STRATEGIC RESPONSES BY JUBILEE INSURANCE TO CHANGING

COMPETITIVE ENVIRONMENT

BY

KOMIRA ANNE AKOTH

A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

NOVEMBER 2011

DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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KOMIRA ANNE AKOTH **DATE**

D61/60366/2010

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

…………………………………… ……………………………

PROF. EVANS AOSA **DATE**

Associate Dean

School of Business

Department of Strategic Management

University of Nairobi.

DEDICATION

I dedicate this work to my loving parents Mr. Reuben Onyango and Mrs. Angelina Komira for their love for education that inspired me to reach this far. To my sisters Pam and Judy, my brothers Richard, John, Peter, Sammy and Luka and all my relatives for their constant prayers, encouragement, support and by standing with me during the difficult times. I really appreciate you and may God bless you all. To my nephews and nieces Fabian, Gloria, Samantha, Ronny, Darryl and Lash, this work should serve as a role model to motivate them to work hard and heighten the education standards within the family. I love you all and may God Almighty continue showering you with His blessings.

ACKNOWLEDGEMENT

First, I would like to thank my family for standing with me throughout the period of this study. Specifically, my in law Susan and Brother Sammy, for their persistence which ensured I took up the challenge of enrolling for this course. Their constant love, encouragement, support and understanding has seen me this far. Thank you!

Second, special thanks to my supervisor, Prof. Evans Aosa. His guidance, advice, support, encouragement and patience enabled me to accomplish this task. His recommendations and suggestions have been invaluable. Indeed, he was a beacon of light and inspiration in my pursuit of knowledge. To my moderator, Dr. Maalu and all the MBA lecturers, their guidance and pieces of advice have made me to be the person I am today. Thank you!

Third, I would like to express my heartfelt gratitude to the Partners and staff of Kimani Kerretts & Co. and the Management of Jubilee Insurance. To Jubilee insurance management and staff, their support enabled me to obtain the data needed for this study. To my audit partner Mr. Kimani, his advice, support and encouragement sustained me throughout this study. To my colleagues Makau, Yatich, Belinda, and Muema, their understanding and support during this period is unforgettable. Thank you!

Fourth, am grateful to all my friends and MBA colleagues. To Kasanga, his advice, encouragement, support and understanding took me this far. To other friends like Mercy, Kamau, Mutua, Frida, Liza, Ngumo, and Stella, their inspirational stories brought happiness on my face during the tough times. Thank you!

Finally, to God Almighty through whom all things are possible. Thank you!

ABSTRACT

Organizations are faced with a myriad of challenges emanating from the environment. In order to survive, strategies have to be devised to respond to the forces that threaten to halt survival. Companies that do not respond appropriately are usually driven out of business. Companies respond to the challenges in terms of devising cost cutting strategies, adopting new technologies, competing on low prices or on high quality products or services, differentiating the products or focus strategies.

The insurance industry has had a number of environmental changes over the years. Previous studies on the industry found out that most companies within the industry had to devise ways of responding to these changes in order to survive. Jubilee insurance has been a player in the industry for many years and is expected to have formulated strategies to enable it respond to these changes.

This research was carried out to examine how Jubilee insurance company of Kenya is strategically responding to challenges posed by the competitive environment. The research was a case study of Jubilee insurance company of Kenya, a local company with subsidiaries in East Africa. The researcher used an interview guide as the primary data collection instrument. The interview guide was administered using face to face interviews to the departmental heads and other employees in management positions at Jubilee Insurance. Data collected was analyzed based on content analysis.

The study found out that the operating environment in the insurance industry is very dynamic and volatile. The study further concludes that Jubilee Insurance had adopted various strategies to respond to the environmental changes such as improved customer service, expansion into new regions, operation cost reduction, restructuring and outsourcing of non core activities. The study recommends that Jubilee Insurance should engage in more cost reduction as a response to its competitor's strategies whose products and services are much cheaper. The government should also reduce some of the regulatory measures to give the industry the power to regulate itself since the industry is heavily regulated.

Further research should be undertaken to establish the strategic responses to competitive changes employed by other companies within the insurance industry. The study was limited in that it included respondents from one company and conclusions drawn may not be representative of the whole industry. It also captured members of one focus group excluding other important stakeholders from the study.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations are open systems. As elaborated by Cumming and Worley (2009), the open systems model recognizes that organizations exist in the context of a larger environment that affects how the organization performs and in turn is affected by how the organization interacts with it. It further suggests that organizations operate within an external environment, takes specific inputs from the environment, and transforms those inputs using social and technical processes. The outputs of the transformation process are returned to the environment and can be used as feedback to the organization's functioning. This calls for the need to align organization environment to its strategy, and organization design.

The environmental forces and the organization's capabilities in coping with these changes are made sense of in terms of the experience of managers and the organization's paradigm. Organizational responses tend to be in line with the paradigm and the embedded routines. However, environmental forces and organizational capabilities (or lack of it), while having this indirect influence on strategy formulation; nonetheless impact on organizational performance more directly (Johnson et al, 2008).

Globalization and liberalization have opened up the economy to fierce competition. Rapid population growth, low economic growth, and unemployment have resulted in increased poverty, crime and reduced purchasing power of population. New laws and regulations have been promulgated, existing ones amended while information technology has transformed the mode and speed of business processes and communications. On the social front, higher educational levels have resulted in a more sophisticated consumer, HIV/AIDs has emerged as a major public health issue (Economic Survey, 2004).

Recent studies have suggested that organizations are like living organisms. These organisms do not just plan and analyze. They live, experience, interpret and between them there is sufficient diversity and variety to enable them deal with their changing environment through innovation and change (Johnson et al, 2008). It is argued that managers are using their skills and senses within complex world of social interaction in and around their organization in much the same way. Moreover, this argument continues to explain how organizations cope with fast changing environments, how new ideas and innovation come about and therefore how more significant strategic transformations occur.

1.1.1 Environment Dependence

Organizations are environment serving such that they cannot completely control their own behavior and are influenced in part by external forces. Whenever there are changes in the environment, the organizations must change to adapt. The open systems model recognizes that organizations exist in the context of a larger environment that affects how the organization performs and in turn is affected by how the organization interacts with it. Organizations operate within an external environment, take specific inputs from the environment, and transform those inputs using social and technical processes. The outputs of the transformation process are returned to the environment which perhaps can be used as feedback to the organization’s functioning. This hence supports the basis of aligning organization environment to its strategy, and organization design.

Strategic change interventions include efforts to improve both the organization's relationship to its environment and the fit between its technical, political, and cultural systems. Cummings and Worley (2009) while explaining one application of open systems planning proposed that organization's environment and its strategy could be described and analyzed. Based on the organizations core mission, the differences between what the environment demanded and how the organization responded could be reduced and performance improved.

Johnson et al (2008) argued that the world was simply not straight forward. Its complexity and uncertainty meant that it was impossible to predict the future, and that the search for optimal decisions was futile. It was necessary to accept the messiness of organizational life. This meant accepting that managers made decisions which were as much to do with collective and individual experience, organizational politics and the history and culture of the organization as they were to do with strategy. As evidence of this, they pointed to the adaptive nature of how strategies are developed in organizations. They argued that it would be fruitful to spend more time understanding managerial processes of decision making in dealing with the complexity of strategic management in the reality of their social, political, and cultural constraints on managers results in suboptimal decisions, inertia and perhaps under-performance.

Aosa (1992) stated that strategy is creating a fit between the external characteristics and internal conditions of an organization to solve a strategy problem. The strategy problem is a mismatch between the internal characteristics of an organization's core environment. The matching is achieved through development of organizations core capabilities that correlate to the external environment enough to enable the exploitation of opportunities existing in the external environment and organization's internal capabilities.

1.1.2 Competitive Environment

The basis of competition within an industry is dynamic. The way in which competition is plated out varies over time-sometimes changing very rapidly (the cycle of competition). Some industries and sectors are characterized by rapid pace of change to the extent that competitive advantage on any particular basis will not last any significant period of time. Since advantages may be temporary and quickly eroded, it is essential continuous to find new bases for competing. Long term advantage may be sustained through a series of temporary advantages.

