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# Corporate Restructuring on Financial Performance of Insurance Companies in Kenya

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***Abstract:***
*Corporate restructuring is the new trend in all the sectors, firms are looking for new ways to survive due to the competition, economic crisis and turbulences that have taken by storm our economy. Firms are trying to realign their strategies with the corporate short term and long-term goals, they are trying to adopt to new ways of doing business and production by embracing technology but they cannot do this without doing corporate restructuring. The purpose of this study was to analyze corporate restructuring on financial performance of insurance firms in Kenya. Specifically, the study sought to determine the influence of merger and acquisition, financial restructuring, change in technology and downsizing on financial performance of insurance firms in Kenya. The study was guided by agency theory, the trade-off theory, resource dependence theory and lifecycle theory. The outcome showed that there was a negative and major relationship between downsizing and financial performance, financial restructuring had a positive and significant relationship with financial performance, and change in technology had a negative and statistically significant relationship with financial performance while merger and acquisition had a positive and significant relationship with financial performance.*

***Keywords:*** *Financial performance, corporate restructuring, insurance companies*

## 1. Introduction

It is generally believed that corporate restructuring has become the major means of attaining higher performance and increasing value of the company which is the main goal of every company/business. Pomerloano et al (2005) corporate sector restructuring and reform have recently been considered essential to economic recovery, the long-term viability of corporations, and a lower risk of financial crises. However, there have been firms that have experienced some unforeseen challenges after the much-celebrated corporate restructuring. In such cases the same companies have very high chances of taking a nose dive trend in terms of profitability among other adverse effects of the underperformance. This could be attributed to an over ambitious plan that lack foresight.

The international perspective of corporate restructuring is that the world has become a village market and the companies have to restructure to have the international appealing to its customers and this can be in form of the products, whereby the product that were produced for the local market now are being produced to target the global market and this has been necessitated by merge and acquisitions. Secondly the technology has made the companies to be able to access the global market easily just by a click of a mouse you are in the global market and you can buy or sell your products online hence the corporations are made to restructure technologically in order to be able to access this global market.

Regionally there has been economic blocks for example the East Africa Community (EAC) and Common Market for East and Southern Africa (COMESA) that have removed barriers and tariffs for member states to conduct their business across the border without any hindrance. Most of the insurance companies in Kenya have restructured to reap the benefits of the regional markets for example Britam and CIC have extended their businesses to entire east Africa region. Locally the companies are restructuring in order to compete for the local market, they are tailoring their products to suite the local market and they are trying to restructure in such a way to penetrate the market of which most of the people do not have any know how of the insurance products, it is a market that has not been exploited fully and it has presences only in the urban and mostly in big towns like Nairobi, Mombasa, Nakuru and Kisumu.

The dynamism of the insurance firms in Kenya has made it very crucial for the firms to restructure in order to fit into the small market share that exists in the country and the government policy that was introduced in the year 2015 that brought up the minimum capital

requirement to insurance firms where by general insurance from Ksh 300m to Ksh 600m, while that of life insurance was increased from Ksh 150m to Ksh 400m by year 2018 hence it has forced the insurance firms to strategies by way of restructuring in order to comply with the government policy.
Early research on this topic has been done on, the effects of financial restructuring on the financial performance of commercial banks in Kenya by Osoro (2013). Another research by Riany et al (2012) was concentrated on effects of restructuring on Organization performance of Mobile Phone Service Providers. Lastly, Marimuthu (2009) corporate restructuring, firm characteristics and Implications on capital structure. Hence, there is academic gap on influence of corporate restructuring on financial performance of insurance firms in Kenya.

