



EFFECT OF VALUE CREATION STRATEGY ON PERFORMANCE OF INSURANCE INDUSTRY IN KENYA

Teresa Wangai 

PhD Candidate, Jomo Kenyatta University of Agriculture and Technology, Kenya

wangaiteresa@gmail.com

Paul Kariuki, PhD

Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

paul.kariuki@jkuat.ac.ke

Blandina Kori, PhD

Lecturer, Catholic University of East Africa, Kenya

koriblandina2016@gmail.com

Peter Ngatia, PhD

Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

pngatia@jkuat.ac.ke

Abstract

Creating value for customers and the firm is one of the key objectives that companies aim to achieve. Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. This study focused on establishing the effect of value creation strategy on performance of insurance industry in Kenya. Value creation strategy was operationalized by cost management, buyer utility and product benefits. The study was anchored on value innovation theory. The study adopted descriptive cross sectional research design. The target population comprised of 504 top and middle managers from all the 56 insurance companies licensed by insurance regulatory authority by year 2023 in Kenya. The study used stratified random sampling technique, with a sample size of 218. Primary data collection was done using semi-structured questionnaires. Secondary data was collected on return on asset (ROA), return

on equity (ROE), customer satisfaction index (CSI), total sales, total assets and market share. Pearson's correlation coefficient was used to indicate the direction of relationship between variables. Simple regression analysis was used to explain the nature of relationship between variables, F- statistics was used to decide the suitability of the model and test hypothesis while R^2 was used to determine the model goodness of fit. The findings indicated that value creation strategy (VCS) had a positive significant effect on performance insurance industry ($p < .05$). The study recommended that insurance firms should explore underserved markets by offering micro-insurance products for low income and informal sector at affordable premiums.

Keywords: Value creation strategy, performance, cost management, buyer utility, product benefits

INTRODUCTION

The main objective of every business is to satisfy the needs of their customers and gain profit at the same time. Intensive competition in the market has led the companies to come up with strategies that will enable them acquire customers and also offer higher levels of satisfaction. This can be achieved by offering products or services that consumers are willing and able to pay than competing goods thus increasing value for customers. The company should be able to manage the cost of production through efficient, sustainable business operations (Kis & Panyor, 2019).

Value creation is one of the core concepts of blue ocean strategy (BOS) where the firm is able to increase value for customers on one hand and for business on the other hand. Blue ocean strategy is a combination of low cost and differentiation strategies. Customer value is determined by cost –benefit ratio and the source of value for companies are cost of ownership (Rebbouh, 2019). Company's actions that favorably affect value proposition for customers and its cost structure lead to value creation. The firm is able to save cost by doing away with elements that it competes on while customer value is achieved by creating elements that the industry has never offered. Over time, costs are reduced further as scale economies kick in due to the high sales volumes that superior value generates (Kimani & Kinyua, 2025).

Value creation strategy enables the organizations to attract more customers hence increasing its level of competitiveness and market share. Blue ocean strategy (BOS) is founded on simultaneous pursuit of differentiation and low cost. Companies can create superior value for their clients at higher costs or come up with sensible value at lower costs. BOS seeks to break the value- cost trade off by offering affordable, quality products/ services that have higher benefit and value to the customers and controlling business operation cost hence making value innovations (Hassan et al., 2022). The tactical logic of value innovations guides companies to identify what

buyers commonly value across the conventional boundaries of competition and reconstruct key factors across market boundaries, thereby achieving differentiations, low costs as well as coming up with an increased value for both consumers and the firms (Sijabat & Sabang, 2021).

The insurance industry needs to be more innovative on understanding the supply chain risks and formulating innovative covers for non- physical damages and contingent business interruption (OECD, 2023). Underwriting losses, falling premiums, and a general drop in net income have been reported by US insurers. The insurance business in Europe has suffered as a result of the ongoing low interest rate environment, which has resulted in subpar investment returns. Underwriting losses and return volatility have been observed in every African country. At 2% on average, insurance penetration is likewise low when compared to the global average of 7%. The cost of life insurance in Africa has likewise remained constant over time (IRA, 2021).

Statement of the problem

Kenyan insurance companies reported better results in the first quarter of 2022, with gross written premiums increasing by 11% to Ksh 88.43 billion from Ksh 79.26 billion in the corresponding quarter of 2021. Despite better written premium performance, Kenya's insurance uptake is still low at 2.4%, with life insurance contributions at 1.03% and non-life insurance at 1.24%. This is lower than the global average of 7.2% and is lower than other important economies like Asia and Europe (Cytonn, 2024). The industry is faced by many challenges, low penetration rates, inadequate customer trust, limited product diversification, regulatory constraints, fraud claim management and underwriting and risk management which increase operational cost and hinder growth and profitability. Therefore there is need to create value for customers and the firm's by offering affordable, quality products/ services and manage business operation cost at the same time (Njuguna, Kabata & wambugu, 2022).

