are influenced by company-specific attributes and macroeconomic variables. Despite this, existing literature fails to clearly define the exact factors hindering financial performance, with studies producing inconclusive results (Dioha, 2018; Masika & Simiyu., 2019). This highlights the importance of considering various organizational factors, such as structure, when evaluating financial performance.

Organizational structure is another firm characteristic that can impact the financial structure. Organizational structure defines the framework of relationships among job roles, systems, operational processes, people, and groups working together to achieve the firm's objectives (Nyabaga & Wepukhulu, 2020). It establishes a set of methods for assigning specific tasks and coordinating them effectively. Organizational structure goes beyond being a mere coordination mechanism; it exerts an impact on all aspects of organizational processes (Ali, Yassin & AbuRaya, 2020). The concept of organizational structure encompasses the models governing internal relationships within the organization, the distribution of power and reporting lines, formal communication channels, allocation of responsibilities, and delegation of decision-making authority. An effective organizational structure should facilitate decision-making, enable a suitable response to the business environment, and resolve conflicts between various units, ultimately contributing to a positive impact on the financial performance (Khan, Qu & Khan, 2020). The core principles of organization, as well as the coordination of activities and internal organizational relationships, including reporting and information flow, fall under the purview of organizational structure (Kasera, 2017).

Statement of the Problem

Financial performance is a central concern for stakeholders across various industries, including the insurance sector. It reflects a company's profitability, market competitiveness, and the effectiveness of its organizational structure in resource allocation and management. In Kenya, insurance companies listed on the Nairobi Securities Exchange (NSE) have experienced fluctuating financial performance, with Return on Equity (ROE) declining from 12.83% in 2019 to 5.83% in 2022 (Insurance Regulatory Authority, 2023). This trend underscores the need to examine factors influencing financial performance, such as organizational structure. A well-designed organizational structure can enhance decision-making, foster innovation, and improve resource allocation, thereby positively impacting financial outcomes. Studies have shown that organizational structure significantly affects the performance of insurance companies in Nairobi City County, Kenya. Understanding this relationship is crucial for developing strategies to improve the financial performance of insurance firms in Kenya.

Between 2018 and 2022, the Return on Equity (ROE) for Kenyan insurance companies exhibited a downward trend. In 2018, the ROE stood at 10.08%, rising to a peak of 12.83% in 2019. However, from 2020 onwards, there was a decline, with ROE decreasing to 10.49% in 2020, further dropping to 9.39% in 2021, and reaching a low of 5.83% in 2022 (Insurance Regulatory Authority, 2023). This consistent decline indicates a reduction in the profitability of equity investments in Kenyan insurance companies, suggesting potential challenges in generating returns for shareholders during this period. The decreasing ROE may reflect underlying issues within the industry, such as increased competition, regulatory changes, or operational inefficiencies, which have impacted the financial performance of these firms.

Numerous studies have examined the relationship between organizational structure and financial performance, both globally and within Kenya. Kaya (2015) conducted a global study focusing on the impact of specific factors on profits in non-life insurance industries. Teodorovic (2016) explored the interplay between organizational structure and performance in the Croatian manufacturing sector. Dioha (2018) investigated how organizational characteristics affect profitability in Nigerian listed consumer goods firms. Additionally, Abubakar et al. (2018) studied the influence of organizational structure on the financial performance of Nigerian listed insurance companies. These diverse studies contribute to a broader understanding of how various organizational aspects impact financial outcomes across different industries and regions. In the Kenyan context, Masika (2019) specifically examined how organizational structure affects the financial performance of SACCOs licensed by SASRA for deposit-taking. Similarly, Mugwe and Makori (2019) researched organizational structure and capital structure within Kenyan SMEs. It's important to note that these studies focused on the microfinance and SME sectors, which differ significantly from the dynamics of the insurance industry. Therefore, caution should be exercised when drawing parallels between findings from these distinct sectors.

