THE ROLE OF QUALITY DECISIONS IN THE RELATIONSHIP BETWEEN ORGANIZATIONAL LEARNING AND PERFORMANCE OF INSURANCE FIRMS IN KENYA

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Abstract

Purpose: *The objective of the study was toestablish the mediating effect of quality decisions in the relationship between organizational learning and firm performance.*

Methodology: *The study used cross sectional descriptive research design. A descriptive cross-sectional design facilitated determination of relationship between or among organizational learning, competitive strategies, and performance of firms in the insurance industry in Kenya. The population of interest in this study consisted of all the 45 insurance firms offering insurance cover in Kenya. This was a census study since the population was small. Both primary and secondary data were collected and used in the study. The data analysis was done using quantitative techniques. The data collected was first summarized, categorized and coded. Descriptive statistics were used. They consisted of frequency distributions, measures of central tendency (arithmetic mean, median, and mode). Regression models were used to test the hypotheses.*

Results: *The regression results satisfied all the four conditions, proposed by Baron and Kenny (1986) that should be met for a mediation to be confirmed. Therefore it can be concluded that the influence of organizational learning on performance of insurance firms in Kenya is indirect (through quality decisions). In other words, organizational learning generates quality decisions which in turn increase performance of the insurance firms. This was full mediation. Thus the hypothesis that quality decision mediates the relationship between organizational learning and overall firm performance was supported.*

Unique contribution to theory, practice and policy: *This study makes a contribution by confirming organizational learning, an internal resource, as positively related to firm performance and further adds the finding that quality decisions mediates that relationship.*

Keywords: Quality Decisions, Organizational Learning, Firm Performance.

1. INTRODUCTION

Organizational learning is viewed as one of the fundamental sources of improved and superior performance in the strategic management field (Nonaka, 1984). Theorists argue that in dynamic and uncertain environments, the ability of firms to learn faster than competitors may provide sustained competitive advantage (De Geus 1988; Stata 1989). Innovation, change, organizational renewal and dynamic capabilities have become important bases of sustained superior performance (Hedlund, 1994).

Quality decisions is a concept that has a commitment to excellence and continuous improvement with a set of strategies and operating tools to gain improved performance (Albert,2005). According to Gilmore (1998), a quality decision is seen from the process that has been followed and persons involved. He specifies that a good decision must involve clear identification of what a decision is to be made about or the problem at hand, collection of all information that needs to be considered in arriving at a decision, analysis of the information, generating possible alternative solutions to the issue at hand, considering the advantages and disadvantages of each alternative and the risks involved, selection of the best possible alternative while considering how any risks will be hedged against, and clear arrangement of how decisions made will be implemented.Quality decisions in management facilitate carrying out in the best possible way the functions, tasks and related activities associated with planning, organizing, leading and controlling the firm (Grant, 2005). It is argued that the concept of organizational learning has emerged and evolved from the quality circles with the quality decisions strategy (Caulkan, 1994).

Currently, there are 45 licensed insurance firms that offer insurance cover in Kenya and contribute to a sustained economic development of Kenya. The contribution of insurance sector was at 2.63% of the Gross Domestic Product in Kenya in 2012 (Mudaki et al, 2012) and in 2016 was 2.93%. Insurance Regulatory Authority (IRA), established in 2006, is improving the regulatory environment and enforcing the adoption of international best standards by the insurance industry in Kenya. IRA ensures the industry players observe the rules governing the insurance industry. The Government of Kenya recognizes that accelerating economic growth to 10% (The Kenya Vision 2030 target) requires an efficient financial sector capable of providing the requisite national savings for financing the needed higher investment levels (http://www.treasury.go.ke). The insurance industry being a key player in the financial sector is being depended on to come up with innovations to provide efficiency and expanded insurance coverage in order to mobilize the requisite savings, in addition to covering risks to support and encourage businesses (http://www.treasury.go.ke). The Kenyan Insurance market collected gross premiums of approximately Ksh100 billion in the year 2014, while the penetration ratio continues to grow by well above 2.5 percent, which is the average for emerging markets (Association of Kenya Insurers (AKI) Report, 2015).

The total gross premium income (GPI) in the insurance industry has continued to grow by an average of 16 percent over the last five years (Association of Kenya Insurers (AKI) Report, 2015). Competition is stiff and products are imitable in the insurance industry while the firms have to deal with negative perceptions about the priority that should be given to insurance products in an environment where more than half of the population live below the poverty line (Association of
Kenya Insurers (AKI) Report, 2014). The industry has a problem of limited skills and faces a high rate of staff turnover (Association of Kenya Insurers (AKI) Report, 2014). It would be interesting to study the mediating effect of quality decisions on the relationship between organizational learning and firm performance.

1.1 Problem Statement

The ability to learn faster than competitors may be the only sustainable competitive advantage (De Geus, 1988). Organizational learning is an essential element for the survival of firms in the volatile business environment in which they operate today (Argyris & Scon, 1996; Senge, 1990). Organizational learning is expected to facilitate quality decisions. Therefore firms seeking to maintain superior performance need to create opportunities for their employees to acquire and share information, which will enable them to contribute to quality decisions. They have to prepare their employees to make quality decisions including choose appropriate competitive strategies according to the rapidly changing needs. Quality decisions lead to actions that give rise to superior performance. Firms need to have a system of continuous learning to enable them to know their environment and changes taking place so that they quickly take timely decision on the best competitive strategies to adopt in order to acquire and maintain superior firm performance.

The context of the study was the 45 firms offering insurance cover in Kenya and which face stiff competition. Given the easily imitable nature of the products and the rapidly changing environment, insurance firms have to continuously search for ways of differentiating their products and continuously learn the environment. One major challenge facing the insurance firms in Kenya is the low insurance penetration rate coupled with the negative perception towards insurance products by members of the public, many of whom still believe that where there are competing priorities for their limited incomes, insurance can be set aside (AKI Insurance Industry Annual Report, 2013). Insurance firms are facing mounting skills shortage and high labour turnover is also one of the problems they face. All these make it necessary for learning to be embraced to avoid losing capacity to make quality decisions that give rise to improved performance. The

industry operates in a strict regulatory environment under the IRA. Firms,therefore, face pressure to seek for ways to acquire and retain good performance and hence this made it necessary to carry out this study.

While Crossan, Lane, and White (1999) identified four main processes through which learning occurs as intuiting, interpreting, integrating and institutionalizing, Hyttinen (2005) investigated the conversion of individual knowledge creation into organizational knowledge creation and found that intuiting, interpreting and integrating were a better fit for the processes that convert individual knowledge to organizational knowledge. The above-cited studies were only theory based. Ollila (1994) in his study encouraged employees to learn new skills continuously so as to be innovative and to try new processes and work methods in order to achieve the strategic business objectives of the organization. He did not examine what firms need to put in place and what influences the process through which organizational learning impacts performance.