Objectives of the study

- i. To establish the effect of value creation strategy on performance of insurance industry in Kenya.
- ii. To evaluate the moderating effect of firm size on the relationship between value creation strategy and performance of insurance industry in Kenya

Research hypotheses

H₀₁: Value creation strategy has no statistical significance effect on performance of insurance industry in Kenya.

H₀₂: Firm size has no statistical significance moderating effect on the relationship between value creation strategy and performance of insurance industry in Kenya

THEORETICAL FRAMEWORK

Value Innovation Theory

According to Hajar et al. (2021) the concept of value innovation was first introduced by Kim and Mauborgne in 1997 to avoid head-to-head competition and create new market spaces with irrelevant competition factors instead. According to Hajar et al. (2021) the recent rapid market transformation associated with unexpected global issues, such as COVID-19, climate change, population ageing, and critical raw materials scarcities, escalates the importance for firms to link their innovation strategies with business performance and sustainability. This gives value innovation a broader perspective of adding sustainability dimension to the meaning of value for customers and shareholders. The value innovation is believed to be the foundation of BOS due to its concurrent chase for differentiations as well as low costs, coming up with a price for consumers and the business. Value innovations are attained simply when the entire system of utilities, prices, and costs are aligned (Kim & Mauborgne, 2005; Amit & Zott, 2012). The implication of this theory is that a firm requires the managers to have competitive mind set outside the industry boundaries and norms in order to create value. The theory was utilized in this study to explain the relationship between value creation strategy and performance.

CONCEPTUAL FRAMEWORK

According to Sekaran (2014) a conceptual framework refers to a graphic presentation that clarifies how the chief study variables interact. In this study the independent variable of the study was value creation strategy while the dependent variable was performance. The relationship between value creation strategy and performance was moderated by firm size.

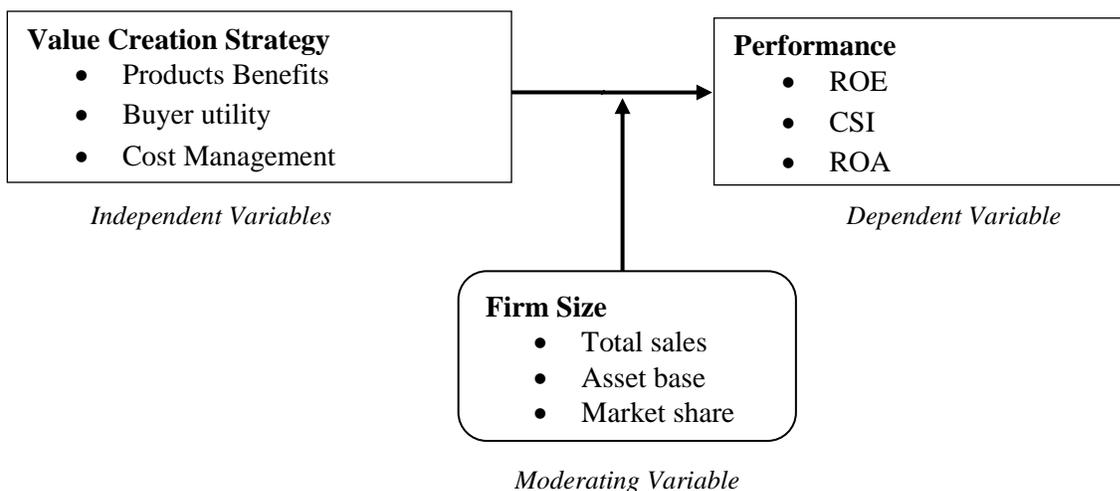


Figure 1: Conceptual Framework

THEORETICAL REVIEW ON VARIABLES

Value Creation Strategy

Value creation is type of collaboration where diverse interested parties develop a value creation ecosystem, to create and achieve shared values for the purpose of benefiting the customer demand and for the better good of the organization (Lee & Lim, 2018). Value creation includes cooperation among varied stakeholders in the network comprising customers, purchaser and suppliers, to generate mutual value (Lee & Trimi, 2018).

Value creation strategies in specific operational areas enable the industry to control their costs and consumers realize higher value and increased loyalty. Companies use technology transfer and technology strategy in adding value to ensure competitiveness through the acquisition of technologies in their products and processes (Dyduch, 2022). The elements for value creation comprise mutual advantages, risk uncertainty, information sharing, values evaluation, operation maintenance, and delivery production and design strategy. Value is created through the exchange amid goods/services and co-creation occur through a value network, this in turn has an optimistic influence on the organization performance (Gouveia, Iglesia, Abrantes & Rivero, 2024).