Competition is a contest between individuals, groups, nations, restaurants and animals for territory, a niche, or a location of resources. It arises whenever two or more parties strive for a goal which cannot be shared. Competition occurs naturally between living organisms which coexist in the same environment. Business is often associated with competition as most companies are in competition with at least one other firm over the same group of customers (Lynch, 2003).

The level of competition a firm faces will depend on a number of factors which include; the greater the number of firms operating in the industry, the greater will be the level of competition faced by each firm in that industry, on the extent to which its products are similar to its competitor's products. If a firm operates in an industry where its competitor's products are an almost perfect substitute for its products, then the firm will generally face a high level of competition. If however the firm is able to offer a product which is different from that of its rivals, then the firm will face less competition and the ease with which competitors can enter or leave the industry. If firms find it difficult or costly to enter the industry, then existing firms may find that they face limited competition. Generally, an industry could be described as being highly competitive whenever a large number of relatively small firms, who offer similar products, operate in the industry. If however the industry is dominated by a small number of large firms, the industry could be described as being highly concentrated (Darrow et al, 2001).

1.1.3 The Kenyan Insurance Industry

The insurance industry provides protection against financial losses resulting from a variety of perils. By taking insurance policies, individuals and businesses can receive reimbursement for losses due to car accidents, theft of property, fire and storm damage, medical expenses, agricultural crop failures, HIV/AIDs, old age, and loss of income due to disability or death. Insurance companies face stiff competition from other financial institutions such as banks and savings and credit societies. This institution offer similar products like those provided by insurance companies.

Insurance is the pooling of risks by policy holders with the aim of indemnifying them from unforeseen risks. The primary function of insurance is to act as a risk transfer mechanism. The basic principle of insurance is that the losses of a few are paid by the many. Its underlying purpose is to provide protection against the risk of financial loss, thus giving peace of mind to the policy holders (Wairegi, 2004).

The concept of insurance, particularly the “social insurance programme” which deals with the socio-economic problems, has been around Africa for a long time (Kenyatta, 1962). Members of a community pooled together resources to create a “social insurance fund”. The “premiums” ranged from material to moral support or other payments in kind. From the fund, “drawings were made out” to support the few unfortunate members exposed to perils (Azevedo, 1993).

In Kenya, the history of the development of commercial insurance is closely related to the historical emancipation of Kenya as a nation. With the conquest of Kenya as a British colony complete, settlers initiated various economic activities such as farming and extraction of agricultural products. These substantial investments needed some form of protection against various risk exposures. British insurers saw an opportunity in this, and hence established agency offices to service the colony’s insurance needs. Prosperity in the colony soon justified expansion of these agencies to branch networks with more autonomy, and expertise to service the growing insurance needs. By independence in 1963, most branches had been transformed to fully- fledge insurance companies (Salesio, 2006).

More than 40years since independence, Kenya’s insurance industry has flourished, and today over 45 insurers are registered and actively operational in the life and general insurances. The industry leads within the East Africa Community, and is a key player in the Common Market for Eastern and Southern Africa (COMESA) region. Insurance companies are financial institutions that function in the economy as part of the financial services industry. The financial services is made of banks, building societies, insurance companies, insurance brokers, pension funds, fund management companies, stock brokers, real estate companies, savings and credit societies among others. The industry has its importance to the Kenyan economy contributing 3% to its GDP (Economic survey, 2004).

Several changes in the Kenyan environment have posed challenges to the insurance industry in Kenya. There is still competition in the industry there being many players offering the same products. There are many insurance companies in Kenya including international companies like Jubilee Insurance Group (Ndizeye, 2004).

1.1.4 Jubilee Insurance Company of Kenya Limited

From humble beginnings in 1937, Jubilee Insurance has spread its sphere of influence throughout the region to become the largest multi-line insurer in East Africa, handling both long-term and short-term insurance. Today, Jubilee is the number one insurer in East Africa with over 250,000 clients. Jubilee Insurance is also the largest provider of medical insurance across East Africa that includes many of the region’s blue chip companies. Jubilee Insurance has a network of offices spanning Kenya, Uganda, Tanzania, Burundi and Mauritius.

In 1937, Jubilee became East Africa’s first locally incorporated insurance group. 74 years later in 2010, Jubilee announced excellent growth in all lines of business. Jubilee has consolidated its market leadership in Kenya and indeed in each of its subsidiaries. The underwriting business is very important being a core insurance business, as it contributes effectively to the group results. To enhance this, Jubilee is making significant investments in new operating systems and customer service capabilities. Also, the medical underwriting profits have improved over the years as a result of improved case management and claims service efficiency. The company has taken advantage of the strong economic growth in the East African region, and initiated an aggressive regional expansion campaign. It has launched subsidiaries in Burundi and Mauritius, and is expecting to enter into new markets each year from now. By the year 2014, Jubilee expects to be in 14 markets in Africa.

The regional expansion program is complimented by the strengthening of the branch network within existing markets. In the year 2011, eight agency offices are expected to be opened in the Rift Valley, western and central Kenya, and six agency offices in Dar es Salaam, Morogoro, Dodoma, Iringa, Tanga and Moshi. The product development drive in short term and long term business continues through crop and livestock insurance; political violence, terrorism and sabotage covers; a retail medical product tailored for young families and retirement and education-based life insurance policies (Chairman's report, April 2011).

1.2 Research Problem

Organizational environment is everything beyond the boundaries of the system that can directly or indirectly affect performance and outcomes. Organizations are environment serving such that they cannot completely control their own behavior and are influenced in part by external forces. Whenever there are changes in the environment, the organizations must change to adapt. Organizations, for example, are affected by such environmental conditions as the availability of labor and human capital, raw material, customer demands, competition, and government regulations. Understanding how some of these external forces affect the organization can help explain its behavior (Cumming and Worley, 2009).

Not any single industry or company seems able to escape the wind of change. Insurance industry has had a number of environmental changes over the years. Jubilee Insurance has operated in the industry for over 74 years. It would be expected that all companies within the industry are responding to these changes in order to survive and Jubilee insurance being a player in the industry is not exempted.

A review of literature shows that several studies on organizational responses by Kenyan companies to changes in their environment have been carried out. Abdullahi (2000) while studying post liberalization strategic responses by insurance companies in Kenya found out that although economic reforms in Kenya had made the business environment very turbulent, the insurance companies agreed that there was no need to respond to the changes in the environment, they had not properly adjusted to the changes. Kandie (2001) evaluated the strategic responses by Telkom Kenya limited, Kipturgen (2003) studied strategic responses by Kenya Commercial Bank, and Wairegi (2004) investigated Strategic responses by life insurance companies in Kenya. Each of these studies has focused on a specific aspect of organization but none of them could specifically be duplicated at Jubilee Insurance Company.

The industry has had a number of environmental changes over the years. It would then be expected that all companies within the industry are responding to these changes in order to survive. Jubilee insurance being a player in the industry is expected to have formulated strategies to enable it respond to these changes. How has the company responded to these changes?

1.3 Research Objectives

This study has two objectives:

a) To establish the strategic responses by Jubilee Insurance to the changes in the environment.

b) To establish the factors that influences the response of Jubilee Insurance to the environmental changes.

1.4 Value of the Study

The study will be of great significance to various stakeholders. First, the Government and Regulators. The government of Kenya through its policies influences investment in various types of products and industries. Thus, the study will assist in pointing out areas that need incentives to attract capital. The regulators play the important role of promulgation of regulations and ensuring compliance thereof, hence, the findings will ensure development of policies and/ or regulations that will take the insurance industry to the next level.

Secondly, the management will identify the gaps in the strategic responses that the company could exploit in order to cope with the current and future challenges. The study will provide useful information to the company as to what needs to be done at policy level to address critical issues facing stakeholders in the company and how to avoid past omissions and commissions. It will therefore assist the company on knowing the nature of needs the customer may expect them to have and the level of service needed.

