COMPETITIVE STRATEGIES AND PERFORMANCE OF LIAISON GROUP INSURANCE BROKERS, KENYA LTD

BY

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DECLARATION

This research project is my original work and has not been presented for examination in any other university or college.

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

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DEDICATION

This project is dedicated to my parents, Herbert and Christine Pamba, my siblings and nieces Sabrina and Aria who supported me throughout my MBA and motivated me to achieve my potential. May God bless you abundantly.

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To the management of Liaison Group Limited, thank you for sacrificing your time to assist with important information and giving me the opportunity to undertake a study on your organization. Lastly, I would like to sincerely appreciate my family and friends for the financial, emotional and morale support during the entire course.

ABBREVIATIONS AND ACRONYMS

AIBK: Association of Insurance Brokers in Kenya

AKI: Association of Kenya Insurers

IRA: Insurance Regulatory Authority

KCB: Kenya Commercial Bank

PESTEL: Political, Economic, Social, Technological, Ecological and Legal

R&D: Research and Development

SWOT: Strengths, Weaknesses, Opportunities and Threats

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ABSTRACT

The insurance industry in Kenya is faced with low penetration and low literacy levels in terms of the knowledge of the importance of taking up insurance policies as a cushion in case of losses. In addition the players in the industry are faced with the challenge of penetrating the market and achieving a high market share while still remaining competitive. Organizations have therefore opted to formulate and implement strategies that ensure that they have a competitive advantage and remain successful. The objective of the study was to establish the influence of competitive strategies on the performance of Liaison Group Insurance Brokers. A case study research design was used to carry out this research and the study involved both primary and secondary data. Data collection was done using an interview guide. Content analysis was used to analyze the data which was qualitative in nature. The study established that Liaison Group Insurance Brokers adopts different competitive strategies like differentiation, focus strategy, globalization, strategic alliances and diversification to remain competitive and attain their set performance goals. The study established that for Liaison Group Insurance Brokers, the adoption of the right strategies and proper implementation has led to their high performance. Liaison Group has adopted the differentiation strategy where it has ensured that their customers receive outstanding service, tailor-made products and services as well as ensure they continuously re-engineer their business processes to keep up with the trends. Liaison Group focuses on a particular market segment which is the corporate customers and more specifically the parastatal corporations that have a more organized organizational structure and are considered relatively easier to penetrate due to the fact that they publicly advertise their tenders. The firm measures its performance using the based on the perspectives of the balanced score card which include: The financial perspective, the customer perspective, the internal process perspective and the learning and growth perspective The study recommends that Liaison Group sets up better control and monitoring systems to ensure that the strategies adopted are monitored to boost organizational performance and that any mistakes are corrected on time. This is essentially important now due to the rapid growth it has encountered in the past year in terms of human resources and physical assets. It is also important that the company invests more in R & D to ensure that the organization has better market intelligence and is better prepared to face and beat its rivals. The study concludes that for organizations to remain competitive, they must continuously scan the environment and adopt competitive strategies that enable them meet the obligations of their stakeholders as well as maintain a competitive advantage. Further, for firms to attain high performance there is need for them to adopt and properly implement these competitive strategies.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Over the years there has been a rise in the interest in research on competitive strategies used by organizations in order to attain their set performance. The internal and external environment in which organizations operate has been highly dynamic and complex, thus the need for organizations to adopt the competitive strategies to succeed. Some organizations have the ability to make decisions faster while others are more bureaucratic and have to follow set procedures hence making the process longer. Thus, depending on size and nature of business of a firm, the factors influencing their strategic decisions are also bound to vary (Wilson, 2003)

Researchers have over the years looked at how competitive strategies and affect the success of firms. Many factors influence strategic decision making and they differ from organization to organization, country to country and thus universalism is rarely the case (Wilson, 2003). Strategy is what sets organizations apart from their rivals thus giving them competitive advantage and enabling them achieve their performance goals (Porter (1985). For firms to attain set goals and performance, they utilize their competencies and in turn also attain competitive advantage (Ogolla, 2005).

The resource-based and competency-based theories are important in this study. Resources are considered as inputs in the process of and organizations can utilize these resources to attain sustainable competitive advantage (Barney, 1991). According to Morgan, Kaleka, and Katsikeas (2004), the export business is affected by different resources and capabilities. Organizational performance in the export market changes due to improved positioning and options. Pablos & Lytras (2008) defined competency-based theory as one that looks at individual skills and knowledge as competencies required for organizations to achieve high performance levels over a substantial period of time.

Kenya's insurance industry has grown immensely in the past couple of decades. However, it has a very low penetration rate which is currently at about 3% (AKI, 2015). Insurance brokers are also facing tough competitions and have thus opted to employ different strategies to adapt to the turbulent environment and to stay competitive (Mudaki, Wanjere & Ochieng, 2012). However, some brokers have opted for strategies which are not necessarily ethical in order to survive. This has prompted the Insurance regulator to set various regulations to ensure a fair playing ground for all players.

1.1.1 The Concept of Strategy

Strategy is multi-faceted, hence is described differently by different authors. It is the game plan or plan of action that organizations put in place in order to attain their set goals. According to Porter (1996), strategy is about setting yourself apart from other players in the industry. He further seems to portray strategy as the vision and the position that an organization is at. (Mintzberg, 1994) describes strategy in four ways, commonly known as the 4Ps which are Plan, Pattern, Position and Perspective.

