

Diversification Strategies And Performance Of Insurance Companies In Kenya

John Mutugi Gachoki^{1*}, Jese Maina Kinyua², Samuel Nduati Kariuki³

¹*University of Embu, Department of Business Studies Email: Jmutugijohn@Gmail.Com

²University of Embu, Department of Economics

³University of Embu, Department of Business Studies

*Corresponding Author: - John Mutugi Gachoki

*University of Embu, Department of Business Studies Email: Jmutugijohn@Gmail.Com

Abstract

This study sought to establish effect of diversification strategies on financial performance of insurance companies in Kenya. A census was conducted and a 5-year financial data collected on the entire population of the 55 registered and licensed insurance companies in Kenya. The results of the multiple regression model revealed that diversification positively affected performance indicated by return on assets. Particularly, concentric diversification was found to positively and significantly affect performance of insurance companies implying that insurance companies that engaged in more than one sales and promotion strategy performed better compared to companies that focused only on one strategy. Further, the study established that conglomerate diversification positively and significantly influenced the performance of insurance companies in Kenya. Geographic diversification was also found to positively and significantly affect performance of insurance companies in Kenya. Further, product diversification was also found to positively and significantly affect performance of insurance companies in Kenya. This study concluded that engaging in diversification was a positive strategic decision which would yield positive performance in insurance industry. The study advises top level manager to adopt diversification strategies to improve performance. The study findings will contribute positive insight to all insurance stakeholders including policy maker's regulator, scholars and Government.

Keywords: Conglomerate Diversification, Geographical Diversification, Product Diversification, Concentric Diversification, Performance.

Introduction

Organizations are operating in environment that are increasingly uncertain, complex, competitive, dynamic and unpredictable. The changes in environment are not only rapid and bewildering but also in a state of constant flux (Cassandra & Bradley, 2016). Even before the COVID-19 crisis began, Kenya's insurance industry had continuously performed poorly. For instance, in the year that ended December 2018, net profits of the Kenya insurance industry dwindled by 61.56% from KES 9.21 billion to KES 3.54 billion considered the lowest in 12 years. Further, premium growth in 2018 was at 2.22 % marking the fifth straight year of slumping compared with 21.3% growth rate in 2013 despite incremental growth in insurable risk (AKI, 2018). In addition, data from Kenya National Bureau of Statistics shows that new motor vehicle registration had been rising, growing at 12% to 102,036 in 2018 but premiums for private vehicles recorded the highest loss at KES 2.7 billion while commercial vehicles recorded a KES 1.1 billion loss. The COVID-19

pandemic has exacerbated with Association of Kenya insurers (2020) reporting a decline in the gross written premiums in retail and consumer sectors while other Insurers have been faced with more cancellations and non-renewal of covers during that period more any other time in recent history (AKI, 2020)

To survive and grow, Ansoff in his growth matrix recommends organization to diversify their operations (Cadle, Paul, & Turner, 2010). Diversification is a business strategy by which a company expands their business into other markets to generate more revenue from new products/services and new markets Oyewobi *et al.* (2013). It gives the company an opportunity to invest in other business lines or markets that can be related or non-related to its core business operations (Sapna, Ravikesh & Ravichandran, 2014). Essentially, Ranka *et al* (2017) observed that if a business can effectively diversify in a manner that is congruent with the business and the market demands, financial reward will follow. Grant, Jason and David (2019) observed that introduction of

diversified products enables firms to better compete in their respective markets.

This study contributes to literature on strategic management in many ways. First, the study provides empirical evidence on the relationship between diversification strategies and performance using data from the Kenyan insurance sector. Second, the study forms part of a body of knowledge to the scholars in the academia and service industry and provides insight on the concepts of diversification strategies and how they influence performance. Further, the study was undertaken in Kenya, a developing country thus findings of this study could be related to other developing countries. Third, this study forms an invaluable source of reference especially when developing policy guidelines for the insurance sector.

The rest of this paper is structured as follows: background of the study is presented in section 2, theoretical review in section 3, and empirical review and hypothesis development in section 4. Research design is presented in section 5, empirical results and discussion are presented in section 6, and summary and conclusion are presented in section 6.

2.0 Background

There were fifty-five (55) insurance companies licensed to operate in Kenya as per the Insurance Regulatory Authority report of 2019. Insurance uptake in Kenya remains low compared to other key economies with the insurance penetration recording 2.43% compared to south Africa 17% market penetration and the global recommended average of 7.2%. The return on assets has also been decreasing for instance in the year 2016 the ROA was 14.2 percent which decreased to 10.4 percent in the year 2017 (Isaac et al, 2021). As part of the transformative measures, the 2012 IRA report observed that insurance companies were increasing their capacity through diversification into use of new technology, development of new markets and movement from product focus to customer oriented operational models. Inferring from this information this study sought to determine the effect of diversification strategies on performance of insurance companies in Kenya. To our knowledge, there is no previous research and empirical evidence on the performance effect of diversification in the Kenyan insurance industry.