## 2. Literature Review

### *2.1. Concept of Corporate Restructuring*

According to Thomson and Strickland (2003) restructuring can be prompted by any of several factors such as when strategy review reveals that the firm‘s long-term performance prospects have become untenable because the portfolio of the company are too many, exhibiting slow growth, declining or are competitively weak business units; when one more of the company‘s principal business falls prey to hard times; when a new Chief Executive Officer takes over and decides to redirect the company; when wave of the future technology or products emerge and a major shakeup of the portfolio is needed to build a position in a potentially high industry; when the firm has a unique opportunity to make an acquisition so big that it has to sell several existing business to finance the new acquisition; when a major business in the portfolio have become more and more unattractive forcing a shakeup into the portfolio in order to produce satisfactory long-term corporate performance.
According to Tabitha et al (2016) corporate restructuring has become a common phenomenon around the world. exceptional number of companies across the world have reorganized their divisions, restructured their assets, streamlined their operations and spun-off their divisions in a bid to spur company performance. It has enabled numerous organizations to respond quickly and more effectively to new opportunities and unexpected pressures so as to re-establish their competitive advantage. In many cases the desired results cannot be achieved without subjecting the corporate strategy and structure to some transformation. In this context, restructuring no longer becomes an option but a necessity for survival and growth (Rogovsky et al., 2005).

### *2.2. Mergers and Acquisition*

When there is Merger and Acquisition of two companies there must be corporate restructuring in order to realign the goals and objectives of the merged companies, to restructure the organization structure and also to eliminate the duplication of the processes in order to reduce cost and to take advantage of economy of scale.
Gwaya (2015) argued that M &A is a current trend in the business world where big companies have embraced the idea to penetrate into the local market and the local industries which are in financial distress are bail out by injection of new capital, and this is happening in the Insurance industries, food industries, banks, oil and even the supermarkets. According to Brealey et al (2006) Corporations from US incurred more than 1.7 trillion dollars on mergers and acquisition in 2000. Which means it is a global trend that is bringing two companies to create synergy.
Two firms that have merged improve in their performances due to the enhancement of shareholders' value (Sharma, 2009). Mergers and Acquisitions are used in improving firm's competitiveness and gaining competitive advantage over other firms through gaining greater market share, broadening the portfolio to reduce business risk, entering new markets and geographies, and capitalizing on economies of scale (Saboo & Gopi, 2009). M&A are constantly happening world over because they improve rivalry by gaining greater market share and reducing business risk (Kemal, 2011). And according to (Ismail, Abdou & Annis, 2011). Mergers and Acquisitions agreement is taken not necessarily because of lack of corporate strength but an avenue to create synergy. Many organizations unearth the best way to get ahead is to expand ownership boundaries is through mergers and acquisitions. When there is Merger and Acquisition of two companies there must be corporate restructuring in order to realign the goals and objectives of the merged companies, to restructure the organization structure and also to eliminate the duplication of the processes in order to reduce cost and to take advantage of economy of scale.

### *2.3. Financial Restructuring*

Financial Restructuring is alert on the capital structure of the business organisation. In any of the capital structure whenever the ratio of shareholders fund is more than debt, then there will be lower EPS. In time of prosperity and when the debts are more than equity then it will be very difficult to maintain an optimal capital due to high cost of debt. Hence in order to have a proper balance in the capital structure, financial reorganization is introduced. Osoro (2014) argued that, Financial Restructuring is focused on the capital structure of the corporate entity. In any of the capital structure whenever the ratio of shareholders' fund is more than debt, then there will be lower EPS. In time of prosperity and when the debts are more than equity then it will be very difficult to maintain an optimal capital due to high cost of debt. Consequently, in order to uphold a proper balance in the capital structure, financial reorganization is introduced. Based on the study carry out by Srivastava & Mushtaq (2011), financial restructuring of the debt ratio can be achieved by reduction of fixed charge burden, by the introduction of new equity and preference share capital. When shareholders fund is more, the cost of servicing the equity will also be more which can be reduced by relying on debt whenever further funds are raised for expansion and diversification proposals. The company has to strengthen its financial position.

Financial restructuring is aimed at bringing balance in debts and equity funds, short term and long-term financing, to achieve reduction in finance charges, to reduce loss of capital, to increase EPS, to improve market value of shares, to reduce the control of financiers on the management of company (Srivastava & Mushtaq, 2011).