Research within the insurance sector, such as the study by Too (2018), investigated the interplay between organizational structure and the overall performance of Kenyan insurance firms. The findings revealed that capital structure emerged as the most influential factor affecting the financial performance of Kenyan insurance companies, followed closely by factors like firm age and firm size. This highlights key determinants within the insurance industry that play an essential role in shaping financial performance outcomes. The research utilized data from annual reports as well as IRA reports gathered in 2015. Given the unique characteristics of insurance firms, particularly their short-term coverage periods of one year or less, there is a need to explore how organizational structure influences their performance. This study will focus on the listed

insurance firms in the Nairobi Securities Exchange (NSE) in Kenya for the period 2017-2021, utilizing cross-sectional data covering the past five years.

The study sought to test the following null hypotheses:

$H_0$1: Organizational structure has no significant influence on financial performance in insurance companies listed at the NSE, Kenya.

LITERATURE REVIEW

Theoretical Review

The study is grounded in the growth of the firm theory, established by Penrose in 1959 (Penrose, 1959). This framework outlines principles governing a company's growth and the pace at which it can expand efficiently while remaining profitable. It emphasizes the effective management of a firm's resources, productive opportunities, and diversification strategies, providing a logical explanation for the cause-and-effect relationships among resources, capabilities, and competitive advantages. This contributes to the development of a resource-based theory of competitive advantage (Penrose, 2009). The framework posits three key propositions regarding the connections between a firm's resources, productive opportunities, and the growth of profitability, all of which revolve around the organizational structure.

The interaction among managers and other internal resources within the organization significantly shapes their perception of the distinctive productive possibilities accessible to the company (Dosi & Tamagni, 2020). Managers play a critical role in facilitating the transformation of the company's resources into organizational capabilities and novel product applications, thereby elevating financial performance. Within the framework of dynamic capabilities, the amalgamation of fresh resource configurations paves the way for innovation and the generation of economic value. The anticipation is that larger firms would exhibit this characteristic to a higher extent than their smaller counterparts. The presence of highly skilled managerial and technical expertise acts as a bottleneck influencing a firm's growth rate within a specific timeframe. The firm's existing knowledge repositories and underutilized resources play a significant role in dictating the trajectory of its growth.

The growth of the firm theory emphasizes the efficient management of a firm's resources, productive opportunities, and diversification strategies to achieve sustainable growth and profitability. In the context of insurance firms listed on the Nairobi Securities Exchange (NSE), this theory suggests that the organizational structure plays a pivotal role in shaping the firm's growth trajectory. A well-structured organization enables effective resource allocation, fosters innovation, and enhances decision-making processes, all of which are crucial for improving financial performance. By aligning the organizational structure with the firm's strategic objectives, insurance companies can better capitalize on market opportunities, adapt to changing environments, and ultimately achieve superior financial outcomes.

Empirical Review

Sharma and Rao (2020) aimed to explore impact of organizational structure on financial performance of Indian manufacturing firms. The study employed quantitative approach using a survey of 150 manufacturing firms. They utilized regression analysis to examine interplay between organizational structure and financial performance metrics including ROE and ROA. The research found that adopting a decentralized organizational structure significantly boosts financial performance, leading to increased profitability and improved operational efficiency. Firms that embraced decentralization experienced quicker decision-making processes, which enhanced their ability to respond rapidly to market changes and challenges. This organizational approach allowed lower-level managers to make decisions without waiting for approvals from

higher-ups, resulting in more agile and effective operations. This research utilized a robust quantitative method with regression analysis, but their sample was limited to manufacturing firms, which may not be generalizable to other sectors like insurance. Contextually, the research was confined to the manufacturing sector in India, which might not directly apply to the insurance industry in Kenya.

