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Does Strategic Orientation Mediate the Relationship Between Board Characteristics and Performance of Insurance Companies in Uganda?

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Abstract

This study aimed to investigate the mediating effect of strategic orientation on the relationship between board characteristics and the performance of insurance companies in Uganda. Philosophically, the study applied positivism and utilized a cross-sectional descriptive survey. Data were collected through a structured questionnaire, administered to a census of 131 licensed companies by the Insurance Regulatory Authority (IRA) in Uganda. The companies were spread across the country, and 108 responses were received, resulting in a 74.7% response rate. The hypotheses were tested using simple linear regression analysis and path analysis to examine the mediating effect. The study's findings suggest that strategic orientation has a statistically significant mediating effect on the relationship between board characteristics and performance. The results provide a contextual overview of the insurance industry in Uganda, highlighting the critical role of strategic orientations in enhancing the stellar performance of insurance companies. The study concludes that strategic orientation mediates the association between board characteristics and the organizational performance of insurance companies in Uganda. The mediating influence of strategic orientation on the relationship between board characteristics and organizational performance accounted for 57.0 percent of the variation in performance. This implies that companies leaning *towards strategic orientations of analysis, futurity, pro-activeness, defensiveness, and riskiness tend to achieve greater performance. However, it is noted that insurance companies in Uganda predominantly adopt a conservative approach (analysis and defensiveness) to strategy rather than an entrepreneurial approach (futurity, riskiness, pro-activeness, and aggressiveness). Despite this, the study suggests that this conservative approach can significantly positively affect organizational performance, considering that most insurance companies in Uganda align with these orientations. In light of the findings, the study recommends that insurance companies in Uganda should consider embracing the entrepreneurial approach to strategic orientation, with a particular emphasis on aggressiveness, to make a more substantial contribution to the Gross Domestic Product (GDP).*

***Keywords**: Board Characteristics, Strategic Orientation, Insurance Companies in Uganda, Performance*

Introduction

Strategic orientation serves as a guideline for an organization to attain its strategic objectives. It encompasses the organization's core values and manifests as a collective comprehension and cognitive interpretation of its external surroundings and internal resources (Selmi & Chaney, 2018). Strategic orientation is studied as a direction taken by the organization to create the right behaviour for achieving superior business performance for the foreseeable future (Uzoamaka et al., 2020; Handoyo et al., 2023). Strategic orientation is described as how an organization adapts to the external competitive environment (Akpa et al., 2020). Strategic orientation is described as the practices, processes, decision-making, and actions that translate into organizational growth (Nasir, 2017). Strategic orientation is seen as what informs and influences the behaviours and choices of decision-makers while selecting a given firm strategy. Although strategic orientation has gained global attention from marketing, management, and entrepreneurship disciplines, prior literature as reflected above, does not indicate a consensus on the definition of strategic orientation. This study adopts the definition as it highlights strategic orientation about organizational behaviour and performance (Gatingnon & Xureb, 1997; Uzoamaka et al., 2020).

For that matter, various strategic management scholars have operationalized strategic orientation in unique ways. Bagire et al. (2014) conceptualized strategic orientation as reactors, analyzers, prospectors, and defenders. Nasir et al. (2017) & Boahene (2018) conceptualized strategic orientation as proactive and reactive. Otache et al. 2019 & Balodi (2020) conceptualised strategic orientation as entrepreneurial and market orientations. Bruneel et al. (2022), Adiguzel & Sonmez (2022), and Handoyo et al. (2023) conceptualized strategic orientation as reactors, analysers, prospectors and defenders. Kagziet et al. (2023) conceptualized strategic orientation as exploitation and exploration. Venkatraman (1989) advanced the measures of analysis, defensiveness, aggressiveness, analysis, futurity, riskiness, and pro-activeness. These dimensions are categorized into two: the entrepreneurial approach to strategy through variables of futurity, pro-activeness, riskiness, and aggressiveness; and the conservative approach to strategy through dimensions of analysis and defensiveness. On their part, Miles & Snow (1978) identified four strategic postures of reactors, analysers, defenders, and prospectors, along with different problems facing organizations on performance. As the conceptualization debate rages on, for purposes of this study, Venkatraman's (1989) strategic orientation dimensions were adopted and found useful because they were inclusive of both conservative and entrepreneurial approaches to strategic orientation.

By scanning through board characteristics studies, they provide a hint of strategic orientations. Kagzi et al. (2023) on board diversity and strategic orientation in India used a panel data set using secondary data on an effective sample of 126 firms focusing on exploration and exploitation. Findings indicate that increased board diversity leads to more exploration than exploitation. Bruneel et al.'s (2022) findings on outside board members and strategic orientation in Belgium using a cross-sectional survey design on a sample of 170 new ventures reported a positive association. The challenge with this finding was focusing on only new ventures. This study focused on insurance companies that have existed for five years or more. Therefore, scholars like Kanakriyah (2021), who predicted a positive effect of board characteristics and performance, linked his study to what is planned and achieved and his ability to achieve the set goals.