*2.4. Changes in Technology*

Technology is one of the essential and most important elements related to effective operations management in an organization. It can be termed as a body of knowledge used to make tools, develop skills, and extract or collect materials. It is also used to solve or meet the objectives of organizations problem (Molinero, 2012). Technology improves the outlookof conducting business in more efficient and competitive manner that is methodically different from the past.

Shoeb (2014) study argued that, Technological enhancement bring huge opportunities as well as threats for managers from all professional fields. Most firms do not attach high or optimal priority to advanced technology that slows down an organization's growth. In present global economic scenario, organizations thatfall short to advance technologically are at risk of lagging behind competitively as well as in terms of efficiency. Change is natural and the assertion "Change or perish "by Abrahamson, (2000) has become a new corporate hymn making rounds in every business circle.

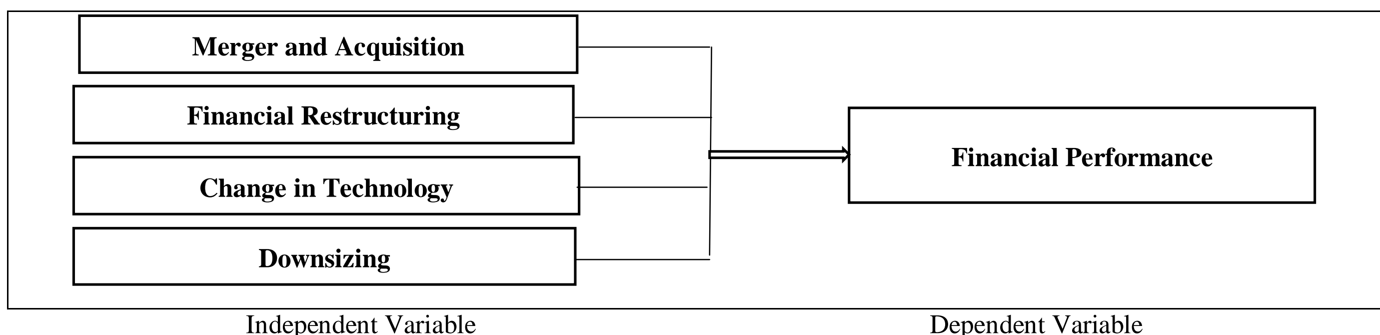
*2.5. Downsizing*

Downsizing is no longer used as a last resort or a response to emergency. Instead it has become an imperative tool for shaping an organization to meet new circumstances. In the current environment, few organizations have not carried out this process. The advantages are clear, but it can also bring challenges. In fact, those employees who continue to work for the organization may face survivor syndrome (Makawatsakul & Kleiner 2003).

Madison and Clancy (2000) evaluated companies' annual reports, industry reports, and pictured out the association between downsizing and efficiency and found that initial downsizing is associated with improved performance, and that subsequent reductions in staff are associated with poorer performance. DeWitt (1993,) argues that, downsizing is management's decrease in their firm's use of human and/or capital resources to correct misalignment and improve performance when organization decline and environmental decline are present. Through careful cuts in resources, the organization's internal processes and domain choice are realigned with limited environmental opportunities.

*2.6. Conceptual Framework*

The conceptual framework tries to create a pictorial framework to show the relation that exist between the factors that influence the dependent variable, and it is in this that the research has to use to show the relevance that exist between the independent and dependent variable in the study. It acts as guidance to the research to concentrate his research on the factors and not to deviate from it. They include Merger & Acquisition, Financial Restructuring, Change in Technology and Downsizing.




Independent Variable Dependent Variable

*Figure 1: Conceptual Framework*
*Source: Author (2017)*

**3. Research Methodology**

*3.1. Research Design*

The study adopted a descriptive research design which is defined as a process of collecting data in order to test hypothesis or answer questions concerning the current status of the subject in the study. Descriptive research design was suitable because it attempts to describe the nature, behaviors, influence and factors that contributes to the study. The information collected was both qualitative and quantitative in nature. According to Sekaran (2003), a descriptive study is undertaken in order to ascertain and describe characteristics of the variables of interest in a situation.