Strategy as described by Pearce and Robinson (2007) is usually in three levels which are; corporate level, business level and operational level. Corporate level strategies mainly includes the organizational vision, organizational goals, core values, organizational philosophy and culture among others. These decisions usually cover the entire organization, the type of business they engage in and the resources required (Porter, 1985). Business level strategies focus on giving specifics on the actions that are to be taken to ensure customers get value for their money and thus ensure that the firm attains competitive advantage. It details who are the customers, what are the needs to be met and how the needs will be satisfied. Operational level strategies focus on the day to day running of the organization for example scheduling, shifts, utilization of resources and assets among others.

Porter (1985) further states that in order for one to establish why firms succeed or fail it is prudent for one to look at the underlying strategy theory of the firm. Success is usually measured by the ability of a firm in attaining a competitive advantage and thus superior performance over their competitors in the market, all of which are only possible by application of a suitable strategy. The strategies need to be formulated, implemented and have a regular evaluation done to correct any errors that maybe encountered along the way.

According to Porter (1985) strategic decisions made by a firm need to align with one of the competitive strategies of cost leadership, differentiation and focus. Cost Leadership entails creating product offerings that at lower costs as compared to competitors within the industry and thus capitalizing on sales volumes to attain profits. Differentiation strategy on the other hand seeks to produce a product or service that is perceived to be unique from what the competitors are producing. With this strategy the firm aims to create an impression of better and more valued products hence setting high standards in the market. Focus or Niche strategy as otherwise known is a strategy that aims at attracting a particular segment of the market and specializing in the same.

Thompson & Strickland (2003) describes competitive strategy as a game plan to outmaneuver competitors and secure a strong market position. This is therefore why organizations are able to attain set performance standards and in turn attain a competitive advantage. The competitive strategies also known as the generic strategies have in the recent past been a point of discussion among scholars and management. For firms to improve their market position in their industry, they have to emphasize on the adoption of competitive strategies (Hunger & Wheelen, 1995)

Firms are different and operate in different environments; there is therefore no single competitive strategy that can work in the exact same way for each organization. Firms are now utilizing these competitive strategies to set them apart from their competitors and hence attain competitive advantage (Porter, 2008). Firms are therefore faced with the task of constantly assessing their internal and external environments in order to stay at par with changing dynamics. Internal assessment is done in order to establish the strengths and weaknesses of the organization and capitalize on the strengths while finding a way to down play the weaknesses. External assessment seeks to establish the opportunities and threats that exist outside the organization. This enables the firm to come up with measures to take advantage of the opportunities to ensure competitive advantage while mitigating any threats that may exist.

1.1.2 Organizational Performance

The organizational performance of a firm is defined as the actual results or production of the firm as compared to it set goals or objectives. Organizational performance entails three major areas of the firm's production that is the financial output in terms of return on assets, profitability and return on investment. It also entails the market performance in terms of the firm's market share and sales volumes. Finally, it also includes the returns made for the shareholders in terms of the value they obtain economically (Richard et al., 2009). Firm performance has been key in the recent past, owing to the large number of firms struggling to survive turbulent times. This has been evident in the Kenyan market especially with examples of Uchumi and Nakumatt Supermarket among others. These effects have forced firms to adopt tools for performance measurement as a way to mitigate any future surprises (Ndemo, 2017).

According to Kaplan and Norton (2001), who came up with the balanced score card; a measuring tool that sought to overrule the previous tools that were rather ad hoc in nature and which enabled organizations to put strategy at the core of all management processes. This is a tool that could measure the performance of an organization comprehensively rather than through the use of set checklists. The balanced score card also provided a platform whereby organizations could measure performance not just on financial basis but also through non-financial basis. Some of the non-financial dimensions include: Corporate Social Responsibility, Customer Service, Employee Training and Development, Innovation and Technology (Miano, 2011).

1.1.3 The Insurance Industry in Kenya

The insurance industry in Kenya dates back to colonial days. However, it was not until independence that legislation to govern the insurance sector was put in place, previously the same was done by the Companies Act. In 1984, an enactment of the Insurance Act conferred regulatory powers to the then Ministry of Finance, which was functioning under the Commissioner of Insurance. As a result, The Insurance Act cap 487 of 1986 was enacted and implemented in 1987. This provided a regulator's office and required that Reinsurance and Insurance companies be registered alongside other industry players. In 2006, there was another amendment to The Insurance Act creating the Insurance Regulatory Authority (IRA). IRA was mandated with the responsibility to enforce regulations in the Insurance industry.

There are two Insurance Associations currently in Kenya, these are the Association of Kenya Insurers (AKI) and The Association of Insurance Brokers of Kenya (AIBK). The insurance industry has also grown substantially from just about 4 Insurance Companies in the colonial period to 51 in 2015. Other players as at 2015 are 139 Insurance Brokers, 6224 Insurance Agents, 133 Investigators, 30 Surveyors, 7 Risk Managers, 27 Loss Adjusters, 114 Motor Assessors and 22 Medical Insurance Providers. This is according the AKI report (2015). In addition, the Insurance sector boasts of a College of Insurance specifically established to offer professional insurance courses to individuals and institutions. According to AKI (2015), the gross written premium for both non-life and life Insurance stood at 173.79 Billion whereas the Industry growth was 10.5% as compared to 20.3% in 2014. Market penetration stood at 2.78% in 2015 as compared to 2.93% in 2014.

Insurance brokers play a significant part in the insurance industry, not only in Kenya but beyond. The role of insurance brokers is vast ranging from advisory on insurance and risk matters to being an agent of the insurer. Brokers act as the go between the customer and the insurance companies in which they partner with. In return brokers earn a commission as well as a fee they charge their customers. According to AKI (2015) the insurance penetration levels in Kenya is still very low, this therefore means that for a broker to survive and succeed, they must compete for the larger market share. In addition, brokers must adopt strategies that enable them to venture into the untapped market. In the recent past, Insurance brokers in Kenya have encountered various challenges, mainly due to introduction of bancassurance; a platform that allows banks to operate as insurance agents. With the emergence of this platform, there has been increased competition for business. There is also low uptake of insurance by customers in Kenya, mainly due to ignorance, lack of disposable income by customers, poor sales strategies and poor customer service (Odemba, 2013).