Value creation helps the companies create awareness among customers for their products and services but also serves as a useful vehicle in promoting brand image of products and services offered at the target market. Value creation enables an organization to change the rules of the game and create that uniqueness that is more valuable and with the rising global competition in the value-added market. Factors such as quality, standards on products, maximum residue levels, and labeling rules are expected to have a major effect on price realization (Risitano, Ragione, Turi & Ferretti, 2025)

Value creation is the initiative to produce and deliver affordable and quality products/ services to customers without trade-off between value and cost. For a firm to be able to create value, it needs to integrate its value chain of channels, suppliers, customers and business to business markets. Firms should use their resources and capabilities to create value for customers and itself (Zhang & Huang, 2023). Value creation involves every activity that an organization undertakes involving organizational wide effort to control the internal operational cost and create benefits for customers. Leadership and culture are key aspect in implementing value creation strategy (Kurznack, Schoenmaker & Schramade, 2021).

Firm Size

Firm size is considered as a major determinant of performance, every firm's objective is to grow and expand in size in order to have a competitive edge over the rivals. This can be

obtained by practicing economies of scale. (Oyelade, 2019). Size affects the company's ability to compete, it is a significant element, as it influences competitive power as large forms enjoy more competitive advantage than small firms (Too & Simiyu 2018). Businesses should think about growing their assets and market capitalization since the size of the company, as measured by their total assets and market capitalization, size denotes a firm's competitive power in the market and therefore its ability to deploy its resources profitably in the market (Mulwa, 2020).

Performance

Firm performance refers to the degree to which the firm, with some informational, financial, and human resources, positions itself effectively on the business market. Firm performance is the subset of operational and financial performance where both are part of the effectiveness of the organization. Financial performance indicators include, profitability, market value and growth. Social indicators should also be considered in measuring firm performance such as; employee, customer satisfaction, environmental audit and corporate governance (Fadhilah et al., 2019). Balanced score card (BSC) is a management system used to measure both financial and non-financial aspects of performance: customer perspective, internal business processes, financial perspective, employee's growth, innovation and learning (Abdelraheem & Hussien (2022)). Organizational performance is measured based on quantitative (profitability, gross profit, return on asset (ROA), return on investment (ROI), return on equity (ROE), return on sale (ROS), revenue growth, market share, stock price, sales growth, export growth, liquidity and operational efficiency) and qualitative (job satisfaction, organizational commitment, and employee turnover) approaches which are approved by many researchers (Barney, 2020).

EMPIRICAL REVIEW

Value Creation Strategy and Performance

Fonjong and Hongyun (2019) studied the influence of value creation (VC) on small and medium producer (SMP) performance in Cameroon, showing that value creation had a positive and statistically significant influence on organization performance, and proposed that organizations must be more customer- focused and create new market opportunities, they must have customer-obsessed mind-set that changes the business culture to create and maximize customer value which in turn leads to increased business performance. Taghizadeh and Marimuthu (2022) showed that value co-creation contributes to the firm's competitive advantage by giving benefits to the firm performance. Schmidt, Priem & Zanella (2024) are of the opinion

that for a firm to create value for customers it must consider learning, matching, leveraging and adopting customer preferences or market characteristics. The firm must evaluate if its strategic decisions allow value creation based on demand and opportunities. Managerial practices, business models and corporate governance also influence the capability of the firm to create value for customers and itself.

According to Risitano, Ragione, Turi & Ferretti (2025) entrepreneurial marketing, requires an innovative approach for satisfying customer needs and creating value. For customer to make consumption decisions they must perceive the value for product/ service and thus, entrepreneurs must apply marketing strategies that will generate value for customers through innovation. Gikunju et al. (2018) pointed out that value creation strategy had a strong positive relationship with financial performance of the tea industry in Mount Kenya region. Value creation influenced overall performance of the industry, as guided by Value Chain Analysis Theory model and Cost Leadership theories. Alvarez et al (2021) studied value-creating strategies in dairy farm entrepreneurship in Northern Spain, suggesting that farmers respond entrepreneurially to sectorial changes adopting to value creating strategies that tend to align with their entrepreneurial capabilities and context, thus enabling them to succeed with any of the strategies pursued.

There exists a contextual gap from reviewed empirical studies, majority of researchers Odondo (2023), Mukira, Muturi and Kariuki (2024), Zhang and Huang (2023) and Risitano, Ragione, Turi and Ferretti (2025) focused on adoption, implementation and relevance of value creation on firms competitive advantage and performance of different sectors in diverse scope. The reviewed studies considered different measures of study variable. The studies didn't focus on the effect of value creation, firm size as moderating factor and industry performance of insurance sector in Kenya hence there exists a knowledge gap.

RESEARCH METHODOLOGY

A positivistic study philosophy was adopted, to address the research objectives, based on a descriptive cross-sectional research design. The study comprised of 56 licensed insurance companies by the year 2023, with 218 respondents comprised of top management (CEOs/MDs) and Middle Management (Head of Departments) were engaged. Primary data was collected by use of questionnaire and data collection sheet was used to collect secondary data respectively. A Cronbach alpha above 0.7 indicated reliability of data collection tool.