*3.2. Population*

Mugenda & Mugenda (2003) defines target population as the set of individuals, cases or objects with some common observable characteristics from which the researcher wants to generalize the results of the study. The study population is the aggregate of all study units (respondents) from which data was gathered. The study was carried out from insurance firms in Kenya. The target population was 31 insurance companies in Kenya which were randomly selected.

| Population Category | Target Population | Frequencies % | Sample |
|---|---|---|---|
| Business Analyst | 31 | 20 | 22 |
| Asset Manager | 31 | 20 | 22 |
| Human Resource Manager | 31 | 20 | 24 |
| Finance Director | 31 | 20 | 22 |
| Strategic and Marketing manager | 31 | 20 | 22 |
| **Total** | **155** | **100** | **112** |

*Table 1: Target Population*
*Source: Author Computations (2017)*

3.2.1. Sampling and Sampling Design

Sampling is defined as the process of selection of the appropriate number of subjects from a defined population. Stratified random sampling technique was used in the study. Kothari (2012) noted that stratified sampling is used when a population from which a sample is drawn does not constitute a homogeneous group. The sample was stratified into business analyst, asset manager, human resource manager, financial director and information technology managers. This was the case with the categorization of respondents from the company. The method also involves dividing the population into a series of relevant strata which implies that the sample was likely to be more representatives thus ensuring that every important parameter is represented.

| Population Category | Target Population | Sample population | Frequencies % |
|---|---|---|---|
| Business Analysts | 31 | 22 | 20 |
| Asset Managers | 31 | 22 | 20 |
| Human Resource Managers | 31 | 24 | 20 |
| Finance Directors | 31 | 22 | 20 |
| Information technology managers | 31 | 22 | 20 |
| **Total** | **155** | **112** | **100** |

*Table 2: Sample Size*
*Source Author Computations (2017)*

*3.3. Data Collection*

The studyused questionnaires to collect primary data. The selection of the tool was guided by the nature of data that was collected, time available and the objectives of the study. The tools were developed in a manner that the respondents were able to choose the easiest alternative and provide fewer opportunities for self-expression. Questions were mainly closed ended for the precision of the study, the researchers delivered questionnaires to the respondents collected them later. Clarifications were also made to the respondents on the information being sought.

*3.4. Data Analysis and Model Specification*

The questionnaires were first edited for completeness and consistency to ensure that respondents completed them as required. Data collected from the questionnaires was edited, coded to enable responses be grouped into categories. This involves giving all statements numeric codes based on meaning for ease of data capturing. The data gathered were analyzed by use of descriptive and qualitative statistics. This was done with the aid of computer applications, specifically the Statistical Package for Social Sciences (SPSS) version 20 software.

The descriptive statistics was used describing the data and determining the respondents' degree of agreement with the various statements under each factor. The use of percentages, means, modes and standard deviation was employed. Information was presented in the form of detailed descriptions with the use of other presentation techniques like graphs, pie charts, and tables. Quantitative data were analyzed using descriptive statistics which involves percentages, measures of central tendency, frequencies and measures of dispersion as well as inferential statistics which entail correlation and regressions with 0.05 test significance level. The Multiple Regression equation for this study was computed as follows:

$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$

Whereby

Y = Financial performance which is measured as ROA,

α = constant term,

X1= Mergers & Acquisition,

X2= Financial Restructuring

X3= Change in Technology

X4 will be Downsizing,

While β1, β2, and β3 are coefficients of determination, and ε is the error term.