In support of theoretical pluralism, this study adopted the Upper Echelons Theory propounded by Hambrick & Mason (1984). It was complemented by the Agency (Jensen & Meckling, 1976), and Stewardship (Davis et al., 1997) theories. The Upper Echelons Theory postulates that top managers, mainly executive boards with diverse characteristics, present diverse perspectives in decision-making, influencing organizational performance. Agency theory postulates the principal-agent relationship. It further posits that board characteristics should consist of outside and independent directors and separate the Chairman and CEO roles for better organizational performance (Balta, 2008). Stewardship theory predicts that directors act as stewards and are motivated to act in the best interests of the principals as they seek to attain the organization's objectives. This, therefore, matches the upper echelons' characteristics to strategic orientation and external environment.

Organizational performance in this study replicated Hubbard (2009) who, in his conceptualization of performance, proposed the Stakeholder-based Sustainable Balanced Scorecard (SBSC) as an integration of Tripple bottom line (TBL). Elkington (1997) and Balanced Scorecard, Kaplan and Norton (1992) concepts also capture social and environmental performance. Stakeholder-based SBSC focuses on internal processes, financial, customer/markets, organizational learning and development, CSR performance, and impact on the environment performance. Yet, there is a lack of agreement among researchers regarding the most optimal measurement tools for organizational performance (Bagire, 2014, Handoyo et al., 2023; Bw'auma, 2021). This study adopted the SBSC since it overcomes the challenges of multiple stakeholders' demands on organizational performance. The insurance industry contributes 0.7% of the GDP of the economy and uptake at 1%. The insurance industry is instrumental in savings mobilization, risk transfer, institutional investment, financial inclusion and deepening. Given the industry's infancy, the board characteristics and performance relationship and what influences that relationship was of interest to this study to form a foundation of governance, strategy, and better performance and contribution to GDP.

Literature Review and Hypothesis Development

The purpose of this section is to examine existing literature regarding organizational performance, strategic orientation, and board characteristics. We do so with the aim of developing a hypothesis and establish a research framework that illustrates the connection between the variables under investigation.

There are many strategic management theories that can anchor and complement the study conceptualization for purposes of ensuring clear definition of relationships among variables under study. The leading anchoring theory for this study is Upper Echelons Theory (Hambrick & Mason, 1984), complemented by Agency theory (Jensen & Meckling, 1976), and Stewardship theory (Davis et al., 1991). Upper echelons theory (Hambrick & Mason,1984) postulates that an organization's performance is a reflection of its top leaders since they make strategic choices which influence outcomes and performance informed by board characteristics. The above three theories provide joint anchorage to performance association among board characteristics and strategic orientation. What follows is the synthesis and convergence of these theories which is critical in literature to give an in-depth comprehension of the study.

Boateng (2021) concluded that agency theory alone is not sufficient in explaining board characteristics and organizational performance nexus. Hence, he recommended theoretical pluralism in board characteristics studies (Midgley, 2011; Jacobs, 2012; Hoque et al., 2013). The upper echelons theory serves as the foundational framework for understanding the relationship between board demographics and performance. According to this theory, the composition of the board, in terms of its demographic characteristics, is believed to have a significant influence on strategic decision-making and the subsequent performance outcomes of companies.

Hambrick and Mason's (1984) study proposed that a firm's board of directors' background characteristics could predict its strategic orientation, organizational outcomes, and performance levels. Specifically, they argued that the board's demographic characteristics, such as age, tenure, gender, and education, could shape board decision-making processes and strategic direction. Additionally, they suggested that boards with diverse backgrounds and experiences could provide better insights and perspectives, leading to improved organizational outcomes and performance. Their study has been influential in shaping the understanding of corporate governance and the role of demographic characteristics on strategic decision-making.

The strategic orientation and organizational performance relationship varies depending on the choice of performance measure used (Voss & Voss, 2000). Strategic orientation has been confirmed to play a mediator role in explaining how board characteristics as an internal structure determine organizational performance (Escriba et al., 2009; Abdulrahim, et al., 2020; Swairef et al., 2021). Researchers use strategic configurations or orientations to examine the link between firm strategy and performance (Escriba et al., 2009). However, corporations having a pool of board members may enjoy the benefits of multiple orientations. Furthermore, Businge et al. (2023) affirm that board of director’s strategic orientations are associated with customer focus as a measure of performance using a sustainable balanced scorecard. This is also complemented by another study by Businge et al. (2023) whose findings revealed that non-financial performance measures are instrumental during decision making by the board members who subscribe to unique and diverse orientations.