Previous studies had not examined quality decision as moderating variables in the relationship between organizational learning and organizational performance. This study, therefore, set to answer the question: What is the mediating effect of quality decisions on the relationship between organizational learning and firm performance?

1.2 Research Objective

The objective of the study was to establish the mediating effect of quality decisions on the relationship between organizational learning and firm performance

2. LITERATURE REVIEW

The focus of this section is the review of relevant theories, quality decisions, organizational learning and organizational performance.

2.1Theoretical Foundation

This study is anchored on resource based view, knowledge base view, and game theory. These theories are reviewed below.

2.1.1 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) of the firm or the internal view of competitive advantage arose from a diversion since the early 1980s towards considering internal resources and capabilities as the primary source of competitiveness. Barney (1991) and Wernerfelt (1984) developed the resource-based theory around the internal competencies of firms and turned the interest of strategic management towards the inside of the firm. According to RBV competitive advantage is rooted in a firm's assets that are valuable and inimitable. This perspective expects firms to compete based on their unique or distinctive internal capabilities, competencies and resource capabilities (Hoskisson et al, 1999).

A firm's capabilities or competencies and management ability to marshal the resources and their deployment patterns to produce superior performance determine its competitive advantage (Grant, 1991). Barney (1991) also noted that by nurturing a firm's resources and internal competencies and applying them to an appropriate external environment in a timely way, a firm can develop a viable and sustainable strategy. In 2002 McEvily and Charkravathy carried out a study and verified that if a firm was able to continually and

quickly learn, adapt and provide unique requirements of stakeholders in a manner that could not be immediately imitated then they could outperform competitors. The ability to make quality decisions in a timely manner is an important internal resource that can enable a firm to stay ahead of competition and apply appropriate actions in response to environment changes.

2.1.2 Knowledge-Based View (KBV)

The Knowledge-Based View (KBV) is an extension of the resource-based view. It advances the critical role of internal resources and focuses on differentiated knowledge inventories as a basis for competitive advantage (Hoskisson et al, 1999). Writers on the knowledge-based view consider knowledge as a strategic resource and the gathering of knowledge as building of strategic capability (Conner, 1991; Grant, 1996; Kogut and Zander, 1993; Leonard-Barton, 1992; Liebaskind, 1996; Spender and Grant, 1996; Teece et al, 1997 and Winter, 1987).

A firm's knowledge about routines and processes that define the distinctive way of doing things inside the organization and the knowledge of customer needs and suppliers strengths are critical to superior performance (Grant, 1991). A widely shared view in the strategic management literature is that performance differences between organizations are a result of their different stocks of knowledge and their differing capabilities in developing and deploying knowledge (Choo and Bontis, 2002). The dynamic environment in which firms operate today has raised a lot of interest in continuous learning and gathering of knowledge in organizations and being able to make well informed quality decisions (Sanchez, 1995).

2.1.3 Game Theory (GT)

Newmann and Morgenstern first wrote on game theory in 1944. They introduced the use of Game Theory (GT) to deal with decisions in which two or more intelligent opponents have conflicting objectives (Mcain, 2004). Game theory looks at the relationships between competing participants in a particular model and predicts their optimal decisions given specific conditions or environment in which they operate (Mcain 2004). Game theory is useful in strategic decision making and suggests the need to analyze decisions, the environment, possible alternative actions of a firm and those of other players in the industry as well as the possible outcome (Myerson, 1991). A course of action can then be selected that offers the best possible advantage compared to competitors. As the game theory is applied, useful experience is gained and learning takes place so that effective decisions are made that help in gaining superior performance (Myerson, 1991).

The above three theories in the five theories above are considered relevant in this study. RBV points to the need to build internal capabilities or competencies and management ability as a way of gaining uniqueness that gives rise to competitive advantage. KBV focuses on the critical role internal resources and differentiated knowledge play in building sustained superior performance. KBV indicates that to build long term superior performance, there is a need to continuously be well informed to make good accurate decisions and act to facilitate quick response to rapidly changing environment. It is important to be prepared for change including by organizational learning to maintain superior performance. GT brings out the need for enhanced capacity for strategic decision making by having the capacity to select the best possible alternatives, relevant to respond appropriately and at the right time. In a competitive environment a wrong decision or failing to take action at the right time would be detrimental to a firm's performance.

2.2 Organizational Learning and Firm Performance

The interest in the issue of organizational learning (OL) has recently increased (Lipshitz, et al., 2002). Since organizations today face a lot of environmental pressures, including intense competition, there is an urgent

need to learn quickly and change (Lakomski, 2001). Through organizational learning, a firm can develop hard to imitate knowledge resources and capabilities that create value which in turn lead to superior performance (Njuguna, 2009). McGill, Slocum and Lei (1992) and Starkey (1998) singled out organizational learning and its promulgation as a key means of adaptation as one of the latest manifestations of the search for new approaches towards acquisition of superior performance. Studies by Peddler, Burgoyne and Boydell (1997) point to the power of learning, its unleashing and the assertion that those who learn quickest will be the winners.

According to Alderson (1965) firms should strive for unique characteristics in order to distinguish themselves from competitors, in the eyes of the consumer, for a long period of time to ensure sustainable superior performance. A firm should ensure competitors are unable to easily imitate its capacity for value creation by continuously being ahead (Collis and Montgomery, 1995). The resources should be valuable, rare, inimitable and appropriate. Acquiring and preserving sustainable competitive advantage and superior performance are a function of the resources and capabilities brought to the competition (Barney, 1995). These knowledge resources and capabilities, resulting from learning processes implies an improvement in response capacity through a broader understanding of the environment (Dodgson, 1993; Sinkula, 1994).

Bustinza, Molina and Aranda (2011) carried out a study on service companies in Spain which established that development of dynamic capabilities by learning led to improved firm performance. He used both financial and non-financial measures .The results of the non-financial performance measures of this study agreed with the past findings. However, the results obtained when using financial performance measures did not support their hypothesis that organizational learning is positively related to firm performance. It was specified in the study that possible reasons could be that the relationship between organizational learning and financial performance may be are moderated by other factors not considered in the study. Bontis, Crossan and Hulland (2002) carried out a study on mutual fund companies in Canada which supported the premise that there exists a positive and significant relationship between organizational learning and business performance.

Morgan and Berthon (2008) carried out a study which focused on bioscience industry in the UK and established that exploitative and exploration innovation strategies which were greatly rooted in organizational learning significantly explained improvements in business performance. Amiri et al (2010) argued that organizational learning leads to improvements in business performance which explain both financial and non-financial performance. They observed that market orientation leads to exploitative learning while generative learning leads to explorative innovation.