3.0 Theoretical Review

This study is anchored on the resource based view theory and transaction cost theory

3.1 Resource Based View Theory

The resource based view postulates that the source of competitive advantage is in the firm's resources. Those firms that own or have access to valuable, rare, and non-imitable resources and capabilities achieve and sustain competitive advantage. The theory claims that the sources of sustained competitive advantage of the firm are inside the firm. Based on resource differences some firms within the same industry may perform certain activities better than the others (Foss, 2011). According to the theory, a firm will have an incentive to diversify if it possesses the necessary, excess resources to make diversification economically feasible. Also Huu and Nguyen (2019) observed that if a firm converts some available resources (capabilities, processes, knowledge, experiments, or human resources) into assets related to the existing business, the conversion will become more straightforward because of certain similarities in the characteristics of new (related) assets to existing assets (invested in core business).

If firms expand into an unrelated industry, the transformation of resources becomes more difficult and leads to a reduction in performance (Wan et al. 2011). Moreover, engaging in business in too many industries (whether related or unrelated to the core business) is also a barrier to companies in transferring their resources. This study employs the RBV theory because resource are the main ingredients and incentives needed for any company to diversify.

3.2 Transaction Cost Theory

Transaction cost theory is useful in organization of new activities in firms which are within their boundaries and also valuable in sharing of resources across various businesses in their own firm boundaries. This theory's framework submits that obtaining greater market influence is possible by obstructing competitors and vertical assimilation which firms get by diversification. More explicitly, Miller (2009) contended that it is possible to reduce prices in diversified companies thus blocking new entrants or crushing competitors out of the market. The theory helps insurance companies to analyze transaction that can be undertaken at a lower cost via the market or within

the hierarchy of the firm. Hill *et al.* (2014) further contend that the theory consists of the negotiating, monitoring, and enforcements cost which arise when a transaction between two or more parties takes place.

4.0 Literature review

This sections reviews literature from studies done by other scholars relating to diversification strategies and performance.

4.1 Geographical Diversification

Geographical diversification is defined by Christian & Mauricio (2021) as movement of a firm to new markets outside the home markets either locally, regionally, nationally or internationally. higher levels of geographic diversification may reduce the exposure to idiosyncratic local shocks (Lee & Gongming 2005, Deng & Elyasiani, 2008), enhance managerial efficiency and scale and scope economies (Berger & DeYoung, 2001), diversify sources of funding, and improve internal capital markets (Houston *et al.*,1997; de Haas & van Lelyveld, 2010; Cetorelli & Goldberg, 2012). Some studies however, found a negative relationship between geographic diversification and performance (Eddleston, Kellermanns, and Sarathy, 2008; Geringer et al. 2000; Rugman, 2007). Transaction cost theory suggests that geographical diversification will incur heavy costs including market entry costs, coordination costs among business units in different countries, and information-processing costs that might surpass the benefits (Sambharya, 1995). Further resource based theory observes that if firms expand into an unrelated market, the transformation of resources becomes more difficult and leads to a reduction in performance. Insurance regulatory authority of 2019 indicated that majority of Kenyan insurance companies had opened new branches either locally of outside the country. This therefore raises the questions whether geographical diversification has a positive or negative effects to performance of insurance companies in Kenya. The study therefore hypothesizes that:

H₀₁: There is a positive effect between geographical diversification and performance of insurance companies in Kenya.

4. 2 Conglomerate Diversification

This study views conglomerate diversification to be investing capital in several industrial categories that appears to emphasis external growth, through

mergers and acquisitions. In Kenya, conglomerate diversification is evidenced through banks forming strategic alliances with insurance companies to offer banc assurance products. Industry reports indicate that as at 2016, banc assurance distributed life business worth KES 6 billion representing 8.12% of total gross written premiums of life business (Ninova, 2018). Others have merged through acquiring stakes in energy, real estate companies or in agricultural sector (IRA, 2020). Based on the Resource based theory that when firms diversify in assets unrelated to the primary industry, conversion requires more time and cost due to lack of prior experience and knowledge increasing the likelihood to miss opportunities, delay new entrances, and reduce performance this study hypothesis that:

H₀₂: There is a negative effect between conglomerate diversification and performance of insurance companies in Kenya.

4. 3 Product Diversification

The product diversification strategy as observed by Kang *et al.*, (2010) may be a double-edged sword, it might make companies profitable, but it may also make companies bear the relative costs. This strategy may help the firm achieve economies of scale and scope, improve the efficiency in their use of resources, transfer core competencies across businesses, and achieve synergies from complementary products (chen-ying, 2016). The positive relationship between product diversification and performance is further supported by Myers and Read (2001), Meador *et al.* (2000), Hotta (1996) and Takao(1987).

Referring to resource based theory, firms will have an incentive to diversify if they possess the necessary, excess resources to make diversification economically feasible. Further the resource based theory posit that if the firms diversify into related products, there will be a likely hood of improving performance while if the firms diversify into unrelated products or into too many product lines, the net effect will be a negative performance. Therefore, this study hypothesizes that:

H₀₃: There is a positive effect between product diversification and performance of insurance companies in Kenya.