Balodi (2014) observed that strategic orientation demonstrates the organization’s culture and activities. It is also associated with choices regarding resources to be allocated and opportunities to be exploited. For purposes of this study, Venkatraman’s (1989) conceptualization analysis of six dimensions of strategic orientation was adopted because of its grounding in a comparative approach and critical connection with organizational performance. Secondly, Venkatraman’s (1989) conceptualization is inclusive of an entrepreneurial approach as well as a conservative approach which is not the case for Miles and Snow’s (1978) and Porter’s (1980) conceptualizations of strategic orientations. However, Bagire et al. (2014) argue that some organizations’ strategic orientation may be uncertain.

Due to the multidimensional nature of strategic orientation, several studies have conceptualized strategic orientation differently in the studies reviewed. Mbithi (2022), using a census and a questionnaire to collect primary data, studied Top Management Team characteristics and strategic orientation of 54 Kenyan insurance companies; the findings were not statistically significant. Nganga (2017) in his study on strategic orientation and performance of the telecom sector in Kenya focused on customer and market orientation and the positive influence was significant. Akpa and Falade (2020) focused on competitors, customers, pro-activeness, aggressiveness, and orientations in their study on insurance firms in Nigeria and the findings were insignificant. Findings by Sarker and Palit (2015), who also focused on learning, market, and entrepreneurial orientations in their study of SMEs in Bangladesh, indicated a positive relationship. This study focused on aggressiveness, analysis, proactiveness, futurity, riskness and defensiveness.

Machuki and Ko’bonyo (2011) dwelt on the strategic behaviour of quoted companies in Kenya and performance focused on nine strategic types whose findings were not statistically significant at all. This study employed Miles and Snow (1978) focusing on analyser, defender, reactor, and prospector orientations, where analyser orientation is associated with superior performance compared to the prospector and defender orientation in a dynamic market (Luo & Park, 2001). Furthermore, strategic Orientation provides firms with direction on key areas to ensure organizations continuously improve their performance (Hitt et al., 2000). The current study’s conceptualization was different; the study context was in Uganda and the majority of Insurance companies in Uganda are not quoted-- hence the unique findings that will support the insurance sector.

Sobhan (2021) advocated for board characteristics as a basis for better organizational performance; however, his study was limited by a small effective sample and overreliance on secondary data. Nganga (2017) argues for strategic orientation as a basis for organizational performance. However, the study on telecommunication companies in Kenya was limited by the response rate. Findings byAkpa and Falade (2020), in their agitation of strategic orientation and profitability of insurance companies, recorded an insignificant effect. The contradictions of the above scholars on the three variables are inconclusive. Therefore, the proposition of strategic orientation mediating the relationship between board characteristics and organizational performance was adopted (Escriba et al., 2009; Addulrahim et al., 2020; Shwairef et al., 2021).

Kagzi et al. (2023) predict that boards have an important role in defining the actions and events that will influence the organization’s current or future orientation. Kagzi et al. (2023) further provide arguments for the role of demographic features of board members such as education qualifications, age diversity, and gender diversity, in affecting and influencing organizational orientation. Based on upper echelons theory, it is argued that heterogeneity in demographic attributes of the board influences the strategic orientation of the organization, hence a direct effect on strategic choices and outcomes. The strategic choice paradigm (Andrews, 1971; Child, 1972) has generated a large body of research, examining the influence and control of board members over an organization’s future direction.

Past studies both in research and theory posit that strategic behaviour is an important element of organizational performance and success thereon (Shwairef, et, el., 2020). Empirical studies predict that strategic orientation leads to superior firm performance significantly (Kiiru, 2015; Nganga, 2017; Nasir et al., 2017; Otache et al., 2019; Balodi, 2020; Adiguzel & Sonmez 2022). Other scholars predict statistically insignificant findings (Machuki & K’obonyo, 2011; Mbithi, 2022). Board characteristics play a crucial role in determining firm performance by enabling the organization to define its strategic orientation/choice. This focus on behaviour assumes that organizational actors possess the discretion to act on their free will (Hambrick & Finkelstein, 1987). Escribá et al. (2009) posit that TMT plays a significant role in defining events and actions that influence organizations’ future and current orientation. Further, they suggest that demographic variables like level of education, age diversity, experience, and gender diversity may be reflected in organization behaviour informing of willingness to take risks, innovation, and creativity when making decisions, reception, and attitude to change, ability and willingness to take risks and choice of information sources.

