PERCEPTIONS OF CO-OPERATIVE INSURANCE GROUP MANAGERS TOWARDS STRATEGIC ALLIANCES AND COMPETITIVE ADVANTAGE

BY

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DECLARATION

I declare that this research project is my original work and has not been submitted to any University other than the University of Nairobi for academic credit.

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This Research Project has been presented for examination with my approval as the University Supervisor.

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DEDICATION

To my parents, thank you for your unconditional support and love throughout my life.

Michael, Nicholas, Moses and Micah, you mean the world to me and without your love and understanding I would not have made it. I love you all.

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DEFINITION OF TERMS

IRA-Insurance regulatory Authority

AKI:-Association of Kenya Insurers

CIC-Co-operative insurance company

ABSTRACT

The objective of the study was determining the Perceptions of Co-Operative Insurance Group Managers towards Strategic Alliances and Competitive Advantage. A survey research design was used in this study because the study was interested in establishing the opinions of more than one manager. The study populations were all Headquarter office managers of the Co-operative Insurance group of Kenya. The respondents were twenty three heads of departments for the various subsidiaries of CIC insurance group. This formed the population. This study employed a census method and used all 23 managers though the actual responses were 20 in number. The collected data was analyzed using quantitative procedures. Quantitative data was analyzed using descriptive statistics and inferential statistics. Following the study findings, it was possible to conclude that the CIC group enjoyed various competitive advantages from the strategic alliances they engaged in. Results also indicated that the top five competitive advantages that CIC enjoyed were: solid anchor shareholder base, stronger and wider interconnected branch network, stronger customer loyalty and stronger distribution network. It was also possible to conclude that the managers had a positive perception of the role of strategic alliances in bringing about competitive advantages. The study recommends that Managers sat CIC Group can use the results to craft strategies on which areas to improve and which areas to excel at. It is also suggested that since the managerial perceptions were that formation of strategic alliances have brought about competitive advantages, it may be important to consider investing in the area of strategic alliances with a hope of building and enjoying further competitive advantages. This investment would take the form of more human and financial resources allocated to strategic alliance formation. The study further

recommends that similar study be replicated across all other insurance companies in order to able to find out whether strategic alliances can lead to competitive advantages to the insurance industry in Kenya as a whole. Another recommendation was to have a similar study to evaluate if the firms that have partnered with Co-operative insurance have realized any competitive advantages from the strategic alliance.

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CHAPTER ONE

INTRODUCTION

1.1Background of the study

One of the fastest growing trends for business today is the increasing number of strategic alliances. Strategic alliances are sweeping through nearly every industry and are becoming an essential driver of superior growth. Corporations have increasingly seen alliances as attractive vehicles through which they can grow and expand their scope, and the rate at which inter-firm alliances have been formed in the last two decades has been unprecedented (Jaloni, 2005).Alliances are essential building blocks for companies to achieve stronger and more effective market presence. Strategic alliances offer a means for companies to access new markets, expand geographical reach, obtain cutting edge technology and complement skills and core competencies relatively fast. Strategic alliances have become a key source of competitive advantage for firms and have allowed them to cope with increasing organizational and technological complexities that have emerged in the global market (Elmuti and Kathawala, 2001;Thorne and Wright, 2005).Business managers evaluate and choose strategies that they think will make their business successful (Pearce & Robinson, 2005).

Businesses become successful because they possess some advantage relative to their competitors. The two most prominent sources of competitive advantage can be found in the business cost structure and its ability to differentiate the business from competitors (Raduan, Jegak, Haslinda and Alimin, 2009).Therefore, it is critical that managers identify and understand strategic orientations that enable a firm to sustain performance, especially in the presence of rapid changes in market conditions (Kumar, 2011).

During the last few years, the insurance industry has undergone a series of changes through financial reforms, advancement of communication and information technologies, globalization of financial services and economic development. Those changes have had a considerable effect on efficiency, productivity change, market structure and performance in the insurance industry (Epetimehin, 2011). Insurance firms have been going at each other's throats in fierce competition. Co-operative insurance group has had to employ strategies to enable it stay ahead of competition in the industry.

1.1.2 Management perceptions

According to Robbins (2005), perception can be defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. Perception is not necessarily built on reality but merely a perspective from a particular individual's view of a situation. In dealing with the concept of organizational behavior, perception becomes important because 'people's behavior is based on their perception of what reality is, not on reality itself; the world as it is perceived is the world that is behaviorally important (Robbins, 2005).