4. 4 Concentric Diversification

Concentric diversification is a grand strategy that involves the operations of a second business that

benefits from access to the firm’s core competencies (Pearce & Robinson, 2010).in relation to this study, IRA (2021) denotes that insurance companies in Kenyan market are now using insurance agents, brokers and the media to reach and attract new customers compared to the traditional walking customers. A study done by Lepetit et al (2013) on product diversification in the European insurance industry concluded that ideal concentric diversification occurs when the combined company profits increase strengths and opportunities, as well as decrease weaknesses and exposure to risk. If it is properly implemented, concentric diversification was found to have advantages in terms of reducing R&D cost (Wang et al. 2011), reducing time to market (Seol et al. 2011) and creating synergies with other businesses (Quintana & Benavides- ,2008).Other researchers who found a positive relationship included; Marangu *et al*, (2014), Boulding *et al* (1994) and Shahzad (2012). Nevertheless, moving out of current products and current markets represents a step into the unknown (Lynch, 2006) which carries a higher degree of business risk. Further, with concentric diversification, there is limited knowledge of the new services and markets that make the accurate predictions of diversification success levels very difficult.

H₀₄: There is a positive effect between concentric diversification and performance of insurance companies in Kenya.

6.0 Methodology

6.1 STUDY POPULATION SELECTION AND DATA SOURCES

The population in this study was drawn from all the 55 insurance companies registered and licensed to operate in Kenya as from the year 2016 to 2020. Data collection schedule was the main instruments for collecting secondary data. The secondary data on insurance performance was obtained from the audited financial reports of the insurance companies in Kenya.

6.2. RESEARCH MODEL AND MEASUREMENT OF VARIABLES

Regression analysis model was used to evaluate the relationship between the variables. The dependent variable was financial performance while the independent variables were diversification strategies namely: conglomerate diversification (CGD), concentric diversification (CCD), geographical diversification (GD) and product diversification (VD). Firm characteristics which

included; the age (AGE) and size of the insurance firms (SIZE) were used as the control variable.

To test for diversification, Herfindahl–Hirschman Index (HHI) as suggested by Jiang and Han (2018) was used. The index was obtained through the following equation

$$DIV = 1 - (YD)^2 - (YUD)^2 \dots \dots \dots \text{equation 1}$$

Where DIV is diversification, YD is income from one of the adopted strategy and YUD is total income of the insurance company.

This study approached the concept of “business performance” from a shareholder’s point of view, so profit is one appropriate measure and is employed in most studies as a variable for the effects of diversification on performance. In addition, this variable represents the accounting performance of firms. We used “return on asset” (ROA) to measure performance.

To test whether diversification strategies have significant effects on financial performance, the following regression model was used in the form of:
 $ROA_{it} = \beta_0 + \beta_1 CGD_{it} + \beta_2 CCD_{it} + \beta_3 GD_{it} + \beta_4 PD_{it} + e_i$
equation 2

Where: ROE is performance, β_0 is performance of insurance firm independent of diversification strategy, $\beta_1 - B_4$ coefficient of the variables, CGD conglomerate diversification, CCD concentric diversification, GD geographical diversification, PD Product diversification, i is 1,.....,55 insurance companies, t is 1,.....5 years and e the error term

The summary of how the variables were operationalized is presented in table 1

Table 1. Operationalization of the variable

Variable	Type of the Variable	Indicator (s)	Measurement
Diversification	Independent	Concentric Diversification (CD)	Herfindahl–Hirschman Index (HHI) DIV= 1-(YCD) ² - (YU) ²
		Conglomerate diversification (CGD)	DIV= 1-(YCGD) ² - (YU) ²
		Geographical Diversification (GD)	DIV= 1-(YGD) ² - (YU) ²
		Product diversification (VD)	DIV= 1-(YPD) ² - (YU) ²
Performance	Dependent	Return on equity	Net income/ equity

Empirical Results and Discussion
7.0 Descriptive Statistics

The descriptive results of the diversification strategies and performance are presented in Table 2. The findings indicate that the return on assets was between -4.71 and 5.96 with a mean of 1.55 The results suggested that some of the insurance firms registered losses while others achieved

positive returns. The findings also show that concentric diversification was between 0.50 and 0.98 with a mean of 0.56. The results implied that majority of the insurance firms had adopted concentric diversification. The findings further show that conglomerate diversification was between a minimum of 0.29 and a maximum of 0.98 with a mean of 0.58 implying that majority of the insurance firms adopted conglomerate diversification during the period under review. Geographic diversification ranged between 0.33 and 1.00 with a mean of 0.57. The results implied that majority of the insurance firms adopted geographic diversification during the period under review.

Table 2: Descriptive Statistics

Variable	Indicator	Mean	Maximum	Minimum	Std. Dev.	Observations
Dependent	Return on Assets	1.55	5.96	-4.71	2.48	275
Independent	Concentric Diversification	0.56	0.98	0.50	0.12	275
Independent	Conglomerate Diversification	0.58	0.98	0.29	0.24	275
Independent	Geographical Diversification	0.57	1.00	0.33	0.22	275
Independent	Product Diversification	0.71	0.99	0.17	0.19	275

7.1 Diagnostic Test

7.1.1 Normality Test

Normality test are used in statistics to determine whether a set of data is modeled well by a normal distribution. (Razali & Wah, 2011). Analysis to assess normality of data was done using Shapiro Wilk Test. The null hypothesis was that data was normally distributed. The decision criteria were that where P value <0.05, the null hypothesis would be rejected implying that data is not normally distributed (Tabachnik & Fidell, 2007).

