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Influence of Organizational Structure on Performance of Insurance Brokerage Firms in Kenya

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Abstract
Organizational structure plays a critical role in shaping the performance and operational efficiency of insurance firms. This study examines the influence of organizational structure on the performance of insurance brokerage firms in Kenya, addressing a contextual research gap in the local insurance sector. Despite the sector's significant contribution to the country's GDP and its dominance in East Africa, Kenyan insurance firms continue to face challenges related to rigid and centralized structures, limiting their responsiveness to dynamic market needs. The study adopted a correlational research design targeting 170 registered insurance brokerage firms in Nairobi County. Using the Taro Yamane formula, a sample size of 119 respondents was selected through simple random sampling. Data was collected using structured questionnaires and analyzed using SPSS through descriptive and inferential statistics, with a regression model applied at a 0.05 significance level. Findings revealed a strong positive correlation ($R = 0.715$) between organizational structure and firm performance. The R Square of 0.512 indicated that organizational structure accounted for 51.2% of the variance in performance. The ANOVA results ($F = 104.879$, $p = 0.000$) confirmed the statistical significance of the regression model. The study concluded that organizational structure positively and significantly influences the performance of insurance brokerage firms in Nairobi County, leading to a rejection of the null hypothesis. The study recommends that brokerage firms adopt more flexible and responsive organizational structures that can adjust to market dynamics. Firms should also conduct regular strategic reviews and promote cross-functional teams to enhance internal coordination and overall performance within the competitive insurance market.

Keywords: *Organizational Structure, Performance, Brokerage, Insurance Firms*

INTRODUCTION

Organizational structure is critical in shaping a firm's performance and its overall efficiency in the market. A good organizational structure streamlines the firm's operations, fosters a conducive culture and enhances the communication within the ranks. Kihara et al. (2020) define organizational culture as the values, beliefs and attitudes that are prevalent in a firm. It is the company's personality that influences how the employees interact with each other in the process of decision making. The organizational culture may consist of the beliefs about how things ought to work, the shared values that guide the core principles in the firm's actions and decisions and the norms which are the unwritten rules and expectations (Razak et al., 2022). These elements of culture act as a framework that guides how tasks, responsibilities and authority are executed within the firm. A good organizational culture reduces ambiguity in the workplace, facilitates clear communication and coordination among employees.

Organizational structure is particularly important in the insurance brokerage which are critical for offering independent advice and arranging insurance coverage for clients. These entities act as intermediaries between insurance clients and insurance companies and play a crucial role in enabling risk-taking behaviors which are important for entrepreneurship (Hardcopf et al., 2021). Insurance brokerage in different parts of the world act as financial intermediaries by acting independently, enabling clients to access insurance services from a wide range of options. In Canada, insurance brokerage is critical in financing the long-term improvements of the Canadian economy. They sell insurance services such as life assurance, automobile, property and health insurance to businesses, individuals and public entities (Machireddy, 2022). In Singapore, the insurers are a mixture of direct insurers, reinsurers and captive insurers forming a very strong network of insurers (Agarwal et al., 2021). These firms offer a wide range of insurance services to meet the current needs in the market. In China, the insurance brokerage has been critical in the country's rapid economic development and social stability. By offering financial security and investment facilitating, these entities have helped the country transition from a developing country to a major force in the global economy (Pan et al., 2023).

In Africa, insurance brokerage has been critical in enhancing the provision of basic services such as education and healthcare. In Nigeria, for instance, the insurance brokerage is an important contributor to the country's economic landscape. They reduce the financial risks, offer protection from losses and provide safety and security nets for investors (Kotey et al., 2021). In Egypt, the insurance brokerage sector is one of the oldest in the region ad one of the most competitive. The insurance sector is concentrated among seven key players who offer insurance services to the population (Eladly, 2024). In Ghana, the insurance brokerage is very robust, comprising of about 26 non-life companies, 80 brokerage firms and 22 life assurance companies. The major players in the market include the Swiss Re and Africa Re, which play a crucial role in the Ghanaian insurance industry (Ofori-Boateng et al., 2022). These firms have been critical in capital market development as they are able to mobilize a proportion of the population towards financial sector participation.