The organizational learning process helps people discover why problems may arise, question the current systems and challenge paradoxes as they occur (Murray and Donegan, 2003). Change in behaviour that gives rise to improved performance can, therefore, take place in good time. Hitt, Hoskisson and Ireland (1990) conclude in their empirical study that the source of distinctive competencies are internal rather than external and are derived from the way an enterprise uses its resources relative to its competition Firms that continuously devote their internal forces to learn and exploit the opportunities in the environment and to neutralize threats while avoiding weak points are likely to perform better than those that do not do the same (Barney, 1995). Learning also increases information sharing, communication, understanding, and the quality of decisions made in organizations. In their research on organizational learning, Nevis et al., (1995) reported that all the firms they observed were learning systems. The study described how learning has changed

organizations such as Motorola, Mutual Investment Corporation, Electricite de France and Fiat Auto Company. All these firms had both formal and informal structures and processes for the acquisition, sharing and utilization of knowledge and skills. Organizational learning is valued in enhancing the quality of decisions. Federal Express invests heavily in team learning for its quality improvement and better firm performance (Nevis et al., 1995).
Past studies have however not yet examined the role of quality decisions as an intervening variable in the relationship between organizational learning and performance.

2.3 Organizational Learning, Quality Decisions and Firm Performance
Quality decisions are those made using quality processes involving rigorous debate with different well-informed positions eventually producing well thought out positions in which all factors that could influence a decision have been considered. Making quality decisions is seen as a critical factor in achieving superior performance (Friederickson and Mitchell, 1984). Quality decisions may facilitate a focus on satisfying customer expectations on a product which includes pricing, applicable industry standards, and satisfactory cost and profit outcome. Bunning (1992) says that quality decisions are simply about getting things done by an organization through its people in a value adding way.

The right people with the requisite knowledge should be involved. Empowerment including in decision making has gained importance within management in recent years. Empowerment is often defined as the act of giving people the opportunity to make workplace decisions by expanding their autonomy in decision making (Vogt, 1997). Empowerment is an important factor in facilitating a worker's dedication to the organization (Kirkman et al, 1999). Within the quality circle process, learning in such areas as environmental scanning, quality strategies, problem analysis and evaluation techniques become a critical success factor (Becker, 2001).

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Munjuri (2013) in her study established that quality decisions was a contributor to improved firm performance of commercial banks and insurance firms in Kenya. Rogers and Blenko (2006) carried out a study on high performance organizations and found that more than 90 percent of the firms surveyed believe that significant quality decisions are made in their organizations leading to prompt and effective action. The study contended that making good decisions means being clear about which decisions really matter for good performance to be achieved.

The process of organizational learning may facilitate more informed decisions and shared understanding and the rate at which organizational learning takes place may become a competitive advantage (Ollila, 1994). In the 21st century business landscape, firms must compete in a complex and challenging dynamic context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use

of information technologies (DeNisi, Hitt, and Jackson, 2003). Past studies have however not yet examined the role of quality decisions as an intervening variable in the relationship between organizational learning and performance.

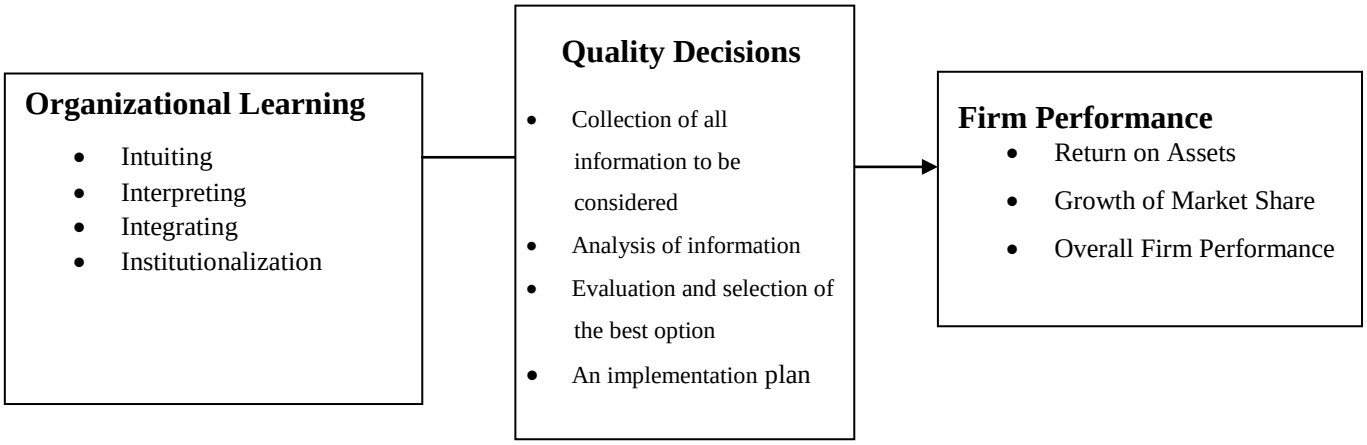

Figure 1: Conceptual Frame work

H_a: Relationship between organizational learning and Return on Asset is mediated by quality decisions

H_b: Relationship between organizational learning and growth of market share is mediated by quality decisions

H_c: Relationship between organizational learning and overall performance is mediated by quality decisions

3.0 RESEARCH METHODOLOGY

The philosophical orientation of this study was positivist paradigm. This orientation was informed by its theoretical foundation and hypotheses. Descriptive cross sectional design was used and so collection of data was done at one point in time across all firms licensed in Kenya to offer insurance cover. The population of interest in this study consisted of all the 45 insurance firms offering insurance cover in Kenya. The census approach was used due to the relatively small number of firms.

Both primary and secondary data were used in the study. The data was collected on organizational learning and quality decisions while secondary data was obtained for return on assets, growth or market share and overall firm performance based on computed composite index of return on assets and growth of market share. The data was analyzed using descriptive and inferential statistics. The latter were used to test hypotheses as summarized in table 1.