The analysis was done using Statistical Package for Social Sciences (SPSS) version 28.0, at 5% level of significance. The findings comprised of measures of central tendency and dispersion. Correlation analysis was used to ascertain linearity on the variables.

The composite scores for Value Creation strategy was defined as:

$$VCS = \frac{x_1 + x_2 + x_3}{3}$$

Where x_1 is product benefits, x_2 is buyer utility and x_3 cost management to create a composite score for Value Creation strategy (VCS).

The performance variable was a conglomerate of return on assets (ROA), return on equity (ROE) and customer satisfaction index (CSI). The formula was given as;

For return on assets (ROA), the Z scores were given as;

$$Z_{ROA} = \frac{x - \bar{x}_{ROA}}{\sigma_{ROA}}$$

Where x: individual return on assets (ROA) for every insurance company

\bar{x}_{ROA} : The average return on assets for all companies

σ_{ROA} : The standard deviation of return on assets for all companies

For return on equity (ROE), the Z scores were given as;

$$Z_{ROE} = \frac{x - \bar{x}_{ROE}}{\sigma_{ROE}}$$

Where x: individual return on equity (ROE) for every insurance company

\bar{x}_{ROE} : The average return on equity for all companies

σ_{ROE} : The standard deviation of return on equity for all companies

For customer satisfaction index (CSI), the Z scores were given as;

$$Z_{CSI} = \frac{x - \bar{x}_{CSI}}{\sigma_{CSI}}$$

Where x: individual customer satisfaction index (CSI) for every insurance company

\bar{x}_{CSI} : The average customer satisfaction index for all companies all companies

Since the resultant values for Z were between -3 and +3, we now merged them to get performance variable using mean to calculate each company's performance.

$$Performance = \frac{Z_{ROA} + Z_{ROE} + Z_{CSI}}{3}$$

The market share was also reconstructed using the z scores using the formula;

$$Z_{marketshare} = \frac{x - \bar{x}_{marketshare}}{\sigma_{marketshare}}$$

Where;

X: The individual market share observations for each company

$\bar{x}_{marketshare}$: The average market share for all companies

$\sigma_{marketshare}$: The standard deviation of market share for all companies

For the total assets, the Z scores were given as;

$$Z_{totalassets} = \frac{x - \bar{x}_{totalassets}}{\sigma_{totalassets}}$$

X : The individual total assets' observations for each company

$\bar{x}_{totalassets}$: The average total assets for all companies

$\sigma_{totalassets}$: The standard deviation of total assets for all companies

For total sales, the Z scores were given as;

$$Z_{totalsales} = \frac{x - \bar{x}_{totalsales}}{\sigma_{totalsales}}$$

X : The individual total sales' observations for each company

$\bar{x}_{totalsales}$: The average total sales for all companies

$\sigma_{totalsales}$: The standard deviation of total sales for all companies

To assess direct effect of value creation strategy on performance of insurance industry in Kenya as stated in the objectives (1), the study utilized simple linear regression analysis. The slopes of the equations was used to determine the operations strategy with greater influence on the performance of insurance industry. In this respect, the study assumed a linear relationship among the study variables, followed the regression model in the form:

Equation without a moderator: $P = \beta_0 + \beta_1 X_1 + \epsilon$, equation 1

Equation with a moderator: $P = \beta_0 + \beta_1 X_1 + \beta_2 M + \epsilon$, equation 2

Where:

- P = Performance
- β_0 = Constant
- β_1 = Regression Coefficients for VCS variable.
- X_1 = Value Creation Strategy (VCS)
- M = Moderator (firm size)
- ϵ = Error term.

Each individual regression coefficients (β) was tested for significance at 95% confidence level using a two tailed *t*-test, with significant differences recorded expected at $p < 0.05$.

RESEARCH FINDINGS AND DISCUSSIONS

Descriptive statistics

Table 1: Descriptive statistics for Value Creation Strategy sub-constructs

	N	Mean	Std. Deviation
Product benefits			
The firm products features offer several benefits to the customers.	169	3.66	.716
There are no additional charges for the extra benefits from a single product/premium offered	169	3.98	.982
The products premium benefits have enabled the firm to attract more customers.	169	3.94	1.089
Cost management			
The firm is able to estimate the underwriting cost and projected revenue for its products which minimizes losses.	169	4.11	.668
The firm is able to control its cost by emblazing technology.	169	4.24	.734
Through budgeting the firm is able to manage expenditures and create value for the business and customers.	169	4.19	.732
Buyer Utility			
The firm is able to provide simplified and easy to understand products to the customers.	169	4.07	.901
The firm is able to offer solutions to the clientele issues and problems	169	4.30	.768
The clients are satisfied with the firms' products/ services	169	4.10	.753

The firms' products are perceived to offer several benefits to customers, as indicated by a mean score of 3.65 (SD = 0.753). While this score suggests a moderate level of agreement, the relatively lower mean compared to other areas implies room for improvement. Respondents acknowledge the benefits but may not find them as compelling as other aspects of the insurance firms' services. The variability in responses, as indicated by the SD, also shows that customer experiences with product benefits differ from time to time.