Hassan (2021) examined how organizational structure impacts the financial performance of publicly listed firms in Egypt, focusing on the financial services sector. Mixed-metods approach was adopted in this research, combining quantitative data from financial reports with qualitative interviews from managers of 80 firms. They analyzed the data by use of structural equation modeling (SEM) to explore the interplay between organizational structure dimensions and financial outcomes. The study established that a hierarchical organizational structure adversely impacts financial performance by creating layers of bureaucracy that slow down decision-making and hinder communication. In contrast, a flatter organizational structure fosters better financial outcomes as it streamlines communication channels and accelerates decision-making processes. This more flexible approach allows for quicker adaptation to market changes and enhances overall operational efficiency. However, the focus on Egypt's financial sector might not fully capture the nuances of the insurance sector in Kenya.

Mensah and Kofi (2022) assessed the effect of organizational structure on the financial performance of firms on the Ghanaian retail sector. The research employed a cross-sectional survey design, collecting data from 120 retail firms through structured questionnaires. They used multiple regression and correlation to assess the effect of organizational structure on financial performance metrics like growth and profitability. The findings revealed that a matrix organizational structure positively influences financial performance by providing enhanced flexibility and improved project management capabilities. This structure, which blends functional and project-based approaches, allows for better resource allocation and more dynamic responses to market demands. Firms utilizing a matrix structure demonstrated higher profitability and growth rates compared to those with more traditional hierarchical or functional structures. The ability to integrate multiple perspectives and coordinate activities across various departments contributed to increased operational efficiency and strategic agility, ultimately leading to superior financial outcomes. The cross-sectional design and use of questionnaires provided valuable insights but did not capture longitudinal changes in organizational structure over time. In addition, the focus on the retail sector in Ghana may not be directly applicable to the insurance sector in Kenya.

Wanjiru and Njau (2023) investigated the effect of organizational structure on the financial performance of insurance companies listed in the NSE. This study applied descriptive research methodology and targeted all listed commercial banks that operate on the NSE. Descriptive statistics as well as multiple regression analysis were adopted thereby investigating impact of structural dimensions on financial performance measures such as the Assets Return. The research indicated that a centralized organizational structure negatively affects financial performance, as it often results to slower decision-making processes and reduced responsiveness to market changes. Conversely, a decentralized structure positively influences profitability by empowering lower-level managers and employees to make decisions more efficiently. This decentralization enhances financial outcomes by allowing for quicker adaptation to market conditions and more effective resource allocation. Nonetheless, the research was carried out in commercial banks and therefore outcome is inapplicable to insurance firms. In addition, the research used primary data, but the current study utilized secondary data.

Conceptual Framework

The conceptual framework, in Figure 1, illustrates the relationships between key variables in the study, with the independent variable being organizational structure and the dependent variable representing financial performance.

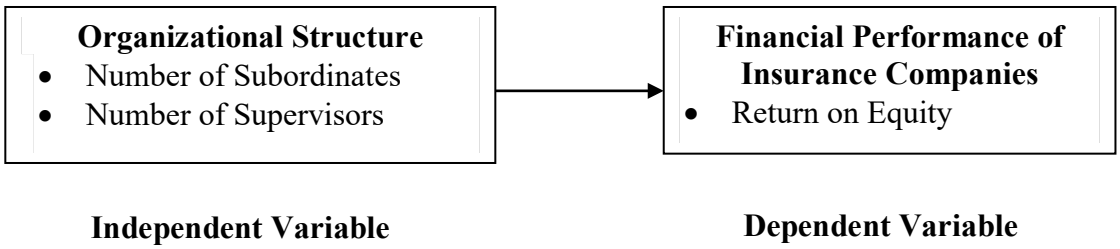

Figure 1: Conceptual Framework.

RESEARCH METHODOLOGY

This study adopted a descriptive research design. The target population was all the six insurance firms listed at Nairobi Securities Exchange. The study covered the period between 2018 and 2022. A census approach was used and hence all the 6 insurance firms listed at Nairobi Securities Exchange were used in the study. Census study enhanced data validity that was collected. The total population of insurers is not large and hence it is better to conduct a census since the result was a genuine depiction of all the firms. Conducting a census study enhanced the validity of the collected data, as the total population of insurers was small, making it preferable to conduct a census for a genuine depiction of all the firms.

