Influence of Adaptive Leadership Safe Environment dimension on Organizational Performance in Insurance Companies in Kenya

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ABSTRACT

The specific objective of the study was to examine the extent to which a safe environment as a dimension of adaptive leadership influences organizational performance. The study was guided by the Adaptive Leadership theory. The positivism philosophy and descriptive research design was adopted for this study. The population consisted of 311 senior and middle-level managers from 56 licensed insurance companies in Kenya. A census survey was used and primary data was collected using a structured questionnaire in this study. Descriptive statistics used in the analysis included the mean and standard deviation while inferential statistics included the Chi-square test, Analysis of Variance (ANOVA) correlation analysis, and multiple regression analysis. The study found a positive and significant correlation between a safe environment and organizational performance. The study found that a safe environment significantly predicted organizational performance, $\beta = 0.698$, $t(239) = 9.784$, $p < .001$ hence, the null hypothesis was rejected. The study concluded that a safe environment has a significant influence on organizational performance. The study, therefore, recommends that leaders should create safe environments to enhance organizational performance.

**Keywords:** Adaptive Leadership, Safe environment, Organizational Performance, Insurance Companies.
I. INTRODUCTION

Businesses are operating in a volatile and changing environment with the organizational world being faced with rapid changes in the political, economic, technological, and social fronts. Sukoco et al. (2020) note that the leadership challenge is further aggravated by the COVID-19 pandemic that has ravaged economies across the globe at the time of this study. These increasing complexities and pace of change in the business environment reinforce the need for organizations to rapidly adapt and apply flexible and adaptive leadership which involves changing behavior appropriately in response to the situation (Uhl-Bien, 2021; Yukl & Mahsud, 2010). Further, leaders should encourage people to adapt in regards to how they face and deal with problems and challenges in their environments (Northouse, 2016).

Adaptive leadership stresses the relationship between the leader’s activities and the followers’ work in the contexts they operate in which requires them to create a holding environment (Northouse, 2016). The holding environment is a safe zone formed by a network of relationships that bind people together. Where there is a safe environment, members acknowledge individual viewpoints and expectations, have courageous conversations, and work together to identify root causes of problems they are facing as they discuss the change process without avoiding the real issues (Heifetz et al., 2009). Leaders are expected to protect leadership voices from below, or from those in lower levels in the organization by listening carefully and being receptive to their views so as not to lose or overlook possible solutions to complex challenges (Heifetz et al., 2009; Northouse, 2016). Heifetz & Laurie (2001) argue that people who challenge the status quo demonstrate a concern for the organization and a commitment to its goals, hence the need for adaptive leaders to take care of such people who may have important perspectives. Snowden & Boone (2007) and Daly & Chrispeels (2008) add on this perspective by posing that adaptive leaders should manage work through open dialogue between leaders and followers that encourages opposing and diverse opinions.

A safe environment is a place that is based on the ties that hold people together and enable them to maintain their focus on what they are working on. Heifetz and Linsky (2002) position that an adaptive leader could strengthen the holding environment by having shared values, purpose, and language; having lateral bonds of affection and trust among group members; having vertical bonds of trust in authority figures, and having structure and a comfortable physical environment. The sub-constructs of a safe environment in this study include the work environment, change management, and adaptability.

The work environment is an important part of people’s work and health as they spend most of their time in the workplace. A work environment where employees are experiencing an optimal, healthy, safe and comfortable life is viewed as an important factor to job satisfaction that leads to the achievement of organizational goals and improved employee productivity (Chiang & Birtch, 2010; Setiyanto & Natalia, 2017). According to Lee (2006) and Chan and Huak (2004) work settings, social and physical features of the work environment may boost employee morale, productivity, structure, a sense of satisfaction, and achievement as well as provide a basis for self-esteem and personal identity. Pang & Lu (2018) in Taiwan found a positive relationship between motivation and job satisfaction where the job environment and job autonomy were significant evidencing a positive influence on non-financial performance. Cera (2021) showed that the work...
environment was an important determinant of organizational performance in Albania. A study supporting this views in Kenya by Ndungi & Gacobo (2021) found that the internal environment through its variables of organizational culture, employee competence, organizational structure and leadership had a positive and significant relationship with organizational performance.