Table 1: Summary of Research Objectives, Hypotheses and Analytical Techniques

To establish whether the effect of organizational learning on firm performance is mediated by quality decisions	H: The relationship between organizational learning and firm performance is mediated by quality decisions.	-Baron and Kenny (1986) Regression model was used to establish whether the effect of organizational learning on firm performance is mediated by quality decisions. FP=f(OL+QD) Regression models Step 1: $FP= \alpha+ \beta_1 OL+ \varepsilon$ Step 2: $QD= \alpha + \beta_2 OL+ \varepsilon$ Step 3: $FP= \alpha + \beta_3 QD+ \varepsilon$ Step 4: $FP= \alpha+ \beta_4 OL+ \beta_5 QD+ \varepsilon$ Where FP=Firm Performance, OL=Organizational Learning, QD=Quality decisions	For mediation effect to be considered positive, four conditions should be fulfilled: 1. The independent variable is significantly related to the dependent variable in the absence of the mediating variable (F statistic, R^2, p-value < 0.05). 2. The independent variable is significantly related to the mediator variable (F statistic, R^2, p-value < 0.05). 3. The mediator variable is significantly related to the dependent variable (F statistic, R^2, p-value < 0.05). 4. When controlling for the effect of the mediating variable on the dependent variable, the effect of the independent variable on the dependent variable is insignificant in the presence of the mediating variable. (F statistic, R^2, p-value > 0.05 $R^2$to assess how much of dependent variable variation is due to influence of independent variable F test to assess the overall significance of the model Beta (β) to determine the contribution of each predictor variable to the significance of the model t to determine the significance of individual variables P value < 0.05 to check on statistical significance

4. RESULTS AND DISCUSSION

4.1 Response Rate

The number of questionnaires administered was 45. A total of 40 questionnaires were properly filled and returned. This represents an overall success response rate of 88.89% as shown in Table 2. According to Mugenda and Mugenda (2003) and also Kothari (2004), a response rate of above 50% is adequate for a

descriptive study. Return rates of 80% is excellent (Babbie, 2004). Based on these assertions from fore mentioned scholars, 88.89% response rate that was obtained in this study is excellent for the study.

Table 2: Survey Response Rate

Response	Frequency	Percent
Returned	40	88.89%
Not returned	5	11.11%
Total	**45**	**100%**

Source: Survey Data 2015

4.2 Test of Reliability of the Data Collection Instrument

Reliability of this instrument was evaluated using Cronbach Alpha which measures the internal consistency. Cronbach Alpha value is widely used to verify the reliability of a construct. A Cronbach Alpha of 0.7 and above indicates the presence of internal consistency and that the instrument is reliable for use in the study (Babbie & Mouton, 2009). Internal consistency means that the questions or item measures included for a construct actually belong to that construct (Babbie & Mouton, 2009). Tables 3 below indicates the Cronbach Alpha for each variable. All the measurement items for each variable were consistent with each other. This means they were all contributing to the same construct. Internal consistency reliability was therefore achieved for each variable. All the variables were quite reliable with a Cronbach's alpha reliability coefficient greater than 0.7 quality decisions had (α=0.952) with 21 items, whileOrganizational Learning had (α=0.865) with 20 items. The study thus found that the instrument used was reliable and could be used for further analysis.

Table 3: Internal Consistency Reliability Results

Variable	Items	Cronbach's Alpha (α)
Organizational Learning	20	0.865
Quality Decisions	21	0.952

Source: Survey Data 2015

4.3 Measures of Organizational Learning

The sub-constructs that were used to measure organizational learning were Intuiting, Interpreting, Integrating, and Institutionalization. Twenty (20) items were used to measure organizational learning. Respondents were asked to respond to pertinent statements posed by indicating the extent to which the same applied in their respective firms. Responses were given on a five-point Likert scale ranging from 1 being "Very Limited Extent" to 5 being "Very Great Extent" (where 5 = To a very great extent; 4 = To a great extent; 3 = To a moderate extent; 2 = To a limited extent; 1= To a very limited extent). The scores of 'To a very limited extent and 'To a limited extent' have been taken to represent a statement affirmed to, as to a limited extent, equivalent to mean score of 0 to 2.5. The score of 'To a moderate extent' has been taken to represent a statement affirmed to, as to a moderate extent, equivalent to a mean score of 2.6 to 3.4. The score of 'To a great extent' and 'To a very great extent' have been taken to represent a statement affirmed to as equivalent to a mean score of 3.5 to 5.0.

The intuiting subscale consisted of 5 items, the Interpreting subscale consisted of 8 items, the Integrating subscale consisted of 8 items and the Institutionalization subscale consisted of 4 items. Respondent's views about these sub-constructs were sought and the ratings are presented in table 4.

Table 4: Means and Standard Deviations for Measures of Organizational Learning

Statement	Mean	Std Dev	CV
Intuiting			
New ways of making work better and achieving results are continuously sought	3.87	0.65	0.17
Knowledge is acquired from external sources	3.55	0.96	0.27
Knowledge is acquired from internal sources	3.92	0.83	0.21
The organization encourages joining of formal or informal networks within and outside	3.38	1.31	0.39
Organization is in touch with Regulatory authorities, relevant ministries, Associations & professional organizations and employees can access information	4.37	0.74	0.17
Overall mean	**3.82**	**0.90**	**0.24**
Interpreting			
The organization has clear communication networks	4.02	1.09	0.27
All Employees are regularly informed about the expectations of the organization	4.12	0.79	0.19
Regular training is conducted within and outside the organization	3.70	0.97	0.26
Steps are regularly taken to ensure employees have necessary competence to do their work	3.80	0.82	0.22
Steps are regularly taken to inform staff of external and internal factors that may affect their work	3.57	0.81	0.23
Regular Meetings are held to share ideas	3.82	1.06	0.28
Employees are encouraged to regularly share knowledge and experience	3.67	0.92	0.25
There are formal mechanisms for sharing information between various sections in the organization	3.27	0.68	0.21
Overall mean	**3.75**	**0.89**	**0.24**
Integrating			
Teamwork is encouraged	4.15	0.70	0.17
Supervisors work closely with staff to ensure clear understanding of work procedures	4.05	0.75	0.19
Mechanisms are in place to ensure staff knows how their work relates with that of their colleagues	3.60	0.84	0.23
Overall mean	**3.93**	**0.76**	**0.19**
Institutionalization			
There are clear policies and procedures on learning	3.78	0.80	0.21
Mentoring is valued and each staff has to demonstrate how he has mentored others	2.90	1.03	0.36
Reports are prepared regularly at organizational level on learning	3.45	1.09	0.32
The organization sets aside resources for learning	3.68	1.10	0.30
Overall mean	**3.45**	**1.00**	0.29
Grand Mean	**3.74**	**0.89**	**0.24**

Source: Survey Data 2015

As presented in table 4 above, under intuiting subscale the analysis indicated that to a great extent the respective organizations are in regular touch with regulatory authorities, relevant ministries, associations of firms in the industry, professional organizations, and information from them are accessible to employees (mean = 4.37, standard deviation = 0.74); new ways of making work better and achieving results in a better way are continuously sought (mean = 3.87, standard deviation = 0.65) and knowledge is acquired from internal sources (mean = 3.92, standard deviation = 0.82). To a moderate extent knowledge is acquired from external sources (mean = 3.55, standard deviation = 0.96) and the organization encourages joining of formal or informal networks within and outside (mean = 3.38, standard deviation = 1.31).

