EFFECT OF INNOVATION STRATEGIES ON THE PERFORMANCE OF INSURANCE FIRMS IN KENYA

BY

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DECLARATION

I hereby declare that this study is my original work and effort and that it has not been submitted for a degree in any other University.

SIGNATURE: …… DATE: …….

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D66/77614/2015

This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This study is dedicated to my parents and family for their endless love, support and encouragement throughout the study period.

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ABSTRACT

The study sought to establish the effect of innovation strategies adopted on the performance of insurance firms in Kenya. The collected questionnaires were checked for consistency before being coded and entered into SPSS (version 21). Descriptive statistics such as frequency distribution and percentages were used to analyze general information. Means and standard deviations were used to analyze innovation strategies, operational performance and challenges of e-procurement. Regression analysis was used to explain the relationship between innovation strategies and the performance of insurance firms in Kenya. The findings are presented in form of tables, graphs and pie charts. On the extent of innovation strategies implementation, the study concludes that product innovation strategies, technological innovation strategies, marketing innovation strategies and process innovation strategies should all be implemented by the insurance firms. In regard to the challenges faced by insurance firms in Kenya when implementing innovation strategies, the study concludes that challenges are faced to a moderate extent with the most faced challenges being poor implementation innovative strategy, lack of a sound innovation management program and high cost of implementing new ideas. The study also concludes that there is a strong relationship between insurance innovation strategies and the performance of insurance firms in Kenya with e-procurement accounting for 35% of the total variance in the insurance firms' performance. The study wishes to make the following recommendations in order to improve the performance of insurance firms in Nairobi. The study established that there is a strong and positive relationship between insurance innovation strategies and firm performance. The study therefore recommends that the management of the insurance firms in Nairobi should implement in full the innovation strategies as this will lead to improved firm performance. Some of the respondents were reluctant in filling the questionnaires fearing that the information sought would be used against them or their businesses. However, the researcher handled the limitation by assuring the respondents that the information being collected will be used for academic purpose only and that it would be treated with utmost confidentiality. The study was confined to insurance firms operating in Nairobi. A replica of the study should be carried out in non-insurance firms order to improve on the study findings and policy change recommendations arising from this study to facilitate making of more adequate conclusions.

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ABBREVIATIONS AND ACRONYMS

CSE	Corporate Social Entrepreneurship
CSR	Corporate Social Responsibility
EBTI	Earnings before Tax and Interests
GDP	Gross Domestics Product
GRM	Global Reference Model
ICT	Information Communication Technology
IRA	Insurance Regulatory Authority
ROA	Return on Asset
ROE	Return on Equity
ROI	Return on Investment
SPSS	Statistical Package for Social Sciences

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In the dynamic and globally competitive environment, the inability of established firms to come up with breakthrough innovations that will help them operate effectively is a truism today (Davila, 2014). Innovation is part of the strategy implementation that enhances firm performance through enhancing esteem expansion and hazard decrease (Drucker, 2001). Advancement techniques are key in enhanced execution among numerous organizations and are reflected by expanded productivity and piece of the overall industry development (Palmer and Kaplan, 2007). Yilmaz, Alpkan and Ergun (2005) also recognize innovation strategies as critical enablers for firm's performance through creating value and sustaining the firm's upper hand in the undeniably unpredictable and quickly evolving environment. Subsequently, firms that craving to stay focused by upgrading their development limits and benefiting from the accessible open doors and also enhance their performance can achieve all these by embracing innovations in its operation.

The study focuses on four relevant theories and a model: disruptive innovation theory, innovator's dilemma theory, Innovator's Solution Theory and knowledge-based theory. According to disruptive innovation theory in a dynamic and unverifiable world, development is the way to upper hand (Christensen, 1997) although Lettice and Thomond (2006) suggested that it also increases uncertainty and market pressure. According to innovator's dilemma theory firms wishing to develop confront an irresolvable, predicament: their current clients will urge them to center assets on building a superior gadget, while elsewhere another organization is building a contraption, either for new sub-fragments of the market, or for a by and large new

market (Christensen, 2003). According to Innovator's Solution Theory, many firm managers try not to find out about smart thoughts, and that they surrender to inborn weights to flee from the test of problematic rivalry as opposed to stand and battle (Christensen and Raynor, 2008). The learning based theory states that an association's capacity to advance relies on upon the pool of information accessible inside the association (Subramaniam and Youndt, 2005). In Kenya, the insurance industry has not been left out in adopting technologies that will enable them to operate effectively (IRA, 2014). Some of the marketing innovations strategies in the Kenyan insurance include the searching and buying of insurance on the internet. In Kenya today, (IRA, 2014). On account of this, safety net providers have begun investigating the developing effect of utilizing new mechanical stages to speak with clients, cook for advancing purchasing practices and mine a rich wellspring of client bits of knowledge (Makovi, 2014). One illustration is APA which has propelled an imaginative and complete engine cover item that incorporates cover for hospitalization if there should arise an occurrence of mischance and pay misfortune and premiums can be paid month to month through electronic stages, for example, M-PESA, Airtel Money and Pesa-Point. There is additionally the Changamka development technique, a miniaturized scale wellbeing spread propelled by Changamka Micro-Health that permits individuals to get treatment at assigned doctor's facilities for as meager as KES450 (US$5.56) per visit and uses prepaid keen card innovation to permit its individuals to get to treatment at assigned therapeutic outlets (Makovi, 2014).

1.1.1 Innovation Strategy

A strategy is the pattern of major objectives, purposes or goals and essential policies or plans for achieving organizational goals, stated in such a way as to define what business the company is in or to be in and the kind of company it is or is to be

(Drucker, 1961).The firm's decision of whether to innovate or not is one of the most fundamental choices firms face. If the firm decides to innovate then it faces several choices on what type or what combination of types of innovation strategies to adopt OECD (2005) distinguishes between four basic types of innovation, that is, product innovation, process innovation, marketing (market) innovation, and organizational innovation, which represents four pure innovation strategies but they can be combined in different ways generating 11 more types of innovation strategies.

Product innovation is the introduction of a good or a service that is new or significantly improved in regard to its characteristics or intended uses, including significant improvements in technological specifications, components and materials, incorporated soft-ware and user friendliness among other functional characteristics. According to BD Correspondent (posted Monday, March 12 2012), Facebook and Twitter are considered so integral to the modern Internet landscape that other insurance companies are increasingly incorporating social media into their own product strategies. Other innovative strategies involve APA Insurance which developed an innovative index based weather insurance (IBWI) product that covers farmers for the loss of crops as a result of bad weather.

Process innovation is characterized as the usage of another or altogether enhanced creation or conveyance strategy and incorporates critical changes it methods, gear or programming. Handle advancement can be intended to reduction unit expenses of creation or conveyance, to increment/enhance item and conveyance quality (Tavassoli and Karlsson, 2015). Showcase development, then again, is the execution of another promoting technique including noteworthy changes in item outline or bundling, item arrangement or estimating methodology. It was prescribed in a late study on potential

insurance dissemination channels by AKI that administrative changes ought to be done to permit the utilization of option strategies for offering insurance, for example, places of worship, general stores, travel offices and self improvement gatherings to upgrade take-up and bring down working costs (Makovi, 2014).

Marketing innovation is done mostly to better meet the customer' needs. Marketing innovation opens up new markets, or gives the firm's products a new position in the market with the intention to increase sales income. They are strongly related to pricing strategies, product offers, design properties, product placements and/or promotion activities (Tavassoli & Karlsson, 2015). Lastly, firm technological innovation is the implementation of a new organizational method in the firm's business practices, workplace organization or external relations. Firm technological innovations have a tendency to increase the performance of firms by reducing administrative and transaction costs, improving workplace satisfaction, increase labour productivity and get access to non-tradable assets, such as external tacit knowledge, and or reduce the costs of external supplies.

According to Tavassoli and Karlsson (2015) firm technological developments are firmly identified with every managerial exertion of restoring the authoritative schedules, methodology, instruments, frameworks, that advances cooperation, data sharing, coordination, joint effort, learning and imaginativeness. As indicated by Makovi (2014) firms in the insurance business have as of now pioneered the trail by grasping non-customary insurance conveyance channels, for example, SACCOS, microfinance foundations, banks, e-trade, group based association and premium settlement through portable cash exchange stages.

1.1.2 Firm Performance

Firm performance is defined as a measure of the degree to which a firm has attained its set goals and objectives and it is given by three components that are: firm financial performance, product market performance and shareholder return (Richard *et al.*, 2009). Bien (2002) views firm performance as an entity's economic condition at a given time. Firm performance employs accounting measures which are derived from calculations for instance profitability, return on equity, returns on assets and returns on investment or market based which on the other hand are derived from the aspects of financial markets where the firm trade its financial assets for instance sales and market share.