Thirdly, the academicians and researchers will find the study useful in that it contributes to academic literature and theory by providing empirical evidence for use by educators, scholars and researchers in the field of strategic management. It will also form a basis for further studies in respect to the company and the insurance industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The origins of the study and teaching of strategy can be traced to a number of major influences. The chapter is a summary of the previous studies and findings in the field of strategic management. It reviews the literature on strategy and strategic responses to environmental changes.

2.2 The Concept of Strategy

The concept of strategy and strategic management are just as important in the public sector as in commercial firms. Many parts of the public sector provide services to paying customers in the same way as commercial organizations such as insurance companies. The role of ideology in the development of strategy in the public sector is greater than that in commercial organizations. Strategy can take many forms depending on the type of organization and the circumstances in which it is operating. Not all strategies are as good as other strategies.

Johnson et al (2008) stated that strategy is the direction and scope of an organization over the long-term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. Strategic decisions are likely to be concerned with the scope of an organization's activities. For example, does the organization concentrate on one area of activity, or should it have a number. The issue of scope of activity is fundamental to strategy because it concerns the way in which those responsible for managing the organization conceive the organization's boundaries. This could include important decisions about product range or geographical coverage.

Strategic decisions are normally about trying to achieve some advantage for the organization over competition. For many organizations, advantage could mean a number of things. For example, in public sector, strategic advantage could be providing value services than other providers, thus attracting support and funding from the government. These decisions are made at a number of levels in organizations. Corporate level strategy is concerned with an organization's overall purpose and scope; business level strategy with how to compete successfully in a market; and operational strategies with how resources, processes and people can effectively deliver corporate and business level strategies.

Strategy can also be seen as the search for a strategic fit with the business environment. This could require major resource changes for an organization in the future. For example, decisions to expand geographically may have significant implications in terms of the need to build and support a new customer base. It is important to achieve the correct positioning of the organization, for example, in terms of the extent to which products or services meet clearly identified market needs. This might take the form of a small business trying to find a particular niche in a market, or a multinational corporation seeking to buy up a business that have already found successful market positions (Johnson et al, 2008).

Strategy can also be seen as creating opportunities by building on an organization's resource competences. This view of strategy is concerned with exploiting the strategic capability of an organization, in terms of resources and competences, to provide competitive advantage and yield new opportunities. For example, a large multinational corporation may focus its strategies on those businesses with strong brands. A small business might try to change the rules of the game in its market to suit its own capability. The strategy of an organization is affected not only by the environmental forces and strategic capability, but also by the values and expectations of those who have power in and around the organization. Whether an organization is expansionist or more concerned with consolidation, or where the boundaries are drawn for the organization's activities, may say much, the values and attitudes of those who influence strategy- the stakeholders of the organization (Johnson et al, 2008).

Strategic management is concerned with complexity arising out of ambiguous and non routine situations with an organization-wide rather than operation specific implications. The manager who aspires to manage or influence strategy needs to develop a capability to take an overview, to conceive of the whole rather than just the parts of the situation facing the organization. Strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into actions (Johnson et al, 2008).

2.3 Organizations and Environment

Organizational environment is everything beyond the boundaries of the system that can directly or indirectly affect performance and outcomes. Organizations are environment serving such that they cannot completely control their own behavior and are influenced in part by external forces. Ansoff and McDonnell (1990) assert that the first step in strategic management is to perform a strategic diagnosis which identifies the type of strategic aggressiveness and organizational responsiveness a particular firm needs to develop in order to meet the future challenges of its environment. Strategic diagnosis is a systematic approach to determining the changes that have to be made to a particular firm's strategy and its internal capability in order to assure the firm's success in its future environment.

This diagnostic procedure is derived from the strategic success hypothesis which states that a firm's performance potential is optimum when the aggressiveness of its strategic behavior matches the turbulence of its environment, the responsiveness of its capability matches the aggressiveness of its strategy and the components of its capability are supportive of one another. In summary, strategy must match the environment and capability must match the strategy. Strategic diagnosis therefore determines the nature of the firm's strategic problem (Wairegi, 2004).

There are two classes of environments: the general environment and the task environment. The general environment consists of all external forces and elements that can influence an organization and affect its effectiveness. The environment can be described in terms of the uncertainty present in social, technological, economic, ecological and political/regulatory forces. Each of these forces can affect the organization directly or indirectly. Also, the general environment can affect organizations indirectly by virtue of the linkages between external agents. Similarly, an organization may have trouble obtaining raw materials from a supplier because a national union is grieving a management policy, a government regulator is bringing a lawsuit, or a consumer group is boycotting their products. Thus, components of the general environment can affect the organization without having any direct connection to it (Cumming and Worley, 2009).

Porter (1985) described an organization's task environment using the five forces: supplier power, buyer power, threats of substitutes, threats of entry, and rivalry among competitors. First, strategic orientations must be sensitive to powerful suppliers who can increase prices or force the organization to pay more attention to the suppliers needs than to the organization's needs. Secondly, strategic orientations must be sensitive to powerful buyers. Third, is the sensitivity to threat of new firms entering into the competition. Fourth, threat of new products or services that can replace existing offerings. Finally, is the rivalry among existing competitors. If many organizations are competing for the same customers, for example, then the strategic offerings must monitor product offerings, costs, and structures carefully if the organization is to survive and prosper. Together, these forces play an important role in determining the success of an organization, whether it is a manufacturing or service firm, a non-profit organization, or a government agency.

The environment can be understood in terms of its rate of change and complexity. Environments must be perceived before they can influence decisions about how to respond to them. The rate of change in an organizations general environment or industry structure can be characterized along a dynamic- static continuum. Dynamic environment change rapidly and unpredictably and suggest that organization adopt a flexible strategic orientation. Dynamic environment are high in uncertainty compared to static environment that do not change rapidly or dramatically. The complexity of an environment refers to the number of important elements in the general environment and industry structure (Johnson et al, 2008).

Strategic management is about goal oriented strategy. It is about success irrespective of the business organization. Strategic management has got many challenges. It requires managers to develop strategies that are appropriate to the specific circumstances of an organization which are deemed to change over time. Also, it requires clarity on which issues are more important than others and an ability to reconcile the conflicting pressures from the business environment, an organization's strategic capability and the expectations of stakeholders.

2.4 Strategic Responses

Effective Strategic management appears to be the answer to companies in effectively coping with changing environment. Due to contextual, sectorial and managerial differences, strategic responses may not be assumed to explain organizational response to the environmental changes. Increased environmental turbulence calls for the need to have a flexible and adaptable strategic plan. Ansoff and McDonnell (1990) argued that strategic response entails change in organizational behavior and could take many forms depending with organizational capability and environment in which it operates. Thus it is a reaction of what is happening in the environment. Well formulated and targeted strategic response forms formidable weapons for a firm acquiring sustainable competitive advantage.

While general and task environments describe the specific, objective pressures an organization faces, the organization must first recognize those pressures. Environment must be perceived before it can influence decisions about how to respond to it. Organization members must actively observe, register and make sense of the environment before it can affect their decisions about what actions to take. Thus, only the enacted environment can affect which organizational responses are chosen. The general and task environments, however, can influence whether those responses are successful or ineffective. As a result, an organizations enacted environment should accurately reflect its general and task environments if members' decisions and actions are to be effective (Cumming and Worley, 2009).

Changes in the business environment and moves by competitors erode the competitive position of organizations which, in turn, respond by countermoves. Competition moves through cycles and any competitive advantage is temporary. There are inherent reasons why some nations are more competitive than others, and why some industries within nations are more competitive than others. Within an industry or sector, strategic groups are usually found. These are organizations with similar strategic characteristics, following similar strategies or competing on similar bases. The success or failure of organizations is also concerned with how well they understand customer needs and are able to meet those needs. It is especially important to understand what different customer groups particularly value- the critical factors (Johnson et al, 2008).

In the study of Kenyan insurance industry, Abdullahi (2000) found that although economic reforms in Kenya had made the business environment very turbulent and the insurance companies agreed that there was no need to respond to the changes in the environment, they had not properly adjusted to the changes. It is no wonder then that they were in a crisis. Peters and Waterman (1982) assert that innovative companies are more adroit at continually responding to change of any sort in their environment. As needs of their customers shift, the skills of their competitors improve, the mood of the public pert bates, the forces of international trade realign and government regulations shift, these companies tack, revamp, adjust, transform and adapt. In short, as a whole culture, they innovate.