Under interpreting subscale of organizational learning the scores showed that to a great extent in order to ensure movement in a common direction all employees are regularly informed about the expectations of the organization (mean = 4.12, standard deviation = 0.79); the organization has clear communication networks accessible to all staff through which information can be passed on (mean = 4.02, standard deviation = 0.94); steps are regularly taken to ensure that employees have the necessary competence to do their work learning (mean = 3.75, standard deviation = 0.84); regular meetings are held at which ideas are shared (mean = 3.82, standard deviation = 1.06); regular training is conducted within and outside the organization (mean = 3.70, standard deviation = 0.97) and that employees are encouraged to regularly share knowledge and experience (mean = 3.67, standard deviation = 0.92). Also under interpreting it is only to a moderate extent that steps are regularly taken to inform staff of external and internal factors that may affect their work (mean = 3.57, standard deviation = 0.81). The respondent also indicated that it is only to a moderate extent that formal mechanisms are available for sharing information between various sections (mean = 3.27, standard deviation = 0.68).

Analysis in the table above shows that under the integrating subscale of organizational learning shows that to a great extent teamwork is encouraged as a way of ensuring common understanding of work procedures and methods (mean = 4.15, standard deviation = 0.70); supervisors work closely with staff to ensure clear understanding of work procedures and methods (mean = 4.05, standard deviation = 0.75) and that only to a moderate extent mechanisms are put in place to ensure staff know how their work relates with that of their colleagues (mean = 3.60, standard deviation = 0.84).

Under the institutionalization subscale of organizational learning the respondents agreed that to a great extent there are clear policies and procedures on learning (mean = 3.78, standard deviation = 0.80) and the organizations set aside resources for learning (mean = 3.68, standard deviation = 1.10). Only to a moderate extent however are reports prepared regularly at organizational level on learning (mean = 3.45, standard deviation = 1.09). From the analysis, it is seen that only to a limited extent mentoring is valued and each staff has to demonstrate how he/she has mentored others (mean = 2.90, standard deviation = 1.03). A grand mean of 3.74 for organizational learning subscales was obtained implying that the insurance firms reached to a great extent recognize that organizational learning is a strategy to maintain adaptability and flexibility in an ever changing world, hence superior performance. It can be deduced from the responses given that organizational learning allows for teams to learn exactly what is relevant to their specific tasks and specialties while other information they do not need is given to the individuals and teams that need it. With this, employees work together to help each other learn, and to ensure that nobody is left behind in the overall progress and achievement of the target goals.

4.4 Measure of Quality decisions

In this section, the study sought respondents' perception regarding the various aspects defining Quality Decisions. To this end, respondents were asked to respond to pertinent statements posed by indicating the extent to which the same applied in their respective firms. Responses were given on a five-point Likert scale

(where 5 = To a very great extent; 4 = To a great extent; 3 = To a moderate extent; 2 = To a limited extent; 1= To a very limited extent). The scores of 'To a very limited extent and 'To a limited extent' have been taken to represent a statement affirmed to, as to a limited extent, equivalent to mean score of 0 to 2.5. The score of 'To a moderate extent' has been taken to represent a statement affirmed to, as to a moderate extent, equivalent to a mean score of 2.6 to 3.4. The score of 'To a great extent' and 'To a very great extent' have been taken to represent a statement affirmed to as equivalent to a mean score of 3.5 to 5.0.

The 'Based on collection of all information necessary to inform decisions' subscale consisted of 6 items, the 'Anchored on Analysis of information' subscale consisted of 6 items, the 'Based on Evaluation and Selection of the best option' subscale consisted of 8 items and 'Implementation plan is made for each decision' subscale consisted of 1 item. Table 4.12 below shows how the subscales of Quality Decisions were rated by respondents.

Table 4.12: Mean and Standard Deviation for Measures of Quality Decisions

Statement	Mean	Std Dev	CV
Collection of Information			
Before Decision making, all information is made available	3.95	0.85	0.20
Staff participate in decisions that concern their unit	3.77	0.70	0.17
External Experts are consulted before a decision is made	3.88	0.99	0.16
Steps are taken to consider all possible causes of problems	3.82	0.71	0.33
Adequate resources are allocated in problem identification	3.75	1.01	0.22
Adequate analysis is done to determine cause of problem	3.90	1.03	0.21
Overall mean	**3.85**	**0.88**	**0.21**
Analysis			
Brainstorming takes place to get views on alternative solutions	3.70	0.82	0.21
Options are considered before a decision is made	3.95	0.85	0.24
Relevant and reliable data about each alternative option is collected	3.75	0.90	0.20
Possible alternatives are ranked and the best selected	3.70	0.99	0.16
Historical data is given importance and referred to	3.80	0.88	0.20
Experts are engaged in identifying best alternatives	3.47	0.91	
Overall mean	**3.73**	**0.89**	**0.28**
Evaluation			
Use of Experts from outside and select employees in taking final decision	3.65	1.00	0.18
All opinions and competing alternatives are thoroughly discussed	3.93	0.80	0.17
Final decision making is guided by clear set standards	3.80	0.88	0.19
Contingency plans are made to hedge against risks of decisions taken	3.70	0.99	0.19
Final Decision makers are knowledgeable	4.13	0.61	0.19
Decision makers are committed to success of decisions taken	4.10	0.81	0.18
Final decision making is geared towards efficiency	4.23	0.73	0.19
Final decision making is geared towards effectiveness	4.27	0.68	
Overall mean	**3.98**	**0.81**	**0.21**
Implementation			
Implementation mechanism is spelt out for each final decision	3.75	0.81	0.25
Overall mean	**3.75**	**0.81**	**0.22**
Grand mean	**3.82**	**0.85**	**0.22**

Source: Survey Data 2015

Results, as shown in table 5 above, reveal that to a great extent all firms make decisions based on the collection of all information necessary to inform decisions. This can be seen from the statements under this subscale that were all rated as being done to a great extent. To a great extent, before any decision is made, all the relevant information is made available (mean = 3.95, standard deviation = .85); adequate analysis is done to determine cause of problem (mean = 3.90, standard deviation = 1.03); external experts are consulted before a decision is made (mean = 3.88, standard deviation = 0.99); steps are taken to consider all possible causes of problems (mean = 3.82, standard deviation = 0.71);staff participate in decisions that concern their unit (mean = 3.77, standard deviation = .70) and that adequate resources are allocated in problem identification (mean = 3.75, standard deviation = 1.01).

In the case of the subscale where it was sought to determine whether decisions are anchored on analysis of information the table 5 above indicated that to a great extent a number of options are considered before a decision is taken (mean = 3.95, standard deviation = .85); relevant and reliable data about each alternative option is collected (mean = 3.75, standard deviation = 0.90); historical data is given importance and referred to inform decision (mean = 3.80, standard deviation = .88); brainstorming takes place to get views on alternative solutions (mean = 3.70, standard deviation = .82) and possible alternatives are ranked and the best selected (mean = 3.70, standard deviation = .99). To a moderate extent, however, experts are engaged in identifying best alternatives (mean = 3.47, standard deviation = .91).

Under the subscale on whether decisions are based on evaluation and selection of the best option, it was identified that this is done to a great extent given that the means for all statements confirmed this fact. To a great extent final decision making is geared towards creation of effectiveness (mean = 4.27, standard deviation = .68) and efficiency (mean = 4.12, standard deviation = .73), standard deviation = .81); final decision makers are knowledgeable in the area (mean = 4.13, standard deviation = .61); decision makers are committed to success of decisions taken (mean = 4.10, standard deviation = .81); all opinions and competing alternatives are thoroughly discussed (mean = 3.93, standard deviation = .80); contingency plans are made to hedge against risks of decisions taken (mean = 3.70, standard deviation = .99) and the firms use experts from outside and select employees in taking final decisions (mean = 3.65, standard deviation = .100); Finally in response to the question of the final subscale the majority of the respondents agreed that to a great extent implementation mechanism is spelt out for each final decision.

With a grand mean of 3.82, it can be deduced that the insurance industry in the country recognizes that quality decisions are the coin of the realm in the insurance business and that no firm can reach its full potential unless it makes good decisions quickly and consistently and then implements them effectively. It is evident that better decision abilities contribute to organizations' improved financial performance. It is also evident that a modern forward-looking insurance firm does not keep its employees uninvolved about vital decisions affecting them. It trusts them and involves them in decision-making at all levels.

4.5 Test of Hypothesis

4.5.1Mediating Effect of Quality Decisions in the Relationship between Organizational Learning and Return on Assets

The objective of the study was to establish the mediation of quality decisions in the relationship between organizational learning and return on assets. To establish the mediation effect, the following hypothesis was formulated for testing.

Ha: Quality decisions mediate the relationship between organizational learning and return on assets.

The Baron and Kenny's path analysis was used to test this hypothesis. Mediation is confirmed when the following four conditions are fulfilled:

1. The independent variable must be significantly related to the dependent variable in the absence of the mediating variable.
2. The independent variable must be significantly related to the mediator variable.
3. The mediator variable must be significantly related to the dependent variable.
4. When the effect of the mediating variable on the dependent variable is controlled, the effect of the independent variable on the dependent variable should not be significant. The outcome of the regression analyses yielded results that are presented in table 6

Table 6: Regression Results for the Mediation of Quality Decisions in the Relationship between Organizational Learning and Return on Assets

Model Summary							
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	Organizational Learning	.323	.104	.081	.0374771		
2	Organization learning	.531	.282	.263	.72446		
3	Quality Decisions	.403	.162	.140	.0362395		
4	Organization Learning and Quality Decisions	.423	.179	.134	.0363638		
ANOVA							
Model			Sum of Squares	df	Mean Square	F	Sig.
1	Organizational Learning	Regression	.006	1	.006	4.418	.042
		Residual	.053	38	.001		
		Total	.060	39			
2	Organization learning	Regression	7.847	1	7.847	14.951	.000
		Residual	19.944	38	.525		
		Total	27.791	39			
3	Quality Decisions	Regression	.010	1	.010	7.364	.010
		Residual	.050	38	.001		
		Total	.060	39			
4	Organization Learning and Quality Decisions	Regression	.011	2	.005	4.027	.026
		Residual	.049	37	.001		
		Total	.060	39			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.006	.032		-.182	.857
	Organizational Learning	.019	.009	.323	2.102	.042
2	(Constant)	1.273	.628		2.028	.050
	Organization learning	.676	.175	.531	3.867	.000
3	(Constant)	-.007	.026		-.274	.786
	Quality decisions	.019	.007	.403	2.714	.010
4	(Constant)	-.025	.033		-.751	.458
	Organizational Learning	.009	.010	.151	.861	.395
	Quality Decisions	.015	.008	.322	1.834	.075
Model 1 Predictors (Constant) Organization Learning: Criterion variable Return on Asset Model 2 Predictors: (Constant) Organization Learning: Criterion variable Quality Decisions Model 2 Predictors: (Constant) Quality Decisions: Criterion variable Return on Asset Model 3 Predictors: (Constant) Organization Learning and Quality Decisions: Criterion variable Return on Asset						

Source: Survey Data 2015

The results in Table 6 show that in step one the influence of organizational learning on firm performance is significant (R^2=0.104, F=4.418, p<0.05;β=0.019, t=2.104, p<0.05), implying that 1.9% of the change in return on assets is attributable to one unit change in organizational learning. 10.4% of the variation in return on assets is accounted for by organizational learning. The first mediation condition which states that the independent variable should be significantly related to the dependent variable in the absence of the mediating variable is thus satisfied.

The second step as presented in Table 6 indicates that the influence of organizational learning on quality decisions is significant (R^2=0.284, F=14.951, p<0.05;β=0.676, t=3.867, p<0.05), thus satisfying the second condition which states that the independent variable should be significantly related to the mediator variable.

The third step as presented in table 6 revealed that the influence of quality decisions on firm performance was significant (R^2=0.162, F=7.364, p<0.05;β=0.019, t=2.714, p<0.05), thus satisfying the third condition which states that the mediator variable should be significantly related to the dependent variable.

The fourth step as presented in table 6 revealed that the influence of the independent variable (organizational learning) on the dependent variable (return on assets) was insignificant in the presence of the mediating variable, quality decisions (R^2=0.179, F=4.027, p<0.05;β=0.009, t=0.861, p>0.05), and thus satisfying the fourth condition which states that the effect of the independent variable on the dependent variable should be insignificant in the presence of the mediating variable.

The regression results thus satisfied all the four conditions that should be met for a mediation to be confirmed and therefore it can be concluded that the influence of organizational learning on performance of insurance firms in Kenya is indirect (through quality decisions). In other words, organizational learning generates quality decisions which in turn increase performance of the insurance firms. Quality decisions was found to be a mediator in this case. Thus the hypothesis that quality decision mediates the relationship between organizational learning and return on assets was supported.

4.5.2 Mediating Effect of Quality Decisions on the Relationship between Organizational Learning and Growth of Market Share

The study set to establish whether the effect of organizational learning on firm performance is mediated by quality decisions. To establish the mediation effect, the following hypothesis was formulated for testing.