The general insurer's profitability is affected by components both interior and outer to the firm. The interior components concentrate on a safety net provider's particular qualities, while the outside elements concern both industry highlights and macroeconomic factors. The firm-particular components incorporate; influence, liquidity, money related decision and the extent of the organization. Leverage is measured by the proportion of aggregate obligation to value. Influence proportion demonstrates how much a business is using acquired cash (Adams and Buckle, 2000). The influence proportion is additionally characterized as the budgetary proportion that demonstrates the rate of a company's benefits that are financed with obligation. In insurance, it reflects insurance agencies' capacity to deal with their monetary introduction to surprising misfortunes. This proportion speaks to the potential effect on capital and excess of lacks for possible later use because of monetary cases (Adams and Buckle, 2000).

A few studies on association's productivity have given observational proof on a negative relationship amongst influence and execution (Rajan and Zingales, 1995). Adams and Buckle (2000) then again settled that those insurance agencies with high influence proportion have preferred operational execution over insurance agencies with low influence. Browne et al. (2001) set up a negative relationship amongst influence and association's execution. The Leverage Ratio is given by: Total Liabilities/Total Assets.

Liquidity is the measure of the company's capacity to utilize its close money or "brisk" advantages for resign its liabilities. Company's liquidity is an extremely touchy measure. Firms that have more fluid resources are less inclined to fizzle since they can understand trade level out exceptionally troublesome circumstances. This thusly suggests insurance agencies with more fluid resources will perform superior to those with less fluid resources. Observational discoveries have built up a positive relationship amongst liquidity and execution, for example Browne et al., (2001) set up that the extent of fluid resources in the advantage blend is emphatically identified with execution of an insurance agency. Others analysts whose discoveries have affirmed that there is a positive relationship amongst liquidity and money related execution of back up plans incorporate Ambrose and Carroll (1994) and Carson and Hoyt (1995). Liquidity Ratio is given by Current Assets/Current Liabilities.

The extent of the firm is likewise a urgent determinant of insurance agency's budgetary execution; it influences the execution from multiple points of view. Huge firms have favorable position of misusing economies of scale and extension in this manner being more effective contrasted with little firms. Size of the insurance agency can be controlled by net premium which is the premium earned by an insurance agency subsequent to deducting the reinsurance surrendered. As per Ahmed, Ahmed,

and Ahmed (2010) the premium base of safety net providers manages the quantum of arrangement liabilities to be borne by them. Teece (2009) found that there is a positive relationship amongst size and budgetary execution of a firm. This is on the grounds that bigger firms have more assets, a superior hazard expansion, complex data frameworks and a superior costs administration.

1.1.3 Insurance Industry in Kenya

Kenyan insurance industry is quite competitive and crowded (Kibicho, 2015). The industry has a relatively large number of players. The industry is regulated and supervised by the Kenya Insurance Regulatory Authority (IRA). In the execution of mandate, the IRA holds fast to the center standards of objectivity, responsibility and straightforwardness in advancing not just consistence with the Insurance Act and other lawful necessities by insurance/reinsurance organizations and mediators additionally solid business hones (IRA, 2014). There are Forty Three (43) insurance Companies in a small market of about Kshs. 20 Billion (Olotch, 1999). According to Olotch (1999) the Republic of South Africa account for more than 90% of the premium in Africa and had half the number of insurers listed in Kenya. Olotch (1999) further suggested that the local Insurance Companies in Kenya should merge to create bigger but fewer units. Kenyan insurance industry is represented by the Insurance Act and is directed by the Insurance Regulator. Insurance business in Kenya is administered by the Insurance Act 1 of 1985 which gives the enlistment of Insurance organizations, Intermediaries, Risk supervisors, Loss agents, Insurance surveyors and Claim settling specialists. All people and organizations doing insurance business in Kenya must be enrolled (Christian, 2006).

After independence transformation has taken over Kenya's insurance industry. According to Association of Kenyan Insurers (2009) "there were 44 licensed insurance companies, 20 companies engaged in non-life insurance while 9 wrote life insurance and 15 companies were composite engaging in both life and non-life insurance. The industry had 137 licensed insurance brokers, 21 Medical Insurance Providers (MIPs) and 3,076 insurance agents. Other licensed players included 106 investigators, 57 motor assessors, 18 loss adjusters, 2claims settling agents, 5 risk managers and 26 insurance surveyors" (AKI, 2009).The insurance sector's highly competitive and dynamic market makes the firms in the sector to continually create, implement, assess and improve on strategies so as to remain relevant and competitive in this market. Although, many companies have been implementing strategies in their respective organizations and reorganizing their business processes (Rajagopal, 2002), more than 70 per cent of the strategies fail (Milis & Mercken, 2002).

There was an upward trend in most of the key performance and financial position indicators for the insurance industry in Kenya during the year 2013 - 2014. Gross Direct Premium increased significantly by 24.6% to stand at KES 160.4 billion in 2014 (2013: KES 133.49 billion). The asset base for the industry increased by 17.6% from KES 366.25 billion recorded as at the end of December 2013 to KES 430.54 billion as at the end of December 2014. Investments as well increased to stand at KES 355.01 billion in 2014 constituting 82.5% of the total industry assets. While significant gains were maintained during the year in terms of double digit premium growth, insurance penetration (which is the measure of contribution of insurance to the national economy) on the other hand declined in absolute terms from 3.4% in 2013 to 2.9% in 2014 owing to rebasing of Kenya's Gross Domestics Product (GDP). With this level of penetration (2.9%), Kenya is ranked 5th after South Africa (14%),

Namibia (7.2%), Mauritius (6%) and Morocco (3.2%) Swiss Re, 2014. While significant increases were kept up amid the year as far as twofold digit premium development, insurance entrance (which is the measure of commitment of insurance to the national economy) declined in total terms from 3.4% in 2013 to 2.9% in 2014 which is credited to the recalculation of the Kenya's Gross Domestics Product (GDP) (IRA, 2014). This however does not demonstrate a drop in insurance development with respect to the economy. As indicated by the Swiss Re (2014) as expressed by IRA (2014), with this low level of entrance (2.9%), Kenya is positioned fifth in Africa after South Africa (14%), Namibia (7.2%), Mauritius (6%) and Morocco (3.2%). The Major developments taking place in Kenya including infrastructure projects such as the SGR, the LAPSET, the Konza ICT City, Wind and Solar Power, Oil and Gas have presented a significant opportunity to insurers. However, a challenge emanates from the limited capacity of local insurers to underwrite these risks, this requires that the country places 100% of the risks overseas leading to export of premium and by extension foreign currency. As a result Kenyans insurance firms will lose the opportunity to learn how to underwrite these mega risks.

1.2 Research Problem

The association's capacity to advance is progressively seen as the absolute most imperative calculate creating and managing upper hand (Tidd, 2001). The expanding level and pace of advancement and rivalry, has made it that market pioneer need to make an upper hand that empowers them to drive and hold better execution inside the business than survive. Advancement techniques have been exactly connected with predominant execution (Walker, 2004) through upgrading worldwide intensity, general efficiency and esteem boost of the firm. Karanja (2009) set up in his study

that organizations with solid innovation empowered advancement methodologies will probably secure upper hand and make predominant shareholder esteem. A decent innovation empowered advancement system ought to plainly deconstruct the reasons why an organization is effective (Karanja, 2009).

The increase in the economic growth of Kenya which is strengthened by discovery of oil and gas, shifting demographics, growing middle class level as well as major investments in infrastructure projects continue to create new opportunities for the insurance sector in Kenya (IRA, 2014). These factors together with others such as changes in the customer awareness, test and preferences are pushing safety net providers to relook at their plans of action regarding advancement and as well as their reach (IRA, 2014). In the industry, firms have made little or no effort on innovation in products, methods of service delivery and distribution channels which has made customers to take advantage. As a result, underwriting performance has decreased due to mismatch between product prices and underwriting costs which has caused poor performance among firms in the insurance industry (IRA, 2014).

The writing on the point proposes that there are generous contrasts regarding development systems between firms even inside an indistinguishable businesses from well as after some time (Andersson, et al., 2012). A few firms have determinedly improved; some advance irregularly, while others are non-trend-setters. The objective of vital advancement is certain change, to improve somebody or something for example increment profitability, deals, execution and is significant. In this manner it is vital that insurance firms investigate the business and look for essential change at all levels of the association, from its kin methodology to its customer and item system to its procedures and foundation accomplishing (Carrie, 2008).

Development systems have been exactly connected with prevalent execution (Walker, 2004) through improving worldwide aggressiveness, general efficiency and esteem expansion of the firm.

Different studies have been done on the subject of advancement by various specialists. Lusweti (2009) assessed development systems received by radio stations in Kenya and built up that advancement procedures are exceptionally fundamental in any business and consequently they ought to be set up at any cost since they help the association to understand their destinations. Wason and Bichanga (2014) surveyed the development procedures embraced by little and medium endeavor in Nairobi Area because of worldwide rivalry. Observational studies on the theme incorporate; Kibicho (2015) who assessed the determinants of Methodology Execution Accomplishment in the Insurance Business in Kenya and discovered that the selection of techniques on publicizing and advancement influences the key choices of organization as it were. Different explores on development systems were construct chiefly in light of banks rather than insurance industry, for example considers by Gitonga (2003) and Mwangi (2007).