Scholars have advanced arguments that the influence of board characteristics is critical to organization performance (Abdulsamad, et al., 2018; Vieira, 2018; Bw’auma, 2021; Di Biase & Onorato, 2021). Consequently, board characteristics are most effective when strategy formation capabilities as dynamic capabilities are mediated by the strategic orientation of the board which in the end influences the strategic choices leading to firm performance (Slater, et al., 2006). Whereas, other boards delegate the responsibility of defining the choices and direction of the organization to executives (Useem &Zellek, 2006), this is a result of the limited knowledge of board members in the industry and the part-time nature of their work. The board members who do not delegate to executives advance the argument of lack of trust of executives. Strategic orientation studies emphasize that effective firm performance can be achieved if analysers, defenders, and prospector strategies are properly implemented, also based on internal stability and adaptive cycle three elements (Wyna et al., 2005). Therefore, it can be postulated that Strategic orientation could mediate the relationship between board characteristics and organizational performance. Thus from the literature reviewed, this study is hypothesized as **H01:** *There is no statistically significant mediating effect of strategic orientation on the relationship between board characteristics and performance of Insurance companies in Uganda.*

Figure 1: Conceptual Framework Adopted by the Researcher

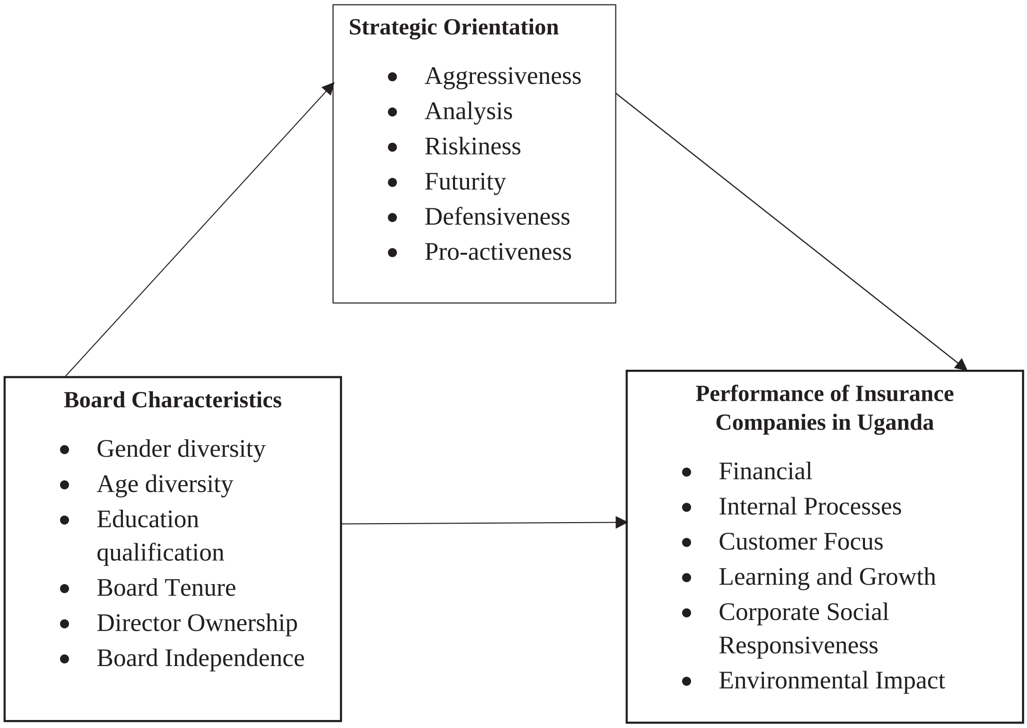


Figure 1, shows the conceptualization followed Venkatraman's (1989) six strategic orientations, Hubbard's (2009) conceptualization of performance using sustainable balanced scorecard and Baron and Kenny's (1986) in determining the mediation effect between variables.

Methodology

The study was guided by the positivistic method by investigating theoretical bases on board characteristics, strategic orientation, and performance of insurance companies in Uganda. The variables were assessed on their relationship and the strength of the relationship determined. The cause of the relationship and the effect of the relationship were also studied. Based on the survey data from primary sources, hypotheses were tested. In an effort to contribute to the field of board characteristics and organizational performance, the researcher was independent from what was being observed and hence the choice of the positivistic paradigm.

The study was a descriptive cross-sectional survey. This was considered the best choice for this study as supported by Cooper and Schindler (2008). It facilitated the researcher to gather data across a number of respondents at a given point in time. Accordingly, the study was conducted under minimal temporal effect of variables under study and gave meaning to relationships among variables, but also facilitated comparison across different respondents, and came to conclusions. Nachimias and Nachimias (2004) suggest that this research design helps researchers to ascertain whether there is a significant influence that exists among variables at some point in time. Several studies have approved the credibility of results on studies that used cross-sectional design mainly on relationship-based studies (O'Sullivan & Abela, 2007). The target population consisted of all insurance companies in Uganda as at 31st July 2020. According to IRA, (2020) there were 131 licensed companies offering various services in the categories of Life, non-life, Health membership organizations, Bancassurance, re-insurance and insurance loss assessors, adjusters & surveyors companies. A list of all licensed companies was provided by IRA. The unit of analysis was, therefore, the Insurance company. According to Mugenda and Mugenda (2013) for a population of less than 200, a census is recommended. Census becomes a choice because the population is small and manageable (Saunders et al., (2007).