The absence of additional charges for premium benefits is a more positively viewed aspect, with a mean score of 3.94 (SD = 1.011). This suggests that customers appreciate the transparency in pricing and the added value they receive without incurring extra costs from the insurance firms engaged in the study. However, the higher standard deviation implies a wider range of opinions, with some customers possibly encountering situations where they perceive hidden costs or less value from premium offerings.

Moreover, the premium benefits of the products have been effective in attracting more customers, as reflected by a mean of 3.96 (SD = 1.090). While the agreement was generally positive, the relatively high variability in responses suggests that not all customers may feel the same way, perhaps due to differing experiences or expectations of the premium benefits.

Cost management is one of the firms' strongest areas. The firm is able to estimate the underwriting cost and projected revenue for its products which minimized losses, had a mean score of 4.11 (M=4.11, SD = 0.67). This suggests that the majority of respondents believe the firms' operations are well-organized and customer-centric, resulting in effective service delivery and creating value to the firm. The relatively low standard deviation indicated a consistent experience across firms, implying that cost management was a key strength of the various firms.

Technology has enhanced operational efficiency which played a significant role in cost saving for the firm. (The firm is able to control its cost by emblazing technology), as evidenced by a high mean score of 4.24 (M=4.24, SD=0.731). This highlights the positive impact of smooth and streamlined operations on customer service. Customers who experience seamless services are more likely to stay with the various insurance firms, ensuring long-term relationships and repeat business. Furthermore, through budgeting the firm is able to manage expenditure and create value for business and customer, this is evident with mean score of 4.19 (M=4.19, SD = 0.73), indicating that respondents recognize the effective budgeting of the firms' operations. The different insurance firms are able to pass these savings on to customers or reinvest them into improving services, creating a virtuous cycle of efficiency and value creation.

Buyer utility refers to the ability of the firm to offer simplified, understandable products and provide solutions to customer problems. With a mean score of 4.07 (M=4.07, SD = 0.90), customers appreciate the simplicity and clarity of the firms' product offerings (the firm is able to provide simplified and easy to understand products to the customers). This is crucial in industries where complexity can often alienate customers; simplifying products helps enhance accessibility and user satisfaction.

The firms' ability to solve customer problems is particularly well-regarded (the firm is able to offer solutions to the clientele issues and problems), with a mean score of 4.30 (M=4.30, SD = 0.77). This shows that respondents feel the firms are responsive and solution-oriented, addressing customer needs effectively. As a result, customers are satisfied with the products and services (the clients are satisfied with the firms' products/ services), as reflected by a mean score of 4.10 (M=4.10, SD = 0.75). This indicates that customers generally find the firms' offerings to meet their expectations and deliver value.

From the findings, the firms demonstrate strong cost management and buyer utility, with moderate performance in product benefits. The high mean scores in cost management and

buyer utility show that the firms are effective in delivering efficient services and simple, customer-centric solutions. Although product benefits are viewed positively, the wider range of responses suggests room for improvement in how customers perceive the added value and premium benefits offered. Overall, the firms' commitment to operational excellence and customer satisfaction is evident, with opportunities to enhance product benefits further to meet varying customer expectations.

Correlation Analysis

Correlation coefficient analysis was carried out to assess the relationship between the study variables. Pearson correlation (r) varies from +1 to -1, if it has rate of zero, it shows that there is no association that exist among the variables being measured.

Table 2: Correlation analysis (linearity)

		Performance	Value Creation Strategy (VCS)	Firm Size
Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	169		
Value Creation Strategy (VCS)	Pearson Correlation	.739	1	
	Sig. (2-tailed)	.032		
	N	169	169	
Firm size	Pearson Correlation	.564	.246	1
	Sig. (2-tailed)	.025	.082	
	N	169	169	169

Correlation analysis informed that there existed a strong positive significant relationship between performance and Value Creation Strategy ($r=0.739$). The findings also confirmed the existence of a positive significance relationship between firm size and performance ($r=0.564$). The outcomes informed that linearity assumption was witnessed.

Regression analysis

Value Creation Strategy and Performance of Insurance Industry

The main objective of this study was to establish effect of value creation strategy on performance of insurance industry in Kenya. The study had hypothesized that value creation strategy had no statistical significance effect on performance of insurance industry in Kenya.

H_{01} : Value creation strategy has no statistical significance effect on performance of insurance industry in Kenya. Aggregate mean score for value creation strategy and performance of insurance industry were used to test the hypothesis and answer the objective.

Table 3: Value Creation Strategy and Performance Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.739	.546	.542	2.02359	1.943

a. Predictors: (Constant), Value Creation Strategy b. Dependent Variable: Performance

The results demonstrated that value creation strategy had a positive effect on performance of insurance industry ($R = .739$). The results showed that the R-Square value was 0.546. This informed that the proportion of the variance at 0.546 or 54.6% in performance as the dependent variable that was predictable from the independent variables (value creation strategy (VCS)).