Perception affects the working relationships of people in an organization in many ways which in turn affect their performance in the organization and ultimately, the effectiveness and efficiency of the organization. Management perceptions are very critical to success in an organization because they are the driving force behind the success of the activities they engage in. Perception measurement can be done using a survey technique with the help of a questionnaire or interview and a further analysis done on the responses.

1.1.3 Strategic alliance

A Strategic Alliance is a formal relationship between two or more parties to pursue a set of agreed upon goals or to meet a critical business need while remaining independent organizations. A strategic alliance has also been defined as when two or more businesses join together for a set period of time. The businesses, usually, are not in direct competition, but have similar products or services that are directed toward the same target audience (Dotson, 2000). Alliance means cooperation between groups that produces better results that can be gained from a transaction (Lewis, 2007). Because competitive markets keep improving what you can get from transactions, an alliance must stay ahead of the market by making continuous advances.

A strategic alliance is a partnership between firms whereby resources, capabilities, and core competences are combined to pursue mutual interests. According to Scholes (2008), strategic alliance is where two or more organizations share resources and activities to pursue a strategy. Alliances have become increasingly popular because organizations cannot always cope with increasingly complex environments such as competition from internal resources and competences alone. Often alliances involve joint marketing, joint sales or distribution, joint production, design collaboration, joint research or jointly developing new products or technologies. Knowledge and skills are usually exchanged.

A strategic alliance is essentially a partnership in which you combine efforts in projects ranging from getting a better price for supplies by buying in bulk together to building a product together with each of you providing part of its production. The goal of alliances is to minimize risk while maximizing your leverage and profit. Alliances are often confused with mergers, acquisitions, and outsourcing. While there are similarities in the circumstances in which a business might consider one these solutions, they are far from the same. Mergers and acquisitions are permanent, structural changes in how the company exists. Outsourcing is simply a way of purchasing a functional service for the company (Comi and Eppler, 2009).

1.1.3 Competitive advantage

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost, or deliver benefits that exceed those of competitors. Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage (Porter, 1998).A competitive advantage is when a firm has an edge over its rivals in securing customers and defending against competitive forces(Thompson, Strickland& Gamble, 2002).

A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices. Porter (1980) argues that competitive advantage grows fundamentally out the value a firm is able to create for its buyers that exceed the firm's cost of creating it. Competitive advantage also occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high grade ores or inexpensive power, or access to highly trained and skilled personnel human resources, new technologies such as robotics and information technology either to be included as a part of the product, or to assist making it.

The term competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Al-Swidi and Mahmood , 2011).Competitive advantage depends on how a firm is able to create for its customer's value that exceeds the firms cost of creating a product. Value is what customers are willing to pay and superior value stems from offering lower prices than competitors or providing unique benefits (Njuguna, 2009).

1.1.4 Co-operative Insurance Group Ltd

The insurance industry in Kenya is composed of insurance companies, brokers, agents, reinsurance companies, motor assessors, and valuers. In January 2012 there were forty five licensed insurance companies (IRA report 2012). The industry is regulated by a body called the insurance regulatory authority. The statute regulating the industry is the insurance Act; Laws of Kenya, Chapter 487. The office of the commissioner of insurance was established under its provisions to strengthen the government regulation under the Ministry of Finance. There is also self-regulation of insurance by the Association of

Kenya Insurers (AKI). The professional body of the industry is the Insurance Institute of Kenya (IIK), which deals mainly with training and professional education. Recently there was formed the Insurance Regulatory Authority (IRA) mandated to supervise and regulate the insurance industry players.

The Co-operative Insurance group comprises CIC General insurance Ltd and CIC Asset Management Ltd and CIC Life assurance Ltd. Co-operative Insurance group is the leading provider of micro insurance and other financial services in Kenya. It has been in operation for the last thirty three years (CIC Profile, 2012) .Co-operative Insurance group is owned by over two thousand Co-operative Societies and over three thousand individual Co-operators with the Co-operative Bank of Kenya Limited holding a twenty one percent stake. Co-operative Insurance group is the market leader in providing insurance services to the co-operative and low-income market segments in Kenya. Co-operative Insurance group insurance has entered into a number of strategic alliances with its various customers in order to gain competitive advantage; these include Co-operative bank, other Banks, churches association and Kenya schools association. This has enabled it to capture a big volume of the insurance market and offer many other services in house.