2.4.1 Competitive Strategy

Competitive strategy involves positioning a business to maximize the value of the capabilities that distinguish it from its competitors (Porter, 1980). Competitive strategy is a synonym for business strategy and the whole object of business strategy is to gain a strategic advantage or competitive edge. This strategic advantage should be a kind that can be utilized as soon as possible and last as long as possible. Its function is to generate profits above the industry average and to gain market share. A business strategy reflects managerial choices among different alternatives and signals organizational commitment to particular products, market, competitive approaches and ways of operating the enterprise (Karleof and Fredrick, 2005).

Hyper-competition occurs where the frequency, boldness and aggressiveness of dynamic movements by competitors accelerate to create a condition of constant disequilibrium and change. The implications of how competition is understood and how organizations might respond are extremely important. Whereas competition in slower moving environments is primarily concerned with building and sustaining competitive advantages that are difficult to imitate, hypercompetitive environments require organizations to acknowledge that advantages will be temporary. Competition may also be about disrupting the status quo so that no one is able to sustain long-term advantage on any given basis. Long term competitive advantage is gained through sequence of short lived moves (Johnson et al, 2008).

Marketing is a social and managerial process through which individuals and organizations obtain value through an exchange process (Kotler and Amstrong, 1999). Marketing helps to define business mission, its environment and competitive situation (Kotler, 2000). Environmental analysis will assist in manipulating marketing variables such as the product, price, place, promotion, people and probe to ensure relevance of the firm. The era of “we sell what we make rather than make what the customer wants” is gone (Johnson and Scholes, 1997). Peters and Waterman (1982) commented that only fools compete on the basis of prices. Companies must heed Porter’s (1998) advice and adopt cost leadership, focus and differentiation in order to survive.

2.4.2 Organizational Structure

This is the grouping of the firm’s logistic and managerial activities. This grouping is stimulated by the growing size and complexity of internal operations and the growing turbulence of the firm’s environment. Successful organizations in the past require internal focus, structured interaction, self sufficiency, and a top-down approach. Today, organization structure reflects an external focus, flexible interaction, interdependency and a bottom-up approach (Pearce and Robinson, 2003).

Restructuring is one of the responses to external environmental challenges employed by many firms. At the heart of restructuring is the notion that some activities within a business's value chain are more critical to the success of business strategy than others. Business process re-engineering (BPR), popularized by consultants Hammer and Champy (1993) is one of the more popular methods by which organizations have undergone restructuring efforts to remain competitive.

2.4.3 Diversification and Divestiture

Kotler (2000) states that a good opportunity is one in which the industry is highly attractive and the company has the mix of business strengths to be successful. Diversification means venturing into other business lines other than the ones the company is currently operating in. There are three types of diversifications, namely concentric, horizontal and conglomerate. In Concentric diversification, the company could seek new products that have technological and/ or marketing synergies with existing product lines even though the new products themselves may appeal to a different group of customers. Horizontal diversification is where the company might search for new products that could appeal to its current customers even though the new products are technologically unrelated to its current product line. Finally, conglomerate diversification is where the company might seek new businesses that have no relationship to the company's current technology, products or markets.

Kotler (2000) defined divestiture as the process of selling a firm or a major component of the firm. Companies must not develop new businesses, but also carefully prune, harvest or divest tired and weak businesses or products in order to release needed resources and reduce costs. Managers should focus on the company's growth opportunities, not fritter away energy or resources trying to salvage hemorrhaging businesses.

2.4.4 Leadership and Culture

Culture refers to a set of beliefs and values that characterize a society. It influences the way people behave at the place of work and can affect their behavior in executing strategy within the firm. Corporate culture is the way a particular firm makes its own decisions. It is a way of having things done in a company and is developed over many years. It is based on the success stories of the firm. Good practices that have led the company to success are usually preserved and are passed as company practice. Bad decisions that led to losses are discarded. Strategies that are formulated should take into consideration the requirements of corporate culture. There should be no conflict between corporate culture and the strategy being introduced (Yabs, 2010).

Kotter (1990) pointed out that leadership is concerned with how to cope with changing situations. The main reason why leadership is so important in the modern world is as a result of many businesses becoming more competitive and volatile. Organizations therefore need to invent the necessary changes to enable them cope with the changed situations. For any change to succeed in an organization, effective leadership must be put in place to manage the change process.

Pearce and Robinson (2003) observed that organizational leadership involves actions in first guiding the organization to deal with constant change by embracing change, clarifying strategic intent and shaping the culture to fit with opportunities and challenges that change affords and second, identifying and supplying the organization with operating managers prepared to provide leadership and vision. The most typical beliefs that shape organizational culture include a belief in being the best, ability to offer quality work and service, how one values people as individuals and a faith in their ability to make strong contribution. Others may include the belief in customer being the king, trust in doing a good job, the importance of the details of the execution, among others.

2.4.5 Information Technology

Johnson et al (2008) contented that Information Technology has continued to influence organizational environment, strategies, and structures. The speed at which data can be analyzed and communications enacted has been transformed through the development of cheap and powerful information and communications technologies (ICT). Although most managers would accept that this is likely to impact on their own organization, they are left with considerable uncertainty about the direction and speed of these changes.

Technological breakthrough can have a sudden and dramatic effect on a firm's environment. Managers need to assess the impact on their current and future strategic positions to enable them reduce the anxiety. It is due to the time consumed by these managers in communicating with one another and establishing a common understanding as well as the time necessary for processing the decisions among the responsible groups and decision levels (Powell, 1995). The need to understand how the business environment has changed by these developments cannot be overemphasized. For example, the extent to which customer expectations have changed in relation to product features and how they interact with the suppliers. The relative power of buyers and suppliers is fundamentally altered in e-commerce transactions because the buyers have ease in accessing the information about competitive offerings (Johnson et al, 2008).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was used as the basis of this study. The chapter also discusses the research design, the method of data collection, data analysis and data presentation methods employed in the study.

3.2 Research Design

A research design is a plan for selecting the sources and types of information used to answer the research questions. A case study research design was adopted for this study. A case study is an in depth investigation of an individual, group, institution or phenomenon. A case study was suitable for this research as it involved a complete observation of a social unit emphasizing in depth rather than in breadth analysis. The design was relevant to the objectives of the study.

A case study was also important for analyzing information in a systematic way to arrive at useful conclusions and recommendations (Mugenda and Mugenda, 1999). Furthermore, it allowed details to be secured from multiple sources of information and evidence to be verified through in depth probing (Cooper and Emory, 1996). Aosa (1992) argued that a study with narrower focus would achieve a greater depth thereby providing further insight of the strategic change management practices in Kenya.

3.3 Data Collection

This study employed the use of both primary and secondary data. Primary data was collected by interviewing six departmental heads at Jubilee insurance. Secondary data was obtained from existing records at Jubilee Insurance including management accounts, strategic corporate plans, annual reports and accounts, organizational structures, newsletters, magazines, researches and studies done on the company, and other relevant documents.

An interview guide was prepared to assist in the collection of the qualitative data. An interview guide comprised of a list of various questions the researcher sought to learn from the organization. This was found to be appropriate for the purpose of getting detailed information about the company under study.

A face to face interview was conducted with the six senior management and departmental heads that were responsible for the strategic decisions made in the company to establish the various strategic measures employed at departmental levels to enable the achievement of the overall corporate strategic goals. Appointments were sought with the departmental heads which ensured that the interview sessions were conducted at their convenient time that ensured adequate and ample time to respond to the questions.

3.4 Data Analysis

Data collected was thoroughly examined and checked for completeness and comprehensibility. It was analyzed using a content analysis which is a systematic qualitative description of the composition of the objects or materials of the study.

Content analysis involves observations and detailed description of objects, items, or things that comprise the sample (Mugenda and Mugenda, 1999). The use of this analysis method was important as it saved on time and resources.