In the Kenyan context, insurance industry has witnessed a surge in growth in the last few decades, leading to a sustained competitive rivalry among the firms as they eye the growing demand. Kenya has been leading on the insurance brokerage in East Africa, contributing to about 70% of the East African overall market (Inganga & Kibe, 2023). As of 2022, there were about 56 insurance brokerage firms in the Kenyan market, with general insurance accounting for about 61% of the market while long-term insurance takes the remaining proportion. Medical and motor insurance are the leading insurance categories in the business sector and contribute about 63% of the general insurance. On the other hand, the deposit life assurance are the main contributors of the long-term insurance policies, taking about 58% (Mutunga et al., 2024). The surge in the insurance services can be attributed to several reasons such as the expansion of real estate, urbanization and the high growth of the energy and property market. These reasons have led to a huge growth of the insurance market in the country.

Statement of the problem

The growth of any organization depends on the efficiency of its business structure. A well-designed structure is thus vital for the performance and efficiency of the insurance brokerage in

Kenya as it ensures that the firm aligns its strategic objectives with the market demands. It facilitates good decision-making processes, increases motivation among employees and ensures there is clear communication. Structure dictates how information flows within the firm, thus creating a conducive culture for the business to thrive because information can flow between departments, management levels and among employees. Structures influence communication, which in turn reduces misunderstandings by smoothening the flow of information and strategic decisions within a firm.

The high demand of insurance brokerage in the country has attracted significant players in the industry, some of which are global firms. These insurance brokerage firms act as intermediaries, advise the clients on insurance needs and ensure that clients are able to get the most appropriate coverage. These entities are able to analyze the risks, negotiate policy terms and assist with claims to ensure the clients get the best support on their insurance. Kamau (2022) explains that the insurance premiums in the country contribute about 2.5% of the GDP, making it a prime market for insurance brokerage. The Kenyan insurance brokerage lacks a structured organizational model, which has affected their ability to respond to new needs in the market. Most insurance brokerages use a centralized decision-making process whereby the owner makes the decisions (Nguyo & Anene, 2024). Consequently, brokerage firms have been slow to respond to new opportunities in the market, leading to a loss of competitive edge in the market. Besides, the current organizational structures adopted by most brokerages hinder innovation and creativity implying that the firms are unable to respond to the market needs.

Several studies have been done globally to examine the organizational structure on firms in different sectors. For instance, Nosike, et al. (2021) examined the impacts of organizational structures on the work performance of banks in Nigeria. This study noted a significant relationship between firm structure and the performance of banks in Nigeria. However, this study was done in another country, thus offering a contextual gap. Bota (2023) examined the impacts of organizational structure, job descriptions and workplace performance in Malawi. The study noted a positive relationship between organizational structure and performance. Few studies have been done in the Kenyan insurance brokerage context, presenting a research gap which this study seeks to fill through a study on the influence of organizational structure on the performance of insurance brokerage firms.

LITERATURE REVIEW AND THEORY

Contingency Theory

The contingency theory was proposed by Fred Fiedler in the 1960s and explained the leadership should be contextualized. This theory insists that there is no single-fit organizational structure for all organizations (Abedin, 2022). Instead, the organization structure depends on both internal and external factors such as firm's size, technology and the business strategy that is being pursued. According to the contingency theory, an organization constantly interacts with the environment and needs to adapt to fit in the changes in the business environment (Eladly, 2024). It also explains the need for managers to change their management styles to factor in the changes that may occur in the environment.

The organizational structure adopted by a firm will depend on such issues as the leadership, the job designs and the level of technology in the firm. This theory is founded on the understanding that change is constantly occurring at a rapid pace, which leads to instability in the firm (Shala et al., 2021). As such, there is a need for flexibility in the firm to ensure it remains competitive regardless of the change of environment. This theory explains the relationship between an organizational structure and the firm's performance. The theory points out some of the variables such as business strategies, firm size and the external environment as critical for performance (Abedin, 2022). This theory identifies the need for flexibility to manage these variables and ensure that the business is success in the changing business environment.

The contingency theory is specifically relevant in the insurance sector because the industry is highly regulated. Changes in the business environment such as economic factors, technology, competition among others impact the performance of insurance brokerage firms. Consequently, managers in the insurance firms needs to ensure they adopt a flexible management approach that is able to adapt to any changes in the environment (Childs et al., 2022). As a dynamic environment, the insurance brokerage industry requires the use of the contingency theory to ensure firms are able to keep up with the dynamics in the sector.