Hb: The relationship between organizational learning and firm performance is mediated by quality decisions

The Baron and Kenny's path analysis was used to test this hypothesis. For mediation to be confirmed, four conditions should be fulfilled:

1. The independent variable is significantly related to the dependent variable in the absence of the mediating variable.
2. The independent variable is significantly related to the mediator variable.
3. The mediator variable is significantly related to the dependent variable.
4. When the effect of the mediating variable on the dependent variable is controlled, the effect of the independent variable on the dependent variable should not be significant. The outcome of the regression analyses yielded results that are presented in table 7.

Table 7: Regression Results for the Mediation of Quality Decisions in the Relationship between Organization Learning and Growth of Market Share

Model Summary							
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	Organizational Learning	.295	.087	.063	15.09528		
2	Organization learning	.531	.282	.263	.72446		
3	Quality Decisions	.344	.118	.095	14.83645		
4	Organization Learning and Quality Decisions	.369	.136	.089	14.88431		
ANOVA							
Model			Sum of Squares	df	Mean Square	F	Sig.
1	Organizational Learning	Regression	827.010	1	827.010	3.629	.006
		Residual	8658.965	38	227.867		
		Total	9485.975	39			
2	Organization learning	Regression	7.847	1	7.847	14.951	.000
		Residual	19.944	38	.525		
		Total	27.791	39			
3	Quality Decisions	Regression	1121.407	1	1121.407	5.095	.030
		Residual	8364.568	38	220.120		
		Total	9485.975	39			
4	Organization Learning and Quality Decisions	Regression	1288.899	2	644.450	2.909	.067
		Residual	8197.076	37	221.543		
		Total	9485.975	39			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.217	13.076		-.017	.987
	Organizational Learning	6.941	3.643	.295	2.905	.006
2	(Constant)	1.273	.628		2.028	.050
	Organization learning	.676	.175	.531	3.867	.000
3	(Constant)	1.035	10.560		.098	.922
	Quality decisions	6.352	2.814	.344	2.257	.030
4	(Constant)	-6.342	13.573		-.467	.643
	Organizational Learning	3.687	4.241	.157	.869	.390
	Quality Decisions	4.812	3.333	.260	1.444	.157
Model 1 Predictors (Constant) Organization Learning: Criterion variable Growth of Market Share Model 2 Predictors: (Constant) Organization Learning: Criterion variable Quality Decisions Model 2 Predictors: (Constant) Quality Decisions: Criterion variable Growth of Market Share Model 3 Predictors: (Constant) Organization Learning and Quality Decisions: Criterion variable Growth of Market Share						

Source: Survey Data 2015

The results in Table 7 show, in step one, that the influence of organizational learning on growth of market share is significant (R^2=0.87, F=3.629, p<0.05;β=6.941, t=2.905, p<0.05), implying that 6.941 of a unit change in growth of market share is attributable to one unit change in organizational learning. The first mediation condition which states that the independent variable should be significantly related to the dependent variable in the absence of the mediating variable is thus satisfied.

The second step as presented in Table 7 indicates that the influence of organizational learning on quality decisions is significant (R^2=0.282, F=14.951, p<0.05;β=0.676, t=3.867, p<0.05), thus satisfying the second condition which states that the independent variable should be significantly related to the mediator variable. The results indicate that organizational learning accounts for 28.2% variation in quality decisions.

The third step as presented in table 7 revealed that the influence of quality decisions on growth of market share as a measure of firm performance was significant (R^2=0.118, F=5.095, p<0.05;β=6.352, t=2.257, p<0.05), thus satisfying the third condition which states that the mediator variable should be significantly related to the dependent variable. The results imply that quality decisions explain 11.8%of the variance in growth of market share.

The fourth step as presented in table 7 revealed that the influence of the independent variable (organizational learning) on the dependent variable (growth of market share) was insignificant in the presence of the mediating variable, quality decisions (R^2=0.136, F=2.909, p>0.05;β=3.687, t=0.869, p>0.05), and thus satisfying the fourth condition which states that the effect of the independent variable on the dependent variable should be insignificant in the presence of the mediating variable.

The regression results thus satisfied all the four conditions that should be met for a mediation to be confirmed. Therefore it can be concluded that the influence of organizational learning on growth of market share, as a measure of firm performance of insurance firms in Kenya is indirect (through quality decisions). Quality decisions was found to be a mediator in this case. Hence the hypothesis that quality decisions affect the relationship between organizational learning and growth of market share was supported.

4.5.3 Mediation by Quality Decisions in the Relationship between Organizational Learning and Overall Firm Performance

The study had an objective of establishing whether the effect of organizational learning on overall firm performance is mediated by quality decisions. To establish the mediation effect, the following hypothesis was formulated for testing.

Hc: Quality decisions mediate the relationship between organizational learning and overall firm performance

The Baron and Kenny's path analysis was used to test this hypothesis. Mediation is confirmed when the following four conditions are fulfilled:

1. The independent variable must be significantly related to the dependent variable in the absence of the mediating variable.
2. The independent variable must be significantly related to the mediator variable.
3. The mediator variable must be significantly related to the dependent variable.
4. When the effect of the mediating variable on the dependent variable is controlled, the effect of the independent variable on the dependent variable should not be significant. The outcome of the regression analyses yielded results that are presented in table 8.

Table 8: Regression Results for the Mediation of Quality Decisions in the Relationship between Organizational Learning and Overall Firm performance

Model Summary							
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	Organizational Learning	.296	0.087	0.063	7.5606		
2	Organization learning	.531	.282	.263	.72446		
3	Quality Decisions	.344	0.118	0.095	7.4305		
4	Organization Learning and Quality Decisions	.369	0.136	0.089	7.45435		
ANOVA							
Model			Sum of Squares	df	Mean Square	F	Sig.
1	Organizational Learning	Regression	207.887	1	207.887	3.637	.0064
		Residual	2172.182	38	57.163		
		Total	2380.069	39			
2	Organization learning	Regression	7.847	1	7.847	14.951	.000
		Residual	19.944	38	.525		
		Total	27.791	39			
3	Quality Decisions	Regression	282.001	1	282.001	5.108	.030
		Residual	2098.068	38	55.212		
		Total	2380.069	39			
4	Organization Learning and Quality Decisions	Regression	324.077	2	162.038	3.916	.006
		Residual	2055.992	37	55.567		
		Total	2380.069	39			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.111	6.549		-0.017	0.987
	Organizational Learning	3.48	1.825	0.296	2.907	0.0064
2	(Constant)	1.273	.628		2.028	.050
	Organization learning	.676	.175	.531	3.867	.000
3	(Constant)	0.514	5.289		0.097	0.923
	Quality decisions	3.185	1.409	0.344	2.26	0.03
4	(Constant)	-3.183	6.798		-0.468	0.642
	Organizational Learning	1.848	2.124	0.157	0.87	0.39
	Quality Decisions	2.414	1.669	0.261	1.446	0.157
Model 1 Predictors (Constant) Organization Learning: Criterion variable Overall Firm performance Model 2 Predictors: (Constant) Organization Learning: Criterion variable Quality Decisions Model 2 Predictors: (Constant) Quality Decisions: Criterion variable Overall Firm Performance Model 3 Predictors: (Constant) Organization Learning and Quality Decisions: Criterion variable Overall Firm Performance						