This research relied on secondary data extracted from the annual audited financial statements of insurance companies. The researcher accessed the data from the IRA website and organized it using a data collection guide. Descriptive statistics, including the mean, standard deviation, minimum, and maximum, were used to summarize the study variables. Inferential statistics were employed to examine the relationship between the predictor and predicted variables. The interaction between the independent and dependent variables was analyzed using correlation and linear regression analysis. Correlation analysis assessed the existence and strength of the relationship between the variables, while linear regression quantified the extent of this relationship. Upon completing data analysis, the findings were presented using tables, providing a clear and concise visual summary for drawing conclusions. The regression model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Whereby: Y= Financial Performance of Insurance Firms Listed at the NSE; β_0 = Constant; β_1 = Beta coefficients; X_1= Organizational Structure; ε= Error term

The research utilized various diagnostic tests to assess the validity of regression assumptions, including multicollinearity, homoscedasticity, normality, stationarity, and model specification. Multicollinearity was tested using the variance inflation factor (VIF), with values between 5 and 10 indicating potential issues. Heteroscedasticity was examined using the Cook-Weisberg/Breusch-Pagan test to ensure consistent variance of residuals across predictor values. Normality was assessed with the Shapiro-Wilk test, ensuring the data approximated a normal distribution. The IPS Unit-Root Test evaluated the stationarity of time series data, rejecting the null hypothesis if the variable is stationary. Finally, the Hausman test was conducted to determine whether the random or fixed effects model was more appropriate, with the null hypothesis suggesting no significant differences in coefficients between the two models.

RESULTS AND DISCUSSIONS

The study used 6 insurance firms listed at Nairobi Securities Exchange for a period of 5 years (2018-2022). The results encompassed descriptive analysis, diagnostic tests and panel regression analysis.

Descriptive Statistics

Descriptive statistics included number of observations as well as calculation standard deviation, minimum, maximum and mean for both the dependent variable (financial performance) and the independent variables; financial structure, organizational structure and firm size. The minimum(s), standard deviation(s), maximum values and mean (s) of the research variables were as shown in Table 1. According to Table 4.1, the mean of ROE among listed insurance firms at the NSE for the duration between 2018 and 2022 is approximately 9.72%, indicating that, on average, the firm's return on equity is around 9.72%. Standard deviation of ROE is approximately 6.87%, suggesting variability in the firm's returns on equity across the observations. The minimum ROE is -8.31%, which indicates that there are observations where the firm's return on equity is negative. The maximum ROE is 21.2%, representing the highest observed return on equity. The mean span of control (OS) as a measure of organizational structure is approximately 10.89, suggesting an average span of control of around 10.89 for the firm. The standard deviation of OS is approximately 2.99, indicating variability in the span of control across the observations. The minimum span of control is 6.68, while the maximum span of control is 18.11, representing the range of observed spans of control.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROE	30	9.722	6.868	-8.31	21.2
OS	30	10.888	2.995	6.68	18.11

Correlation Analysis

Pearson correlation analysis is a quantitative technique employed to assess strength and direction of a linear association between the variables. The results were as summarize in Table 2. The findings indicate a strong positive relationship between organizational structure (span of control) and financial performance (ROE), with a correlation coefficient of $r = 0.875$. The associated p-value is very small ($p < 0.001$), signifying a highly significant correlation between the two variables. This suggests that a robust relationship exists, where higher levels of span of control are linked to improved financial performance. These findings align with the observations of Kirui and Onyuma, (2019), who concluded that organizational structure significantly impacts the financial performance of firms.

Table 2: Correlation Results

		Financial Performance (ROE)	Organizational Structure (Span of control)
Financial Performance (ROE)	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	30	
Organizational Structure (Span of control)	Pearson Correlation	.875**	1
	Sig. (2-tailed)	.000	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Diagnostic Tests

Diagnostic tests for regression assumptions are utilized to examine validity of underlying assumptions of a regression model. The assumptions comprise of multicollinearity, homoscedasticity (constant variance of errors), normality, stationarity and model specification test.