Table 3: Shapiro Wilk Test Results

VARIABLE	W	V	Z	Prob>z
ROA	0.28199	136.623	11.471	0.00000
Concentric Div	0.59753	76.581	10.121	0.00000
Conglomerate Div	0.34542	112.435	10.954	0.00000
Geographical Div	0.05358	178.278	12.085	0.00000
Product Div	0.02674	103.97	11.546	0.00000

The results from table 3 above indicated that the sample data did not come from a normally distributed population. To solve for non – normality issues, the multivariate normality test was carried out using Doornik-Hansen (DH) Test to find out whether the variables followed a multivariate normal distribution (Doornik and Hansen (2008). Further, Bowman and Shenton (2011) observed that DH test is more powerful than Shapiro Wilk Test for multivariate distributions. The DH test statistics is represented in table 4. .’

/;

Table 4: DH Test

Variable fitted	Chi ² Statistic	p-value
Performance	50678.342	0.000
Diversification	1.66e+04	0.000

The multivariate test statistics in table 4.3 indicate a significant chi square statistics thus all the variables in the study followed a multivariate normal distribution since the p-values were less than 0.05.

7.1.2 Heteroscedasticity Test

Heteroscedasticity test determines whether there exists an unequal spread or variance among residuals of the population of study and where the error variance is not constant, then there is presence of heteroscedasticity (Williams, 2015). The Breusch-Pagan test was used to test the null hypothesis that the variance of the residuals is homoscedastic (has a constant variance). When the P-values <0.05, the null hypothesis would be rejected and presence of heteroscedasticity would be accounted for in the panel data by using robust standard errors in the regression. The results were shown in table 4.

7.1.3 Hausman Test

Hausman test was used to arrive at the best choice of the model between fixed effects and random effects. The null hypothesis was that the preferred model was fixed effects. As suggested by Chmela-rova (2007), when p-value is greater than 0.05, the null hypothesis would be rejected.

Table 5 Hausman Test Results

DV used	Statistics	P value
Concentric Div	5.42	0.032
Conglomerate Div	1.10	0.003
Geographic Div	9.06	0.0000
Product Div	0.98	0.025

Results in table 5 show that the p-values were less than 0.05 hence the null hypothesis that the preferred model is fixed effect failed to be rejected, and a conclusion was drawn that the preferred model to be used was fixed effect model.

7.2 Regression Results and Discussion

The regression results in Table 7 indicates that concentric diversification positively and significantly affects the performance of insurance firms ($\beta = 2.963357$ p = 0.0017). The results infer that firms with a higher proportion of concentric diversification performs better compared to firm's

lower proportion of concentric diversification. The results were in agreement with the findings by Wang et al. (2015), Lepetit et al (2013) and Oyewobi et al. (2013). The hypothesis that there is a positive effect between concentric diversification and performance of insurance companies in Kenya was thus accepted.

The findings also indicate that conglomerate diversification positively and significantly affects the performance of insurance firms ($\beta = 1.724314$, $p = 0.0012$). The results were consistent with the recommendation of other studies (Pavic´ & Pervan 2010). The findings also support the resource based theory which not only provides a prescription for improving a firm's performance but also recommends diversification by building on the resource capacities to enter new markets or what Wernerfelt, (2014) calls the sequential entry strategy. This study further found that geographic diversification positively and significantly affects the performance of insurance firms ($\beta = 2.059916$, $p = 0.0002$). The results imply that insurance companies that moved to new markets outside the home market performed better compared to those insurance companies that focused only on the home market. The findings supported Contractor (2007) observations that geographical diversification improved firm performance by increasing sales in foreign markets, reducing the risk of economic downturn in the home market, lowering costs through economies of scale. Geographical diversification can also bring about worth through operational elasticity which enables an organization to take advantage of market opportunities as and when they arise. The study therefore failed to reject the hypothesis that there is a positive relationship between geographical diversification and performance of insurance companies in Kenya. Similarly, product diversification positively and significantly affects the performance of insurance firms ($\beta = 4.793335$, $p = 0.0000$). The findings imply that insurance companies that offered both life assurance services and general insurance services performed better compared to those companies that focused on either life assurance products or general insurance products. Therefore, the hypothesis that there is a positive relationship between vertical diversification and performance of insurance companies in Kenya was thus accepted.

Table 6: Fixed Effect Model Regression Results

Variable	Indicator	Coefficient	Std. Error	t-Statistic	Prob.
Constant	C	-6.7975	0.712238	-9.543902	0.0000
Independent	Concentric Diversification	2.9633	0.935974	3.166066	0.0017
Independent	Geographical Diversification	2.0599	0.551557	3.734727	0.0002
Independent	Product Diversification	4.7933	0.626010	7.656964	0.0000
Independent	Conglomerate Diversification	1.7243	0.527663	3.267831	0.0012
	R ²	0.582			
	Adjusted R ²	0.566			
	F statistic	0.000			

The dependent variable is Return on Assets.

In order to confirm the robustness of the regression results, further analysis was done using different models. The findings presented in Table 8 indicates that the different models had similar findings with the fixed effect model that was adopted. All the models indicate that the relationship between concentric diversification, conglomerate diversification, geographic diversification, product diversification and performance was positive and significant.