The writing on the subject proposes that there are significant contrasts as far as development systems between firms even inside an indistinguishable businesses from well as after some time (Andersson, *et al*., 2012). A few firms have industriously advanced; some enhance discontinuously, while others are non-trailblazers for reasons going from having a solid position in the market, the control of an extraordinary asset, absence of abilities or assets, awful administration and unadulterated idleness. Nonetheless, there is restricted writing on the impact of these advancement techniques on the insurance firms' execution in spite of the critical commitment of the insurance

business to the nation's general monetary soundness. This makes a crevice in learning that this study sorts to fill by analyzing the impact advancement procedures embraced on the execution of insurance firms in Kenya.

1.3 Objectives of the Study

The objective of the study was to establish the effect of innovation strategies on the performance of insurance firms in Kenya.

1.4 Value of the Study

Firstly to other researchers and academicians, the study will add to the growing literature on the effect of innovation strategies and the performance of insurance firms in Kenya. The study will likewise shape a reason for future research on the impact of innovation strategies on the performance of insurance firms in Kenya. The study will be of significance to the ebb and flow theory by either supporting or testing through research discoveries.

Secondly to the insurance industry players (insurance companies, brokers, agents) management, the study will enable them get a comprehensive knowledge on innovation strategies that they can employ to mitigate competition. This project highlights the challenges of innovation and the link between innovation strategies and the performance of insurance.

Lastly to policy makers, the findings of the study is useful to the Government, through the Insurance Regulatory Authority (IRA) and other regulators in regard to advising and formulation of guidelines towards maintaining and or improving on the operating environment of the insurance firms. Since innovations are the building blocks for the firms' survival, this study is of great importance to insurance firms and many other firms in business on their road to adopting innovation strategies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature that forms the basis of this study. Literature related to the study will be reviewed with the aim of identifying research gaps. Theoretical and empirical literature is reviewed through evaluation of the various models and empirical studies on the effect of innovation strategies adopted on the performance of insurance firms. The empirical literature will be evaluated basing on past studies to provide new knowledge on the topic followed the summary of the literature and then the research gap.

2.2 Theoretical Review

This study was anchored on four innovation theories. These include disruptive innovation Theory, Dilemma Theory of Innovation, the Innovator's Solution Theory and the Knowledge-Based Theory of innovation. The theories are as discussed in the following subsections.

2.2.1 Disruptive Innovation Theory

The disruptive innovation theory was developed by Christensen in 1997. According to Christensel (1997) in a dynamic and uncertain world, innovation is the key to competitive advantage although Lettice and Thomond (2006) suggested that it also increases uncertainty and market pressure. Disruptive innovation is: “a successfully exploited product, service or business model that significantly transforms the demand and needs of an existing market and disrupts its former key players” (Lettice & Thomond, 2002).

Leifer (2001) then again characterizes problematic developments as "… those that create principal changes in the exercises of an association and speak to an expansive takeoff from existing practices". The more extraordinary the advancement, the more troublesome it is to gauge its market acknowledgment and potential, in this way expanding unpredictability. Troublesome advancements change the amusement through assaulting on the current business, and offer incredible open doors for new benefit development. Hamel (2003) affirm that lone radical advancements prompt to development.

2.2.2 Dilemma Theory of Innovation

The innovator's dilemma theory was proposed by Christensen in 2003. As per Christensen (2000) firms wishing to develop confront an irresolvable issue: their current clients will urge them to center assets on building a superior gadget, while elsewhere another organization is building a device. This is either for new sub-fragments of the market, or for an inside and out new market. The administration problem accompanies the difficulties of supporting business development and proceeding with achievement in light of always emerging and continually propelling innovations (Clayton, Christensen and Raynor, 2013).

Christensen and Raynor recommend that chiefs must settle on key choices with a specific end goal to make development and increment a business' likelihood of progress.In response to the identified dilemma, Christensen with the help of Raynor challenge managers to rethink their approaches to innovative growth, from the planning stage of identifying endeavors worthy of development, to the following stages of identifying the players and resources needed to undertake the effort, to the final stages of execution (and modification) of the strategy.

2.2.3 Innovator's Solution Theory

This theory on the other hand was developed by Christensen and Raynor (2008). This theory analyses the reasons why companies fail to innovate. As per this theory, numerous firm chiefs don't find out about smart thoughts, and that they surrender to inborn weights to flee from the test of problematic rivalry instead of stand and battle. Anthony and Christensen (2008) recommend that the choices made as a consequence of similar weights bode well in the short hurried to the people included, however at the appointed time they send the association into a relentless demise winding.

This theory additionally proposes that organizations can and ought to wind up disruptors themselves. This is vital in the today's hyper-quickened business environment. Christensen and Raynor (2008) recommend that business choices are vital to accomplishing genuinely problematic development and propose rules for building up the association's own particular troublesome development motor. This theory is pertinent to this study since insurance firms can be inventive consequently evading the passing winding.

2.2.4 Knowledge-Based Theory of Innovation

The knowledge-based theory was created from the work of Allow (1996). As indicated by this theory, an association's capacity to advance relies on upon the pool of information accessible inside the association (Subramaniam & Youndt, 2005). The company's capacity to produce new information has generally been associated with its in-house Research and development exercises. Cassiman and Veugelers (2006) recommend that organizations have started to open up their development forms for outer learning which will empower them consolidate interior speculations with outside assets to profit by complementarities.

The knowledge-based methodology decides advancement endeavors that may affect cost subsequently execution. Guadamillas and Forcadell (2002) declare that new information manages the succeeding development endeavors. This relationship may likewise happen in the other path round where the aftereffects of the development administration of the firm make new express information on items and innovations furthermore prompt to the collection of verifiable learning (Kim & Mauborgne, 1997). Along these lines this theory affirms that expanded learning base prompt to an expansion in the association's advancement endeavors.

2.3 Measures of Firm Performance

There is no single metric that is perfect for measuring firm performance. This is because different metrics are used in different situations. Some of the parameters used to measure firm performance include; firm profitability, firm market share, level of firm growth and level of customer satisfaction

2.3.1 Level of Firm Profitability

Firm profitability metrics is used to show the extent to which a company has been efficient in its operations over a given period of time. The use of profitability metric is criticized because it is seen as backward-looking and passed by time and that the measure is uncertain about future events for instance depreciation and amortization. The metric is also criticized by Kapopoulos and Lazaretou (2007) since it is limited to certain standards that are set by the profession. Common metrics that are used measure the firm profitability include; Return on Resources (ROA), Return on Value (ROE), EBTIDA edge, Net wage over Incomes, Rate of (return for money invested) and Monetary esteem included (Santos & Brito, 2012). The level of Profit for Value measures the shareholders return on their speculation made. ROE is communicated as

Net Wage after Charges partitioned by Aggregate Value (Khrawish, 2011). ROE metric is favored since it encourages a superior perspective of benefit use. The metric is additionally favored it is the simplest to utilize when measuring the arrival to the shareholders.

Return on Resource (ROA) then again measures the arrival to every firm resource and is frequently utilized as a general record of money related execution. The organizations' arrival on resource level is for the most part used to gauge the proficiency of the administration to create salary from every one of the assets of the firm (Khrawish, 2011).ROA used to gauge the firms performance aspects such as operating and financial performance (Klapper & Love, 2002). The metrics' measurement is such that the higher the firms ROA, the more the effectiveness in the use the firms' assets to the shareholders advantage (Haniffa & Huduib, 2006). High ROA also shows that the firm uses its assets to serve the shareholder's economic interests (Ibrahim & Abdul Samad, 2011). ROA is favored since it considers the benefit utilized by the firm to bolster the business exercises. This metric shows whether the organization can produce sufficient profit for its benefits other than simply demonstrating deals and benefits (Hagel, Seely & Lang, 2010). This also enlightens the management on the assets required to run the firm activities. This metric also informs the managements' decision to outsource. Firm return on asset is given by Net Income over Total Assets.

2.3.2 Firm Market Share

Firm market share is the percentage of the market's total sales earned by a particular firm over a specified period of time and is given by tacking the firms sales divided by the total sales of the industry for the same period (Angelover & Zekiri, 2011). Market

share is used to give a general idea of the firms' size in relation to its competitor and the market. The level of market share can be determined through the firm's earnings per share, the level of dividend yield, stock price improvements, stock price volatility, market value added (market value/equity), Tobin's Q (Santos & Brito, 2012). Market share determination is important since investors look at the market share increase and decreases to assign the relative competitiveness of the company's' products and services.

2.3.3 Level of Firm Growth

Scholars propose that each firm has to start, grow while facing some challenges, then mature and finally decline (Gupta, Guha & Krishnaswami, 2013). Every organization focuses on attain a sustainable growth rate over a certain period of time since it constitutes the firms objective. Commercial banks just like other organizations engage in CSE (Corporate Social Entrepreneurship) to a large extent to ensure they achieve a sustained growth in order to enhance their market share. Access to credit and other forms of financing are perceived as strong barrier to firm growth (Leahy & Villeneuve-Smith, 2009).