## 4. Data Analysis

### *4.1. Response Rate*

Data was collected using questionnaires. One hundred and fifteen (115) questionnaires were issued. A hundred (100) were returned representing 86.95% (Table 3). The response rate is considered adequate since Mugenda and Mugenda (2003) advice on response rates exceeding 50% and Saunders, Lewis and Thornhill (2009) suggest a 30-40% per cent response rate.

| | Frequency | Percentage |
|---|---|---|
| Questionnaires Issued | 115 | 100.0% |
| Questionnaires Returned | 100 | |
| Response Rate (%) | | 86.95% |

*Table 3: Results for Response Rate*
*Source: Authors Computations (2017)*

### *4.2. Merger & Acquisition*

The respondents were asked to give their level of agreement with statements about merger and acquisition in their company. The study used a scale of 1 to 5 where 1 was very poor and 5 was very good. The results in Table 4 indicate that majority graded the idea of their company embracing M&A good at 64%, 20 percent indicated very poor while 7 percent did not give any opinion. On how the respondents saw the benefits delivered from M&A, 39 percent did not give any opinion, 25 percent indicated good while 10 percent saw the benefits delivered to be poor and very good respectively. Lastly, 42 percent indicated that the global exposure experienced due to M & A of their company was good, 22 percent indicated very well while 30 percent did not give any opinion.

| Statement | 1 | 2 | 3 | 4 | 5 | Mean | Std dev |
|---|---|---|---|---|---|---|---|
| How will you grade the idea of your company embracing M & A? | 20 | 4 | 7 | 64 | 5 | 3.3 | 1.27 |
| How do you see benefits delivered from M &A to your company? | 16 | 10 | 39 | 25 | 10 | 3.0 | 1.18 |
| How could you rate the global exposure experienced due to M & A of your company? | 0 | 6 | 30 | 42 | 22 | 3.8 | 0.85 |

*Table 4: Results for Respondents'' level agreement with statements about merger and acquisition*
*Source: Author's Computations (2017)*

### *4.3. Financial Restructuring*

The study sought to establish the respondents' level of agreement with statements based on financial restructuring. On whether the respondents agreed with the benefit derived from financial restructuring, most (46.7%) agreed, 20.0% strongly disagreed while 22.2% were neutral over the same statement. On whether the respondents agreed with measures put in place to effect and support financial restructuring, 35.6% were in agreement, 22.2% did not give any opinion while another 22.2% disagreed over the sentiment. On a different note, 55.6% did not give any opinion as to whether they supported the company to undergo financial restructuring, 22.2% were in agreement that they support financial restructuring while 15.6% were in disagreement with the same sentiment. Lastly, on whether financial restructuring was giving the company an edge over other competitors, 53.3% were in agreement, 13.3 disagreed and strongly disagreed over the sentiment.

| | 1 | 2 | 3 | 4 | 5 | Mean | Std Dev |
|---|---|---|---|---|---|---|---|
| I agree with the benefit derived from financial restructuring | 20 | 0 | 22.2 | 46.7 | 11.1 | 3.3 | 1.29 |
| I agree with measures put in place to effect and support financial restructuring | 0 | 22.2 | 22.2 | 35.6 | 20 | 3.5 | 1.06 |
| I fully support the company to undergo financial restructuring | 0 | 15.6 | 55.6 | 6.7 | 22.2 | 3.4 | 1 |
| Financial restructuring is giving the company an edge over other competitors | 13.3 | 13.3 | 0 | 53.3 | 20 | 3.5 | 1.32 |

*Table 5:Results for Response on Financial Restructuring*
*Source Author's Computations (2017)*

### *4.4. Change in Technology*

The respondents were asked to indicate what their companies were doing to embrace change in Technology. The results indicated that 5(33.3%) of the respondents cited that the companies trained new employee on new technology, 4(26.7%) indicated the companies continuously improved existing technology another 4(26.7%) indicated that their companies involved top management in implementation of the technology while a few 2(13.3%) indicated that the companies trained new employee on new technology, continuously improved existing technology involved top management in implementation of the technology.