Table 4: Value Creation Strategy and Performance Model ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	170.143	1	170.143	41.550	.000
	Residual	683.854	167	4.095		
	Total	853.997	168			

a. Dependent Variable: Performance b. Predictors: (Constant), Value Creation Strategy

According to the model ANOVA, it was noted that the resultant regression model was considered statistically significant at 5% level of significance ($F(1,167) = 41.550$, $p\text{-value} = 0.000$, $p < .05$). The outcome showed that there existed a significant relationship between value creation strategy and performance of insurance industry in Kenya.

Table 5: Value Creation Strategy and Performance Model Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	12.580	1.379		9.122	.000		
	Value Creation Strategy	3.445	0.337	3.102	10.223	.000	1.000	1.000

a. Dependent Variable: Performance

The model for Value Creation Strategy alone impacting on performance of the insurance industry was defined by the equation;

$$\text{Performance} = 12.580 + 3.445 * \text{value creation strategy}$$

The analysis indicated that Value Creation Strategy had a positive effect on performance of the insurance companies ($\beta=3.445$). The findings revealed that a rise in the ratings associated with Value Creation Strategy measures translated to improvement in performance of the different insurance companies engaged. The results further indicated that the parameter was considered statistically significant at 5% level of significance ($t=10.223$, $p<.05$), informing that it was desired for predicting changes in performance. The hypothesis criteria was to reject hypothesis four if p- value is less than 0.05 and $\beta \neq 0$ or else don't reject H_{04} in case p- value >0.05 . Based on the study results, $\beta \neq 0$ and p-value < 0.05 , the study rejected H_{04} and stated that value creation strategy had an effect on performance of insurance industry in Kenya.

The study findings indicated that value creation strategy had a positive effect on performance of insurance firms, this is supported by a study conducted by Fonjong and Hongyun (2019) on their study on impact of value creation on performance of small and medium producers in Cameroon, the study found that value creation had positive statistical significance direct and indirect influence on organization performance to both small and medium firms.

The study findings concur with those of Yusuf and Basrowi (2023) who found that value creation had direct effect on performance of higher education of private universities at Baiten. Merino and Yauri (2022) indicated that value created in a company depends on the risk and indebtedness capacity of the organization which leads to competitiveness, this is contrary to this study finding that value creations have an effect on performance.

Moderated summary model

H₀₂: Firm size has no statistically significant moderating effect on the relationship between value creation strategy and performance of insurance companies in Kenya.

The analysis entailed a multiple regression model: $P = \beta_0 + \beta_1 X_1 + \beta_2 M + \epsilon$

Table 6: Moderated model coefficients
(Value Creation Strategy and Performance Model summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.829	0.687	0.679	1.04331	1.995

a. Predictors: (Constant), Value Creation Strategy

b. Dependent Variable: Performance

The analysis informed that value creation strategy had a positive relationship with performance of insurance firms in Kenya ($r=0.829$). The outcomes informed that R-Squared was 0.687, indicating that the proportion of variance was 68.7% in performance as predicted from value creation strategy as the independent variable and firm size as the moderator.

Table 7: Moderated model coefficients
(Value Creation Strategy and Performance Model ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	39.913	2	19.9565	5.57273	.000
	Residual	594.463	166	3.5811		
	Total	634.376	168			

a. Dependent Variable: Performance

b. Predictors: (Constant), Value Creation Strategy, Moderator (Firm size)

The moderated model ANOVA showed that the F-calculated was higher than F-critical ($5.527 > F(2,166)=3.05$). This indicated that the model was statistically significant at 5% level of significance.

Table 8: Moderated model coefficients
(Value Creation Strategy and Performance Model Coefficient)

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
(Constant)	11.965	1.145			10.450	.000		
Value Creation Strategy	4.0184	1.094	5.24		3.673	.000	0.846	1.182
Moderator (Firm Size)	3.291	1.001	4.321		3.288	.000	0.945	1.058

a. Dependent Variable: Performance

The moderated model is defined by the equation:

$$P = 11.965 + 4.018X_1 + 3.291M$$

When the moderator (firm size) is zero, the performance is +11.965. A unit increase in firm size (moderator) increases the firm performance by 3.291. Beta for the moderated model was 4.018 while that for the unmoderated model being 3.445 on value creation strategy, showing that introduction of the moderating factor increased performance. The moderator had a significant moderating effect on firm performance ($t=3.288$, $p<.05$). On the study results, $\beta \neq 0$

and p -value < 0.05 , the study rejected H_{02} and stated that firm size had a moderating effect on relationship between value creation strategy and performance of insurance industry in Kenya.