CHAPTER FOUR: DATA ANALYSIS/ RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter covers the analysis of the data obtained and the findings of the study. The data analysis has been done in line with the objectives of the study, which were to establish the strategic responses by Jubilee Insurance to the changes in the environment and to establish the factors that influence the Company to respond to the environmental changes. According to the data found, this study had targeted to interview six managers. The data required to achieve the objectives of the study was obtained after interviewing the six managers and departmental heads since the data collected was concurring.

4.2 Analysis of Responses

To achieve the objectives of the study, the interview guide targeted six senior managers and departmental heads at Jubilee insurance company of Kenya limited drawn from different departments. The study established that majority of the respondents were male and female. The respondents were requested to indicate the position they held in the organization. From the study findings, most of the interviewees' were senior managers at various departments. The researcher had also asked the number of years that the interviewees had worked in the organization (Jubilee Insurance). According to the interviewees' response, all of them had worked in the organization for at least five years as most promotions were internal, within the organization. The interviewees' responses hence had the advantage of good command and responsibility being that they were senior managers or departmental heads and had experience and aptitude owing to the years of experience in the organization.

The respondents had different roles in strategy formulation and implementation within the company. Some of the roles include timely processing of customers claims, prompt payments of agency commissions, ensuring full adherence to regulatory rules, active participation in the Association of Kenyan Insurers (AKI), monitoring the implementation of the company's strategic objectives and formulation of key performance indicators.

The study found out that the company has a five year strategic plan running from 2010 to 2014. This plan is reviewed annually by senior management. The strategic plan is formulated by all the business departments and the finance and accounting department according to the respondents. Respondents also indicated that the company reviews its strategic plan annually and from this exercise develops annual strategic objectives whose achievements are monitored by Corporate Strategic department.

The interviewees' unanimously responded to the question on their perception of the environment under which the company operates. The responses indicated that the company operates in a highly competitive industry which is heavily regulated. The environment also, according to the respondents was very dynamic with high growth potentials but facing a lot of challenges. The changes in the external and operating environment had impacted pressure for change in the organization, hence necessitating crafting of appropriate strategies to respond to those changes. The Insurance Regulatory

Authority (IRA) which is the body regulating the operations of insurance companies of Kenya had come up with stringent requirements in various lines such as solvency/liquidity requirements, minimum capital requirements and strict reporting deadlines.

The respondents also explained that Jubilee Insurance had been affected to a great extent by competition in some of its business lines leading to reduced market share. However, that fact notwithstanding, the respondents were keen to point out that still; they maintained a lead in the market share in some of its business lines like in medical insurance.

The study further established that the overall responsibility for formulation of strategic responses to constant changing environment rests with the Strategic Plan Implementation Committee whose convener is the Company's Managing Director and its secretary is the manager in charge of strategy and Corporate Planning Department. According to the interviewees' while responding to the question on what triggered the formulation of strategic responses by the Company; they unanimously agreed that the continuous changes in the external and operating environment created pressure for the organization to change, hence necessitating crafting of appropriate strategies to respond to those changes.

4.3 Strategic Responses to Competitive Environment

The research findings indicated that formulation of strategic responses at Jubilee Insurance Company was undertaken by the management and departmental heads and uses top down approach. The strategies formulated were then cascaded to the employees to implement through the guidance and direction of the heads of departments. The interviewees further said that such strategic responses were necessitated by demands from the stakeholders, results of strength, weaknesses, opportunities and threats analysis, changes in business operating environment, or when generally deemed necessary and in response to changes in government regulations and policies. These environmental challenges continue to affect the company and it had devised a number of strategic responses to the challenges as revealed by the interviewees.

The study established that Jubilee insurance had made arrangements to mitigate the consequences. The various measures put in place to mitigate the consequences were expansion into new regions and geographical locations such as Rwanda, Burundi and South Sudan, offering attractive remuneration to its employees, niche marketing, product segmentation, proper pricing of products and proper claims management. In addition, the company had performed a lot of price undercutting on their premiums and putting more emphasis on quality of service delivery and super customer service. The company had organized in house trainings to empower its staff on super customer service and the techniques of out-serving. On the same note, the company was keen on the communication methods used to address the customers, both internally and externally.

The respondents also described that other efforts had been geared towards upgrading the Information Technology system to align it with the current needs in the market especially on claims settlement leveraging on technology. The company had invested on good Information Technology systems, and strong financial strategies aimed at reducing the overall operation cost. Where appropriate, the organization had considered other strategies such as restructuring and outsourcing non-core logistics such as cleaning and preparation of tea to allow the management to concentrate on core businesses of the company. Priority had been accorded to areas such as product and technology innovations and invention of new products strategies and research and development ventures aimed at developing the relevant customer knowledge.

The study further revealed that there were improvements in performance owing to improved customer service and employee training and motivation. On the issue of scarcity of skilled labor, the company had opted to poach qualified staff from competitors, and it had also devised ways of hiring qualified, experienced and competent staff. Further, the company had put up measures to ensure it does not lose its staff to competitors through enhancement of remuneration to make it commensurate with qualifications and experience, emphasizing good image through quality focus strategies to compete effectively. Development of employees had remained key to organization success and therefore, ways of ensuring they had developed and moved up the career ladder was established, this included creation of new positions, enhancing better communication channels, delegation of responsibilities, and decentralizing decision-making. In addition, all the respondents agreed that they were involved in strategy formulation. To the question on the type of strategic responses to the changes in the company's environment, the interviewees intimated that strategic responses were both proactive and reactive. They went ahead to elaborate that most often, the company's strategies were pro active, but occasionally, they could be reactive based on a case by case analysis.

The interviewees were in accord that the importance of long term planning on strategic responses to increase the competitive advantage for the company's future was to enhance assessment of the relevant groups such as customers, competitors, consumers, suppliers, creditors and the government or political climate so as to align the strategy with the current environment with an eye into the future. The study showed that responses such as risk management strategies where the company was using risk based approach to reduce number of claims to be paid. This response was also aimed at reducing the fraudulent claims from the customers. The respondents were keen to point out that as companies were becoming socially aware and practicing Corporate Social Responsibility, Jubilee insurance was not left behind. The company was sponsoring education for children and running community projects as part of its Corporate Social Responsibility.

On whether the strategies Jubilee Insurance uses to react to competition were successful, the interviewees agreed unanimously that they were successful indicating that there was expansion to new regions, and the company had maintained the lead as biggest insurer in the East Africa region. Also, the company's performance had continued to improve over the years and the reputation had gone up hence the slogan "relax, you've got a friend". The respondents also mentioned that there were improvement of processes and procedures through ISO certification of the company.

On what else had Jubilee Insurance done to remain competitive, the respondents indicated that Jubilee Insurance had put in place effective internal mechanisms for strategy formulation and implementation to enhance its ability to respond to a changing environment. It had used appropriate framework to analyze the internal and external environment (SWOT). All these were aimed at making the company to grow and survive in its operating environment. The respondents went ahead to elaborate on the need to have ISO processes. The processes had also been used to perform customer analysis (internal and external) in order to understand the customer needs with a view of satisfying them and remaining close to them. The study also established the way the customers were held with high esteem and being referred to as kings/queens since they were the ones paying the bills of the company hence maximum focus on them. The respondents also recommended the need to focus on research and development resulting in development of new products and services geared towards meeting those customer needs and hence cultivating customer loyalty.

4.4 Environmental Challenges Facing the Company

The study has established that the company is facing numerous environmental challenges in their day to day operations. The challenges come from both the internal and external environment where the company operates. Generally, according to the respondents, the insurance industry is affected by the several issues. Jubilee insurance being a player in the industry has directly been affected with the challenges caused by these issues.

One of the issues identified by the respondents affecting the company and industry as a whole was that of regulation. The insurance industry is heavily regulated. Association of Kenya Insurance continues to be uniquely placed to be at the forefront of influencing and shaping the regulation that affects the industry. Although some major successes had been recorded, further legislative changes were required to facilitate industry growth, and the Association of Kenya Insurance was intending to champion for such change. The annual finance bills frequently amended the policies of operating in the industry. The respondents further explained that such changes in the regulation of the industry had forced Jubilee Insurance to craft flexible plans to ensure they comply with the regulatory policies.