1.1.4 Liaison Group Insurance Brokers

Liaison Group Insurance Brokers was established in 1981, with its office located in Mombasa. Its main focus was then on Insurance Broking and Risk Management. Over the years they have grown to include Investment Advisory, Pension Consulting, Employee benefits Administration and Healthcare Management. Their clients vary from large multinational companies, Parastatals and small and medium sized Enterprises. Currently they have branches in Nairobi, Mombasa, Kampala, Dar es Salaam, Arusha, Kigali and Juba and also have a wide array of global partners in Johannesburg, London and Beijing.

Liaison Group is headed by a Managing Director and has a departmental structure. There are 11 departments namely: Administration, Information and Technology, General Broking, e-bancassurance, Finance, Business Development SATIB, Consulting, Financial Services, Liaison Re-insurance and Healthcare. Each department is headed by a Manager. Through its able stewardship, Liaison has been awarded the Overall Insurance Broker of the year by Think Business Africa in the year 2017. The firm is committed to be part of legacy in Africa arising and strives to successfully be client driven and result oriented. Liaison offers a range of insurance products and services including: Life Insurance, Motor Insurance, Travel Insurance, Golfer’s Insurance and All Risks Insurance among others. The company has undertaken to adopt and utilize various strategies in order to remain competitive.

1.2 Research Problem

There has been a growing concern on organizations failing due to poor strategies and increased competition. Organizations that failed to have strategies are described to be no different from ships without rudders. A link therefore exists between competitive strategies and performance thus for organizations in the insurance sector to achieve the set performance goals and maintain competitive advantage, it is important that they adopt a proper mix of competitive strategies. Pride & Ferrel (2003) suggests that for growth and development to occur in the insurance industry, there ought to be successful adoption of competitive strategies. Insurance brokers and more so Liaison

Group Insurance need to adopt competitive strategies to ensure that they attain their set performance.

There are 139 insurance brokers in Kenya all competing for a share in the market. However, not many insurance brokerage firms have adopted competitive strategies or have adopted strategies that are not necessarily suitable for their firms. According to Porter (1980), it is vital for a firm to understand what core competencies and resources it has as well as the organizational behavior in order for their strategies to work. Performance between organizations is relative since good performance in one organization may not be necessarily desirable for another organization and vice versa. However, little research on the same has been done especially on insurance brokerage firms in Kenya.

Various studies have been carried out on competitive strategies that are used by organizations. Kim and Lim (1988) conducted a study on the environment, competitive strategies and performance of countries that are rapidly developing. Yasar (2010) carried out a study on how competitive strategy was linked to performance specifically in the Gaziantep Carpeting Sector. Nderitu (2015) also carried out a study on the relationship between competitive strategies and performance of Bamburi Cement Limited. Competitive strategies adopted by commercial banks in Kenya was also a study done by Gathogo (2011). Muia (2017) also embarked on a study on the effect that competitive strategies have on Insurance Companies in Kenya.

From other studies it is clear that for firms to better their performance, competitive strategies ought to be adopted but their effect to performance should be clearly brought out. However, not much has been done especially in regards to competitive strategies and their effect on performance in the insurance brokerage sector in Kenya. The study sought to address the following question: What is the relationship between the competitive strategies used by Liaison Group Insurance Brokers and its performance?

1.3 Study Objectives

The objectives of this study were to:

i. Determine the competitive strategies adopted by Liaison Group Insurance Brokers.
ii. Establish the effect of these strategies on the performance of Liaison Group Insurance Brokers.

1.4 Value of the Study

The study will add to the existing knowledge base and literature especially in the insurance field and more specifically Insurance broking. This will ensure more informed discussions and encourage further research on the area. The study will also contribute as a source of reference for scholars and writers in the insurance field and hopefully prompt more informed research projects on competitive strategies as a path to achievement of set performance standards by organizations.

The findings of the study will act as reference points for managers, especially those of insurance brokerage firms to adopt the most suitable competitive strategies that suit the nature of their businesses and thus ensuring high performance. The managers will also acquire relevant knowledge and skills required to steer the organizations to success especially in the dynamic insurance market. This knowledge will most importantly help the managers penetrate the Insurance market, stormed by low market penetration, currently standing at just 2.78% according to The Association of Kenya Insurers Report (2015)

Finally, the study will be of importance to policy makers in government especially the Ministry of Finance in terms of sufficient resources to support the industry and ensure that regulations provided are best suit for the industry players, eliminating any sorts of bottlenecks that may exist. Also the regulators who include The Insurance Regulatory Authority, The Retirement Benefits Authority among others in terms of implementing set regulations and ensuring all stakeholders in the industry are well protected and that the industry is fit for all players without any bias.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the theoretical foundations from various scholars over time as well as discusses the competitive strategies and their relationship with organizational performance. It also provides a summary of empirical literature and research gaps.

2.2 Theoretical Foundations

In research, the theoretical foundations indicate the theoretical orientations of a researcher which help in interpreting data especially qualitatively. This section reviews the theories that relate to the study that include most importantly Porter's generic competitive strategies and the Competency and Resource based theories.