As per Omoro, Kinyua and Okiro (2014), organizations perform Corporate Social Entrepreneurship (CSE) exercises to make a positive commitment to the general public which is for the most part connected to association's managed development. They further suggested through their research findings that 11.0% of commercial banks in Kenya attain their sustained growth through investing in CSR activities. Firm growth can be measures through; asset growth, market-share growth, net revenue growth, number of employees' growth, net income growth (Santos & Brito, 2012).

2.3.4 Level of Customer Satisfaction

Customer satisfaction measures how products or services offered by the firm meet or surpass the customer's expectations and is given by repeated sales, more referrals, brand loyalty, positive word or mouth, customer assessment and customer feedback (Angelover and Zekiri, 2011). Customer satisfaction level can be measured through; the mix of products and services that the firm offers, the rate of repurchases, the number of complaints registered, the level of new customer retention, Number of new products/services launched and the general level of customer satisfaction (Santos & Brito, 2012). Customer satisfaction will be given by measures such as repeated sales, more referrals, brand loyalty, positive word or mouth, customer assessment and customer feedback (Angelover and Zekiri, 2011).

2.4 Innovation Strategies and Performance

The innovation strategies under consideration include; product innovation strategies, technological innovation strategies, marketing innovation strategies and process innovation strategies.

2.4.1 Product Innovation Strategies and Performance

Product innovation strategies involve the presentation of a decent or an administration that is new to the market or has been altogether enhanced in connection to its attributes or employments. These incorporate critical enhancements in mechanical determinations, segments and materials, joined, or ease of use among different capacities (Tavassoli & Karlsson, 2015). Product innovation strategies are majorly driven by advance in technologies, ever changing customer taste and preferences, shortening item cycles and expanding rivalry. A study by Slivko (2013) on advancement Systems among German Firms that included three development

procedures: refraining from advancement, presentation of items that are known in the market yet new to the firm (impersonation) or presenting market oddities (development) found that IP assurance strategy and antitrust approach, can strengthen each other in advancing advancement since they increase firms' incentives to introduce market novelties.

Tavassoli and Karlsson (2015) also analyzed innovation strategies of firms in Sweden for the period somewhere around 2002 and 2012 utilizing sixteen advancement techniques, which were made out of Schumpeterian 4 sorts of developments (process, item, advertising, and authoritative) in addition to different blends of the four sorts and found that organizations are not homogenous in picking advancement systems; rather, they have an extensive variety of inclinations with regards to advancement procedure. The specialists additionally found that organizations likewise hold on to have such a different development procedure inclinations.

2.4.2 Technological Innovation Strategies and Performance

The success of most firms majorly depends on efficient operational processes which result from more investments in technologies that enhance firm internal efficiencies (Munyoroku, 2014). Thus technological innovation strategies adopted by firms should help to identify and explore new revenue opportunities and improve customer satisfaction through reliable delivery. Technological innovation strategies involve the adoption of systems such as ERP systems that provide capabilities that support and enhance processes associated with producing. The systems should also help improve firm activities by automating routine tasks such as order management (Valacich & Schneider, 2012).

Odhiambo (2008) evaluated innovation strategies adopted by Standard Chartered Bank and found that Standard Chartered Bank just like most banks in Kenya adopted Technological Innovation Strategies to help in the advent of globalization and to enhance their methods for working together keeping in mind the end goal to draw in and keep up existing clients. The techniques were received since they concentrate on all parts of the business operations extending from client mind, mechanical progression to better items in the market. Wason and Bichanga (2014) assessed the advancement methodologies embraced by little and medium venture of Nairobi Region because of worldwide rivalry and established that SMEs in Nairobi County use technological innovation as a strategy in global entrepreneurship to a moderate extent. The study also established that the SMEs in Nairobi use technology management as a strategy in global entrepreneurship.

2.4.3 Marketing Innovation Strategies and Performance

Marketing innovation strategies involve the implementation of new marketing methods and models that would significantly change the product design or packaging, product placement or pricing (Tavassoli & Karlsson, 2015). Marketing innovation strategies are targeted at meeting the customer's needs and opening up new markets or giving the firm's products a new position in the market to increase the firm sales hence income. Common marketing innovation strategies include; market pricing strategies, product offers, design properties, product placements strategies and promotion activities. According to Hong (2015), innovative marketing strategies improve brand relationship and experiences with customers thus exert their influence on brand marketing efforts thus allow brands to be customer centric.

A study by Lusweti (2009) on development procedures embraced by radio stations in Kenya and found that the reception of systems (whether cooperative or aggressive techniques) is in this manner vital in overseeing advancement and in making the development happen and that advancement methodologies are extremely vital in any business henceforth they ought to be set up at any cost since it helps the association to understand their targets.

2.4.4 Process Innovation Strategies and Performance

Process innovation strategies, on the other hand, include execution of new or essentially enhanced creation or conveyance techniques. Basic process advancement procedures incorporate changes it strategies or hardware (Tavassoli & Karlsson, 2015). Forms in a firm can be intended to diminishing unit expenses of generation or conveyance to increment/enhance efficiency or administration conveyance quality. Prepare advancement methodologies are formed by the securing of epitomized information which goes about as a key system for countering the association's frail inner abilities. Process innovation strategies may include; adopting the supply chain concept, Enterprise engaged consultants from Deloitte international and implementation of the global reference model (GRM).

Procedures and procedures are building the ground for the empowering usage of innovations and the overhaul of the human action framework. This brings forth five areas of improvement that are; organizational strategy, organizational structure, operational process, business information technology and organizational culture (Debela, 2009). Business re-building is likewise a procedure advancement methodology. Business prepare re-building perceives that an association's operations procedures are generally divided into sub-procedures and errands that are done by a

few particular utilitarian territories inside the association. Because of that, re-building concentrates on re-outlining the operational procedure all in all with a specific end goal to accomplish the best conceivable advantages to the association and their clients (Debela, 2009). These coordinated business procedures are described by various characteristics: top notch yield, prepare possession, client center, esteem including and cross-usefulness. The possibility of operations process change through operational process re-building is not sufficiently explored by writing.

2.5 Conceptual Framework

The framework below shows the relationship between the autonomous factors (product, technological, Marketing and Process innovation strategies) and the dependent variable (firm performance as measured by profitability).

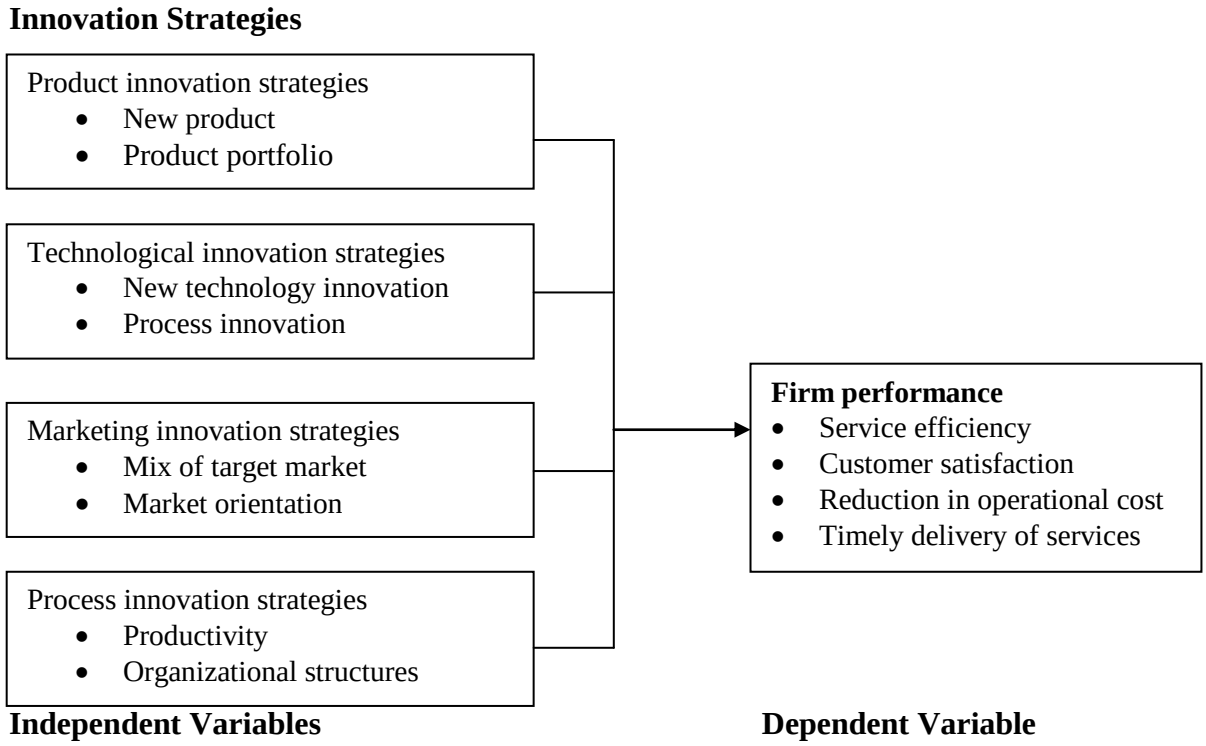

Figure 2.1: Conceptual Framework

2.6 Literature Summary and Research Gap

Basing on the literature reviewed, it can be summarized that insurance firms or any other firms with strong technology-enabled innovation strategies are more likely to secure competitive advantage. The firms can also create superior shareholder value. Basing on the literature reviewed, it is only those insurance companies that can adopt innovative strategies that will help in doing business differently and in a cost effective manner that can be guaranteed hope of survival.