Heteroscedasticity Test.

Cook-Weisberg test/ Breusch –Pagan was utilized in this study to assess heteroscedasticity. The results in Table 3 indicate that the p-value of 0.6205 exceeds the significance level of 0.05, providing insufficient evidence to reject the null hypothesis. This implies that there is no significant evidence of heteroskedasticity in the residuals based on this test. In other words, the assumption of constant variance remains valid, and the regression model shows no significant signs of heteroskedasticity concerning the fitted values of Return on Assets (ROA).

Table 3: Breusch-Pagan Test for Heteroskedasticity

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Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of ROE

         chi2(1)      =     0.25
         Prob > chi2  =   0.6205
```

Normality Test

Normality test refers to a statistical procedure utilized to examine if a dataset is normally distributed. The null hypothesis of the Shapiro-Wilk test suggests that the data follows a normal distribution. The results displayed in Table 3 show the Shapiro-Wilk test statistics for Financial Performance (ROE) and Organizational Structure. The p-values for these variables are 0.127 and 0.193, respectively. Since both p-values exceed the significance level of 0.05, the null hypothesis of normality cannot be rejected for either variable. This means there is insufficient evidence to conclude that either Financial Performance (ROE) or Organizational Structure significantly departs from a normal distribution. Consequently, the variables are considered to follow a normal distribution based on the Shapiro-Wilk test results.

Table 3: Shapiro-Wilk Test

Variable	Statistic	df	Sig.
Financial Performance (ROE)	0.962	30	0.127
Organizational Structure	0.963	30	0.193

a. Lilliefors Significance Correction

Unit Root Test

The IPS Unit Root Test is utilized to assess the time series data stationarity, particularly in panel data settings. The findings presented in Table 4 indicate the results of the Im-Pesaran-Shin (IPS) Unit-Root Test for Financial Performance (ROE) and Organizational Structure. For Financial Performance (ROE), the t-statistic is -1.9335, and the p-value is 0.0096, which is below the 0.05 significance level. This leads to the acceptance of the null hypothesis of a unit root, suggesting that Financial Performance (ROE) is stationary. Similarly, for Organizational Structure, the t-statistic is -2.1173, and the p-value is 0.0057, which is also below 0.05. This indicates that the Organizational Structure variable is stationary as well.

Table 4: Im-Pesaran-Shin (IPS) Unit-Root Test

Variable	t. statistic	p-value	Fixed-N exact critical-values		
			1%	5%	10%
Financial performance (ROE)	-1.9335	0.0096	-2.010	-1.850	-1.770
Organizational structure	-2.1173	0.0057	-2.010	-1.850	-1.770

Model Specification Test

The Hausman test is a test utilized to examine whether the coefficients estimated by the fixed and the random effects model significantly differ from each other. As indicated in Table 5, since the p-value (0.9651) is above the 0.05 significance level, we fail to reject the null hypothesis. This suggests that there is no evidence of systematic differences in coefficients between the fixed and random effects models. Therefore, based on the Hausman test results, the preferred model is the random effects model, as it is more efficient under the assumption that the differences in coefficients are unsystematic.

Table 5: Hausman Test Results

	Coefficients			
	(b) fixed	(B) random	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
OS	2.018948	2.008646	.0103011	.2356187

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(1) = (b-B)'[(V_b-V_B)^(-1)](b-B)

= 0.00

Prob>chi2 = 0.9651

Panel Regression Model

A panel regression model, also known is a statistical model used to analyze data that contains both a cross-sectional dimensions and time-series features. Panel data typically consist of observations on multiple entities (such as firms) observed over multiple time periods. Random effects model was chosen in the Hausman test. The regression analysis of the effect of Organizational Structure (OS), measured in terms of span of control, on Return on Equity (ROE) in insurance companies provides valuable insights. The model includes data from 30 observations across 6 insurance companies. The within-group R-squared (R^2) value of 0.6211 indicates that 62.11% of the variance in ROE within each insurance company is explained by OS. The between-group R-squared of 0.9007 suggests that 90.07% of the variation in ROE across different insurance companies is due to OS. Overall, the model explains 76.56% of the total variance in ROE, showing that it provides a good fit for the data. The Wald chi-squared statistic of 76.72, with a p-value of 0.0000, confirms that the model is statistically significant.

The findings show that organizational structure positively and significantly affects the financial performance of listed insurance firms listed in the Kenyan NSE (β_1=2.008646, p-value = 0.001).

This suggests that every additional unit in the span of control (OS), we can expect ROE to increase by approximately 2.008646 units, holding other variables constant. A larger span of control suggests a more decentralized organizational structure, where decision-making authority is distributed across fewer levels. The positive coefficient suggests that firms with a more decentralized structure tend to have higher ROE. The findings agree with Njiru (2018) argument that organizational structure significantly impacts the financial performance of Kenyan firms. Further, Onyuma (2020) found that organizational structure positively affect firms' financial performance.

Table 6: Regression Results

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Random-effects GLS regression                   Number of obs      =        30
Group variable: Insurance_~s                    Number of groups   =         6

R-sq:  within  = 0.6211                         Obs per group: min =         5
       between = 0.9007                                        avg =       5.0
       overall = 0.7656                                        max =         5

                                                Wald chi2(1)       =     76.72
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0000
```