2.2.1 Competency-based Theory

Competency-based theory is one that looks at individual skills and knowledge as competencies required for organizations to achieve high performance levels over a substantial period of time. This theory was established as a way to ensure that firms attain a sustainable competitive advantage. Competency-based theory is an integrative strategy theory that incorporates behavioral, economic and organizational issues in a holistic and dynamic way. Competence in this theory is described as the ability to continuously deploy the necessary resources to ensure the organization attains its set goals, which in turn ensures that the stakeholders and customers benefit (Prahalad and Hamel, 1990)

Ogolla (2005) refers to competence as a causal characteristic of a firm or an individual that is linked a certain criteria and superior performance in a job environment. Although it takes years to nurture a work force that is competent, organizations should put in place systems of performance management founded on personal competencies. These personal competencies come from the core competencies and values of an organization. According Pearce and Robinson (2006) a competent firm is a firm whose management demonstrates a good knowledge of the terms of the industry especially on how to position itself in the market, where and how to startup and grow capital and generally how to relate with competitors and suppliers.

2.2.2 Resource-based Theory

Resource-based theory is a theory used especially in economics to figure out the resources used in an organization. The organization's resources are considered as inputs in the process of production and are mainly classified into three: human, physical and firm's capital. Organizations can utilize these resources to attain sustainable competitive advantage (Barney, 1991). Each organization has a collection on unique capabilities and resources that act as a stepping stone for their strategies and sources of profits. Porter (2008) noted that company performances over time were mainly due to unique capabilities and resources as compared to other competitors in the same industry.

Further, resource based view theory looks at an organization as an assortment of resources comprising of tangible and intangible resources and organizational capabilities. Therefore, for organizations to attain sustainable competitive advantage and ensure set performance goals are attained there needs to be a creation of an assortment of resources to support their operations. For the resource based view to work, a firm needs to evaluate whether these resources are valuable, rare, hard to imitate and non-substitutable. Once these criteria is met, firms should ensure that the resources are taken care of and protected (Barney, 1991)

2.3 Competitive Strategies

An organization's competitive strategy is its action plan that enables it to successfully compete and provide superior value to their customers. According to Thompson & Strickland (2003) competitive strategies enable firms to set themselves apart from their competitors. Grant (1998) describes competitive strategy as how organizations are able to compete with others in their given industry. Competition plays a key role in the success or failure of an organization since it determines how appropriate a firm's activities contribute to its performance (Porter, 2008). Mintzberg (1987) defines competitive strategy as a position, perspective and a pattern. Strategy as a position relates to placing an organization in its particular environment of operation, whereas strategy as a perspective is the conscious course of action an organization intends to undertake. Finally strategy as a pattern describes the constant behavior whether achieved or not.

Porter (1980) defined three strategies as the generic strategies used by firms to enable them stay competitive. These are Cost leadership, Differentiation and Focus. Porter further states that an organization must only choose one strategy out of the three to ensure that the organization’s resources are not wasted. However, other scholars and researchers believe that a combination of the three strategies offers a better opportunity of achieving competitive advantage (White 1986; Hill, 2001; Miller & Friesen, 1986 ;). However, the strategy an organization chooses to adopt must be in line with its goals and objectives to enable them gain a competitive advantage (Parker & Helms, 1992)

A firm that chooses low cost leadership seeks to become a low cost producer in its industry thus attain competitive advantage and meet its set performance standards (Davidson, 2008). Sources of competitive advantage are many and they vary depending on the industry in which the organization operates. They include: Economies of scale, more advanced technologies, better access to market intelligence, better asset utilization among others. Low cost producers must find and fully exploit the sources of cost advantage. Hyatt (2008), states that if an organization can achieve and maintain cost leadership, then they will be better performers so long as they can command near average market prices.

Differentiation strategy entails producing products and services that are unique and superior from those of a firm’s competitors. These are products that customers will perceive to be more valued than other products in the market. Organizations that choose the differentiation strategy look for unique attributes and qualities that buyers like and uses these attributes to develop specific products to meet there preferences. Organizations then opt to charge a higher premium for such products. Organizations that are successful in differentiation strategy usually have internal strengths that vary from a strong marketing team, highly skilled and creative product development team and a good reputation for innovation and quality (Kiechel, 2010)

Focus as a generic strategy concentrates on a narrow scope within an industry. The organization selects a particular segment in the industry and develops a tailor made product or service to fit the need of that segment (Porter, 1985). Since these organizations serve customers in a more unique way, they eventually tend to have a better brand loyalty by their customers and in turn attract less competition. Such firms can also price their products highly and thus reap huge returns. Another advantage of the focus strategy is that firms can often develop expertise in the products and services that they produce hence companies leverage from the same to remain competitive.

Ansoff (1957) suggests that for growth and success, firms depend on new and existing products. Further, for them to grow and succeed there has to be growth in the existing markets as well as entry into new markets. There are four strategies as discussed by Ansoff and this include: Market development, market penetration, product development and diversification. Market development entails finding a new market for a business whereas market penetration moving to a market where similar products already exist. Product development is where organizations create new products and services and market them to existing customers. Diversification on the other hand entails expansion of business into new territories by coming up with new products for the new markets.

2.4 Competitive Strategies and Organizational Performance

Insurance brokers exist as intermediaries in the insurance industry and their main source of income is commissions from policies underwritten. Insurance Brokers' main competitive strategies include delivery of excellent customer service, steps to out-maneuver competitors, moves to keep up with shifting market conditions among others (Miano, 2010). Porter (1985) stated that companies that employ competitive strategies performed way better than companies without any strategy. Strategies that are effectively executed enable firms to have unrivaled performance by enabling the organization to have an upper hand to beat present or potential players.