| | Frequency | Percent |
|---|---|---|
| Continuous improvement on the existing technology | 4 | 26.7 |
| Employees training on the new technology | 5 | 33.3 |
| Involvement of top management in implementation of the new technology | 4 | 26.7 |
| All of the above | 2 | 13.3 |
| **Total** | **15** | **100** |

*Table 6: Results for Company practices for embracing change in Technology*
*Source: Author's Computations (2017)*

*4.5. Downsizing*

The respondents were asked to indicate their level of agreement with statements about downsizing. Regarding whether downsizing reduced cost to the organization, 8(50.0%) agreed, 5(31.3%) did not give any opinion while 2(12.5%) strongly agreed with the sentiment. On whether, downsizing increased operation efficiency in the organization, 7(43.8%) agreed, 4(25.0%) did not give any opinion while a few 1(6.3%) strongly disagreed with the sentiment. On a different note 7(43.8%) agreed that downsizing is a costly expense to the organization, 3(18.8%) disagreed and another strongly agreed. Lastly, 7(43.8%) did not give any opinion regarding their support in downsizing in their organization to reduce cost and increase efficiency, 5(31.3%) were in agreement while 1(6.3%) strongly disagreed to be in support of downsizing.

| | | 1 | 2 | 3 | 4 | 5 | Mean | Std dev |
|---|---|---|---|---|---|---|---|---|
| Downsizing has reduced cost to the organization | n | 0 | 1 | 5 | 8 | 2 | 3.7 | 0.79 |
| | % | 0 | 6.3 | 31.3 | 50.0 | 12.5 | | |
| Downsizing increased operation efficiency in the organization. | n | 1 | 3 | 4 | 7 | 1 | 3.3 | 1.06 |
| | % | 6.3 | 18.8 | 25.0 | 43.8 | 6.3 | | |
| Downsizing is a costly expense to the organization | n | 0 | 3 | 3 | 7 | 3 | 3.6 | 1.02 |
| | % | 0 | 18.8 | 18.8 | 43.8 | 18.8 | | |
| I support downsizing in my organization to reduce cost and increase efficiency | n | 1 | 0 | 7 | 5 | 3 | 3.6 | 1.03 |
| | % | 6.3 | 0.0 | 43.8 | 31.3 | 18.8 | | |

*Table 7: Results for Respondents' level of agreement with statements about downsizing*
*Source: Author's Computations (2017)*

*4.6. Regression Analysis*

The study aimed at finding out the overall effect of the independent variables that is merger and acquisition, financial restructuring changes of technology and downsizing on financial performance of insurance firms in Kenya. The model $Y = \beta_0 + \beta_1 X_i + \beta_2 X_{2+} \beta_3 X_3 + \beta_4 X4 + \varepsilon$ explained 33.8% (adjusted r square = 0.338) of the variations in financial performance of insurance firms in Kenya as shown in Table 6. This showed that merger and acquisition, financial restructuring changes of technology and downsizing explained 33.8% of the variation in financial performance of insurance firms in Kenya.

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .605(a) | .366 | .338 | 1.29345 |

a Predictors: (Constant), merger and acquisition, financial restructuring changes of technology and downsizing

*Table 8: Results forModel Summary*
*Source: Author's Computations (2017)*

The analysis of variance results Table 7 indicates that the model fit is significant at p=0.000, F= 13.400 with 97 degrees of freedom. This implies that merger and acquisition, financial restructuring changes of technology and downsizing jointly have a significant and positive combined effect on financial performance of insurance firms in Kenya.

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 89.676 | 4 | 22.419 | 13.400 | .000(a) |
| | Residual | 155.590 | 93 | 1.673 | | |
| | Total | 245.265 | 97 | | | |

*Table 9: Results forAnalysis of Variance (ANOVA)*
*Source: Author's Computations (2017)*

Table 7 presents the coefficient of determination between merger and acquisition, financial restructuring changes of technology and downsizing and financial performance. The study found that there was a positive relationship between the dependent variable and the independent variables.