CONCLUSIONS AND RECOMMENDATIONS

The study showed that Value Creation Strategy (VCS) had a statistically significant positive effect on performance of insurance companies in Kenya. The findings indicated that an improvement in value creation strategy would result to an improvement in performance of insurance industry in Kenya. The outcome informed that an introduction of a moderator variable (firm size) increased performance of insurance companies through higher VCS effect on performance. Firm size as a moderator had a positive effect on relationship between value creation strategy and performance of insurance companies.

The study indicated that value creation strategy directly contributed to performance by optimizing service delivery, affordability of products, and enhancing customer experiences through product features with an additional premium benefits. Efficient analysis on revenue estimation, budgeting, adoption of technology and innovative operational strategies streamlined processes, resulting in faster service delivery and better cost management. The study concluded that firms that prioritized cost management practices reported improved internal metrics, profitability, and customer satisfaction creating a foundation for sustained growth and resilience in a competitive market. The study also concluded that firms that prioritized customer-centric strategies experienced better customer retention, loyalty, and satisfaction. The study indicated that value creation strategy enhanced financial and non-financial outcomes, including increased customer trust, higher profitability, and greater market competitiveness. This enabled the firms to adapt to market dynamics, foster innovation, and sustain long-term growth.

The study recommends that since insurance sector keep on evolving, value creation strategy is essential for cost management and alignment with customer needs. Insurance firms that effectively implement this strategy not only improve customer satisfaction but also achieve operational excellence and financial stability. The study proposes that firms should embrace continuous refinement of product portfolio, investment in technology, and customer-centric approaches in order to navigate market challenges and achieve sustainable performance.

CONTRIBUTION TO THEORY AND EXISTING KNOWLEDGE

The study bridges research gaps by providing empirical findings that contribute to better value creation strategy through improvement in buyer utility, cost management and product benefits. The new methodological approaches such as adoption of composite measures and standardization as a tool for constructing value creation strategy and performance for strategic

management was a very peculiar development to better modelling. The findings indicated how contextual factors such as economic and environmental situations influenced the effectiveness of value creation strategy contributing to subtle difference in theoretical model.

The study adds newer findings on the effect of value creation strategy on performance of insurance companies in Kenya. It also informs the significant role played by firm size in improving performance of the companies. The study through its findings provided insights in that managers across larger firms could leverage their resources and brand equity to integrate value creation strategies that align with customer needs while improving operational efficiency and cost management. For smaller firms, the focus should be on agility and niche product development, allowing them to deliver highly tailored products that cater to specific customer segments effectively.

LIMITATIONS OF THE STUDY

There was a delay in filling the questionnaires since the study targeted top and middle managers who had a tight schedule and were involved in many corporate meetings. The researcher was able to convince them that since the data collection was inform a link it would only take a few minutes of their time. The respondents were also reluctant to disclose their sensitive information with fear that their competitors may use that information against them, the researcher assured them that the information was for academic purpose only based on the introduction letter from the University and national commission for science and technology in Kenya (NACOSTI). The target population focused on insurance sector where staff category deal with strategy formulation and implementation. This population is small to represent entire population across different sectors in the country.

REFERENCES

- Abdelraheem, A.A.E. & Hussien, A.M. (2022). The Effect of Application of Non-Financial Dimensions of Balanced Scorecard on Performance Evaluation: An Empirical Study from Saudi Arabia. *Journal of Asian Finance, Economics and Business*, 9(4), 63–72.
- Ali Yusuf, F., & Basrowi. (2023). Effect of value creation and adaptive capacity to transformation, with organizational performance as an intervening variable. *Journal of Management Information and Decision Sciences*, 26 (2), 1-18.
- Alvarez, A., Garcia-Cormejo, B., Perez- Mendez, J. & Roibas, D. (2021). Value-Creating Strategies in Dairy Farm Entrepreneurship: A Case Study in Northern Spain. *Animals*, 11(5). DOI: 10.3390/ani11051396
- Amit, R., & Zott, C. (2012). Business model innovation: Creating value in times change. *Sloan Management Review*, 53 (3), 40-49.
- Barney, J.B. (2020). Measuring firm performance in a way that is consistent with strategic management theory. *Academy of Management Discoveries*, 6(1), 5–7.
- Cytonn. (2024). *Kenya Listed Insurance FY'2023 Report*. <https://www.cytonn.com/topicals/kenya-listed-insurance-4>