Barney (1991) introduced the concept of linking competitive strategies with organizational performance. From experience and research it was noted that competitive strategies differentiates high performers from their competitors. Thompson & Strickland (2003) note that without strategies firms risk being outmaneuvered by their competitors and end up underperforming. Drucker (2008) argued that organizational performance is what determines the survival of any organization. Firms should therefore develop and employ competitive strategies that enable them to enhance their performance.

When carrying out performance measurement for an organization, both quantitative and qualitative criteria must be taken into account (Cooper, 2003). This provides a holistic view about the true performance results for an organization. Quantitative data shows performance outcomes in numbers whereas qualitative data is mainly information that is descriptive. Quantitative data is data from customers mainly through feedback mechanisms such as surveys, interviews and structured focus groups. Quantitative data usually create a clear and full picture about the products and services of a firm. The main qualitative measures of firm performance include customer satisfaction, organizational effectiveness, customer satisfaction, creativity and innovation and creativity (Gefen 2003).

Kaplan &Norton (2001) describes the balanced scorecard as an approach meant to give a clear guideline to companies on what they should measure in order to harmonize the financial aspect in implementation and management of strategic plans. The tool allows for four key items to be linked within the organization, which include: the financial perspective, customer perspective, internal process perspective and the customer perspective. The tool allows for management to measure and monitor performance against the set objectives and continually improve their strategies to ensure that the company achieves its performance goals.

2.5 Empirical Studies and Research Gap

The literature review of the study specified that different researchers have made several attempts to explain competitive strategies used by organizations especially by insurance firms in the Kenyan insurance market. This however lacks a specific study on adoption of the competitive strategies and their impact on performance by insurance brokerage firms in Kenya. However, there are a number of empirical research studies on competitive strategies of insurance companies, such as Gemegah (2011) who did a study on competitive strategies of insurance companies in Ghana and established that, insurance firms mold their strategies to cope with the market environment. Ngumo (2012) also did a similar study on the strategies that insurance firms adopt to retain their customers and gain more market segmentation and established that insurance firms seek new strategies to retain their customers.

Nyaguthii (2014) studied the competitive strategies adopted by AON Insurance Corporation to gain competitive advantage in Kenya and established that product innovations was the highest ranked competitive strategy. Despite this essential literature on the insurance sector, little research in Kenya has focused on competitive strategies of insurance brokers and their relationship with performance. Previous research concentrated mostly on mainstream insurance companies. This has therefore led to the development of a major knowledge gap and this study seeks to fill in the knowledge gap.

Table 2.1: Summary of Studies and Knowledge Gap

Study	Focus	Methodology	Findings	Knowledge Gaps addressed
Gemegah (2011)	Competitive strategies of insurance companies in Ghana	Quantitative techniques based on primary data, population 4, sample size of 100, analysis by regression	Insurance firms mold their strategies to cope with the market environment. The strategies adopted improved overall firm performance.	Focus is on the competitive strategies adopted by Insurance Brokers in Kenya.
Ngumo (2012)	Strategies that insurance firms adopt to retain their customers and gain more market segmentation	Primary data collected by interviewing managers, Secondary data collected from company prospectus	Response strategies adopted include; diversification, positioning and strengthening core competencies. Firms use strategies to retain their customers.	Focus is on competitive strategies and performance of insurance brokers.
Nyaguthii (2014)	Competitive strategies adopted by AON Insurance Corporation to	Case study design, data collected by interviewing managers, data was analyzed	Business development teams, Research and development, lobbying,	Focus is on competitive strategies and performance.

	gain competitive advantage	through content analysis	volume discounts are among the strategies used.	
Murage (2008)	Competitive strategies in the petroleum industry	Case study design, data collected using a structured questionnaire, data presented using pie charts and graphs	Differentiation strategy used by petrol service stations to gain competitive advantage	Case study focusing on Liaison Insurance Brokers

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the methodology that was used in the study. It covers: research design, data collection methods and the data analysis tools to be used.

3.2 Research Design

To carry out this study, a case study design was used. According to Schell (1992) a case study is the most malleable research design that allows the researcher to get a comprehensive and in depth picture of the events as they occur in real time. In addition Yin (2004) points out that through the use of case studies, a researcher is able to investigate topics not easily handled using other designs.

This is mainly because it is able to provide detailed information especially for data that is qualitative in nature. Case studies are also used to carry out research in areas that are deemed to be unusual for example a study on multiple personalities. Case studies also place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations (Fisher, 2010).

3.3 Data Collection

Data are facts or a set of values gathered for use in future reference and analysis. In this study, an interview guide was used to collect primary data. The interview guide comprised of three sections. Section one addressed the general background information about Liaison Group and the respondents while section two sought to address the competitive strategies adopted by Liaison Group Insurance Brokers to ensure the set performance standards were met. Section three sought to establish the performance standards of the Liaison Group vis a vis what was expected.

The interview guide allowed for ease of response from the respondents as well as ease of analysis after the data was collected. The researcher carried out face to face interviews for the respondents and probing was done to seek clarification on areas of contention.

The respondents were three top level managers based in the headquarters involved in strategic decision making.

3.4 Data Analysis

According to Simon (2011) data analysis is described as the process that brings meaning to data that is collected. The data is organized, broken down into manageable bits and harmonized until meaningful inferences can be drawn (Borgan & Biklen, 1982). For this study, content analysis was used to analyze the data. According to Mugenda & Mugenda (2003) content analysis is the qualitative description of the composition of materials done systematically. It allows for data to be organized, simplifies and summarized to enable interpretation of the data.

Data obtained from the interview guides was consolidated accordingly for ease of analysis. The open ended questions allowed for qualitative data to be drawn and analysis was done through summarizing the set of observations. In order for the relationship between the competitive strategies and performance of Liaison Group Insurance Brokers content analysis was carried out since the data was qualitative in nature.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study. The findings are based on the research objectives and research methodology of the study. The study objective was to establish the effect of competitive strategies on the performance of Liaison Group Insurance Brokers Limited. A structured interview guide was used to collect the data and the responses captured for a detailed content analysis.