Co-operative Insurance group ranks among the most successful insurance companies in Kenya and is the only thriving and surviving co-operative insurer in Africa. The company is also focusing to be a leader in the region and is targeting to expand operations in the East and Central parts of Africa such as Southern Sudan, Rwanda, Malawi and Tanzania. They believe partnering with companies both nationally and internationally will be their fasted and most effective method to achieve growth in their expansion plan into the region. In 2011, the gross premium income soared to shillings 6.5 Billion from shillings 4.6 Billion the previous year.

1.2 Research problem

Strategic alliances have become a key source of competitive advantage for firms and have allowed them to cope with increasing organizational and technological complexities that have emerged in the global market. Corporations have increasingly seen alliances as attractive vehicles through which they can grow and expand their scope. Perception plays a crucial role in the daily decision making process for all managers. Perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment (Robbins, 2005). If a manager perceives something in one way or another and bases an important business decision on the perception; the organization will either benefit or not benefit from the decision. Managers should understand the facts along with the situation in order to conclude with an appropriate decision. A manager's perception and decisions will affect the organizations behavior. Management perceptions are very critical to success in an organization because they are the driving force behind the success of their operations. The extent to which managers will engage in strategic alliances and what types of strategic alliances will depend on their perceptions of the competitive advantages derived from the strategic alliances. Their perception is very important because it will influence their actions and this will in turn affect the performance of the company.

The business environment within which the insurance industry is operating is very competitive. Insurance companies are now even competing with the large banks like

Equity, Co-operative bank, brokerage firms, Small and Micro enterprises and Health medical providers. These organizations are now underwriting insurance services and this is in turn creating fierce competition for the insurance companies. Co-operative insurance group have been the major insurer of Co-operative societies but now other insurance companies are aggressively sourcing for the same business. Its continued presence as a major player in the co-operative business hinges on its competitive advantage. The company's competitive advantage is now threatened by strategic and tactical moves by competitors. The Co-operative sector has now been recognized to be a major contributor to the national Gross Domestic income and has attracted many players from different industries to do business with them. Against this background coming up with competitive strategies for sustainability has become extremely important.

Whereas studies have been carried out on strategic alliances and competitive advantage such as Wachira(2002),Koigi(2002) and Owuor (2005) and Mwai(2010).Owuor (2005) looked at the relationship between strategic alliances and competitive advantage in major oil companies, Wachira (2002) analyzed strategic alliances in pharmaceutical drugs development and Koigi looked at the implementation of strategic alliances in the Kenya post office and savings bank, Mwai(2010) looked at competitive advantage and strategic alliances at Safaricom Limited, she concluded that Safaricom company gained a sustainable competitive advantage as a result of entering into strategic alliances.

None of these studies had been carried out to determine managers perceptions of competitive advantage gained from strategic alliances. The study therefore aims to breach the gap by analyzing the perception managers have of the competitive advantages gained through strategic alliances. These studies had also focused on different sectors of the economy other than the insurance sector which have different environments and different challenges to deal with. The study therefore intends to fill the gap by answering the questions;do the Co-operative insurance group managers perceive strategic alliances as giving competitive advantage to the company? Andwhat competitive advantages does the company enjoy?

1.3 Research Objectives

This research addresses the following objectives,

i) To establish the competitive advantages enjoyed by Co-operative insurance group.

ii) To determine whether the Co-operative insurance group managers perceive strategic alliances as a way of creating competitive advantage for the company.

1.4 Value of the study

This study explores the perception of managers of the competitive advantages gained through strategic alliances. It examines the competitive advantages gained through strategic alliances. It examines the risks and problems associated with entering and maintaining successful strategic alliances. It also identifies factors that may impact the success of strategic alliances in an increasing competitive market place. The study will make it possible for industry stakeholders to effectively identify how different managers perceive the relationship strategic alliances and competitive advantage and help them formulate appropriate strategic alliances strategies to gain competitive advantage in the Kenyan market. With this knowledge they will be in a better position to steer their businesses in the right direction in terms of entering into alliances.

The study shall provide grounds for further research by other scholars who may want to broaden their understanding on manager’s perception on competitive advantage and strategic alliances. This will pave way for further research in order to verify the findings. The study will contribute to the existing body of knowledge in the area of management perceptions of strategic alliances and competitive advantage in the insurance industry. The study will help strengthen the insurance industry by providing information on what makes other companies develop positive perceptions towards strategic alliances.