Empirical Review

Scholars in different areas have examined the influence of organizational structure on performance of firms in different sectors. Kihara, et al. (2020) explored the influence of organizational structure on performance of manufacturing firms in Kenya. A cross-sectional research model was used to collect data from 41 respondents in the sector. The primary data was collected using questionnaires while secondary data was obtained from the organization's reports. The researcher used descriptive statistics like standard deviations and mean to analyze the data while inferential statistics were used to show the relationships between the variables. It was noted that the manufacturing firms in Kenya have adopted different organizational structures despite being in the same industry. It was also noted that organizational structure has a positive impact on the firm's performance. The main limitation of this study is that it was done in the manufacturing sector which has a different industrial dynamic compared to the insurance brokerage firms. Thus, the results from this study cannot be used to make generalized conclusions on the research topic.

Mutunga et al. (2024) investigated the influence of organizational structure on the performance of pharmaceutical firms in Nairobi. The study used a descriptive research design whereby the data was gathered using questionnaires that were administered both physically and online. The collected data was analyzed using SPSS and presented using tables, charts and graphs. The results revealed that organizational structure has a positive and significant impact on the performance of pharmaceutical firms in Nairobi County. The main limitation of this study is that it was done in the pharmaceutical industry in Nairobi County which is different from the insurance brokerage industry. Consequently, the results from this study cannot be used to make a generalized conclusion on the current research topic.

Obwoge and Namusonge (2024) evaluated the role of organizational structure in defining the performance of state departments in Kenya. The study focused on the Ministry of Education department, where the institutional theory was used. A descriptive research method was used to target about 240 employees, whereby a sample of 150 employees were used as the final sample. The data was collected using structured questionnaires and analyzed through the use of descriptive methods. It was noted that improved performance is a function of organizational structure. It was observed that organizational structure has a huge impact on the performance of state departments in Kenya. Open and flexible structures were associated with better performance and were recommended for use in state departments. However, this study was done in the state departments which has a different source of capital compared to the insurance brokerage firms. Consequently, the results cannot be generalized in the current research topic which focuses on insurance brokerage firms.

Kioko et al. (2023) examined the influence of organizational structure in the performance of financial service firms in Makueni County. A cross-sectional survey design was employed to evaluate 280 firms that were selected using a stratified random sampling technique. The questionnaire method was used to gather data from the participants, whereby they were administered both physically and online. Both descriptive and inferential statistics were used in the data analysis whereby a simple binary regression model was used. It was noted that the use of flat structures increases firm's performance compared to those that use tall structures. Organizational structure has a positive impact on the firm's performance in Makueni County. The main limitation of this study is that it was concentrated in Makueni County and may not offer a generalized view on other parts of the country. Consequently, the results cannot be used to make generalized conclusions on the role of organizational structures on other parts of the country.

Tien (2023) studied the relationship between capital structure and performance of brokerage firms in Vietnam. The capital structure model was used in the research to determine the most optimal model for use in brokerage firms in Vietnam. The research used a qualitative and quantitative research method to collect and analyze the data. Linear regression models were employed to reveal the relationships between the various variables of capital structure. It was noted that the elements of capital structures such as financial leverage and company size impacts the firm's performance. Organizational structure was noted to have a very high impact on the performance of insurance brokerage firms in Vietnam. However, this study was done in Vietnam which has a different economy and financial climate compared to Kenya. Besides, the study focused solely on capital structure rather than on the organizational structure, posing a contextual gap. Consequently, the results cannot be used to make generalized conclusions on the impact of organizational structure on the performance of brokerage firms in Kenya.

METHODS AND DATA

The study applied a correlational research design. The target population was 170 registered insurance brokerage firms in Nairobi County, which became the unit of analysis. On the other arm, the unit of observation or targeted respondents were 170 owners or managers of the firms. The study applied a simple random sampling technique along the Taro Yamane formula at a sampling error of 5% to arrive at a sample size of 119 participants.

The study applied a questionnaire as the only instrument for its data collection. Validity and reliability of the instrument were pretested at the pilot stage among 12 participants. The pilot exercise served to improve overall validity and the reliability of the instrument. Data was gathered through Kobo-collect tool and drop and pick methods. The collected data was cleaned and entered into SPSS for analysis. The two main quantitative analyses used included descriptive and inferential analysis. Descriptive statistics include mean, frequency, standard deviation and percentages. On the other arm, the inferential analysis involved tests on regression analysis at significance of 0.05. The model was as follows; $Y=\beta_0+\beta_1X_1+\varepsilon$**.** Where: Y = Performance in Insurance Brokerage Firms, $\mathbf{X_1}$ = Organizational structure, $\boldsymbol{\beta_0}$ = Constant term, $\boldsymbol{\beta_1}$ = Regression coefficients for organizational structure and $\boldsymbol{\varepsilon}$ = Error term.