4.2 Response Rate

A case study design was used for the study to bring out a clearer and more in-depth understanding of the study objectives. The respondents were highly experienced and skilled managers involved in the formulation, implementation and evaluation of Liaison Group's strategic plans and who have worked for 10 years and above. They included three executive managers working at the Liaison Group Insurance Brokers' head office that is the Group Head of Healthcare, the Group Head of Audit and Governance and the Business Manager for Hospitality and Tourism Insurance, all of whom responded thus achieving an excellent response rate.

4.3 Competitive Strategies Employed by Liaison Group Insurance Brokers

There are various factors that influenced the choice of competitive strategies adopted by Liaison Group. These include both internal and external environmental factors. Liaison Group continuously carries out environmental scanning to ensure that their strategies give them a competitive edge against their competitors. Internal scanning is done through the analysis of the strengths, weaknesses, opportunities and threats, where the organization identifies its internal strengths and weaknesses and also the opportunities and threats that it has. Whereas external scanning is done through the analysis of the political, economic, social, technological, ecological and legal environments. Strategies are then formulated to ensure that the organization is well cushioned against uncertainties. The competitive strategies are then formulated to ensure the firm achieves its goals.

The study established that various competitive strategies are used by Liaison Group to deliver services to their customers and ensure their performance goals are attained and that they remain competitive in the Kenyan and regional insurance market. Among the strategies that Liaison Group uses include: Differentiation strategy, Focus strategy, Globalization strategy and Diversification & Strategic alliances.

4.3.1 Differentiation Strategy

In differentiation strategy, Liaison Group took to providing services that were unique and that set them apart from their competitors. They include offering good customer service through ensuring that service level agreements are adhered to and that clients are visited regularly to ensure that all their needs and queries are addressed. Products and services are also tailor-made to meet specific client needs and business scopes.

In addition, Liaison Group ensures that there is a continuous business process re-engineering for example assessing claims processes regularly to ensure that timelines are met, to improve on existing strategies and ensure that the right skills sets are matched to the right job tasks. Liaison also has a risk management department specifically tasked with ensuring that field and desktop risk surveys are carried out for all their clients. This is done to ensure that the customers are adequately covered and that any gaps that exist in their policies are sealed. The surveys are carried out as a value addition and they are free of charge.

The Liaison Group staff together with the service providers are tasked with ensuring that turnaround times are met and that any issues are sorted out as and when they arise. Liaison Group has also launched a Customer Relationship Management System (CRM) to assist in dealing with client issues promptly and efficiently. With the measures put in place, the organization has been able to satisfy its customers and maintain a competitive edge over its competitors. Liaison also offers incentives and discounts to its customers especially the loyal customers and those that pay premiums promptly.

The differentiation strategy has enabled customers to get value for their money and for the organization to achieve customer loyalty and thus ensure customer retention. In 2017, the Risk Management department managed to grow the existing policies by 5% as compared to 2016 through identifying gaps and making recommendations which have been adopted. Tailor-made insurance products to fit customer needs and their nature of their business, enabled Liaison Group Insurance Brokers to be named the best overall insurance broker in the Think Business Awards of 2017. In overall, this strategy has contributed to large extent to ensuring improved production in 2017 as compared to 2016. In 2016 the overall production for Liaison Group as at September was Kshs. 2,125,260,318/= whereas at September 2017, the production was Kshs. 3,219,462,548/= showing a growth of Kshs. 1,094,202,230/= which is equivalent to 52% growth.

4.3.2 Focus Strategy

Liaison group mainly concentrates on one market segment which is on corporate clients and more specifically on Parastatal organizations. This was mainly because this particular market segment demonstrated particular distinct qualities. These qualities include: more organized organizational structures whereby it is easier to offer services through their in-house insurance departments, are relatively easier to penetrate since they advertise their tenders publicly on print media and give a significantly higher growth in terms of production due to their large resource bases.

Liaison Group has excelled in the focus strategy by offering competitive products and services as compared to its competitors. The products and services offered to this segment are tailor-made to suit the business needs of their clients. For example for large motor vehicle portfolios, discounted insurance rates are offered due to the law of large numbers in terms of premiums. In addition, Liaison Group offers various policy extensions depending on customer needs for example for customers that operate in cities prone to riots and strikes, a riot and strike extension will be offered whereas for periods around elections, a political violence extension will be included in their motor policies.

The focus strategy has contributed immensely to the growth in the production of Liaison Group from Kshs. 2,125,260,318/= in September 2016 to Kshs. 3,219,462,548/= in September 2017. Which translates to a growth of Kshs. 1,094,202,230/=, showing a 52% growth in one year. This is attributed to the fact that three quarter of the production in terms of business for Liaison Group is contributed by the parastatal organizations which amounts to Kshs. 2,414,596,911/= as at September 2017.

4.3.3 Globalization Strategy

Liaison Group has also adopted the Globalization strategy by establishing branches both nationally and regionally like Kenya which has a Nairobi and a Mombasa branch, Tanzania, Uganda, Rwanda and South Sudan. This strategy has enabled the organization to tap into markets that are mainly marred with low insurance penetration and negative perceptions on the importance of uptake of insurance covers. This has also made it easier for the company to offer services to customers that have regional branch networks.