- Dyduch, W. (2022). Strategic Processes and Mechanisms of Value Creation and Value Capture: Some Insights from Business Organisations in Poland. *Effective Implementation of Transformation Strategies* (pp.289-316). University of Economics in Katowice.
- Fadhilah, A. N., & Subriadi, A. P. (2019). The role of IT on firm performance. *Procedia Computer Science* 161, 258–265. DOI:10.1016/j.procs.2019.11.122
- Fonjang, B., & Hongyun, T. (2019). Impact of value co-creation on firm performance: Mediating role of strategic advantages. *European Journal of Business and Management*, 11 (21), 11-21. Sage Publications.
- Gikunju, C. K., Gakure, R.W., & Orwa, G. O. (2018). Value addition as a strategic management practice and determinant of performance of tea industry in Mount Kenya region. *Journal of Strategic Management*, 2 (1), 34-50.
- Gouveia, S., Iglesia, D.H., Abrantes, J.L., & Alfonso Rivero, A.J.L. (2024). Transforming Strategy and Value Creation through Digitalization? *Journal of Administrative Sciences* 14(307). <https://doi.org/10.3390/admsci 14110307>
- Hajar, M. A., Alkahtani, A. A., Ibrahim, D.N., Darun, M.R., Al-Sharafi, M.A., & Tiong, S.K. (2021). The Approach of value innovation towards superior performance, competitive advantage, and sustainable growth: A systematic literature review. *Sustainability*, 13. <https://doi.org/10.3390/su131810131>.
- IRA. (2021). *Insurance Industry Annual Report for the Year 2021*. Insurance Regulatory Authority. <https://www.ira.go.ke/./annual reports>.
- Kim, W. C., & Mauborgne, R. (2015). *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant (Expanded Edition)*. Boston: Harvard Business School Press.
- Kimani, G. M. & Kinyua, G. M. (2025). Blue ocean strategy as a predictor of firm performance. Evident from extant literature. *International journal of education and research*, 13(1) 21-42.
- Kis, K. & Panyor, A. (2019). *The concept of value creation in Blue Ocean strategy and lean management*. University of Szeged, Szeged, Hungary.
- Kurzack, L., Schoenmaker, D., & Schramade, W. (2021). A model of long term value creation. *Journal of sustainable finance and investment*. 5(8).
- Lee, S. M., & Lim, S. (2018). *Living Innovation: From Value Creation to the Greater Good*. Emerald Publishing Limited.
- Merino, L. A. ., & Yauri, H. Y. (2022).The Canvas model studied the impact factor and its visualization in the EBSCO database, Scopus, Scielo, 2017 -2021. *SCIÉND*O, 25(3), 325-331. <https://doi.org/10.17268/sciendo.2022.040>
- Mukira, A.R., Kariuki,P., & Muturi, W. (2024) Revenue Raising Value Creation Strategy and Performance of Commercial Banks in Kenya. *European Journal of Strategic Management*, 1(1), 1 – 12.
- Mulwa, J. M. (2020). Bank diversification and valuation: An analysis of Commercial Banks listed in Nairobi Securities Exchange, Kenya. *Eastern Africa Journal of Contemporary Research*, 2(1), 34-47.
- Njuguna E. W., Kabata, D., & Wambugu, H. (2022). Innovation orientation and the Performance of insurance companies in Kenya. *International Journal of Innovative Research and Advanced Studies*, 9(8).
- Oondo, M. O. (2023). Influence of Value Creation on the Performance of Small and Medium-Scale Agro-Food Processing Enterprises in Kenya. *The international journal of business & Management*, 11(1).
- OECD (2023). *Global Insurance Market Trends preliminary 2022 data – July 2023*. Organization for Economic Cooperation and Development. <https://www.oecd.org/daf/fin/insurance/globalinsurancemarkettrends.html>.
- Oyelade, A. O. (2019). The impact of firm size on firms' performance in Nigeria: A comparative study of selected firms in the building industry in Nigeria. *Asian Development Policy Review*, 7(1), 1-11.
- Rebbouh, M. (2019). Identifying a Comprehensive Theoretical Picture of Blue Ocean Strategy. *Management & Economics Research Journal*, 1(3), 38-53.
- Risitano, M., La Ragione, G Turi, A. & Ferretti, M. (2025). Analysing the relevance of value creation in the interconnection amongst entrepreneurship, marketing and innovation: A systematic literature review. *International Journal of Entrepreneurial Behavior & Research*, 31(2/3), 781-809.
- Schmidt, J., Priem, R., & Zanella, P. (2024). Customers, Markets, and Five Archetypical Value Creation Logics: A Review of Demand-Side Research in Strategic Management. *Journal of Management*, 50(6), 2309–2342.
- Sekaran, U., & Bougie, R. (2014). *Research Methods for Business* (6th Edition). *New York, John Wiley & Sons Ltd*.
- Sijabat, F. N., & Sabang, S. T. E. (2021). A review on blue ocean strategy effect on competitive advantage and firm performance. *Academy of Strategic Management Journal*, 20 (1), 23- 32.

Taghizadeh, S.K., Rahman, S.A., & Marimuthu, M. (2022). Value co-creation and new service performance: mediated by value-informed pricing. *Journal of Business & Industrial Marketing*, 37(4), 705-722.

Too, I. C., & Simiyu, E. (2018). Firms characteristics and financial performance of general insurance firms in Kenya. *International Journal of Business Management & Finance*, 1(39), 672-689.

Zhang, R., & Huang, X. C. (2023). A Case study of Implementing Value Creation Strategy in a Chinese Manufacturing Firm. *Australian and New Zealand Academy of Management Conference*.