4.6.1. Regression Analysis Results – Regression Coefficients
The study conducted a multiple regression analysis and from the above regression model, holding merger and acquisition, financial restructuring, changes of technology and downsizing at zero, financial performance of the insurance firms in Kenya will be 2.003. A unit increase in merger and acquisition will lead to an improvement in financial performance by a factor of 2.057; a unit increase in financial restructuring will lead to an improvement in financial performance by a factor of 0.635; a unit increase in changes of technology will lead to a decline in financial performance by a factor of 1.756. A unit increase in downsizing will lead to a decline in financial performance by a factor of 0.515. This shows that there was a positive and statistically significant relationship between financial restructuring and financial performance ($p$ value $< 0.05$ at 95% level of confidence). Also, the results show that there was a positive and statistically significant relationship between merger and acquisition and financial performance ($p$ value $< 0.05$ at 95% level of confidence). Further, the study results show that change in technology had negative and statistically significant relationship with financial performance ($p$ value $> 0.05$ at 95% level of confidence). Lastly, downsizing had a negative but statistically significant relationship with financial performance.

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 2.003 | 0.315 | | 6.356 | 0.000 |
| Financial restructuring | 0.635 | 0.129 | 0.586 | 4.907 | 0.000 |
| Merger & Acquisition | 2.057 | 0.762 | 2.1 | 2.698 | 0.008 |
| Change in Technology | -1.756 | 0.763 | -1.793 | -2.302 | 0.024 |
| Downsizing | -0.515 | 0.127 | -0.512 | -4.049 | 0.000 |

*Table 10: Results for Regression Analysis Results*
*Dependent Variable: Financial Performance*
*Source: Author's Computations (2017)*

The Unstandardized beta coefficients column in Table 10 was used to obtain the overall equation as suggested in the conceptual framework. When these beta coefficients are substituted in the equation, the model becomes:
$Y = 2.003 + 0.635X_1 + 2.057X_2 - 1.756X_3 - 0.515X_4$ where
$Y$ = Financial performance, $X_1$ = Financial restructuring, $X_2$ = Merger & Acquisition, $X_3$ = Change in Technology, $X_4$ = Downsizing.

**5. Summary, Conclusion and Recommendations**

*5.1. Summary*
The study confirmed that there existed a positive and significant relationship between merger and acquisition and financial performance of insurance companies under study sincea unit increase in merger and acquisition led to an improvement in financial performance by a factor of 2.057 at 95% level of confidence ($p < 0.05$). This finding disagrees with Mailanyi (2013) findings on effect of merger and acquisition on financial performance of oil companies in Kenya. The study findings showed that there was a significant joint relationship between financial performance and liquidity, solvency, profitability and efficiency of p-value 0.003 at 5% level of significance. The study concluded that there was decrease of financial performance of oil companies in Kenya following a merger or acquisition process.
The study confirmed that financial restructuring influenced financial performance of insurance companies in Kenya sincea unit increase in financial restructuring will lead to an improvement in financial performance by a factor of 0.635 at 95% level of confidence ($p < 0.05$). Also, the study showed that there existed a positive and significant relationship between financial restructuring and financial performance of insurance companies under study. This finding is in line with Maseno (2013) finding on the effect of financial restructuring on financial performance of commercial banks in Kenya that there exists a positive effect of financial restructuring on the financial performance.
The study confirmed that change in technology influenced financial performance of insurance companies in Kenya sincea unit increase in change in technology would lead to decline in financial performance by a factor of 1.756 at 95% level of confidence ($p < 0.05$). Also, the study showed that there existed a negative and statistically significant relationship between change in technology and financial performance of insurance companies under study. This finding concurs with Mensah (2016) findings that change in technology influences financial performance. The findings also reveal significant linkage between change in technology and the dependent variables; return on capital employed and gross profits of the rural banks suggesting that efficient usage of the ICT is relevant to the performance of the rural banking industry than reinvestment into different ICT components.
The results in chapter four revealed that downsizing influenced financial performance of insurance companies in Kenya sincea unit increase in downsizing will lead to a decline in financial performance by a factor of 0.515 at 95% level of confidence ($p < 0.05$). Also, the study showed that there existed a negative but statistically significant relationship between downsizing and financial performance of insurance companies under study. This finding disagrees with Ozkanli and Bumin (2006) findings on the relationship between downsizing and financial performance of Turkish banks. According to the hypothesis test results, there was no significant difference between the profitability of Turkish banks before and after downsizing. Four of the performance variables in hypotheses did not reveal any significant relation between downsizing and performance. Turkish banks could not achieve the intended results by downsizing