The globalization strategy has enabled Liaison Group through its partnership with KCB Rwanda for example to grow its production for the ebancassurance department by an estimated Kshs. 1,891,843/= from September 2016 to September 2017. The regional branches have accounted for an increase in production by Kshs. 21,911,911/=. In September 2016, their total production was Kshs. 322,166,502/= while in 2017 their total production as at September is Kshs. 344,078,413/=, equal to a 7% increase in growth.

4.3.4 Diversification Strategy and Strategic alliances

Diversification strategy has also been adopted by Liaison Group through the introduction of an ebancassurance department which enables the company to partner with banks to offer insurance services to customers. Currently, Liaison Group has partnered with Transnational Bank Limited in Kenya and KCB Bank in Rwanda. Customers for the ebancassurance department are mainly the bank customers. Liaison has stationed a member of staff at several Transnational Bank branches to provide insurance covers to the customers.

Policies issued for ebancassurance mainly include: Credit life policies, Mortgage protection policies, Domestic package policies and Motor policies. Commissions earned from the policies issued are shared between Liaison Group and the Banks on 50-50 basis and each party takes care of their own tax obligations. This product has been made seamless through an ebancassurance system that links the banks to Liaison Group and enables issuance of policies from the banking halls.

Diversification has been made successful through innovations and intensive research and development which is done by a team selected by the management. Re-insurance broking has also been introduced as a subsidiary to ensure that clients that Liaison Group receives that require re-insurance services are matched to the suitable re-insurance companies.

Strategic alliance strategy is also used by the company where alliances have been formed with various organizations with similar goals to ensure better service delivery, improved market share and improved performance of the organization. Liaison Group has made a strategic alliance with SATIB Insurance Brokers in South Africa to offer risk solutions for the Tourism and Hospitality Industry. The company has thus created a tourism and hospitality department to offer these services to customers. The target customers are hotels, resorts and tour operators. Commissions are shared on 70-30 basis with the party that first gets the business getting 70%.

This strategy has enabled Liaison Group to capture new markets and raise its market share. As at September 2016, SATIB department managed to produce Kshs. 16,353,680/= in premiums booked while as at September 2017, they managed to get a production of Kshs. 18,245,523/= accounting for growth of Kshs. 1,891,843/=. This gives a growth of 12% in just one year from the department. Diversification has contributed to an increase in the variety of products and services issued including: Investment services, Re-insurance services, Crop insurance and Livestock insurance among others.

4.4 Discussion of Findings

The study established that dynamism in the insurance industry and the increase in number of players was the major contributor to the choice of competitive strategies adopted by Liaison Group Insurance Brokers. Over the last few years, the insurance penetration and literacy levels in Kenya have grown thus leading to a higher demand of insurance solutions and there has also been a change in the tastes and preferences of customers. However, the number of insurance brokerage firms including internationally-owned companies has increased leading to increased competition.

Differentiation strategy enabled Liaison to set themselves apart by developing customer focused products like tailor-making insurance policies and carrying out risk surveys to improve the customer experience and loyalty hence contributing to the growth of their production by 52% which is Kshs. 1,094,202,230/=. Strategic alliances also played a big role in boosting the performance of the company in 2017. Taking a case of the partnership with SATIB Insurance Brokers in South Africa there has been a growth in production for the Hospitality and Tourism department by Kshs. 1,891,843/= which is 11.16% growth in one year. This findings are in line with Porter (1983) who stated that a competitive advantage exists when the firm is able to deliver the differentiated products from its competitors hence enabling a firm to create superior value for its customers and superior profits for itself.

The focus on parastatal corporations has enabled Liaison Group to meet its growth of 25% in revenue in the past years as well as a yield of 12.5%. Diversification in its products and services has contributed to its growth in market share as different customer needs are captured thereby attracting a larger scope of customers. The globalization strategy used whereby the firm has established branches in Uganda, Tanzania, Rwanda and South Sudan has enabled the organization to grow its production and also increase its market share. The findings are in line with Ghemawat (2002), who stated that a company is only able to outperform its competitors only if it can capture and protect new markets, take advantage of market activity trends, price their products and introduce new products.

From the study findings, it was established that the implication of competitive strategies on organizational performance conforms to Porter (1985) where companies that employed competitive strategies performed better than their competitors. The study findings have shown that the competitive strategies and organizational performance are related in Liaison Group. For the organization to attain high performance, it had to ensure that the competitive strategies are well formulated, implemented and monitored. The competitive strategies adopted by Liaison Group have an impact in their competitiveness, growth, survival and performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter gives a summary of the findings, conclusion, recommendations for further study as observed by the researcher and suggestions for further study.

5.2 Summary of Findings

From the findings of the study, Liaison Group has adopted various competitive strategies to ensure they remain competitive in the dynamic insurance industry. These include the generic strategies that is: Differentiation, focus as well as other strategies that include: globalization strategy, strategic alliances and diversification.

In differentiation, Liaison Group ensures it offers outstanding customer service to retain as well as attract customers and tailor making products and services to meet specific customer needs. Service level agreements are also prepared and all stakeholders are required to adhere to them to ensure the customers get value for money. The staff are also encouraged to ensure that turnaround times are met to enhance customer satisfaction. The respondents noted that the industry is fast becoming customer-driven whereby the needs of the customer are important to ensure organizational success and growth in market share.

It is therefore important that organizations seek feedback from their customers on how to serve them better from time to time. They also ensure that they carry out continuous business process re-engineering to improve on strategies and also ensure that they hire skilled staff and ensure continuous training of staff. In overall, this strategy has contributed to improved production in 2017 as compared to 2016. In 2016 the overall production for Liaison Group as at September was Kshs. 2,125,260,318/= whereas at September 2017 the production was Kshs. 3,219,462,548/= giving a 52% growth translating to Kshs. 1,094,202,230/=.