Data collection: The Researcher utilized primary data sources on the four variables under study. The data was quantitative in nature with closed-ended questions across the study variables. Primary data was collected using a structured questionnaire. The questionnaire was developed from literature and designed along a five-point Likert-type scale ranging from 1 (not at all) to 5 (very great extent). The questionnaire survey method and questionnaire as an instrument was administered to various respondents at the same time which made it a preferred method for this study. From Table 1, the study used Cronbach alpha as a measure of reliability. The Cronbach's alpha coefficient was: Board characteristics 0.809, strategic orientation 0.957, organizational performance 0.906, indicating a high level of instrument reliability. The results demonstrate that all constructs exhibited strong reliability coefficients. Consequently, all still exceeded the recommended 0.7 cut-off point for the reliability test, as suggested by Creswell and Clark (2017).

Table 1:Test for Reliability (Cronbach's Alpha Reliability Co-efficient)

Construct	No of items	Cronbach's alpha	Comment
Board Characteristics	21	0.809	Very Good reliability
Strategic Orientation	24	0.908	Very Good reliability
Organizational Performance	25	0.906	Very Good reliability
All Key Variables	118	0.970	Very Good reliability

Source: Field Data, (2023)

Validating the quality of data collection instrument reduces errors during the measurement process. Balta (2008) holds that Validity is about ability to measure the constructs as intended and study findings are exactly about what they appear to be. The KMO index exceeded the threshold of 0.5. From Table 2 Board Characteristics (KMO = 0.756, χ = 772.122, df = 210, and significance level = 0.000), Strategic Orientation (KMO = 0.773, χ = 1341.644, df = 276, and significance level = 0.000), and Organizational Performance (KMO = 0.789, χ = 1616.163, df = 465, and significance level = 0.000), the KMO scores indicated a high level of suitability for further statistical analysis. Additionally, Bartlett's test of Sphericity yielded a p-value of 0.000, confirming the validity of the data at an acceptable level of significance. These findings establish a significant relationship among the variables and provide a solid foundation for conducting further statistical analyses, including regression analysis on all items of the research instrument.

Table 2: Summary of KMO and Bartlett's Test

Variable	**KMO**	**Bartlett's Test of Sphericity**		
		Chi-Square (χ)	df	Significance Level
Board Characteristics	756	772.122	210	000
Strategic Orientation	773	1341.644	276	000
Organizational Performance	789	1616.163	465	000

Source: Field Data(2023)

Findings

The objective of the study aimed at establishing the influence of strategic orientation on the relationship between board characteristics and the performance of Insurance companies in Uganda. To establish this mediating influence, we employed the Baron and Kenny's (1986) use of path analysis of four steps that offers a framework for testing the mediating effect in relationships involving independent variables. Baron and Kenny (1986) recommend the presence of both a conceptual model and a statistical model prior to hypothesis testing. Moreover, if all the conditions are met in the anticipated direction, the impact of the dependent variable should be smaller in the third equation compared to the second equation.Top of Form

The hypothesis was tested using the four-step method of path analysis (Baron & Kenny, 1986), which employs regression analysis. In the first step of the analysis, board characteristics were regressed with performance. It yielded statistically significant results; the analysis progressed to the second step. However, if the results were not significant, the process would have been terminated, leading to the conclusion that strategic orientation does not mediate the relationship between board characteristics and performance.

Step One: The Effect of Board Characteristics on Organizational Performance

In step one, Board characteristics was regressed on organizational performance to establish the existence of direct relationship. The results in Table 3 show that Board characteristics accounts for 14.9 per cent of the variation in organizational performance of insurance companies in Uganda. The influence of Board characteristics on organizational performance of insurance companies in Uganda was significant in overall ($F= 13.604$, $p = 0.00$). The beta coefficients ($\beta =0.397$, $t= 3.688$, $p = 0.000$) was statistically significant. Specifically, one unit increase in Board characteristics causes 0.397 units increase in organizational performance, holding other factors constant. Thus, step one was significant, which confirmed step one in testing mediation and we moved to step two.

Table 3:Step1; Regressing Board Characteristics with Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.385[a]	.149	.138	.62029	.149	13.604	1	78	.000

ANOVA[a]

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	5.234	1	5.234	13.604	.000[b]
	Residual	30.012	78	.385		
	Total	35.246	79			

Coefficients[a]

Model		**Unstandardized Coefficients** B	**Unstandardized Coefficients** Std. Error	**Standardized Coefficients** Beta	**t**	**Sig.**	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	2.471	.337		7.337	.000	1.801	3.142		
	Board Characteristics	.397	.108	.385	3.688	.000	.183	.611	1.000	1.000

Source: Field Data (2023)

Step Two: The Effect of Board Characteristics with Strategic Orientation

Table 4, in step two board characteristics was regressed on strategic orientation. The findings revealed that board characteristics accounts for 43.8 per cent of the variation in strategic orientation of insurance companies in Uganda ($R^2 = 0.438$). Regression model of board characteristics and strategic orientation of insurance companies in Uganda was significant in overall ($F = 60.826$, $t=7.799$, $p = 0.00$). The beta coefficients ($\beta =0.683$, $t= 7.799$, $p =0.000$), which indicated that board characteristics significantly influence strategic orientation. Further, the findings show that one unit increase in board characteristics leads to 0.683 units increase in strategic orientation. Step two of mediation was satisfactory, thus we proceeded to step three.

Table 4: Step 2: Regressing Board Characteristics with Strategic Orientation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.662[a]	.438	.431	.50503	.438	60.826	1	78	.000

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.514	1	15.514	60.826	.000[b]
	Residual	19.894	78	.255		
	Total	35.408	79			

Coefficients[a]

Model		**Unstandardized Coefficients** B	**Unstandardized Coefficients** Std. Error	**Standardized Coefficients** Beta	**t**	**Sig.**	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	1.224	.274		4.464	.000	.678	1.770		
	Board Characteristics	.683	.088	.662	7.799	.000	.509	.858	1.000	1.000

Source: Field Data (2023)

Step Three: The Effect of Strategic Orientation on Organizational Performance

Table 5, Step three regresses Strategic Orientation on organizational performance. The results indicated that Strategic Orientation explained 32.5 per cent of the variation in organizational performance of insurance companies in Uganda ($R^2 = 0.325$). The model of Strategic Orientation on organizational performance was significant overall (F = 37.610, t=6.133, p = 0.00), β=.569, which showed that Strategic Orientation significantly influences organizational performance. One unit increase in Strategic Orientation increases organizational performance by 0.325 units, other factors held constant. Thus step three was satisfactory and we moved to step four for testing the mediation effect. Finally, Step four tested the influence of board characteristics on organizational performance while controlling for the effect of strategic orientation.

Table 5: Step 3: Regressing Strategic Orientation with Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.570[a]	.325	.317	.55215	.325	37.610	1	78	.000

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.466	1	11.466	37.610	.000[b]
	Residual	23.780	78	.305		
	Total	35.246	79			

Coefficients[a]

Model		**Unstandardized Coefficients B**	**Std. Error**	**Standardized Coefficients Beta**	**t**	**Sig.**	**95.0% Confidence Interval for B Lower Bound**	**Upper Bound**	**Collinearity Statistics Tolerance**	**VIF**
1	(Constant)	1.800	.314		5.732	.000	1.175	2.425		
	Strategic Orientation	.569	.093	.570	6.133	.000	.384	.754	1.000	1.000

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Strategic Orientation
Source: Research Data (2023)

Step 4: Regressing Board Characteristics on Organizational Performance while Controlling the effect of Strategic Orientation

Table 6, The fourth step tested the significance of the relationship between board characteristics and organizational performance in the presence of the mediator. The results from Model 1 returned (R=0.385, R^2=149, p = 0,000). This means that board characteristics accounts for 14.9 per cent of the variation in organizational performance of insurance companies in Uganda as previously revealed in Step 1. However, when strategic orientation was added to the Model, the results in Model 2 returned (R=0.570, R^2=0.325, p = 0,000). This means that board characteristics together with strategic orientation account for 32.5 per cent of the variation in organizational performance of insurance companies in Uganda. This means that strategic orientation caused an R Change which was statistically significant. Step four results therefore indicate that full mediation took place since the relationship between board characteristics and organizational performance changed from R=0.385 to R=0.570 when strategic orientation was added to the model.

Table 6: Strategic Orientation Mediation Effect on the Relationship between Board Characteristics and Organizational Performance of Insurance Companies in Uganda

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.385[a]	.149	.138	.62029
2	.570[b]	.325	.308	.55568

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.234	1	5.234	13.604	.000[b]
	Residual	30.012	78	.385		
	Total	35.246	79			
2	Regression	11.470	2	5.735	18.573	.000[c]
	Residual	23.776	77	.309		
	Total	35.246	79			

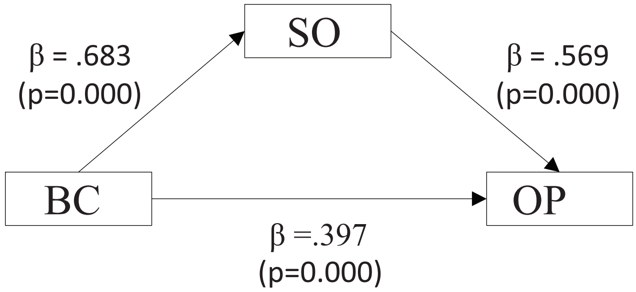
Coefficients[a]						
		Unstandardized Coefficients		**Standardized Coefficients**		
Model		**B**	**Std. Error**	**Beta**	**T**	**Sig.**
	(Constant)	1.786	.338		5.283	.000
	Board Characteristics	.014	.129	.014	.112	.912
	Strategic Orientation	.560	.125	.561	4.494	.000

a. Dependent Variable: Organizational Performance
a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Board Characteristics
c. Predictors: (Constant), Board Characteristics, Strategic Orientation
Source: Research Data (2023)

The results in Table 6 show that when strategic orientation was controlled, board characteristics explained only 14.9% of the variation in organizational performance (R^2 =.149), which was statistically significant p=0.000 at 95% confidence level. At model 2, Strategic Orientation added significantly to the organizational performance as the variation increased from .149 to .325 and p=.000. The results reveal that the variance explained by Strategic Orientation was significant (F=13.604, p=.000) and the F-values was increased to (F=18.573 p-value=.000) in the second model.

The results revealed that the regression coefficients for board characteristics increasedfrom .014 to .560 when Strategic Orientation was added to the regression, suggesting that Strategic Orientation exerts a mediating effect. The hypothesis that **H_{01}:** There is no statistically significant mediating effect of strategic orientation on the relationship between board characteristics and performance of Insurance companies in Uganda was therefore not supported. This implies that the attributes of strategic orientation discussed are manifested in the insurance companies of Uganda to the extent of influencing the board characteristics and subsequently the organizational performance.

Figure 2: Mediating Relationship



Discussion

The objective was to hypothesize and examine the influence of strategic orientation on the relationship between board characteristics and performance of Insurance companies in Uganda. Based on the null hypothesis that $\mathbf{H_{01}}$**:** there is no statistically significant mediating effect of strategic orientation on the relationship between board characteristics and performance of Insurance companies in Uganda, the study found a strong explanatory power (R^2=0.325). The model was overall significant (F= 18.573, P-value=000). Mediation took place (ß = 0.560, t = 4.494 P-value = .000). The results of the study provide support on the roles of demographic attributes of board members such as gender, age and education in influencing a company's strategic orientation.

The results concurred with those of Escriba et al. (2009) which confirm that a firm's strategic orientation plays a mediating role in explaining how demographic characteristics determine performance. Board characteristics shape decision making processes and company behaviours in order to successfully perform. The findings were statistically significant. Kagzi et al. (2023) concur with the findings of this study originating from Upper Echelons Theory (Hambrick & Mason, 1984) that heterogeneity in board characteristics influences the strategic orientation of the company. This further confirms that board characteristics have a direct impact on company outcomes based on choices, innovation and performance.

In this regard, the findings further suggest insurance companies in Uganda practice a conservative approach to strategic orientation, as suggested by Venkatraman (1989). The evidence from descriptive statistics shows the highest mean score of analysis at 4.09 and defensiveness with a mean score of 3.51. A combination of these two orientations suggests and confirms a conservative insurance industry. This is further confirmed by the lowest mean score of 1.8 on aggressiveness, meaning entrepreneurial approach is not one of the practice towards strategic orientation. While a conservative, analytical, and defensive strategic orientation can provide a sense of stability and minimize risks, it may also limit the organization's agility and ability to capitalize on emerging opportunities or pursue innovation. It may hinder the organization's ability to take calculated risks and adapt quickly to dynamic market conditions.

A company with a strong strategic orientation tends to have a long-term focus and is proactive in anticipating and responding to changes in the market and industry (Nasir et al., 2017). The findings of this study are in agreement with Machuki & Kobonyo (2011) on companies tending to lean towards strategic orientations of analysis, futurity, pro-activeness, defensiveness; however this study adds riskiness. It may also prioritize innovation, risk-taking, and continuous improvement in its operations and product development (Nasir et al., 2017). A strategic orientation can be shaped by a variety of factors, including the organization's culture, leadership style, competitive landscape, and customer needs. By adopting a strategic orientation, an organization can more effectively position itself to achieve its goals and maintain a competitive advantage in its market. Strategic orientation refers to the overall approach or mindset a company or organization takes towards its strategic planning and decision-making. It involves aligning the goals and objectives of the organization with the resources and capabilities available, as well as with the external environment and market conditions.