According to Easterby-Smith (1994), literature has found it difficult to establish the link between the innovation strategies and company performance. Thus the literature reviewed continues to support further evaluation of the topic as a necessary process to establish whether innovation strategies adopted lead to increased performance of insurance companies. This creates a gap in information that this study sorts to fill by looking at the effect innovation strategies on the performance of insurance firms in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology that was used in the research study. It gives the details of the research design, population, data collection methods and procedures as well as data analysis methods that were used in the study. This chapter gives the direction and procedures that were used to carry out the study effectively.

3.2 Research Design

Descriptive survey research was utilized as a part of this study. A descriptive review outline is the gathering of data from a typical gathering through meetings or the use of surveys to a delegate test of that gathering. This outline is favored in light of the fact that extensive specimens are practical, making the outcomes measurably noteworthy notwithstanding while breaking down numerous factors (Mugenda & Mugenda, 2003). The primary motivation behind this outline is to depict what is pervasive on the issue under study. It additionally gives answers to inquiries like who, what, when, where and in some cases how. It empowers respondents to give more data uninhibitedly. It additionally decides and reports the way things are and endeavors to depict such things as could be allowed conduct, states of mind, values and characters.

3.3 Population of the Study

Target population is characterized by Kothari (2004) as the aggregate number of respondents in the aggregate environment important to the specialist. Mugenda and Mugenda (2003) then again depict an objective population as a homogenous gathering to which an analyst needs to sum up the aftereffects of the study. Target population

additionally alludes to a widespread arrangement of the investigation of all individuals from genuine or speculative arrangement of individuals, occasions or questions which an examination wishes to sum up the outcomes.

The target population for this study was the insurance firms in Kenya. There are a total of 49 registered insurance firms in Kenya firms in operating in Nairobi. The list of the insurance firms in Kenya is as shown in Appendix I. Since the population of this study is small, this study was a census where all the members of the population were considered.

3.4 Data Collection

Primary information was utilized as a part of this study whereby the respondents were the managers since they are in charge of developing the company strategies. The data was collected using self-administered questionnaires A "drop-and-get later" technique was utilized to oversee the surveys.

The questionnaire were structured in four sections as follows: Section A contained questions on general information about the respondents and their firms; Section B comprised of questions on the innovation strategies used by insurance firms; Section C comprised of questions on the performance of insurance firms in Nairobi while Section D consisted of questions on the challenges of innovation faced by insurance firms in Nairobi.

3.5 Data Analysis

After data collection, the questionnaires were inspected for completeness, edited for errors and omission before being coded and the data being captured. On instances where corrections were not plausible, the questionnaires were discarded. The

researcher tabulated the collected data systematically and analyzed the findings of the study with the guide of Statistical Package for Social Sciences (SPSS rendition 21).S Measures of focal inclination like recurrence dispersion mean and standard deviation was utilized. The discoveries were exhibited in type of tables, diagrams and pie graphs to give a representation of the exploration discoveries. Since the study is descriptive in nature, descriptive statistics was used to analyze the data.

Regression analysis was utilized to clarify the relationship between advancement systems and the execution of the insurance firms in Nairobi. The factors measured on ostensible scale were evaluated utilizing information lessening and spared as sham factors for reasons for achieving more elevated amount of investigation. The accompanying multivariate relapse model was utilized:

$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where:

Y – Firm Performance (Dependent variable)

X_1- X_4 – The independent variables

X_1- Product innovation strategies

X_2- Technological innovation strategies

X_3- Marketing innovation strategies

X_4- Process innovation strategies

β_0 - Is the constant of the model

β_1- β_4 – Are the regression coefficients

ε – Stochastic error term estimate

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis, presentation and interpretation of data collected from the semi-administered questionnaires. The collected questionnaires were checked for consistency before being coded and entered into SPSS (version 21). Descriptive statistics such as frequency distribution and percentages were used to analyze general information. Means and standard deviations were used to analyze innovation strategies, operational performance and challenges of e-procurement. Regression analysis was used to explain the relationship between innovation strategies and the performance of insurance firms in Kenya. The findings are presented in form of tables, graphs and pie charts.

4.2 Response Rate

A total of 47 semi-structured questionnaires were administered to licensed insurance firms in Nairobi. The study managed to receive a total of 40 duly filled questionnaires which constituted a response rate of 85.11%. According to Edwards, Clarke and Kwan (2002), a response rate of 80% and above is viewed as sufficient to enable the researcher to draw adequate conclusions.

Table 4.1: Response Rate

Response Rate	**Frequency**	**Percentage**
Filled	40	85.11
Not Filled	7	14.89
Total	47	100

Source: Research Data (2016)

4.3 Data Presentation

4.3.1 Data Validity

In order to ensure that respondents interpreted the research questions the same way, the study pre-tested six questionnaires. The pre-testing was used to check for correct wording and eliminate any ambiguous questions and misinterpretations. This ensured that the data collected was valid and of high quality.

4.3.2 Data Reliability

In order to establish the reliability of the Likert scale used in the research instrument, reliability analysis was conducted using Cronbach's Alpha with minimum requirement being a co-efficient $\alpha \geq 0.7$. The reliability analysis results are as appeared in table.

Table 4.3: Reliability Analysis

Variable	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
Product innovation strategies	.731	.748	5
Technological innovation	.713	.790	5
Marketing Innovation Strategies	.702	.750	7
Process Innovation Strategies	.750	.778	6
Firm Performance	.779	.781	7
Overall	**.724**	**.748**	**40**

Source: Research Data (2016)

The test established a Cronbach's Alpha co-efficient of 0.724. This implied that the Likert scale used in research instrument had a very high level of internal consistency. This research instrument was therefore reliable enough to be used to test the extent to which innovation strategies adopted by insurance firms in Kenya affects performance.

4.4 General Information

The respondents were asked to provide general information about the insurance firms they worked for in regard to size of the firm and the number of years the firms have been in operation.

4.4.1 Size of the Firm

The respondents were requested to indicate the size of their firms by virtue of the number of employees. The study findings are as shown:

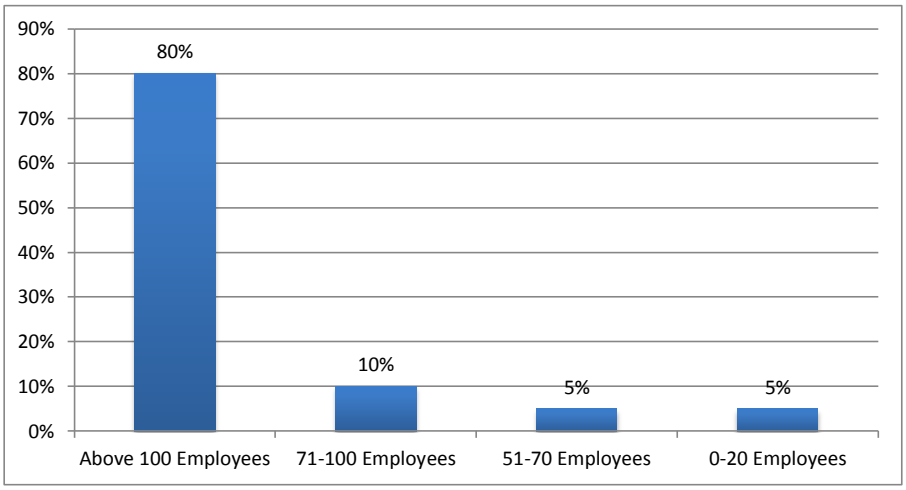

Figure 4.1: Size of the Firm
Source: Research Data (2016).

The study findings revealed that majority (80%) of the insurance firms had above 100 employees followed by the firms with 71-100 employees. The firms with 57-70 and 0-20 employees were the least at 5% each. This indicates that the insurance firms from whom the data was collected were large enough to embrace innovation in their products and services.

4.4.2 Years of Operation

The study lastly sought to establish the number of years the insurance firms had been in operation. The collected data was analyzed and the findings are as shown.