RESULTS AND DISCUSSIONS

Response Rate: 85.7%, 119 respondents were targeted; however, data was obtained from 102 respondents.

Descriptive Statistics

Descriptive Statistics on Organizational Structure

Results in Table 1 showed that respondents agreed with statements on organizational structure, mean range was between 3.77 and 3.90. This affirms the relevance of the McKinsey 7S Model, which underscores that strategy-structure alignment, is vital for business success (Jain & Kansal, 2023). This supports Muiruri and Muchemi (2023), who highlighted that collaboration across departments, improves client responsiveness and operational performance.

Table 1: Descriptive Statistics on Organizational Structure

Statement on structure of an organization	Mean	Std Dev
My firm's organizational structure allows for quick decision-making.	3.87	.97
The hierarchy within my firm is clear and enhances performance.	3.77	1.00
My firm's organizational structure is flexible enough to adapt to changes in the market.	3.84	.98
Departments in my firm collaborate effectively due to the organizational structure.	3.90	.87
Employees understand their roles and responsibilities clearly within the organizational structure.	3.80	.99

Descriptive Statistics on Performance

Results shown in Table 2 showed that respondents agreed with statements regarding organizational performance, mean range between 3.70 and 3.84. Mwangi (2022) emphasized that high employee retention fosters knowledge continuity and enhances firm stability. Otieno and Wanjiru (2023) asserted that improved customer satisfaction and employee productivity are critical drivers of sustained financial performance in competitive service sectors.

Table 2: Descriptive Statistics on Performance

Statement on Performance	Mean	Std Dev
My firm has consistently achieved its financial performance targets	3.80	.89
Overall customer satisfaction level in my firm has significantly improved	3.78	1.05
The number of new clients has increased due to my firm's improved service delivery.	3.70	1.05
My firm has a strong reputation in the market	3.79	.97
Employee retention rates have improved	3.82	.95

Regression Analysis

A simple regression analysis of the form: $Y=\beta_0+\beta_1X_1+\varepsilon$**.** Where: Y = Performance in Insurance Brokerage Firms, X_1 = Organizational structure, β_0 = Constant term, β_1 = Regression coefficients for organizational structure and **ε** = Error term was conducted to determine the influence of organizational structure on the performance of the brokerage insurance firms in Kenya. Results are shown in Table 3. An R of 0.715 indicates a strong positive correlation between organizational structure and performance, whereas an R Square of 0.512 means that 51.2% of the variance in Performance is explained by the organizational structure variable. Results further showed an F of 104.879**,** Sig. (p-value) of 0.000**.** Since $p < 0.05$**,** the overall regression model is statistically significant**,** meaning that organizational structure has a significant effect on performance**.** Obwoge and Namusonge (2024) evaluated the role of organizational structure in defining he performance of state departments in Kenya and similarly found that organizational structure has a huge impact on the performance if state departments in Kenya.

Kioko, et al. (2023) examined the influence of organizational structure in the performance of financial service firms in Makueni County and similarly found that flat structures increase firm's performance compared to those that use tall structures. Organizational structure has a positive impact on the firm's performance in Makueni County. Lastly, Tien (2023) studied the relationship between capital structure and performance of brokerage firms in Vietnam, and similarly found that elements of capital structures, such as financial leverage and company size, impact the firm's performance. Organizational structure was noted to have a very high impact on the performance of insurance brokerage firms in Vietnam.

Table 3: Simple Linear Regression on Organizational Structure and Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.715[a]	.512	.507	.584998

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.892	1	35.892	104.879	.000[b]
	Residual	34.222	100	.342		
	Total	70.114	101			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.657	.312		2.106	.038
	Organizational Structure	.821	.080	.715	10.241	.000

a. Dependent Variable: Performance
b. Predictors: (Constant), Organizational Structure

Conclusions and Recommendations

The study concluded that organizational structure positively and significantly influenced the performance of insurance brokerage firms in Nairobi County, which leads to a rejection of the hypothesis claim that organizational structure has no significant influence on the Performance of insurance brokerage firms in Nairobi County.

Brokerage insurance firms need to adopt flexible organizational structures that can quickly adapt to market changes and undergo regular strategic reviews. Promoting cross-functional teams is encouraged to strengthen coordination across departments.

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