The study will be useful to Co-operative insurance managers because it will increase their understanding and appreciation of the impact of their perceptions towards strategic alliances and competitive advantage in the insurance industry. Managers will also be aware of the challenges experiences in entering strategic alliances, the advantages gained and the strategies to use in order to have successful strategic alliances.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews studies on strategic alliances, competitive advantage and perception of managers towards strategic alliances. The style adopted is by citing the topics and themes that have been reviewed. The review will give in-depth knowledge in the concept of strategy, strategic alliances, and reasons for entering into strategic alliances, how strategic alliances are formed, competitive advantages gained from them and finally the link between perception, strategic alliances and competitive advantage.

2.2 Concept of strategy

The concept of strategy is a multi-dimensional concept that has been defined differently by many scholars. There is no universal definition of strategy. Strategy is a unifying theme that gives coherence and direction to the decisions of an organization. Strategy applies to many disparate fields such as gaming strategy, economic strategy, marketing strategy and corporate global strategy. A strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain competitive advantage (Hitt, Ireland &Hoskisson,2009).When choosing a strategy; firms make choices among competing alternatives as the pathway for deciding how they will pursue strategic competitiveness. In business, strategy is a design or plan for achieving a company's policy goals and objectives (Warnock, 2000).Policy defines the company's goals and objectives while strategy decides how the company goals and objectives will be achieved, what operational units will be used to achieve the company’s goals and objectives and how those operational units will be structured.

Strategy also determines what resources will be needed to achieve the company’s goal and objectives and how these resources will be acquired and used. Strategy is a design or plan that defines how policy is to be achieved. This definition of strategy applies to corporate strategy and unit strategy. Unit strategies are plans for achieving the goals and objectives of an operating unit, an industry or geographical operating area or a managerial or business function. Unit strategies include a company's marketing strategy, acquisition strategy, alliance or affiliation strategy, human resources recruitment and retention strategy, production strategy and financial strategy. They also include a company's division strategies, subsidiary strategies, and country strategies. Corporate strategy, on the other hand, refers to strategy that is used to achieve corporate goals and objectives, that is, to achieve corporate policy.

The study of strategy involves how we go about identifying, establishing, and sustaining competitive advantage. According to Scholes (2002), Strategic decisions are likely to be concerned with the scope of an organization’s activities. Strategic decisions are normally about trying to achieve some advantage for the organization. Strategy can be seen as the search for strategic fit with the environment .It can also be seen as creation opportunities by building on an organizations resources and competences; this is also called resource based view of strategy. Strategy of an organization is affected not only by environmental forces and strategic capability but also by the values and expectations of those who have power in and around the organization (Scholes &Johnson, 2008). The environmental forces are political, economic, social, technological and legal. An organization has to analyze these forces in trying to come up with a strategy that will make it competitive. The firm then needs to carry out an assessment of its opportunities, strengths and weaknesses.

According to Porter(1998),the nature and degree of competition in any industry hinge on five forces which are threat of new entrants, Bargaining power of customers, the bargaining power of suppliers and the threat of substitute products. A company must understand how they work in its industry and how they affect the company in its particular situation in order to know how to counter them. The strongest competitive forces determine the profitability of an industry and are important in strategy formulation (Porter, 1980).

Strategy can also be distinguished by the levels at which it occurs, we have corporate strategy, business level strategy and finally operational strategy. Corporate strategy is concerned with the overall scope of an organization and how value will be added to the different parts of the organization. Business level strategy sets the strategic direction for a single business unit or product line. Operational strategies are concerned with how the components parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people.

2.3 Competitive advantage

The concept of competitive advantage was presented by Porter (1985) and it relates to the ability of an organization to discover and implement ways of competing that are unique and distinctive from those of their competitors and that can be sustained over time. The goal of much of business strategy is to achieve a sustainable competitive advantage (Porter, 1998). These attributes can include access to natural resources, such as high grade ores or inexpensive power, or access to highly trained and skilled personnel human resources, new technologies such as robotics and information technology either to be included as a part of the product, or to assist making it. The term competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market. According to Porter (1990),a nation's competitiveness depends on the capacity of its industry to innovate and upgrade. Raduan et al (2009) asserts that competitive advantage is perhaps the most widely used term in strategic management, yet it remains poorly defined and operationalized. Ma (2000) makes three observations regarding competitive advantage and conceptually explores the various patterns of relationship between competitive advantage and firm performance, namely: competitive advantage does not equate to superior performance, competitive advantage is a relational term and finally competitive advantage is context-specific.