Table 7: Robustness or Additional Regression Analysis Results

Variables	Pooled OLS Model	Generalized Linear Model (GLM)	Random effect Model	Fixed Effect Model	Robust Least Squares Model
C	-6.8227	-6.8227	-6.2618*	-6.79752*	-3.7975*
(t-statistic)	(-9.653)	(-9.653)	(-9.325)	(-9.5439)	(-9.588)
(Z-statistic)					
Concentric Diversification	2.9140*	2.9140*	3.9667*	2.9633*	3.6377*
(t-statistic)	(3.1368)	(3.1368)	(4.5906)	(3.1660)	(6.9879)
(Z-statistic)					
Geographic Diversification	2.0959*	2.0959*	2.1520*	2.0599*	2.3851*
(t-statistic)	(3.8455)	(3.8455)	(4.380)	(3.7347)	(7.8094)
(Z-statistic)					
Product Diversification	4.7651*	4.7651*	3.6362*	4.7933*	2.6836*
(t-statistic)	(7.666)	(7.666)	(6.6473)	(7.6569)	(7.809)
(Z-statistic)					
Conglomerate Diversification	1.7587*	1.7587*	1.6574*	1.7243*	1.5025*
(t-statistic)	(3.3686)	(3.3686)	(3.6133)	(3.2678)	(5.1358)
(Z-statistic)					
F-Stat.	61.642	-	35.260	36.76	-
Prob(F-Stat)	0.000	-	0.0000	0.00000	-
Prob(LR-Stat)	-	0.00000	-	-	-
Prob(R-squared. Stat)	-	-	-	-	0.000000
R-Squared	0.579842	-	0.4411	0.582	0.432
Adjusted R-Squared	0.570435	-	0.4286	0.566	0.761
Durbin-Watson Statistic	1.84	-	1.52	1.85	-

* = Significant at the 0.05 level.

The dependent variable is Return on Assets.

Independent variables: concentric diversification, conglomerate diversification, geographic diversification, product diversification.

8. Summary and Conclusion

The results suggest that insurance companies that diversify concentric wise performed better compared to companies that maintained a focused strategy. The study findings further revealed that conglomerate diversification positively and significantly influenced the performance of

insurance companies in Kenya.. The results also showed that geographic diversification positively and significantly affects the performance of insurance companies that entered new markets either locally, regionally or internationally performed better compared to companies that only focused only on home market. Product diversification was also found to positively and significantly affects the performance of insurance companies in Kenya. Insurance companies that offered both life products and general products had better performance as measured by return on assets compared to companies that only focused on one line either life products or general insurance products. This study found that in general, diversification strategies significantly affects the performance of insurance firms.

The study recommends that Insurance companies should not copy each other's diversification approach or strategies but should assess their own situation regarding those four dimensions before they design their own diversification strategy. Further the study recommends that policymakers should come up with policies and regulations that provide a conducive environment for insurance companies adopt appropriate diversification strategies thus promoting performance. The findings of this study will be of particular importance to the management of insurance companies to governments and to academicians. Drawing from empirical research on diversification and findings of this study we conclude that excessive diversification may harm performance in terms of managerial efficiency, profitability, and investors' valuation. Therefore, insurance companies should engage in modest diversification to ensure always they remain in control. We suggest that future study may focus on different measure of performance to compare and contrast the effect of diversification on various sectors in the economy. Further there is a need to establish the cannibalization effect of diversification strategies on performance.

References

- [1]. Ahmed, N., Ahmed, Z., & Ahmed, I. (2010). Determinants of capital structure: A case of life insurance sector of (24), 7-12.
- [2]. Ansoff, H. I. 1957. Strategies for diversification. *Harvard Business Review* 35 (5):113–24.
- [3]. AXIS Capital Holdings Ltd and Operating Subsidiary report,May(2017).
- [4]. Asman, R. M. (2013). Diversification strategy and performance of Kenya Commercial State Owned Corporations.
- [5]. Association of Kenya insurer report (2020), KENYA
- [6]. Barnat, R. (2014). *Strategic Management: Formulation and Implementation*. Retrieved from: <http://www.introduction-to-management.24xls.com/en20>.
- [7]. Bian. (2020). "The Impact of COVID-19 on the Insurance Industry" *International Journal of Environmental Research and Public Health* 17, no.16:5766.<https://doi.org/10.3390/ijerph17165766>
- [8]. Berger, A.N., DeYoung, R., Genay, H., & Udell, G.F. 2000. Globalization of financial institutions: Evidence from cross-border banking performance. *Brookings-Wharton Papers on Financial Services*, 3, 23–120.
- [9]. Berry, C. H. 1971. Corporate growth and diversification. *Journal of Law and Economics* 14 (2):371–83. doi: 10.1086/466714.
- [10].Booz, A., J. Allen, and C. Hamilton (1985). *Diversification: A survey of European chief executives*. Executive Summary.Allen and Hamilton Inc., New York.
- [11].Cadle, J., Paul, D., & Turner, P. (2010). *Business analysis techniques: 72 essential tools for success*. BCS, the Chartered Institute.
- [12].Cassandra R. Cole & J. Bradley Karl (2016) The effect of product diversification strategies on the performance of health insurance conglomerates, *Applied Economics*,48:3, 190-202, DOI: 10.1080/00036846. 2015. 1076149.
- [13].Cetorelli, N., & Goldberg, L.S. 2012. Liquidity management of U.S. global banks: Internal capital markets in the great recession. *Journal of International Economics*, 88(2), 299–311.
- [14].Chmelarova ,V. (2007),The Hausman Test and some Alternatives ,with Heteroskedastic Dat, Louisiana State University and Agricultural Mechanical college
- [15].Chen-ying Lee, (2016) "Product diversification, business structure and firm performance in Taiwanese property and liability insurance sector", *The Journal of Risk Finance*, <https://doi.org/10.1108/JRF-07-2016-0092>
- [16].Christian Espinosa-Méndez & Mauricio Jara (2021): International diversification and performance in family firm: Exploring nonlinear relationships with the governance structure in an emerging economy, Spanish