Again, the study identified the issue of competition. According to the respondents, rivalry in the industry was very intense with many underwriters opting to compete on price to take business away from competitors. Over the years, this had led to shrinkage in the value of the business being written in the industry to the detriment of the profitability of the whole industry. The industry is highly competitive and therefore the companies within the industry are competing on areas like customer service, low cost premiums, customers, skilled employees among others. Such competition had seen rates of premiums go down and Jubilee insurance equally was forced to lower its premiums rates hence leading to drop in the overall revenue.

Another issue recorded by the interviewees' was political instability. The changes on government leadership had affected the industry because every leadership group came with its own policies and this brought various challenges. The respondents were quick to recall the effects of 2007 Post Election Violence to the insurance industry. They explained that the violence resulted into magnitude losses in terms of lives and property destruction which forced the insurance Companies to pay ex-gratia claims. The respondents concluded that this violence had adverse effects on Jubilee insurance as a Company.

The study also noted that scarcity of skilled personnel in the industry was another issue. According to the respondents, a number of underwriters noted that a tight labor market had made it increasingly difficult to attract and retain skilled employees. Whereas the College of Insurance offered education and training for insurance personnel at entry level, there was still a dearth of technical and other training for mid and senior level insurance professionals. Only those companies that could afford to do so send their employees overseas for technical training. Data obtained from the Association of Kenya Insurers confirmed the belief that as a result of this, there was insufficient talent at senior levels to drive the industry forward. According to the respondents, Jubilee insurance was not exempted because the organization had lost some of the key staff to competitors after they had acquired the necessary trainings and skills from the company.

The researcher also discovered that economic factors had posed challenges to the industry. The interviewees elaborated in details how the Kenyan economy had faced various drawbacks from the global warming which resulted to increased rates of inflation, and foreign exchange rates. The rates of interest had also increased thereby increasing the general cost of living. Consumers' purchasing power had gone down and hence, majority of individuals are looking for ways of cutting down on expenses. On this note, the respondents expressed their fears that the insurance business was at a risk of losing more revenue as people would be tempted to give it a back seat and are likely not to take out insurance covers.

On the issue of information technology, the respondents expressed their concern on how the customer needs and demand had gone up and demanded high level of technology to ensure the customer get the value for their money. The technology world was changing so rapidly and therefore Jubilee Insurance was forced to change their information technology from time to time to meet the demands for the market. Some companies within the industry had not invested in integrated Information Technology systems, while some companies were still using the manual system. Players in the insurance industry were widely disparate in their adoption and use of Information Technology as tool for business. As such, it is very difficult for Association of Kenya Insurance to drive and effectively implement industry wide initiatives that require heavy use of Information Communications Technology, such as the IMIDs program, that seeks to create industry-wide database of motor policies, with a view, inter alia, to manage fraud in the motor industry.

The respondents were concerned on the bigger issue, however, which was the fact that the growth of the industry and further penetration would only be effective by leveraging Information Technology and mobile phone technology. The slow adoption of technology by underwriters had hampered this. Some of the respondents confirmed that this issue had affected Jubilee Insurance to a great extent. They also brought on board the issue of climate change. Increased severity of weather related events had affected the crop insurance hence incurring a lot of claims due to crop failures.

Finally, the study discovered a number of challenges that were not initially known to the researcher and which were identified by the interviewees as facing the company. These were issues such as fraudulent activities. Fraud remained a huge challenge in the industry. According to the Association of Kenya Insurers records (2010), it was estimated that up to 605% of all insurance claims were fraudulent. This had driven up the cost of insurance. The report further explained how the insurance industry had a poor public image due to a number of factors. One was the high levels of fraud which made the insurance companies to scrutinize claims carefully and to ensure they are measured in the way they administer the claims process. This disenfranchised customers with legitimate claims. The respondents also noted that another factor involved the brokers and agents who dealt directly with clients could be unscrupulous, making promises that the underwriters could not keep, and even perpetrating fraud. Being holders of the client relationship, they could wield a lot of power over underwriters.

4.6 Other Environmental Challenges

As indicated in the environmental challenges under 4.3, the company continues to be impacted by other array of challenges which previously were not documented in other secondary materials known to the public. According to the respondents, some of these included the social factors. The company had not taken into consideration all regions while developing their products. For example, the respondents noted that there were no Islamic (sharia) compliant insurance products.

The study equally indicated that people are not aware of the need for taking insurance in Kenya and therefore the industry had a low penetration rate compared to other countries like South Africa. According to the Association of Kenya Insurers records (2010), the Insurance penetration rate in Kenya was 2.84% compared to South Africa’s rate of 12.9% in 2009. The respondents believed that penetration was low in part because Kenyans were not aware of the existence and value of insurance, and also because existing products were hard to understand. The management of Jubilee Insurance therefore needed to focus on developing simplified standard policy documents, and on sponsoring awareness campaigns to stimulate demand for insurance products. The Company had supported the plans of AKI to work with IRA in the development and financing of effective campaigns to create awareness.

Some of the respondents further established that the industry had suffered from poor reputation. All players in the industry were affected by this reputation and the study confirmed that the Company was unable to penetrate into some markets due to the bad reputation and image of the insurance industry. The need to enhance professionalism of its members through the enforcement of AKI Code of Ethics was necessary.

4.7 Challenges in the Implementation of Strategic Responses

According to the study, the company had encountered a number of challenges in trying to implement the identified strategic responses. According to the interviewees, the challenges in the implementation of strategic responses were varied. The main challenges Jubilee Insurance had faced while trying to implement its strategies were highlighted as resistance to change, unfavorable organizational culture, bottlenecks in the organization structure which had affected the operationalization and institutionalization of strategy.

Other factors identified by the study included varied and in some cases conflicting interests. Jubilee Insurance as an organization was comprised of managers and staff who were human beings. Due to their human nature, they had different ideologies, interests and capability. Due to these reasons, the strategy being implemented could succeed or fail as it would depend on the interests of the people involved. This made it challenging for the Company to move together in a particular direction. For this reason, the themes selected in the strategic plan focus on expanding the overall size of the organization, and on enhancing the capacity of all employees, rather than on issues that affected specific individuals.

On the issue of organization culture and politics, the respondents elaborated how every organization was unique on its own way and therefore had its own politics and culture. The respondents emphasized the fact that it was worth noting that however good the organization strategies were, and regardless of the superiority of the strategic managers, if the strategies were not aligned to the organization culture, they were subject to criticism and were likely to fail at the implementation level. The respondents confirmed that the same case applied to Jubilee Insurance. They further explained that the issue of culture and politics had also contributed to resistance to change.

The study also discovered that frequent change in organization leadership had contributed to the challenges faced while implementing the strategies. The leadership and composition of Company’s governing board changes every two years. Lack of continuity in oversight could hamper the smooth implementation of the company’s strategy. The implementation framework is a tool that could be used at Board level to ensure that progress in key initiatives is tracked, even through changes in leadership.

Another impediment to strategy implementation identified by the respondents was lack of commitment from the organization members. Like all organizations, Jubilee Insurance has continued to face a “free rider” problem where some employees do not deliver up to the standard of work and effort expected from them for the success of the Company. This means that getting full commitment from the employees on Jubilee Insurance activities had always remained a challenge.

There was also the issue of enforcing adherence to the company’s code of conduct which was a problem due to the inherent incentive structure. If all employees adhere to the code of conduct, the whole organization would benefit. However, if one of the employees breaks the groups’ code of conduct, that employee benefits at the expense of the organization’s reputation. As Jubilee Insurance increasingly expands its offerings to new staff, it is hoped that simple actions like excluding non committal employees from offering their services to the organization would increasingly be effective deterrents against breaches in the agreed code of conduct.