The most explicit attempt to define competitive advantage and sustainable competitive advantage has come from Barney (1991). He states, "A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy,”. He additionally asserts that, A competitive advantage is sustained only if it continues to exist after efforts to duplicate that advantage have ceased.

Michael Porter identified cost leadership advantage, differentiation and focus as the basic sources of competitive advantage. The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments. By contrast, the differentiation focus and cost focus strategies are adopted in a narrow market or industry. A firm that engages in each of the generic strategies but fails to achieve any of them is said to be stuck in the middle. It possesses no competitive advantage (Porter, 1998).Each generic strategy is a different approach to creating and sustaining competitive advantage. Usually a firm must make a choice among them or it will be stuck in the middle. A firm’s value chain can also be a source of competitive advantage. Value chain analysis describes the activities within and around an organization, and relates them to an analysis of the competitive strength of the organization. Therefore, it evaluates which value each particular activity adds to the organizations products or services. Value chain analysis describes the activities within and around an organization, and relates them to an analysis of the competitive strength of the organization. Therefore, it evaluates which value each particular activity adds to the organizations products or services. Porter (1985) argues that the ability to perform particular activities and to manage the linkages between these activities is a source of competitive advantage. Molina et al (2004) suggests that the following indicators may be used to measure the level of competitive advantage; Market share, Profits, Returns, Technological provision, Financial management, Quality of products-services, After sales services, Manager’s educational background, Customer loyalty, Supplier loyalty, Location of establishment, Employees' commitment and loyalty, Employees' professional know-how and Firm's reputation.

The newly emerged resource based view points to a firm's unique resources, core competence, and dynamic capabilities in a rapidly changing global market(Barney, 1991; Prahalad and Hamel, 1990). Core competencies which are resources and capabilities, can serve as a source of competitive advantage for a firm over its rivals. Core competencies are often visible in the form of organizational functions. Distinctive capabilities are the basis competitive advantage. According to the new resource-based view of the company, sustainable competitive advantage is achieved by continuously developing existing and creating new resources and capabilities in response to rapidly changing market conditions. Distinctive capabilities, these are characteristics of a company which cannot be replicated by competitors, or can only be replicated with great difficulty, they are the basis of sustainable competitive advantage. Distinctive capabilities can be of many kinds: patents, exclusive licenses, strong brands, effective leadership, teamwork, or tacit knowledge. Reproducible capabilities are those that can be bought or created by a firm's competitors and thus by themselves cannot be a source of competitive advantage.

2.4 Strategic Alliances

Strategic alliances have become one of the most important organizational forms in modern society and are well known tool available to and used by organizations competing in domestic as well as the international markets (Jaloni, 2005).Strategic alliance is a formal agreement between two or more separate companies in which there is a strategically relevant collaboration of some sort, joint contribution of resources, sharedrisk shared control and mutual dependence (Strickland, 2002).Strategic alliances can be effective way to diffuse new technologies rapidly, to enter a new market, tobypass governmental restrictions expeditiously and learn quickly from leading firms in a given field (Elmutiand Kathawala, 2001). Strategic alliances are becoming more and more prominent in the global economy it can improve on an organizations operations and competitiveness (Brucellaria,1998).Companies are forming alliances to obtain technology ,to gain access to specific markets ,to reduce financial risk, to achieve and ensure competitive advantage (Wheelen and Hungar,2000).

According to Elmuti&Khatawala(2001), the reasons for creating strategic alliances can be classified into, growth strategies and entering new markets, obtain new technology and ensure competitive advantage. Butto et al (1998) suggested cost saving, market penetration and retention, financial injection, infrastructure constraints and circumventing institutional constraints and market stability as possible reasons for alliance formation. Cojohari (2008) conducted a study on the competitive advantage of strategic alliances and concluded that there are various reasons/motives of forming strategic alliances. These include forming a strategic alliance in order to set new global standards. In addition, confronting competition is a valid motive for forming an alliance especially when the competitor has considerable competitive muscle. Overcoming protectionist barriers is another reason for forming a strategic alliance especially when a company's needs to avoid controls on importation and overcome barriers to commercial penetration. Dividing risks is a reason that motivates firms to engage into strategic alliances especially when risk of project failure is high. The cost advantages brought about by economy of scale is probably one of the most important reasons why firms engage into strategic alliances. Access to a market segment is a reason for engaging into a strategic alliance especially if a company often wants to develop in a market segment where it is not present. Others include access to a geographic market, access to technology, uniting forces, and bridging a gap.