Source: Survey Data 2015

The results in Table 8 show that in step one the influence of organizational learning on overall firm performance is significant (R^2=0.87, F=3.637, p<0.05;β=3.48, t=2.907, p<0.05), implying that 3.637 of the change in overall firmperformance is attributable to one unit change in organizational learning. 8.7% of the variation in overall firm performance is accounted for by organizational learning. The first mediation condition which states that the independent variable should be significantly related to the dependent variable in the absence of the mediating variable is thus satisfied.

The second step as presented in Table 8 indicates that the influence of organizational learning on quality decisions is significant (R^2=0.284, F=14.951, p<0.05;β=0.676, t=3.867, p<0.05), thus satisfying the second condition which states that the independent variable should be significantly related to the mediator variable.

The third step as presented in table 8 revealed that the influence of quality decisions on overall firm performance was significant (R^2=0.118, F=5.108, p<0.05;β=3.185, t=2.26, p<0.05), thus satisfying the third condition which states that the mediator variable should be significantly related to the dependent variable.

The fourth step as presented in table 8 revealed that the influence of the independent variable (organizational learning) on the dependent variable (overall firmperformance) was insignificant in the presence of the mediating variable, quality decisions (R^2=0.136, F=3.916, p<0.05;β=1.848, t=0.87, p>0.05), and thus satisfying the fourth condition which states that the effect of the independent variable on the dependent variable should be insignificant in the presence of the mediating variable.

The regression results thus satisfied all the four conditions that should be met for a mediation to be confirmed and therefore it can be concluded that the influence of organizational learning on performance of insurance firms in Kenya is indirect (through quality decisions). In other words, organizational learning generates quality decisions which in turn improves performance of the insurance firms. This was full mediation. Thus the hypothesis that quality decision mediates the relationship between organizational learning and overall firm performance was supported.

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion of Findings

The study intended to establish whether the effect of organizational learning on firm performance is mediated by quality decisions. Based on this objective, hypothesis was formulated which predicted that the relationship between organizational learning and firm performance is mediated by quality decisions.

The Baron and Kenny's path analysis for testing mediation was employed in this analysis, first using return on assets and second using growth of market share as measures of firm performance. Thirdly the overall firm performance (return on assets and growth of market share) was also used as firm performance, the dependent variable. The influence of organizational learning on return on assets was significant. Organizational learning explained 10.4% change in return on assets. The influence of organizational learning on quality decisions was also significant and organizational learning explained 28.2% change in quality decisions. The effect of quality decisions on return on assets was equally significant as shown by 16.2% of the change in return on assets attributable to quality decisions. Organizational learning and quality decisions together account for 17.9% of the change in return on assets. The effect of the organizational learning (independent variable) on return on assets was insignificant in the presence of quality decisions (a mediator) as required for mediation to be confirmed. Hence the fourth hypothesis which states that the relationship between organizational learning and firm performance is mediated by quality decisions was supported.

The influence of organizational learning on growth of market share as a measure of firm performance was significant. Organizational learning explained 8.7% of change in growth of market share as a measure of firm performance. The influence of organizational learning on quality decisions was likewise significant with organizational learning explaining 28.2% change in quality decisions. The influence of quality decisions on growth of market share was also significant. Quality decisions explained 11.8% change of growth of market share. Organizational learning and quality decisions together account for 13.6% of the change of growth of market share.

The effect of the organizational learning on the growth of market share was insignificant in the presence of quality decisions as is required for mediation to be confirmed. All the four conditions required for a mediation to exist were met. Hence the fourth hypothesis which states that the rrelationship between organizational learning and firm performance is mediated by quality decisions was supported when using both measures of firm performance applied in this study, return on assets and growth of market share. It is clear from the foregoing that the influence of organizational learning on firm performance of insurance firms in Kenya is significant as measured both by return on assets and growth of market share.

The influence of organizational learning on the overall firm performance (return on assets and growth of market share) was significant. Organizational learning explained 8.7% of change in the overall firm performance. The influence of organizational learning on quality decisions was likewise significant with organizational learning explaining 28.4% change in quality decisions. The influence of quality decisions on overall firm performance was also significant. Quality decisions explained 11.8% change of overall firm performance. Organizational learning and quality decisions together account for 13.6% of the change in overall firm performance.

The effect of organizational learning on the overall firm performance was insignificant in the presence of quality decisions as is required for mediation to be confirmed. All the four conditions required for a mediation to exist were met. Hence the fourth hypothesis which states that the rrelationship between organizational learning and firm performance is mediated by quality decisions was supported when using both measures of firm performance applied in this study, return on assets and growth of market share. It is clear from the foregoing that the influence of organizational learning on firm performance of insurance firms in Kenya is significant as measured both by overall firm performance. The hypothesis that quality decisions mediates the relationship between organizational learning and firm performance was supported. This confirms that the influence of organizational learning on firm performance is not direct but though quality decisions.

5.2 Conclusions

The results showed that the effect of organizational learning on firm performance is mediated by quality decisions, both when using return on assets and growth in the market share as measures of firm performance. Mediation by quality decisions on the relationship between organizational learning and overall firm performance (a composite of return on assets and growth of market share) was also confirmed. The results of tests provided sufficient statistical evidence in support of a mediation model. It is the quality of decisions a firm takes that may lead to sustained superior performance. Even when organizational learning takes place performance can only be enhanced in a sustained manner if quality decision are taken and actions are based on them. If organizational learning took place and timely decisions are not taken or suboptimal decisions are made it would be difficult to have sustained superior performance.

5.3 Recommendations

To ensure the best decision alternatives are selected managers need to make policies that guide how decisions are made and who is involved to ensure consistently quality decisions are made that can lead to sustained superior performance. This study indicates that quality decisions mediate the relationship between organizational learning and firm performance. Policies should be made that ensure that as organizational learning takes place the quality of decisions is enhanced. Firms should invest in enhancing the capacity to make decisions that are well thought out, viable and timely and this may lead to sustained superior performance. As shown in the study quality decisions have a positive effect on firm performance. The effect is even higher when quality decisions is present as a mediator in the relationship between organizational learning and firm performance.

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