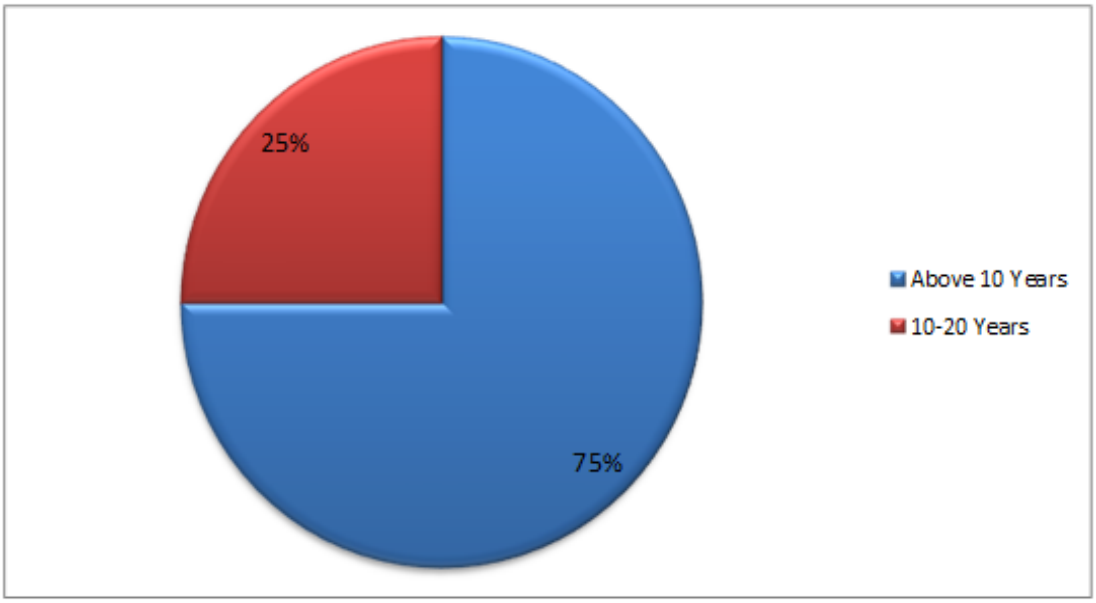

Figure 4.2: Years of Operation

Source: Research Data (2016)

The study found out that majority (75%) of the insurance firms had been in operation for 10-20 years while 25% had been in operation for over 10 years. This indicates that the study sourced information from respondents who worked in insurance firms that have existed long enough to experience changes in innovation strategies.

4.5 Insurance Innovation Strategies

The respondents were requested to rate the extent to which their insurance firms have implemented various innovation strategies. The rating was done on a Likert scale 1-5 where: 1 = No Extent; 2 = Little Extent; 3 = Moderate Extent; 4 = Great Extent; 5 =Very Great Extent. The results are as discussed.

4.5.1 Product Innovation Strategies

The respondents were requested to rate the extent to which their insurance firms have executed product innovation strategies. The methods recorded were deciphered as follows: 1-1.49 = No Extent; 1.5-2.49 = Little Extent; 2.5-3.49 = Moderate Extent; 3.5-4.59 = Great Extent; 4.5-5.0 =Very Great Extent. The results are as shown in Table.

Table 4.4: Product Innovation Strategies

Product innovation	**Mean**	**Std. Deviation**
Introducing new product and services	4.55	0.50
Monitoring changing customer tastes and preferences	4.53	0.47
Improving product or service user friendliness	4.53	0.50
Increasing product portfolio	4.38	0.67
Shortening product cycles	3.40	0.55
Aggregate Mean	**4.26**	**0.54**

Source: Research Findings (2016).

An aggregate mean of (*M*=4.26, *SD*= 0.54) was recorded indicating that insurance firms in Kenya have implemented Product Innovation Strategies to a great extent. Insurance firms in Kenya have been introducing new product and services to a very great extent as evidenced by a mean of (M= 4.55, SD= 0.50). The firms have also been monitoring changing customer tastes and preferences to a very great extent (M=

4.53, SD= 0.47). The least (M= 3.40, SD= 0.55) rated was product innovation strategy was shortening of product cycles which was implemented to a moderate extent. However, the respondents' opinions were diverse as indicated by the recorded standard deviations.

4.5.2 Technological Innovation Strategies

The study also sought to know the extent to which the insurance firms in Kenya have implemented technological innovation strategies. The mean scores recorded were interpreted as follows: 1-1.49 = No Extent; 1.5-2.49 = Little Extent; 2.5-3.49 = Moderate Extent; 3.5-4.59 = Great extent; 4.5-5.0 =Very Great extent. The results are as shown in table:

Table 4.5: Technological Innovation Strategies

Technological innovation	**Mean**	**Std. Deviation**
Adopting new innovative technology	4.73	0.45
Adoption of new systems such as ERP	4.60	0.50
Increasing investment in innovative technology	4.50	0.51
Automating routine tasks	4.58	0.51
Business process innovation	3.65	0.66
Aggregate Mean	**4.39**	**0.52**

Source: Research Findings (2016).

The study established that insurance firms in Kenya have implemented Technological Innovation Strategies to a great extent as evidenced by an aggregate mean of (M= 4.39, SD= 0.52). The insurance firms in Kenya have embraced new innovative technology to a very great extent (M= 4.73, SD= 0.45). The insurance firms in Kenya

have also adopted new systems such as ERP to a very great extent (M= 4.60, SD= 0.50). The minimum evaluated articulation was business process innovation with a mean of (M= 3.65, SD= 0.66) indicating it was also rated to a great extent.

4.5.3 Marketing Innovation Strategies

The study also sought to know the extent to which the insurance firms in Kenya have implemented marketing innovation strategies. Analysis of the data was done using means and standard deviations. The means recorded were interpreted as follows: 1-1.49 = No Extent; 1.5-2.49 = Little Extent; 2.5-3.49 = Moderate Extent; 3.5-4.59 = Great extent; 4.5-5.0 =Very Great extent. The results are as shown in the table.

Table 4.6: Marketing Innovation Strategies

Marketing Innovation	**Mean**	**Std. Deviation**
Introducing innovative promotion activities	4.58	0.51
Coming with new product placements strategies	4.38	0.59
Changing design properties	4.28	0.55
Introducing innovative product offers	4.05	0.90
Changing market pricing strategies	3.53	0.55
Using innovative and mix of target market	3.48	0.78
Changing market orientation	3.45	0.78
Aggregate Mean	**3.95**	**0.67**

Source: Research Findings (2016).

The study established that insurance firms in Kenya have implemented Marketing Innovation Strategies to a great extent as indicated by an aggregate mean of (M= 3.95, SD= 0.67). The most rated statement was that insurance firms in Kenya have introduced innovative promotion activities with a mean of (M= 4.58, SD= 0.51) followed by the introduction of new product placements strategies with a mean of (M= 4.38, SD= 0.59) and then changing of product design properties with a mean of

(M= 4.28, SD= 0.55). The least rated was changing market orientation with a mean of (M= 3.45, SD= 0.78) indicating that the all the statements were rated to a great extent. The variation in respondents' opinion was evidenced by the standard deviations recorded.

4.5.4 Process Innovation Strategies

The study lastly sought to know the extent to which insurance firms in Kenya have implemented process innovation strategies. Analysis of the data was done using means and standard deviations. The means recorded were interpreted as follows: 1-1.49 = No Extent; 1.5-2.49 = Little Extent; 2.5-3.49 = Moderate Extent; 3.5-4.59 = Great extent; 4.5-5.0 =Very Great extent. The results are as shown in table.

Table 4.7: Process Innovation Strategies

Process Innovation	**Mean**	**Std. Deviation**
Business process re-engineering	4.55	0.55
Operational process	3.65	0.70
Changing in organizational structures	3.63	0.87
Changing organizational culture	3.50	0.68
Changing organizational strategy	3.50	0.68
Business information technology	3.50	0.51
Aggregate Mean	**3.70**	**0.66**

Source: Research Findings (2016).

An aggregate mean of (M= 3.70, SD= 0.66) was recorded indicating that the insurance firms in Kenya have implemented process innovation strategies to a great extent. The most rated statement was business process re-engineering with a mean of (M= 4.55, SD= 0.55) followed innovation of operational processes with a mean of (M= 3.65, SD= 0.70) and then changing organizational structures with a mean of (M=

4.20, SD= 0.862) implying that all the statements were rated to a great extent. The least rated statement was business information technology with a mean of (M= 3.50, SD= 0.51). However, the respondents had differing opinions as evidenced by the standard deviations recorded.

4.6 Firm Performance

In this section, the study sought to establish the extent to which innovation strategies affects the performance of insurance firms in Kenya. The mean scores recorded were interpreted as follows: 1-1.49 = No Extent; 1.5-2.49 = Little Extent; 2.5-3.49 = Moderate Extent; 3.5-4.59 = Great Extent; 4.5-5.0 =Very Great Extent. The study findings are as shown in table.