between 2000 and 2003. In order to increase performance of the Turkish banks, the study recommended managers to consider alternative tools of Human Resources Management.

*5.2. Conclusion*

The study concludes that there existed a positive and significant relationship between merger and acquisition and financial performance of insurance companies under study. Most of the insurance firms were yet to undergo any merger or acquisition. Synergy have an impact on financial performance, to ensure synergies, firms practiced common reporting and sharing of information.

The study confirmed that there existed a positive and significant relationship between financial restructuring and financial performance of insurance companies under study the insurance companies had embraced financial restructuring, and relied on both equity and debt finance. Some of the benefits of financial restructuring include lowering the cost of capital, measures to avert insolvency and enhanced liquidity. Some of the shortcomings of financial restructuring include changes of ownership and high cost of restructuring. Majority of the staffs were in agreement with measures put in place to effect and support financial restructuring. Financial restructuring gave companies an edge over other competitors.

The study confirmed that there existed a negative but significant relationship between change in technology and financial performance of insurance companies under study. Majority of the companies had been affected by changes in Technology that consequently impact on the companies' financial performance. Change in technology resulted in increase in operation efficiency and better customer service. To ensure the company embraced technology, the companies trained new employee on new technology, the companies continuously improved existing technology and involved top management in implementation of the technology.

The study concludes that there existed a negative but significant relationship between downsizing and financial performance of insurance companies under study. Some companies had been subjected to downsizing process with an aim of improving efficiency, controlling of cost and improving in efficiency. In order of the companies to improve efficiency, the companies redefined responsibilities and retained the remaining employees. Efficiency was attained after downsizing took place and this was a result of reducing duplication and redefining of the roles of each employee. However, there was a high cost involved in downsizing process and downsizing led to loss of high skilled and experienced employees.

*5.3. Recommendations*

The study showed that merger and acquisition affect financial performance of insurance firms in Kenya. This study recommends that in case of a Merger or Acquisition of two companies there must be corporate restructuring in order to realign the goals and objectives of the merged companies, to restructure the organization structure and also to eliminate the duplication of the processes in order to reduce cost and to take advantage of economy of scale.

The study revealed that financial restructuring affects financial performance of insurance firms in Kenya, financial restructuring is aimed at bringing balance in debts and equity funds, short term and long-term financing, to achieve reduction in finance charges, to reduce loss of capital, to increase EPS, to improve market value of shares, to reduce the control of financiers on the management of company. This study recommends that firms should prepare a plan to overcome shortcomings related to financial restructuring such as changes of ownership and high cost of restructuring.

Technology is one of the central and most significant elements related to effective operations management in an organization. The study showed that change in technology affects financial performance of insurance firms in Kenya. Change in technology resulted in increase in operation efficiency and better customer service. The study recommends that firms embrace technology by training employees on new technology, and continuously improving existing technology.

Downsizing refers to the process of reducing the size of workforce by terminating the employment of employees. The study revealed that downsizing affect financial performance of insurance firms in Kenya, it involves high cost and result in loss of high skilled and experienced employees. This study recommends that companies need to strategize to adopt to economic turbulences and continue with businesses, corporation should downsize to cut cost and to improve operation efficiency of running the company. Although those who are laid off lose their jobs which they depend on but it is necessary for the survivor of the company and after downsizing it has to restructure to accommodate the remaining workforce.

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