4.8 Discussion

The objectives of the study were to establish the strategic responses by Jubilee Insurance to the changes in the environment and to identify the factors that influence the response to the environmental changes. The study found out that Jubilee insurance had been affected to a great extent with competitive changes within its external environment. The company had thus formulated strategies to respond to the competitive changes in its environment. This study presents findings similar to other studies and is thus consistent with previous studies. In the study of Kenyan Insurance Industry, Abdullahi (2000) found that although economic reforms in Kenya had made the business environment very turbulent and the insurance companies agreed that there was need to respond to the change in the environment, they had not properly adjusted to the changes. It is no wonder then that they were in a crisis.

Mwarania (2003) found that as a result of the phasing out the mandatory cessions which had hither to guaranteed business, Kenya Reinsurance Corporation Limited responded by engaging in an aggressive local and international marketing programme, organizational restructuring, investments in real estate and Information Technology. These responses resulted in increased profitability for the corporation despite reduction in gross premium. The competitive environment has also encouraged companies to engage in innovation of new products, improved in customer service and research and development. Tari (1998) discovered that as a result of HIV/ AIDs scourge, life insurance companies had responded to the threat by applying experience rating, additional reserving, additional questions, and non acceptance of group life proposals without accompanying pension scheme and restriction of insurance cover.

The respondents also described that other efforts had been geared towards upgrading the Information Technology system to align it with the current needs in the market especially on claims settlement leveraging on technology. The company had invested on good IT systems, strong financial strategies aimed at reducing the overall operation cost. Where appropriate, the organization had considered other strategies such as restructuring and outsourcing non-core logistics such as cleaning and preparation of tea to allow the management to concentrate on core businesses of the company. Priority had been accorded to areas such as product and technology innovations and invention of new products strategies and research and development ventures aimed at developing the relevant customer knowledge. These findings were similar to Porter (1980) three general types of strategies that were commonly used by businesses which are cost leadership, differentiation and market segmentation (or focus). In the study of Telkom Kenya, Kandie (2001) found that despite a major change in the environment of Telkom Kenya occasioned by liberalization of telecommunications, the corporation’s strategic aggressiveness was not consistent with the environment turbulence and its organization capability was not in line with the strategy. This had adversely affected the competitive position of the firm.

The study further revealed that the company needed to employ other strategies to remain competitive. These were efficient customer service, engaging more on corporate social responsibility to give back to society and enhancing customer loyalty were identified. These findings concur with what Johnson and Scholes (2003) recommended that for companies to remain competitive, they should adopt strategies directed at improving the effectiveness of basic operations within company, such as production, marketing, materials management, research and development, and human resource management.

The study established that Jubilee insurance strategic responses were both proactive and reactive. They went ahead to elaborate that most often, the company’s strategies were pro active, but occasionally, they could be reactive based on a case by case analysis. These findings were similar to what Pearce and Robinson, (1997) indicated that the strategic response to the environmental challenges were identified as a major source of competitive advantage for numerous firms in today’s intensely competitive global economy. Similarly, Kipturgen (2003) looked at the strategic responses to a changing competitive environment in the case study of Kenya Commercial Bank established that proactive rather than reactive strategies such as research on changing customer needs and preferences form the basis of its strategic planning. Mbwayo (2005) focused on the strategies applied by commercial banks in Kenya in anti-money laundering compliance programs. He concluded that strict adherence procedures and standards have been implemented to ensure that money laundering is contained in Kenya.

The study too revealed that People are not aware of the need for taking insurance in Kenya and therefore the industry had a low penetration rate compared to other countries like South Africa. This was attributed to the unattractive nature of the industry having a poor reputation. Wairegi (2004) in his study on the strategic responses by life insurance companies, he found out that there were structural weaknesses rooted in the regulatory and taxation framework which needed to be overcome before the penetration ratio could increase. Such weaknesses included composite licensing, a weak industry regulatory framework and the taxation regime. The industry was an unattractive sector.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusions drawn from the findings highlighted and recommendations made there-to. The conclusions and the recommendations were drawn in the quest of addressing the research question or achieving the objectives of the study. The chapter is thus outlined into summary of the findings, conclusions, recommendations, limitations of the study and suggestions for further research.

5.2 Summary of the Findings

The researcher interviewed six senior management and departmental heads and the data collected was concurring and thus sufficient to achieve the objectives of the study. The interviewees were both male and female who had worked in the company for over five years. From the findings, it was evident that the company had a five year strategic plan which was formulated and reviewed annually to enable it respond to the competitive challenges in the insurance industry. The researcher also confirmed that the insurance industry was very turbulent with several challenges making the industry to be very competitive. On the other hand, the study further confirmed that Jubilee insurance had incorporated strategies to respond to the challenges which enabled the company to maintain its success in the industry.

5.2.1 Strategic Responses by Jubilee Insurance Company

The company has responded to the environmental changes through such initiatives as new product development, diversification, and expansion to new regions, organizational restructuring, investment in human resources, customer service improvements, adoption of new Information Technology and active involvement in corporate social responsibility.

The findings further indicated that the organization had formulated strategies to respond to these threats. These included risk management strategies, expansion to new regions, improved customer service, poaching and hiring of competent and skilled employees, investing on modern Information Technology to ensure speed in processing claims and accuracy of reporting transactions, cost reduction strategies, and increasing the product range through invention of new products. The organization had equally employed the use more agents and brokers to market their products.

The study has shown that the strategies the company has employed to respond to the competitive changes in the environment have been successful. This was evident by the success of the company through expansion to new regions, maintaining the market lead in most business lines like medical insurance and also remaining the number one biggest insurer in East Africa. The company had also managed to survive in the competitive insurance industry for over 75 years.

The study discovered that the Company like most of the modern organizations had formulated a strategic plan. This was the responsibility of the senior management and was to be implemented by all the staff. The plan was reviewed annually to align it with the changing times. The company was forced to review their strategic plan annually to respond to the frequent changes from the regulators such as the government through the finance bill. The study found that the importance of long term planning on strategic responses to increase the competitive advantage for the company's future was to enhance assessment of relevant groups such as customers, competitors, consumers, suppliers, creditors and the government or political climate so as to align the strategy with current environment with an eye into the future.

5.2.2 Changes in the Competitive Environment

Business environment continues to greatly affect the company and these calls for constant formulation and implementation of strategic responses to mitigate these threats. Findings of this study show that Jubilee Insurance has adopted a more proactive approach in addressing changes in its operating environment. The study has found that effects of competition continues to greatly affect the company in comparison to other changes as it has led the organization to lower the rates of their premiums and loss of key staff to competitors through poaching.

Other threats such as heavy regulations, magnitude losses through fraudulent claims, poor industry reputation, and change in organization leadership, lack of clear structures, political interference, economic issues, and scarcity of skilled personnel, unaligned organization culture and entrants of new players were identified. The study found out that the changes that had taken place due to political instability were entry of new competitors due to liberalization of the economy and government regulation in the insurance industry and hefty claims paid due to post election violence. Others include economic challenges leading to loss of customers due to low insurance covers resulting from low purchasing power, high foreign exchange rates, and increased inflation rates reducing the rates of penetration to new markets.

The researcher noted that the industries risk management skills were wanting. The rates of fraudulent claims were very high. The claims processing rates were low and this had destroyed the relationship between the insurers and the insured. In many cases, genuine claims were delayed unnecessarily. The industry reputation as a whole was wanting and strategies to improve the industry image were necessary.

The study, however, found out that there has been variance between the strategy formulated and that which is implemented due to time and money constraints, and the unpredictability of the business environment, incompetence of employees in some areas as well as interference from some stakeholders. There were also challenges in continuously upgrading the existing technology due to cost constraints.

5.3 Conclusions

In the modern world of Stiff competition, Jubilee Insurance has been able to keep pace with the changing business environment scenario by adopting various response strategies. From the study findings, the researcher concludes that the challenges in the external environment that affect the operation of the organization were global financial crisis (inflation), competition from firms within the insurance industry, political instability, climatic changes, fluctuation of exchange rates, low technological advancements, heavy regulations and stiff requirements from the regulators, lack of skilled personnel, industry’s poor reputation, low penetration rates, increased cases of fraud and social-cultural factors.