Table 4.8: Effect of Innovation strategies on Firm Performance

Performance Parameters	**Mean**	**Std. Deviation**
Service reliability	4.60	0.50
Reduction in operational cost	4.58	0.47
Customer satisfaction	4.55	0.50
Service efficiency	4.53	0.42
Timely delivery of services	4.45	0.50
Resource utilization	3.53	0.51
Capacity building	3.40	0.64
Aggregate Mean	**4.39**	**0.50**

Source: Research Data (2016)

The study established that the innovation strategies influence the performance of insurance firms to a great extent as evidenced by an aggregate mean of (*M*= 4.39, *SD*= 0.50). Service reliability was the most rated performance parameter with a mean of

(*M*= 4.60, *SD*= 0.15) followed by reduction in operational cost with a mean of (M= 4.58, SD= 0.47) and then customer satisfaction with a mean of (*M*= 4.55, *SD*= 0.50). Capacity building was found to be the least rated with a mean of (M= 3.40, SD= 0.64).

4.7 Challenges of E-Procurement

In this section, the respondents were asked to rate the extent to which their firms faced challenges when implementing innovation strategies. The means recorded were interpreted as follows: 1-1.49 = No Extent; 1.5-2.49 = Little Extent; 2.5-3.49 = Moderate Extent; 3.5-4.59 = Great Extent; 4.5-5.0 =Very Great Extent. The results of the study are as shown in table.

Table 4.9: Challenges of E-Procurement

Challenges	**Mean**	**Std. Deviation**
Poor implementation innovative strategy	4.60	0.50
Lack of a sound innovation management	4.55	0.60
High cost of implementing new ideas	4.53	0.50
High costs of developing new products	3.48	0.51
Poor communication mechanisms	3.25	0.74
Innovation inhibiting environment	2.68	0.66
Inadequate technological infrastructure	2.55	0.60
Resistance to change by staff	2.45	0.50
Lack of adequate resource to carry out R&D	2.35	0.58
Non supporting organizational culture	1.85	0.74
Aggregate Mean	**3.22**	**0.59**

Source: Research Data (2016)

The study established that challenges are faced to a moderate extent (M=3.22, SD= 0.59) when implementing innovation strategies. The most faced challenges were Poor implementation innovative strategy and Lack of a sound innovation management program with means of (M=4.60, SD= 0.50) and (M=4.55, SD= 0.60) followed by

poor high cost of implementing new ideas with a mean of (M= 4.53, SD= 0.50). This indicates that these challenges were faced to a very great extent. Lack of adequate resource to carry out R&D and non-supporting organizational culture were the least faced challenges as evidenced by means of (M=2.35, SD= 0.58) and (M=1.85, SD= 0.74) respectively indicating they were faced to a little extent.

4.8 Regression Analysis

Regression analysis was used to explain the relationship between innovation strategies and the performance of insurance firms in Kenya. The variables which were measured on a nominal scale were quantified using dummy variable to obtain scores for regression analysis. The results obtained are as discussed.

4.8.1 Model Summary

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.646[a]	.417	.350	.43667

a. Predictors: (Constant), Product innovation strategies, Technological innovation strategies, Marketing innovation strategies, Process innovation strategies

Source: Research Data (2016)

To examine the relationship between insurance innovation strategies and the performance of insurance firms in Kenya. Innovation strategies considered in the analysis were product innovation strategies, technological innovation strategies, marketing innovation strategies and process innovation strategies. The study established that there was a strong relationship (R= 0.646) between insurance innovation strategies and the performance of insurance firms in Kenya. The study also recorded an adjusted R-squared value of 0.350. This implies that insurance innovation strategies accounts for 35% of the total variance in the performance of insurance firms in Kenya.

4.8.2 Analysis of Variance

Analysis of Variance (ANOVA) was done to verify the goodness of fit of the regression model. The regression model recorded a significance level of 0.1%. This implies that the model had goodness of fit and was very ideal for determining how innovation strategies implementation affects the performance of insurance firms in Kenya. This is because the regression model had a significance value (p-value) of less than 5% and an F value (6.450) is greater than the F-Critical Value (2.633).

Table 4.11: Analysis of Variance (ANOVA)

ANOVA[b]

Model		Sum of	df	Mean Square	F	Sig.
1	Regression	4.643	4	1.161	6.450	.001[a]
	Residual	6.483	36	.180		
	Total	11.126	39			

a. Predictors: (Constant Product innovation strategies, Technological innovation

b. Dependent Variable: Operational Performance

F-Critical Value = 2.633

Source: Research Data (2016)

4.8.3 Regression Coefficients

The regression coefficients revealed that at 95% confidence level, insurance innovation strategies had a combined positive effect on the performance of insurance firms in Kenya. Positive effect was reported for all the independent variables (product innovation strategies, technological innovation strategies, marketing innovation strategies and process innovation strategies).

Table 4.12: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	2.711	.490	`	5.535	.000
Product innovation strategies	.359	.109	.043	3.286	.002
Technological innovation strategies	.415	.129	.052	3.214	.003
Marketing innovation strategies	.363	.141	.746	2.567	.015
Process innovation strategies	.662	.195	.153	3.394	.002

a. Dependent Variable: Firm Performance

T-critical value: 1.688

Source: Research Data (2016)

The study established that product innovation strategies (t= 3.286, p= 0.002), technological innovation strategies (t= 3.214, p= 0.003), marketing innovation strategies (t= 2.567, p= 0.015) and process innovation strategies (t= 3.394, p= 0.002) produced statistically significant values for this study with (t-values> t-critical value (1.688), $p \leq 0.05$).

The constant value (2.711) shows that if e product innovation strategies, technological innovation strategies, marketing innovation strategies and process innovation strategies were rated zero, the performance of the insurance firms would be 2.711. In this study, the stochastic error term estimate was assumed to be zero for purposes of coming up with the regression equation. The equation was expressed as:

$Y = 2.711 + 0.359X_1 + 0.415X_2 + 0.363X_3 + 0.662X_4$

Where:

Y – Firm Performance (Dependent variable)

X_1- X_4 – The independent variables

X_1- Product innovation strategies

X_2- Technological innovation strategies

X_3- Marketing innovation strategies

X_4- Process innovation strategies

4.9 Discussion of Findings

This study sought to establish the insurance innovation strategies embraced by insurance firms in Kenya. The study also sought to establish the difficulties faced when actualizing the innovation strategies. Further, the study sought to determine relationship between insurance innovation strategies and the performance of insurance firms in Kenya.

On the extent of innovation strategies implementation, the study concludes that product innovation strategies, technological innovation strategies, marketing innovation strategies and process innovation strategies are all implemented to a great extent. In regard to the challenges faced by insurance firms in Kenya when implementing innovation strategies, the study concludes that challenges are faced to a moderate extent with the most faced challenges being poor implementation of the innovative strategy, lack of a sound innovation management program and high cost of implementing innovative ideas.

The study established that innovation strategies positively influence the performance of insurance firms in Kenya by a great extent. The innovation strategies considered in the study were product innovation strategies, technological innovation strategies, marketing innovation strategies and process innovation strategies. The study established that there is a positive relationship between innovation strategies and the performance of Insurance firms in Kenya with insurance innovation strategies accounting for 35% of the total variance in the insurance firms' performance.

The findings of this study both corroborate and contradict existing literature. For instance, Tidd (2001) observes that a firm's ability to innovate is increasingly viewed as the single most important factor in developing and sustaining a competitive advantage. Further, Walker (2004) observes that innovation strategies have been empirically linked with superior performance since it enhances global competitiveness, overall productivity and value maximization of the firm. According to Karanja (2009), companies with strong technology-enabled innovation strategies are more likely to secure competitive advantage and create superior shareholder value. A good technology-enabled innovation strategy clearly indicates the reasons why these companies are successful.

Lusweti (2009) examined innovation strategies adopted by radio stations in Kenya. The researcher found out that innovation strategies are very essential in any business hence they should be put in place at any cost since it helps the organization to realize their objectives. Further, Odhiambo (2008) evaluated innovation strategies adopted by financial institutions and concluded that with the advent of globalization, financial institutions have been forced to improve their ways of doing business in order to attract and maintain existing customers. Such innovative strategies focus on all

aspects of the business operations ranging from customer care, technological advancement to better products in the market. On the other hand, Easterby-Smith (1994) observes that literature has found it difficult to establish the link between the innovation strategies and company performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This part summarizes findings of the study from the research carried out. It gives the conclusions drawn thereof after the analyses. The chapter gives proposals for change of the study and suggestions for future research and restrictions confronted amid the study.

5.2 Summary of Findings

This study sought to establish the insurance innovation strategies embraced by insurance firms in Kenya. The study also sought to establish the difficulties faced when actualizing the innovation strategies. Further, the study sought to determine relationship between insurance innovation strategies and the performance of insurance firms in Kenya.

On the extent of innovation strategies implementation, the study concludes that product innovation strategies, technological innovation strategies, marketing innovation strategies and process innovation strategies are all implemented to a great extent. In regard to the challenges faced by insurance firms in Kenya when implementing innovation strategies, the study concludes that challenges are faced to a moderate extent with the most faced challenges being poor implementation of the innovative strategy, lack of a sound innovation management program and high cost of implementing innovative ideas.