In focus strategy, the firm has focused on one market segment which is mainly on parastatal companies who have more organized organizational structures and are relatively easier to penetrate with a significant growth in production. On the other hand, globalization strategy has also been used by having its operations in Kenya, Tanzania, Uganda, Rwanda and South Sudan. Liaison has also made use of strategic alliances with Transnational Bank in Kenya, KCB in Rwanda and SATIB insurance Brokers in South Africa to ensure they tap into other markets and met their performance objectives.

Diversification and strategic alliances have also been used to a large extent where Liaison Group has enhanced their product offering to include: ebancassurance, re-insurance and investments. In terms of learning and growth, the company has ensured that its personnel go through periodical training, development and mentorship programs to improve their skills and capabilities. This in turn helps the organization to better meet their customer needs and improve the company's performance. Liaison Academy was also introduced in the beginning of 2017 to nurture and train new staff, mainly interns and contract staff. Staff who excel are then absorbed into the organization. The employment of these strategies contributed to the overall growth from September 2016 by 52% which is Kshs. 1,094,202,230/=

From the findings, Liaison Group has also paid keen attention to improving its internal processes in order to enhance performance. Liaison Group has through it strategies ensured that the operations are efficient through advanced ICT systems in most of their day to day operations. This is to help improve turnaround times, wastages and also ensure that there is accountability from the staff through annual appraisals and coming up with an organizational culture. The organization has also managed to keep the costs at a minimum to ensure maximum profitability.

5.3 Conclusion

For organizations to remain competitive, they have to ensure that they formulate and adopt suitable strategies that align to the nature and structure of their business. Environmental scanning should be done regularly to ensure that the strategies adopted are adequate to enable competitiveness. Successful implementation of competitive strategies has a positive impact on the performance of firms enabling them meet their short and long-term obligations and also remain profitable. Companies should therefore invest in the proper manpower and other resources to ensure that the strategies adopted are properly adopted and used to steer organizational success. Liaison Group has so far successfully implemented its strategies to ensure that their performance goals are met.

5.4 Recommendations of the Study

The study recommends that Liaison Group sets up better control and monitoring systems to ensure that the strategies adopted are monitored to boost organizational performance and that any mistakes are corrected on time. This is important due to the rapid growth it has encountered in the past year in terms of human resources and physical assets. It is also important that the company invests more in R & D to ensure that the organization has better market intelligence and is better prepared to face its rivals.

Strategies should be put in place by government and regulators to widen the Kenyan insurance market. This will ensure that there is better uptake of insurance by the prospective customers and will also widen the scope for insurance providers. In addition, the regulator should embark of vigorous campaigns to educate the public on the need to take up insurance policies.

5.5 Limitation of the study

The study was limited to just one insurance broker; Liaison Group thus it is hard to generalize the findings to the entire insurance brokerage industry. Due to their busy work schedules it took some time before interviewing all the respondents. Also despite the study relying on the managers, there could be a risk of inadequate institutional knowledge on competitive strategies and their effect that would inhibit the interpretation of findings.

5.6 Implications for Policy & Practice

In terms of the implications to practice, competitive strategies usually enable competitiveness in the market, increase in revenues and increase in market share. Competitive strategies are a product of highly knowledgeable and skilled staff hence the study encourages employers to offer further training for their staff to ensure that their firms are equipped to formulate appropriate strategies. Therefore it encourages top management to support formulation, implementation and monitoring of strategies.

To policymakers and more specifically IRA and the government, the study encourages policy makers to invest more consumer awareness and put in place policies that act as incentives to prospective customers.

5.7 Suggestions for Further Study

Suggestions for further study arise from the findings and the missed opportunities in this study. The study design was a case study thus the findings cannot be generalized considering that organizations have different cultures, structures and capacities. Thus there is a need for further study in different insurance brokerage firms to establish the strategies used to enhance business performance. The study was also limited to Liaison Group due to cost and time constraints. It is therefore recommended that a replication to be carried out through comparative studies in other institutions.

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APPENDICES

Appendix I: Interview Guide

SECTION I: BACKGROUND INFORMATION

1) Which business unit or department do you represent?
2) How long have you worked in this department?
3) What is the current performance of Liaison Group?
4) What is Liaison Group's target market?
5) How is the management structure of the company?

SECTION II: COMPETITIVE STRATEGIES

6) What competitive strategies has Liaison Group adopted to ensure they achieve the set performance goals?
7) What led to the choice of the competitive strategies adopted by Liaison Group?
8) Have there been any challenges in adopting and implementing the competitive strategies?

   Please tick one

   - Yes
   - No

   a) If yes, what challenges did you encounter?
   b) How have these challenges been overcome for each competitive strategy?
9) Do Liaison Group's competitive strategies relate to its performance?
10) Does Liaison Group receive any feedback from its customers?

SECTION III: LIAISON'S PERFORMANCE

11) What strategies does Liaison use to establish branches in foreign countries?
12) Does Liaison encounter any challenges setting up branches in foreign countries and if yes what are some of these challenges?
13) Which branch has the highest growth rate and performance and why?
14) What competitive strategies does Liaison adopt to ensure growth and expansion?
15) Have the competitive strategies ensured improved efficiency and effectiveness to improve the firm's performance?
16) What changes have been made on Liaison's structure lately to ensure improved performance?
17) What is Liaison's culture and how often is it reviewed to ensure improved competence?

Appendix II: Letter of Authority to Collect Data

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE 23rd Oct 2017.

TO WHOM IT MAY CONCERN

The bearer of this letter SARAH YOLANDA PAMBA

Registration No. D61/81195/2015

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your 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 organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
23 OCT 2017
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS