



# **DO THE PRODUCT INNOVATIONS LEAD FOR HIGHER ORGANIZATIONAL PERFORMANCE?**

**(With special reference to insurance sector in Sri Lanka)**

This Dissertation is submitted as a partial fulfillment of the degree of Bachelor of  
Business Management in Entrepreneurship and Management

Faculty of Management

Uva Wellassa University

Registration number : Uva Wellassa University/ENM/07/0024

Year 2010-2011

# **Do the product innovations lead for higher organizational performance?**

**(With special reference to insurance sector in Sri Lanka)**

*Key words: innovation, organizational performance, insurance sector*

## **Abstract**

The primary purpose of this research was to identify the impact of product innovation on the organizational performance in the Sri Lankan insurance sector. Premium income from long term and general insurance has shown a negative growth in 2009 when compared to the previous year's growth. In addition, the study identifies three main types of product innovation in insurance as New to the market innovation (NMI), New to the Company innovation (NCI), and Product improvement (PI). Further, the study explores the organizational performance with respect to Average underwriting result (AURR). The results are tested on fourteen insurance companies which are registered on or after 2006 in Sri Lanka; data are collected through primary and secondary sources in four years commencing from year 2006 to 2009. Further, product innovations are identified through the questionnaire and AURR is obtained through the annual reports of the insurance companies. Collected data are analyzed using regression analysis and hypothesis testing to optimize the objective of the research.

Empirical evidence showed that NMI, NCI, PI have direct strong positive relationship with the AURR. Overall finding indicate that innovations are significantly and positively effected to the effective performance of the insurance industry. Product Improvement is high significantly effect to the entire industry (Life insurance and General Insurance) AURR. With the life insurance industry, NMI is high significantly effect to the life insurance's AURR. Additionally, General insurance's NMI also high significantly effect to the General insurance performance of the Average under writing result. Regulatory and supervisory frame work, design and delivering of product are essential for the sustainable growth of the insurance industry. Finally, innovations become as the one of main drives in the future success of the insurance industry as well as country development.