Organizational behaviour is, indeed, receiving increased attention due to the rapidly changing business environment. Each organization has its own unique characteristics and management practices, which lead to different strategic orientations. Understanding why firms adopt different strategic orientations and the factors that influence these decisions is crucial for enriching our knowledge in business, management, and organizations (Peng et al., 2016). Therefore, the concept of strategic orientation is used by many authors to define and explain organizational patterns, practices and values that are embedded in the strategic decision processes of businesses (Escriba et al., 2009).

Furthermore, agency theory suggests that strategic orientation can also play a role in reducing agency costs. A clear and well-defined strategic orientation can help align the interests of management with those of shareholders by providing a shared goal and purpose for the firm. Therefore, agency theory suggests that the relationship between board characteristics and performance may be mediated by strategic orientation. A board with certain characteristics may be more effective in contributing to superior performance only if the firm's strategic orientation is well-defined and aligned with the interests of shareholders. Successful performance of any insurance company in Uganda may depend partly on a proper match between strategic orientation and board characteristics and this match is expected to have a positive impact on organizational performance. Therefore, good strategic orientation in place is very crucial for insurance companies in Uganda in pursuit of their performance goals.

The study's findings suggest that board characteristics alone may not be sufficient for achieving performance of insurance companies in Uganda. Strategic orientations, such as analysis, defensiveness, pro-activeness and riskiness, play a crucial role in facilitating the improvement in performance. This highlights the need for a comprehensive approach that incorporates both board characteristics and strategic orientation to promote performance outcomes. Additionally, the study contributes to the broader strategic orientation literature by demonstrating the potential of strategic orientation as a framework for addressing complex performance challenges of insurance companies. The study's findings provide insights into the practical application of strategic orientation in a specific context and can inform future research and policy development in this area.

Conclusion

The study also concludes that strategic orientation mediates the association between board characteristics and organizational performance of insurance companies in Uganda. Mediating influence of strategic orientation on the association amidst board characteristics and organizational performance accounted for 57.0 per cent of the variation in performance. This implies that this can be explained by the argument that companies that tend to lean towards strategic orientations of analysis, defensiveness, tend to register greater performance. This can play a significant positive effect on organizational performance as most insurance companies in Uganda subscribe to those orientations.

Therefore, for insurance companies in Uganda to survive and succeed, a proper match between strategic orientation and board characteristics is expected to have a positive impact on organizational performance. Consequently, good strategic orientation in place is very crucial for insurance companies in Uganda in pursuit to their performance goals. All the strategic orientations individually were statistically significant using a sample t-test. For that matter, insurance companies in Uganda are highly analytical, moderately defensive, pro-active, futuristic and risk-averse. Using four steps of testing mediation effect, the study found that in the presence of strategic orientation. Therefore, it can be concluded that strategic orientation has a moderating influence on the association between board characteristics and organizational performance.

Recommendations

The study reports that each of the tested variables had an influence on performance either individually or jointly. The results of this study demonstrate that although board characteristics significantly influence performance of insurance companies in Uganda, strategic orientation plays an important role in influencing this relationship. Owners and partners in these insurance companies should therefore recognize this interaction and formulate company policies and procedures accordingly. The managerial practice related to strategic orientation the study advocates for entails a right combination of analysis, defensiveness and pro-activeness since they are the most prominent with high-scale means.

The results of this study reveal that insurance companies in Uganda are more conservative. Surprisingly, this is contrary to what is expected in the industry. The fact that these companies are at infancy in the sector may explain this observation. The study recommends that the insurance companies pursue the entrepreneurial approach with emphasis on aggressiveness in order to make a better contribution to GDP.

While a conservative strategic orientation can provide stability and minimize risks, it may limit the organization's agility and ability to capitalize on emerging opportunities and pursue innovation. On the other hand, a strong strategic orientation, encompassing long-term focus, proactiveness, and innovation can enhance a company's performance and competitive advantage. The study emphasized the importance of understanding the factors influencing strategic orientation, such as organizational culture, leadership style, and customer needs.

Furthermore, the study highlighted the role of strategic orientation in reducing agency costs and aligning the interests of management with shareholders. It emphasized the need for a proper match between board characteristics and strategic orientation to achieve superior performance in the insurance industry.

The findings contribute to the literature on strategic orientation, organizational behaviour, and performance, providing insights into the specific context of insurance companies in Uganda. They suggest that a comprehensive approach considering both board characteristics and strategic orientation is crucial for promoting performance outcomes. The study's implications can guide future research and inform policy development in this area.

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