ROE	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
OS	2.008646	.2293213	8.76	0.000	1.559185	2.458108
_cons	-12.14848	2.607477	-4.66	0.000	-17.25904	-7.037918
sigma_u	1.1551152					
sigma_e	3.2989428					
rho	.10921313	(fraction of variance due to u_i)				

Conclusions

The study concludes that organizational structure has a positive and significant influence on the financial performance of insurance firms listed in the NSE in Kenya. The analysis demonstrates a clear and statistically significant association between organizational structure and ROE, indicating that a higher span of control (OS) within insurers corresponds to an increase in ROE. This underscores the strategic importance of adopting decentralized organizational structures in enhancing financial performance and shareholder value. By empowering decision-making at lower levels and promoting agility in response to market dynamics, insurance companies can optimize operational efficiency, mitigate risks, and achieve sustainable growth in the competitive landscape of Nairobi Security and Exchange.

Recommendations

The study recommends that policymakers should come up with relevant regulatory bodies should encourage insurance companies to adopt organizational structures that facilitate better decision-making, efficiency, and accountability. This could involve promoting best practices in organizational design and governance that align with the goals of enhancing financial performance. Training programs and workshops on effective organizational management should

also be supported. Institutions like the Insurance Regulatory Authority (IRA) should implement regular monitoring and evaluation of financial performance metrics for insurance companies. This will ensure that companies adhere to best practices in organizational structure, and will provide early warnings for potential issues that could impact performance.

The study found a significant and positive effect of organizational structure on the financial performance of insurance firms listed on the Nairobi Securities Exchange (NSE) in Kenya. Based on these findings, the study recommends that insurance companies' management consider restructuring their organizational hierarchies to adopt a more decentralized approach. Expanding the span of control and empowering lower-level employees with decision-making authority can promote a culture of accountability and innovation. A decentralized structure is likely to enhance operational efficiency and improve the management of resources.

Areas for Further Research

This research aimed to examine the relationship between organizational structure and the financial performance of insurance companies listed on the Nairobi Securities Exchange (NSE) in Kenya. However, since the study was limited to insurance firms listed on the NSE, the findings may not be applicable to firms in other sectors on the exchange. Therefore, further research is needed to explore the relationship between organizational structure and financial performance in other sectors of NSE-listed companies. In addition, the study used return on equity (ROE) as a measure of profitability. Future research should consider examining the relationship between organizational structure and financial performance using other metrics, such as return on investment (ROI) or return on assets (ROA). The study found that organizational structure explains 76.56% of the financial performance of listed insurance firms on the NSE. Consequently, more research should be conducted to identify other factors that influence the financial performance of insurance firms listed on the NSE in Kenya.

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