The study established that there is a positive relationship between innovation strategies and the performance of Insurance firms in Kenya. This implies that innovation strategies positively influence the performance of insurance firms in Kenya by a great extent. The insurance innovation strategies account for 35% of the total variance in the insurance firms' performance. This implies that there are other factors that affecting the performance of insurance firms in Kenya other than the insurance innovation strategies.

5.3 Conclusion

On the extent of innovation strategies implementation, the study concludes that product innovation strategies, technological innovation strategies, marketing innovation strategies and process innovation strategies are all implemented to a great extent. In regard to the challenges faced by insurance firms in Kenya when implementing innovation strategies, the study concludes that challenges are faced to a moderate extent with the most faced challenges being poor implementation of the innovative strategy, lack of a sound innovation management program and high cost of implementing innovative ideas. The study additionally presumes that there is a solid relationship between insurance innovation strategies and the performance of insurance firms in Kenya with e-procurement accounting for 35% of the total variance in the insurance firms' performance.

5.4 Recommendations of the Study

The study wishes to make the following recommendations in order to improve the performance of insurance firms in Kenya. The study built up that there is a strong and positive relationship between insurance innovation strategies and firm performance.

The study therefore recommends that the management of the insurance firms in Kenya ought to execute in full the innovation strategies as this will prompt to improved and positive firm performance.

5.5 Limitations of the Study

Some of the respondents were hesitant in filling the questionnaires expecting that the data looked for would be utilized against them or their organizations. In any case, the specialist took care of the restriction by guaranteeing the respondents that the data being gathered will be utilized for scholastic reason just and that it would be treated with most extreme secrecy.

Further, the respondents had busy working schedules in their insurance firms which derailed the process of data collection. The researcher tackled the limitations by emphasizing to the respondents that the data was needed urgently in order to meet the academic deadlines. Lastly, the accuracy of the data collected was mainly dependent on what was provided by the respondents from the Insurance firms. The researcher handled the limitation from answering the respondents' queries on the questions that the respondents did not understand.

5.6 Areas for Further Research

The study was confined to insurance firms operating in Nairobi. A replica of the study should be carried out in non-insurance firms order to improve on the study findings and policy change recommendations arising from this study to facilitate making of more adequate conclusions.

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APPENDIX I: INTRODUCTION LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MSC. ENTREPRENEURSHIP AND INNOVATION MANAGEMENT PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

Date..10/10/2016...

TO WHOM IT MAY CONCERN

The bearer of this letter.....MAINA MARY MYAWIRA.....
Registration No.....D66/77614/2015.....
is a bona fide student in the Master of Science in Entrepreneurship and Innovations Management (MSc. EIM) degree program in this University.

He/She is required to submit as part of his/her coursework assessment a research project on Entrepreneurial problems. We would like the student to do their projects on real problems affecting firms in Kenya. Your organization has been identified for the study and we would, therefore appreciate your assistance to enable him/her collect data in your reputable organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Graduate Studies Office
P.O. Box 30197
NAIROBI
University School of Business

JANE MUTURI
MSc. ENTREPRENEURSHIP AND INNOVATIONS MANAGEMENT ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX II: LIST OF REGISTERED INSURANCE FIRMS

1. AAR Insurance Kenya Limited
2. APA Insurance Limited
3. Africa Merchant Assurance Company Limited
4. Apollo Life Assurance Limited
5. AIG Kenya Insurance Company Limited
6. British-American Insurance Company (Kenya) Limited
7. Cannon Assurance Limited
8. Capex Life Assurance Company Limited
9. CFC Life Assurance Limited
10. CIC General Insurance Limited
11. CIC Life Assurance Limited
12. Continental Reinsurance Limited
13. Corporate Insurance Company Limited
14. Directline Assurance Company Limited
15. East Africa Reinsurance Company Limited
16. Fidelity Shield Insurance Company Limited
17. First Assurance Company Limited
18. G A Insurance Limited,
19. Gateway Insurance Company Limited
20. Geminia Insurance Company Limited
21. ICEA LION General Insurance Company Limited
22. ICEA LION Life Assurance Company Limited
23. Intra Africa Assurance Company Limited
24. Invesco Assurance Company Limited
25. Kenindia Assurance Company Limited
26. Kenya Orient Insurance Limited
27. Kenya Reinsurance Corporation Limited
28. Madison Insurance Company Kenya Limited
29. Mayfair Insurance Company Limited
30. Mercantile Insurance Company Limited
31. Metropolitan Life Insurance Kenya Limited
32. Occidental Insurance Company Limited

33. Old Mutual Life Assurance Company Limited
34. Pacis Insurance Company Limited
35. Pan Africa Life Assurance Limited
36. Phoenix of East Africa Assurance Company Limited
37. Pioneer Assurance Company Limited
38. Prudential Life Assurance K Limited
39. Resolution Insurance Company Limited
40. Liberty Life Assurance Company Limited
41. Takaful Insurance of Africa Limited
42. Tausi Assurance Company Limited
43. The Heritage Insurance Company Limited
44. The Jubilee Insurance Company of Kenya Limited
45. The Monarch Insurance Company Limited
46. Trident Insurance Company Limited
47. UAP Insurance Company Limited
48. UAP Life Assurance Limited
49. Xplico Insurance Company Limited

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APPENDIX III: RESEARCH QUESTIONNAIRE

This questionnaire seeks to collect data on the effect of innovation strategies adopted on the performance of insurance firms in Kenya. Kindly fill in the questionnaire. Any information availed will be treated with utmost confidentiality and shall be used for academic purposes only. Your identity shall not be revealed.

SECTION A: GENERAL INFORMATION

1. Name of the insurance firm? (Optional)

……

3. Gender

Male [ ] Female [ ]

4. Age Bracket in years (Optional)

20-25	[ ]	26-30	[ ]
31-35	[ ]	36-40	[ ]
41 -50	[ ]	51 and Above	[ ]

5. Highest level of education

O Level	[ ]	A Level	[ ]
College Level	[ ]	Graduate Level	[ ]
Post Graduate Level	[ ]	Any other (Specify) ……..	

6. What position do you hold in this organization?

Please specify.....

7. How long have you been in this position?

Less than 1 year	[ ]	1 - 5 years	[ ]
6 – 10 years	[ ]	Above 10 years	[ ]

8. Size of the insurance firm

0-20 Employees	[ ]
21-50 Employees	[ ]
51-70 Employees	[ ]
71-100 Employees	[ ]
Above 100 Employees	[ ]

9. Number of years the firm has been operating in Kenya

1 - 5 Years	[ ]
5 – 10 Years	[ ]
10-20 Years	[ ]
Above 10 years	[ ]

SECTION B: INSURANCE INNOVATION STRATEGIES

10. To what extent has your firm has adopted the following insurance innovation strategies? Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.

	INSURANCE INNOVATION STRATEGIES	**Respondents Ratings**				
	Product innovation strategies	**1**	**2**	**3**	**4**	**5**
1.	Introducing new product and services					
2.	Increasing product portfolio					
3.	Improving product or service user friendliness					
4.	Shortening product cycles					
5.	Monitoring changing customer tests and preferences					
	Technological innovation strategies					
1.	Adopting new innovative technology					
2.	Process innovation					
3.	Adoption of new systems such as ERP					
4.	Increasing investment in innovative technology					
5.	Automating routine tasks					

	Marketing innovation strategies	**1**	**2**	**3**	**4**	**5**
1.	Using innovative and mix of target market					
2.	Changing market orientation					
3.	Changing market pricing strategies					
4.	Introducing innovative product offers					
5.	Changing design properties					
6.	Coming with new product placements strategies					
7.	Introducing innovative promotion activities					
	Process innovation strategies	**1**	**2**	**3**	**4**	**5**
1.	Changing in organizational structures					
2.	Business process re-engineering					
3.	Changing organizational strategy					
4.	Operational process					
5.	Business information technology					
6.	Changing organizational culture					

SECTION C: FIRM PERFORMANCE

11. How do you rate the performance of your firm? Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.

Performance Measurement	**Respondents Ratings**				
	1	**2**	**3**	**4**	**5**
Service efficiency					
Capacity building					
Timely delivery of services					
Reduction in operational cost					
Resource utilization					
Customer satisfaction					
Service reliability					

SECTION E: CHALLENGES OF INSURANCE INNOVATION

12. To what extent does your organization face the following challenges when implementing insurance innovation strategies? Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Large Extent; 5=Very Large Extent.

Challenges	**Respondents**				
	1	**2**	**3**	**4**	**5**
High costs of developing new products					
High cost of implementing new ideas					
Resistance to change by staff					
Lack of adequate resource to carry out Research and					
Inadequate technological infrastructure					
Non supporting organizational culture					
Innovation inhibiting environment					
Lack of a sound innovation management program					
Poor implementation innovative strategy					
Poor communication mechanisms					

What other challenges does your organization face when implementing insurance innovation strategies?

_____

_____

_____

Thank you for participating in this study.