ABSTRACT

In spite of a growing body of literature on firm performance, explaining why firms in the same industry and markets differ in their performance remains a fundamental question within strategic management field. While some researchers have attributed these differences to the resources owned and controlled by firms, others have argued that resources alone do not explain the differences in the firms' performance. This debate still continues, hence providing room for further contributions. Underpinned by the postulations of resource based theory, dynamic capabilities theory and knowledge based theory; this study contributes to the debate. The study advances the proposition that resources influence performance through the intervening effect of innovation. The proposition is empirically tested using both primary and secondary data from 46 Insurance Companies in Kenya. The results reveal that both tangible and intangible resources have a statistically significant direct influence on non-financial performance despite mixed findings as regards to the independent effects of resources on various firm performance indicators. Innovation was found to have a statistically significant intervening influence on the relationship between resources and non-financial performance. The findings offer some support for the anchoring theories as well as partial support to previous similar studies. In spite of the inherent limitations, the study advances the frontiers of knowledge in confirming the anchoring theories while providing ground for policy direction and managerial practice.
Key Words: Organizational Resources, Innovation, Firm Performance, Insurance Companies