Moran & Brightman (2001) define change management as a process of continually renewing an organization’s direction, structure, and capabilities in response to the dynamic and ever-changing demands of internal and external stakeholders. Employees require inspiration and motivation from their leaders in order to focus on the change and achievement of common goals (Awases, Bezuidenhout, & Roos, 2013). Leaders should improve employee involvement through elements like power, information, knowledge, skill, and reward, to overcome organizational resistance to change (Vroom & Yetton, 1973). A study in Indonesia by Sinaga et al., (2018) supported this view as it found that management of change had a direct effect on employee performance. In another study in Norway, Mikkelsen & Olsen (2019) found that change-oriented leadership, directly and indirectly, influences work performance. Further, Kimhi & Oliel (2019) in a study in Nigeria found that change management strategies have a positive and significant effect on organizational performance.

Ployhart & Bliese (2006) pose that adaptability is an individual’s ability, skill, disposition, and willingness or motivation to change or fit into different social environments, tasks, or environmental features. Adaptability is considered in terms of performance while individual adaptability is associated with individual traits towards adaptive performance (Shoss, Witt, & Vera, 2012). Park & Park (2019) view adaptive performance as the flexible work behaviors that help employees adapt to change. This is demonstrated by adaptability related to people, culture, environment, new learning, excellence in problem-solving, and uncertainty, stress, and crisis control. Individual adaptive performance leads to employee satisfaction, enhanced performance capability, and career success (Shoss et al., 2012). In support of these opinions, studies found that adaptive capability has a positive impact on performance (Dewi, 2019; Munawar, 2019).

Organizational performance is an important indicator of organizational success and an important variable in management research (Stegerean & Gavrea, 2010) which lies at the heart of an organization’s survival (Singh, Darwish, & Potočnik, 2016). Leaders' actions influence different areas of the business (Rowe et al., 2005) and they create a vital link between employee performance and organizational performance (Keller, 2006; Purcell, 2003). Ratemo (2018) found that adapting to the changes in the operating environment significantly affects organizational performance while Shonubi and Akintaro (2016) found a good relationship between organizational culture and long-term financial performance for organizations with an adaptive culture.

Insurance is vital as it garners long-term savings and generates funds for developing the infrastructure and the capital market (Dwivedi et al., 2021). In realization of the Kenya Vision 2030, the insurance industry is expected to contribute to and drive the realization of wealth protection as well as high-level savings that will finance investment needs (IRA, 2021). This is to be achieved by providing financial security through risk management mechanisms, mobilizing savings as well as promoting direct and indirect investments. In doing this, the insurance industry
will support the financing of Kenya’s investment needs and national development while reducing socio-economic vulnerabilities.

This research focused on the problem highlighted by the need for adaptive leadership skills within the insurance industry in order to navigate the challenging and changing environment as highlighted by several studies. Ratemo (2018) found the need for leaders to adapt to the changing environment. Wong and Chan (2018) found the need to develop an adaptive culture and structure while Meredith and MacDonald (2017) found the need to use an adaptive management approach. The need to develop skills that enable leaders to operate in uncertain environments was identified by Mugisha and Berg (2017) while Bennett et. al. (2016) found the need to develop a sense of positive identity, acceptance of uncertainty, effective sense-making, learning agility, and relevant leadership practices for uncertain times.

Despite several studies on different leadership styles and their impact on organizational performance including Wachaga, (2017), Kabogo & Deya (2020), and Linge & Sikalieh (2019), there is noted limited research on adaptive leadership generally or adaptive leadership and its relationship with organizational performance specifically in the context of the insurance industry. The current study is therefore informed by the gap in studies on adaptive leadership as well as studies recommending further research using other leadership theories (Lumbasi, Kaol, & Ouma, 2016; Njeru, 2018). Therefore, the specific objective of this study was to determine the influence of a safe environment as a dimension of adaptive leadership on the organizational performance of insurance companies in Kenya.

II. METHODOLOGY

This study adopted the positivism approach and is a quantitative study that seeks to find the truth in scientific research by seeking to understand the laws of cause and effect based on directly observable and measurable phenomena that render themselves to statistical analysis (Christensen, Johnson, & Turner, 2015). This study adopted the descriptive correlational research design. This enabled the observation of study variables without attempting to control them by recording events as they occurred (Saunders et al., 2016). The descriptive correlation design was used for this study as it aided in establishing the existence of relationships and the extent of change between a safe environment as the independent variable on organizational performance as the dependent variable (Kumar, 2018). This was a cross-sectional study as data was collected at a point in time. The focus of the study was the 56 licensed insurance companies in Kenya (IRA, 2020). The study used a census method in collecting data from the 311 senior and middle-level managers in the insurance industry. Primary data was collected using a structured questionnaire that was based on a five-point Likert scale. Of the 311 questionnaires that were sent out, 60 questionnaires were not returned and 12 were incomplete hence, the study used 239 questionnaires that were considered valid for this study which translates to a response rate of 77%.