- Journal of Finance and Accounting / Revista Española de Financiación y Contabilidad, DOI: 10.1080/02102412.2021.1886453.
- [17]. Christian Espinosa-Méndez, Luis Araya-Castillo, Mauricio Jara Bertín & Juan Gorioitía (2021) International diversification, ownership structure and performance in an emerging market: evidence from Chile, *Economic Research-Ekonomska Istraživanja*, 34:1, 1202-1223, DOI: 10.1080/1331677X.2020.1820359.
- [18]. Delios, A. and Beamish, P. (1999). Geographic Scope, Business diversification and the Corporate Performance of Japanese Firms. *Strategic Management Journal*, 20, 711-727
- [19]. Deng, S., & Elyasiani, E. (2008). Geographic diversification, bank holding company value, and risk. *Journal of Money, Credit and Banking*, 40(6), 1217–1238.
- [20]. De Haas, R., & van Lelyveld, I. (2010). Internal capital markets and lending by multinational bank subsidiaries. *Journal of Financial Intermediation*, 19(1), 1–25.
- [21]. Eddleston, K., Kellermanns, F. W., Sarathy, R. (2008). Resource configuration in family firms: Linking resources, strategic planning and environmental dynamism to performance. *Journal of Management Studies*, 45(1), 26-50.
- [22]. Elango, B., Ma, Y. L., & Pope, N. (2008). An investigation into the diversification–performance relationship in the US property–liability insurance industry. *Journal of Risk and Insurance*, 75(3), 567-591.
- [23]. Fazelina Sahul Hamid & Mansor H. Ibrahim (2021) Competition, diversification and performance in dual banking: a panel VAR analysis, *Economic Research- Ekonomska Istraživanja*, 34:1, 194-220, DOI 10.1080/1331677X.2020.1782242
- [24]. Foss, N. J. (2011). Invited editorial: Why micro-foundations for resource-based theory are needed and what they may look like. *Journal of Management*, 37(5), 1413-1428
- [25]. Grant Alexander Wilson, Jason Perepelkin & David Di Zhang (2019): The roles of diversification and specialization strategies in the entrepreneurial orientation and performance relationship, *Journal of Small Business & Entrepreneurship*, DOI: 10.1080/08276331.2019.1646532.
- [26]. Geringer, J. M., Tallman, S., & Olsen, D. M. (2000). Product and international diversification among Japanese multinational firms. *Strategic Management Journal*, 21(1), 51–80.
- [27]. Gort, M. 1962. Diversification and integration in American industry. Princeton, NJ: Princeton University Press.
- [28]. Gumus, I., & Taspinar, Z. T. (2015). Real exchange rate volatility and business cycles in emerging market economies. *Economics Letters*, 134, 127–129. doi:10.1016/j.econlet.2015.07.011.
- [29]. Hill, C. W., Jones, G. R., & Schilling, M. A. (2014). *Strategic management: theory: an integrated approach*. Cengage Learning.
- [30]. Hotta, K., (1996), “Product mix and economies of scale in the U.S. P/C insurance industry”, in *Japanese*, Songai Hoken Kenkyu, Vol.58, pp.73-98.
- [31]. Houston, J., James, C., & Marcus, D. 1997. Capital market frictions and the role of internal capital markets in banking. *Journal of Financial Economics*, 46(2), 135–164.
- [32]. Huml, J., Vokáčová, L., & Kala, Š. (2014). Implementation of diversification strategy on farms in the Czech Republic. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 59(2), 109-114.
- [33]. Huu Thanh Vu & Nguyen Minh Ha (2021) A Study on the Relationship Between Diversification and Firm Performance Using the GSEM Method, *Emerging Markets Finance and Trade*, 57:1, 85-107, DOI: 10.1080/1540496X.2019.1582413.
- [34]. Insurance regulatory authority (IRA) industry report (2020). KENYA
- [35]. Insurance regulatory authority (IRA) industry report (2019). KENYA
- [36]. Iqbal, A., Hameed, I., & Qadeer, M. (2012). Impact of diversification on firms’ performance. *American Journal of Scientific Research*, 80, 42-53.
- [37]. Isaac Kibet Kiptoo, Samuel Nduati Kariuki & Kennedy Nyabuto Ocharo | (2021) Corporate governance and financial performance of insurance firms in Kenya, *Cogent Business & Management*, 8:1, 1938350, DOI: 10.1080/23311975.2021.1938350
- [38]. Janaína Cássia Grossi & Rodrigo Fernandes Malaquias (2019): International diversification in Brazilian equity mutual funds: Understanding asset allocation to emerging and developed countries, *Latin American Business Review*, doi: 10.1080/10978526.2019.1661780.
- [39]. Kang, H. K., Lee, S. and Yang, H. (2010), “The effects of product diversification on firm performance and complementarities between products: A study of US casinos”, *International Journal of Hospitality Management*, Vol.30 No.2, pp. 409-421.