The study concludes that the social factors which had affected the company were lack of products to suit all groups of people such as Muslims. There were also increased demand from the customer and cultural influences on customer needs. In addition, the company was faced with competition forcing it to increase the remuneration of key staff to maintain them as well as being forced to cut down on its premium rates hence resulting to low profitability. In some business lines, the company has remained with very low market share.

The study further concludes that Jubilee insurance had adopted various measures to curb environmental changes. These included expansion into new regions, investing into modern information technology to improve the speed of settling the claims, reducing operation cost and premium rates, hiring and maintaining experienced and qualified staff, training and development of key staff, enhancing the risk management strategies, development of new products, concentrating on the niche market, enhancing proper code of conduct to improve the organizations image among others.

The study further concludes that the strategies Jubilee Insurance uses to react to competition have been successful in that there have been expansion to different regions and the company has managed to maintain the lead as the biggest insurer in East Africa region. The company has also recorded improved performance over the years.

5.4 Recommendations

From the discussions and conclusions in this chapter, the study recommends that although Jubilee Insurance has been successful in neutralizing the challenges posed by the competitive environment, the company should streamline the organization structure. Clear reporting lines should be stated as this will ensure staff motivation and reduce the employee turnover rate which is a direct cost to the company. The company should recruit employees with the necessary knowledge and skills in the business to minimize on the induction and training costs. The management should further enhance ways of developing and retaining competent staff to ward-off staff poaching by competitors.

The study also recommends that the organization should engage in heavy advertisement of their products and services, a strategy that is employed by a number of companies within the insurance industry. The need to engage in campaigns to create awareness cannot be over emphasized. This strategy will increase the penetration rate into major markets, both locally and internationally.

The study findings indicated that due to competition, the company had been forced to cut on its premium rates due to the pressure posed by competitors to lower their rates. The study recommends to the industry players to widen their strategies while competing. Cut throat competition on low pricing should be checked and minimum acceptable premium rates offered be set for the players. Low cost strategy is just one of the strategies identified by Porter (1980). However, other strategies like differentiation and market segmentation (focus) strategies should be adopted where competition is very stiff. There is a point beyond which the premiums rates may not be cut. The company should focus on service delivery and developing wide range of products that meet the customer needs and direct them to the target market.

The study identified that one of the major challenges within the industry was heavy regulation and poor reputation. The study recommends that the regulation within the industry should be eased by removing unnecessary sections in the insurance Act that do not add value, and also, the annual changes in the finance bills should be reduced to give the industry players ample time to adapt to the changes recommended. All the industry players including Jubilee insurance management through the regulator should employ strategies on the industry reputation by improving their code of conduct. The regulator should ensure that all the players adhere to the professional code of Ethics.

The study found that the industry has the highest number of fraudulent claims recorded. This has soured the relationship between the customers and the insurers because the distrust relationship is extended even to the genuine customers. The Insurance Regulation Authority should educate the public on the needs and purposes for taking insurance covers and also to inform them of the effect of making fraudulent claims. Never the less, the speed of processing customer claims should be improved and the regulator should take action to the companies that fail to honor genuine claims. The Insurance Regulation Authority should educate the public on the actions to take should the individual insurance companies fail to pay up their claims. This will improve the relationship between the insurers and the insured.

The company should work on its culture and should align its strategies to the culture. There is a need by policy makers to ensure the organization culture supports the strategies formulated. Culture affects many organizations and previous studies have found out that whenever there is a mismatch between the organization culture and its strategies, the strategies might fail at the implementation level. Employee attitude towards change and organization success through implementation of the formulated strategies should be checked.

5.5 Limitations of the Study

This was a case study of one company and the data obtained may differ from that found in other insurance companies since they use different strategies to respond to the challenges posed by the competitive environment. This is because each company is unique and would therefore employ different strategies to distinguish it from the competitors. However, the researcher made an effort to construct an effective research instrument that sought to elicit general and specific information on the strategic responses that companies adopt to match the changing environment.

The researcher faced difficulties while obtaining the data since the information required on the organizations strategies was considered more sensitive and the management were unwilling to share it with an outsider. The employees were granted permission to respond to the interview questions by focusing on the general view. The limitation was reduced by looking for other sources of data like secondary sources from the internet and related links and comparing the data with the information provided. The researcher believes that a lot of information specific to how the organization strategically responds to competitive changes in the environment would be obtained if the study is conducted by someone within the organization.

The study faced both time and financial limitations. The study was conducted within a short period and hence exhaustive and extremely comprehensive research could not be carried on the company's strategic responses to changing environment. Due to limited finances and time, the study could not be carried on the other branches of Jubilee Insurance. Never the less, the researcher minimized this by conducting the interview at the company's headquarters since it is where strategies are formulated and rolled out to other branches for implementation.

5.6 Suggestions for Further Research

The study recommends that further studies should be done on the effect of organization culture to strategic responses in the organization. This study should also be done on other companies in the insurance industry so as to get comprehensive information on how the other players in the industry have responded to the challenges posed by competitive changing environment.

Another study should be carried out to establish the extent in which the industry has been regulated and which impacts it can have on the industry should the regulations be reduced. More research can be done on the company to establish the relationship between its success and the marketing strategies employed.

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APPENDIX 1: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE....27/9/2011..............................

TO WHOM IT MAY CONCERN

The bearer of this letter... ANNE..... AKOTH ... KOMIRA ....

Registration No..... D61/60366/2010 ....

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.

JUSTINE MAGUTU
ASSISTANT REGISTRAR
MBA OFFICE, AMBANK HOUSE

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

APPENDIX II: INTERVIEW GUIDE

INTERVIEW GUIDE FOR MBA RESEARCH ON STRATEGIC RESPONSES BY JUBILEE INSURANCE TO CHANGING COMPETITIVE ENVIRONMENT.

Date

Interviewee name　　　　　　　　　　　　　　　　Job title

This interview guide has been prepared in relation to the objectives of this study. It seeks to establish the strategic responses by Jubilee insurance to changes in the environment, as well as the factors that influences the organization's response to the environmental changes. The information provided in this interview guide will be exclusively used for academic purposes and will be treated with utmost confidentiality.

SECTION A: General information

1. In which department do you currently work?
2. What is your position in the department?
3. How long have you been working in Jubilee Insurance?
4. What is your principle role in this position as far as corporate strategic planning is concerned?

SECTION B: Strategic responses to a changing competitive environment.

1. Does your company have a formal documented strategic plan?
2. If yes in (1) above, please indicate those departments which were involved in formulation of this strategic plan.
3. What period of time in years does the strategic plan cover, how often is it reviewed and by which level of staff in terms of their seniority?

4. What is your view on the importance of long term planning on strategic responses to changes in the environment for your company's future?
5. In your opinion, how would you describe the operation environment in the insurance industry in Kenya?
6. What are the challenges in the external environment that affects the operation of the organization?
7. Who is responsible for formulation of strategic responses in the company in response to changes in external environment?
8. What necessitates the formulation of such strategic responses and how often is such formulation done by managers within the organization?
9. Briefly explain the changes that have taken place in the industry as a result of direct influence by each of the following external environmental factors?
    i) Economic environment
    ii) Social cultural environment
    iii) Political/ Legal environment
    iv) Technological changes
10. In what ways have the changes mentioned in 9 above affected the operations of the Company?
11. Please indicate the strategies that the company has put in place to deal with each of the environmental influences mentioned in 9 above.
12. What other challenges apart from the ones listed in 9 above has the company faced?

13. What strategic responses has the company formulated and implemented to mitigate the challenges listed in number 12 above?
14. To what extend do you think Jubilee insurance has been affected by competition?
15. What are the general strategies the company has adopted to enable it deal with changes in its competitive environment?
16. Do you consider the various response strategies adopted by Jubilee insurance to be proactive or reactive to the changes in the external environment?
17. Are the strategies Jubilee Insurance uses to react to competition successful? Explain.
18. What are the challenges that the company has faced in the implementation of the above strategic responses?
19. Please give any other comment you may have regarding strategic responses by Jubilee insurance to its changing external environment?

THANK YOU FOR YOUR TIME.