III. RESULT

The mean and standard deviation results for a safe environment are presented in Table 1. The results showed that leaders create a sufficiently comfortable work environment in which employees can share ideas, air concerns and discuss differences ($M = 3.95$, $SD = 1.227$); leaders provide employees with the necessary tools to deliver on their work ($M = 4.14$, $SD = 0.981$); there...
are clear work structures in our company that regulate how work is done ($M = 4.08, SD = 1.175$); in our company we exploit existing capabilities and also explore new capabilities ($M = 4.02, SD = 1.108$); during organizational change, leaders continuously communicate, and engage employees in the company ($M = 3.98, SD = 1.163$); leaders help employees to understand the reasons for change in the company ($M = 3.96, SD = 1.212$); leaders encourage employees to embrace change as a source of opportunity, growth and competitive advantage for the company ($M = 4.06, SD = 1.096$); leaders lead change in the company ($M = 3.88, SD = 1.21$); leaders remove barriers to successful change in the company ($M = 4.10, SD = 1.093$); leaders align their behavior to the changes in the company ($M = 4.02, SD = 1.049$); leaders encourage employees to be adaptable ($M = 4.00, SD = 1.125$); the work environment in our company is flexible hence it allows for innovation ($M = 4.04, SD = 1.116$); and leaders make decisions for the company in alignment to the changing environment ($M = 4.03, SD = 1.061$).

Table 1:

<table>
<thead>
<tr>
<th>Construct</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders create a sufficiently comfortable work environment in which employees can share ideas, air concerns and discuss differences</td>
<td>239</td>
<td>3.95</td>
<td>1.227</td>
</tr>
<tr>
<td>Leaders provide employees with the necessary tools to deliver on their work</td>
<td>239</td>
<td>4.14</td>
<td>0.981</td>
</tr>
<tr>
<td>There are clear work structures in our company that regulate how work is done</td>
<td>239</td>
<td>4.08</td>
<td>1.175</td>
</tr>
<tr>
<td>In our company we exploit existing capabilities and also explore new capabilities</td>
<td>239</td>
<td>4.02</td>
<td>1.108</td>
</tr>
<tr>
<td>During organizational change, leaders continuously communicate, and engage employees in the company</td>
<td>239</td>
<td>3.98</td>
<td>1.163</td>
</tr>
<tr>
<td>Leaders help employees to understand the reasons for change in the company</td>
<td>239</td>
<td>3.96</td>
<td>1.212</td>
</tr>
<tr>
<td>Leaders encourage employees to embrace change as a source of opportunity, growth and competitive advantage for the company</td>
<td>239</td>
<td>4.06</td>
<td>1.096</td>
</tr>
<tr>
<td>Leaders lead change in the company</td>
<td>239</td>
<td>3.88</td>
<td>1.21</td>
</tr>
<tr>
<td>Leaders remove barriers to successful change in the company</td>
<td>239</td>
<td>4.10</td>
<td>1.093</td>
</tr>
<tr>
<td>Leaders align their behavior to the changes in the company</td>
<td>239</td>
<td>4.02</td>
<td>1.049</td>
</tr>
<tr>
<td>Leaders encourage employees to be adaptable</td>
<td>239</td>
<td>4.00</td>
<td>1.125</td>
</tr>
<tr>
<td>The work environment in our company is flexible hence it allows for innovation</td>
<td>239</td>
<td>4.04</td>
<td>1.116</td>
</tr>
<tr>
<td>Leaders make decisions for the company in alignment to the changing environment</td>
<td>239</td>
<td>4.03</td>
<td>1.061</td>
</tr>
</tbody>
</table>

Factor analysis was used to assess the variability among observed and correlated variables. The safe environment was measured using 13 items that were factor analyzed to derive an appropriate measure. The KMO and Bartlett’s test results presented in Table 2 show that the KMO for a safe environment had a value of 0.928 and Bartlett’s test, $\chi^2 (78, N = 239) = 970.435, p < .001$. Given that the KMO measure is greater than 0.5 and Bartlett’s test is significant, the results imply that the sampling for a safe environment is adequate.
Table 2:
KMO and Bartletts Test for Safe Environment

<table>
<thead>
<tr>
<th></th>
<th>KMO and Bartlett's Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</td>
<td>0.928</td>
</tr>
<tr>
<td>Bartlett's Test of Sphericity</td>
<td>Approx. Chi-Square 970.435, df 78, Sig. 0.000</td>
</tr>
</tbody>
</table>

The study sought to examine the correlation between the safe environment index and organizational performance with the results presented in Table 3. The study found that a safe environment and the organizational performance had a positive and significant correlation $r (239) = .536, p < .001$.

Table 3:
Correlation Analysis on Safe Environment Index and Organizational Performance

<table>
<thead>
<tr>
<th>Safe Environment Index</th>
<th>Safe environment index</th>
<th>Organizational performance Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.536**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>239</td>
<td>239</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.05 level (2-tailed)

The Chi-square test was used to test the strength of association between a safe environment and organizational performance with the results presented in Table 4. The Chi-square results confirmed that a safe environment and organizational performance had a positive and significant association, $\chi^2 (1023, N = 239) = 1944.041, p < .001$.

Table 4:
Chi-Square Test On Safe Environment

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>1944.041*</td>
<td>1023</td>
<td>0.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>239</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* 0 cells (0.00 have expected count less than 5

The study conducted assumption tests to determine the suitability of regression analysis for the study. This included the normality, linearity, multicollinearity, and homoscedasticity. The normality test found that skewness values obtained for safe environment constructs fell within -2 to 0, thus, there was no excessive skewness in the data. The kurtosis values for safe environment constructs fell within the range of -1 to +2, hence, did not display excessive kurtosis. These results suggest that the normality assumption was not violated in the study. The linearity test showed the deviation from linearity as $p = 0.87$ which is greater than that set for the study ($p < .05$) thus implying that there was a linear relationship between safe environment and organizational performance. The multicollinearity test showed a VIF value of 6.569 which is between 1 and 10 indicating no existence of a multicollinearity problem in the variables testing safe environment and organizational performance. The homoscedasticity test was carried out using the Levene statistic with the result indicating that a safe environment had a Levene statistics of $F (4, 234) =$
0.227, \( p = 0.923 \) which was greater than the study’s level of significance (\( p <.05 \)) meaning that the variance was homogeneous.

The study used a bivariate regression model to assess the influence of a safe environment on organizational performance in insurance companies in Kenya. The hypothesis tested was:

\[ H_{01}: \text{A safe environment does not have a significant influence on the organizational performance of insurance companies in Kenya.} \]

The bivariate regression results for a safe environment are presented in the form of model summary, regression ANOVA and regression coefficient. The model summary results for safe environment presented in Table 5 found an \( R^2 = .536 \) which implied that a safe environment explained 53.6\% of the variation in organizational performance of insurance companies in Kenya. This means that 46.4\% of the variability in organizational performance is explained by variables not included in this study.

**Table 5:**

*Model Summary for Safe Environment*

<table>
<thead>
<tr>
<th>Model</th>
<th>( R )</th>
<th>( R^2 )</th>
<th>Adjusted ( R^2 )</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.536*</td>
<td>.288</td>
<td>.285</td>
<td>.79755</td>
</tr>
</tbody>
</table>

*a* Predictors: (Constant), Safe Environment Index

The results of the regression ANOVA for a safe environment presented in Table 6 indicate that the significance of a safe environment was \( F (1, 237) = 95.722, \ p <.001 \). Therefore, the model is statistically significant in predicting the relationship between a safe environment and organizational performance.

**Table 6:**

*Regression ANOVA for Safe Environment*

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>( F )</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: Regression</td>
<td>60.887</td>
<td>1</td>
<td>60.887</td>
<td>95.722</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>150.751</td>
<td>237</td>
<td>0.636</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>211.639</td>
<td>238</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a* Dependent Variable: Organizational Performance Index

*b* Predictors: (Constant), Safe Environment Index

The results of the regression coefficient for a safe environment presented in Table 7 found that a safe environment had a coefficient \( \beta = 0.698, \ t (239) = 9.784, \ p < .001 \) which is less than that set by the study of \( p <.05 \). Therefore, the study rejected the null hypothesis and concluded that a safe environment positively and significantly influences organizational performance in insurance companies in Kenya.

**Table 7:**

*Regression Coefficient for Safe Environment*

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.107</td>
<td>3.797</td>
</tr>
<tr>
<td>Safe Environment Index</td>
<td>0.698</td>
<td>9.784</td>
</tr>
</tbody>
</table>

*a* Dependent Variable: Organizational Performance Index
The findings of the study derive a bivariate regression model for a safe environment and organizational performance as follows:

\[ Y = \beta_0 + \beta_1X_1 + \varepsilon \]

Where:
- \( Y \) = is organizational performance
- \( \beta_0 \) = is the coefficient
- \( X_1 \) = safe environment

The model therefore becomes:

\[ Y = 1.107 + 0.698X_1 + \varepsilon \]

The model implies that every unit increase in a safe environment leads to an increase of 0.698 in organizational performance in insurance companies in Kenya.

IV. DISCUSSION

The study sought to establish the influence of a safe environment on the organizational performance of insurance companies in Kenya. In this study, the variable of a safe environment was studied using the sub-constructs of work environment, change management, and adaptability. The results of the correlation analysis revealed that a safe environment was positively and significantly related to organizational performance. The study found a positive and significant association between a safe environment and organizational performance. The study concluded that a safe environment significantly influenced organizational performance. This finding supports several other studies. Regarding work environment, Cera (2021) found that work environment significantly predicted organizational performance. Ndungi & Gacobo (2021) revealed that the internal environment had a positive and significant relationship with organizational performance. Pang & Lu (2018) found that job environment and job autonomy were significant and had a positive influence on non-financial performance. Berberoglu (2018) found that organizational climate was statistically significant in predicting perceived organizational performance.

In reference to the change management sub-construct, this study finding supports Kimhi and Oliel (2019) who found that change management strategies have a positive and significant effect on organizational performance. The findings of this study are in line with those by Sinaga et al. (2018) that showed a direct and positive influence of management of change on employee performance which ultimately impacts organizational performance. This study upholds AlAnazi et al. (2021) and Mikkelsen & Olsen (2019) who found a positive relationship between change-oriented leadership and organizational performance. This study finding however contradicts Andri et al. (2019) who found that change-oriented behavior has a negative significant effect on organizational performance.

Regarding adaptability, this study finding concurs with Bodla and Ningyu (2017) that found that employee adaptability was positively correlated with employee task performance. The study agrees with Banjongprasert (2017) who found that employee adaptability and manager’s adaptability in service innovation tasks positively influenced on both sales performance and customer-related performance. This study validates that of Dewi (2019) that adaptive capability positively and significantly effects business performance. Further, this study upholds that of Onamusi (2021) whose results denoted that adaptive capability accounted for 27.3% of variance in business survival.
Conclusion

The study established that a safe environment had a statistically significant influence on organizational performance. This result led to rejecting the null hypothesis that a safe environment has no significant influence on the organizational performance of insurance companies in Kenya. Therefore, this study concluded that leaders in insurance companies should create a safe working environment, deal with change management and enhance adaptability to increase organizational performance.

Recommendations

The study recommends that leaders create a safe environment that combines the work environment, change management and adaptability to impact organizational performance. A conducive work setting that combines physical, social, and psychological characteristics of the work setting will improve employee morale, satisfaction, commitment, and productivity. Leaders are encouraged to lead, adopt a change leadership mindset, and implement change management practices guided by their current state versus desired future state. Encouraging and supporting flexible behavior will enable employees to deal with change, as well as adapt in the uncertain, ambiguous, and unpredictable work situations hence improving employee satisfaction and enhanced performance. Adapting organizations to the changing environment through enabling technologies, capabilities, people, and processes will allow them to sense, assess, and seize new opportunities leading to innovation, learning and competitiveness and hence organizational performance.

This study recommends further research in different contexts to enhance the generalizability of the findings. Future research may consider including lower management levels or employees as compared to the top and middle-level managers in this study to enrich study findings regarding their perceptions of how adaptive leadership affects organizational performance. In regard to adaptive leadership being one of the contemporary leadership styles, the recommendation is for additional scholarly research on adaptive leadership in order to contribute to empirical studies that are still scarce.
V. REFERENCES