- [40].Kenny, G. 2009. Diversification strategy: How to grow a business by diversifying successfully. London:Kogan Page Publishers.
- [41].Kistruck, G. M., Qureshi, I., & Beamish, P. W. (2013). Geographic and product diversification in charitable organizations. *Journal of Management*, 39(2), 496–530.
- [42].Knecht, M. 2013. Diversification, industry dynamism, and economic performance: The impact of dynamic-related diversification on the multi-business firm. Springer Science & Business Media. Wiesbaden: Springer Gabler.KPMG's 2020 annual review of the insurance industry.
- [43].Lee Li & Gongming Qian (2005) Dimensions of International Diversification, *Journal of Global Marketing*, 18:3-4, 7-35, DOI: 10.1300/J042v18n03_02
- [44].Lepetit, L., Nys, E., Rous, P., & Tarazi, A. (2005). Product diversification in the European banking industry: Risk and loan pricing implications. Available at SSRN 873490.
- [45].Liebenberg, A. P., & Sommer, D. W. (2008). Effects of corporate diversification: Evidence from the property–liability insurance industry. *Journal of Risk and Insurance*, 75 (4), 893-919.
- [46].Lien, Y. C., & Li, S. (2013). Does diversification add firm value in emerging economies? Effect of corporate governance. *Journal of Business Research*,66(12), 2425-2430
- [47].Mbogo, S. (2010). Insurance companies seek new strategies to attract customers. *Business Daily*, 24-17.
- [48].Makarfi Ibrahim, Y., Makarfi Ibrahim, A., & Kabir, B. (2009). Geographic diversification, performance, and the risk profile of UK construction firms. *Journal of Engineering, Design and Technology*, 7(2), 171-185.
- [49].Marangu Wilfred, Oyagi Bernard, Gongera Enock George(2014) An analysis of concentric diversification strategy on Organization competitiveness: Case of sugar firms in Kenya *European Journal of Business and Management* ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
- [50].Martin, J.D., and Sayrak, A.(2003), “Corporate diversification and shareholder value: A survey of recent literature”, *Journal of Corporate Finance*, Vol.9,pp.37-57
- [51].Mashiri Eukeria & Sebele Favourate, (2014). Diversification as a corporate strategy and its effect on Firm Performance: A Study of Zimbabwean listed conglomerates in the food and beverages Sector. *International Journal of Economics and Finance*; 6(5); 2014 ISSN 1916-971X E-ISSN 1916-9728.
- [52].Mazur, M., & Zhang, S. (2015). Diversification discount over the long run: New perspectives. *Finance Research Letters*.
- [53].Meador,J.W., Ryan, H.E., and Schellhorn, C. D. (2000), “Product focus versus diversification: Estimates of X-efficiency for the U.S. life insurance industry”, in P.T. Harker and S.A.Senios,eds., *Performance of Financial Institutions* .Cambridge University Press, NewYork.
- [54].Miller, D. J. (2009). Technological diversity, related diversification, and firm performance. *Strategic Management Journal*, 27(7), 601-619.
- [55].Muttakin, M. B., Monem, R. M., Khan, A., & Subramaniam, N. (2015). Family firms, firm performance and political connections: Evidence from Bangladesh. *Journal of Contemporary Accounting & Economics*, 11(3), 215-230.
- [56].Myers S.C, Read J.A. (2001), “Capital allocation for insurance companies”, *Journal of Risk and Insurance*, Vol. 68 No.4, pp.545-580.
- [57].Ninova, V. (2018). Bancassurance–Application and advantages for the Insurance market in Bulgaria. *Journal of Innovations and Sustainability*, 4(2), 9-21.
- [58].Ondari, E. N., Awino, B. Z. &Machuki. V. N. (2016). The Effect of Diversification Strategy on Performance of Companies Listed In the Nairobi Securities Exchange. *Incomplete?*
- [59].Oyewobi Oyekunle, L., Olukemi Windapo, A., & Cattell, K. S. (2013). Impact of business diversification on South African construction companies' corporate performance. *Journal of Financial Management of Property and Construction*, 18(2), 110-127.
- [60].Pavić, I., & Pervan, M. (2010). Effects of corporate diversification on its performance: The case of Croatian non-life insurance industry. *Ekonomiska misao i praksa*, (1), 49-66.
- [61].Pearce, j. & Robinson, r. (2010) *strategic management; formulation implementation and control*, mcgraw- hill irwin U.S.A
- [62].Quintana-García, C., & Benavides-Velasco, C. A. (2008). Innovative competence, exploration and exploitation: The influence of technological diversification. *Research policy*, 37(3), 492-507.
- [63].Raed Ibrahim Saad & Zahran Daraghma (2016) Using of the balanced scorecard for performance evaluation: Empirical evidence from the listed corporations in the Palestine

- exchange (PEX). *International Journal of Business and Management*, 11(3).
- [64].Rajan, Servaes, and Zingales, (2000) “The cost of diversity: The diversification discount and inefficient investment”, *Journal of Finance*, Vol. 55 No.1, pp.35-
- [65].Ranka Krivokapic, Vladimir Njegomir & Dragan Stojic (2017) Effects of corporate diversification on firm performance: evidence from the Serbian insurance industry, *Economic Research- Ekonomska Istraživanja*, 30:1, 1224-1236, DOI: 10.1080/1331677X.2017.1340175
- [66].Ramanujam, V., and P. Varadarajan. 1989. Research on corporate diversification: A synthesis. *Strategic Management Journal* 10 (6):523–51. doi:10.1002/(ISSN)1097-0266.
- [67].Ranka Krivokapic, Vladimir Njegomir & Dragan Stojic (2017) Effects of corporate diversification on firm performance: evidence from the Serbian insurance industry, *Economic Research-Ekonomska Istraživanja*, 30:1, 1224-1236, DOI: 10.1080/1331677X.2017.1340175
- [68].Razali, N. M., & Wah, Y. B. (2011). Power comparisons of shapiro-wilk, kolmogorov-smirnov, lilliefors and anderson-darling tests. *Journal of statistical modeling and analytics*, 2(1), 21-33.
- [69].Rigby, D., & Bilodeau, B. (2011). *Management tools and trends 2011*, Bain & Company.
- [70].Romero, R., & York, A. (2007). The role of resource type in acquisition pricing and performance. In S. Finkelstein & C. Cooper (Eds.), *Advances in mergers & acquisitions*. Bingley, UK: Elsevier.
- [71].Rudolph, C., & Schwetzler, B. (2013). Conglomerates on the rise again? A cross-regional study on the impact of the 2008–2009 financial crisis on the diversification discount. *Journal of Corporate Finance*, 22, 153-
- [72].Rugman, A.M. and A. Verbeke (2007), Liabilities of regional foreignness and the use of firm- level versus country-level data: A response to Dunning et al., *Journal of International Business Studies* 38 (1), 200–20.
- [73].Rumelt, R. P. 1982. Diversification strategy and profitability. *Strategic Management Journal* 3 (4):359–69. doi:10.1002/(ISSN) 1097-0266
- [74].Sambharya, R.B. (1995). The Combined Effect of International Diversification and Business diversification Strategies on the Performance of US-Based Multinational Corporations. *Management International Review*, 35(3), 187-218
- [75].Sapna Taneja, Ravikesh Srivastava & N. Ravichandran (2014) ‘Diversification: Performance turnaround’ (A case of Sarvodaya Hospitals), *International Journal of Healthcare Management*, 7:3, 206-213, DOI: 10.1179/2047971914Y.000000008.
- [76].Seol, H., Lee, S., Kim, C., (2011). Identifying new business areas using patent information: a DEA and text mining approach. *Expert Syst. Appl.* 38, 2933–2941
- [77].Shahzad khan (2012) Concentric Diversification is a New Product Offering or Cannibalization. A Descriptive Study.
- [78].Shyu, J., & Chen, Y. L. (2009). Diversification, performance, and the corporate life cycle. *Emerging Markets Finance and Trade*, 45(6), 57-68.
- [79].Sung C. Bae and Taek Ho Kwon and Jangwoo Lee (2008) Corporate Diversification, Relatedness, and Firm Value: Evidence from Korean Firms.
- [80].Takao, A., (1987) ,“ An econometric analysis of diversification of the P/C insurance industry”,in Japanese, *Hokengaku Zasshi*, Vol.516,pp.45-66.
- [81].Tabachnick, B. G., Fidell, L. S., & Ullman, J. B. (2007). *Using multivariate statistics* (Vol. 5, pp. 481-498). Boston, MA: pearson
- [82].Tombs,J.W., and Hoyt, R. E. (1994),“The effect of product-line focus on insurer stock returns”, in *Proceedings of the International Insurance Society Annual Meeting*(Madrid,Spain: International Insurance Society), pp.331-339.
- [83].Ugwuanyi.G.O, A.W. Uchenna, U.J.Nonye, U.D.Okelue (2012) Impact of corporate diversification on the market value of firms: A study of deposit money banks Nigerian European Journal of Business and Management www.iiste.org ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) 4, No.8, 2012 47
- [84].Veidal, A., and T. Korneliussen. 2013. “Entrepreneurial Orientation and Market Orientation as Antecedents of Organisational Innovation and Performance.” *International Journal of Entrepreneurship and Small Business* 19(2): 234–250.
- [85].Volkov, N. I., & Smith, G. C. (2015). Corporate diversification and firm value during economic downturns. *The Quarterly Review of Economics and Finance*,55, 160-175.

- [86]. Wang, C. H., McLee, Y., & Kuo, J. H. (2011). Diversification Strategy: Themes, Concepts and Relationships. *International Proceedings of E-economics Development & Research*, 4, 154-159
- [87]. Wernerfelt, B. (2014). Small forces and large firms: Foundations of the RBV. *Strategic Management Journal*, 34(6), 635-643.
- [88]. Williams, R. (2015). Heteroskedasticity, University of Notre Dame. Retrieved from <https://www3.nd.edu/rwilliam/stats2/125.pdf>.
- [89]. Xin Pan, Xuanjin Chen & Lutao Ning (2017) Why do inconsistencies occur? Detangling the relationship between technological diversification and performance in Chinese firms, *Asian Journal of Technology Innovation*, 25:3, 407-427, DOI: 10.1080/19761597.2018.143400