A strategic alliance involves at least two partner firms that either remains legally independent after the alliance is formed, or share benefits and managerial control over the performance, assigned tasks, or make continuing contributions in one or more strategic areas such as technology or products (Yoshino and Rangan, 1995).Strategic alliances take the form of joint venture, equity strategic alliance, Non-equity strategic alliances and global strategic alliances. Joint ventures are where by organizations remain independent but set up a newly created organization jointly owned by the parent. A joint venture will generally be focused on a particular venture or project. Each of the businesses has an equity stake in the individual businesses and share revenues, expenses and profits. Equity strategic alliances have partners who own different percentages of equity in a separate company they form.

Non-equity strategic alliances are where two or more firms develop a contractual relationship to share some of their unique resources and capabilities. Global strategic alliances are whereby companies form partnerships across national boundaries and increasingly across industries, sometimes formed between company and a foreign government or among companies and governments. These alliances facilitate access to global markets. Cojohari (2008) indicated that alliances may be contracts, limited partnerships, general partnerships, or corporate joint ventures, or may take less formal forms, such as a referral network. Furthermore, the author indicated that there are three basic classifications of strategic alliances namely; trading, functional or dynamic and operating alliances. Comi and Eppler (2009) assert that Inter-organizational collaboration can lead to a variety of governance structures, usually classified along a market-hierarchy continuum ranging from non-equity to equity arrangements. Specifically, strategic alliances can be of the following forms, informal cooperation, licensing, consortium, joint function, (e.g R&D), joint venture.

According to Mariah (2001) the strategic alliances process involves planning, implementation and evaluation. These three criteria imply that strategic alliances create interdependence between autonomous economic units, bringing new benefits to the partners in the form of intangible assets, and obligating them to make continuing contributions to their partnership. Different alliance forms represent different approaches that partner firms adopt to control their dependence on the alliance and on other. It involves a five stage process that is setting the alliance strategy, selecting a partner, structuring the alliance, managing the alliance and finally re-evaluating the alliance.

2.4.1 Challenges of Alliances

Although organisations strive to achieve a competitive advantage through strategic alliances, there are however some challenges that they normally face in the process, some of the challenges are such as overcoming language and cultural barriers. Cojohari (2008) asserted that poor project management, strategic gridlock brought about by unanticipated conflicts in objectives, business plans and operations are the most recognized challenges of strategic alliances. In addition, losing control of basic strategy leads to a partner ending up creating a competitor, and this represents a significant challenge.

According to Elmuti and Kathawala(2001), the reasons why strategic alliances fail could be due to; clash of cultures, lack of trust, lack of clear goals and objectives, lack of co-ordination between management teams, differences in operating procedures and attitudes among partners and relational risk. For firms to ensure success of their strategic alliances they need to align the alliances strategy with the growth strategy. To make alliances work organisations must develop a systematic, structured and disciplined process that involves planning, implementation and evaluation (Mariah, 2001).

2.4.2 Strategic alliances and competitive advantage

In the global economy, a well-developed ability to create and sustain fruitful collaborations gives companies a significant leg up(Moss,1994).The ability to form and manage strategic alliances more effectively than competitors can become an important source of competitive advantage (Dyer et al, 2001).Strategic alliances are giving companies a competitive advantage (Segil,2004).Strategic alliances are a fast and flexible way to access complementary resources and skills that residue in other companies and hence have become an important tool for achieving sustainable competitive advantage.

Anand and Khanna (2000),Comi and Eppler (2009) assert that the main reasons why strategic alliances fail are; internal rivalry, knowledge barriers and communication challenges. Internal rivalry stems from uncooperative attitude, knowledge barriers relate to the differences in terms of knowledge bases, corporate cultures, and organizational structure. Meanwhile, communication challenges arise due to different cultures, expertise and backgrounds.

2.5 Managerial perceptions

Perception is the understanding or view people have of things in the world around them (Mondy, Shaplin and Premeaux, 1990).Different individuals may have totally different views of things which influence their business decisions differently. Perception is the process by which individuals select, organize, store, and interpret sensory stimulations into a meaningful and coherent picture of world around them(Organ and Bateman1991).Mullins(1999) defines perception as the mental function of giving significance to stimuli such as feelings and shape. When an individual looks at a target and attempts to interpret what he or she sees that interpretation is heavily influenced by the personal characteristics of the individual perceiver (Robbins, 2005).

Personal characteristics that affect perception include a person's attitudes, personality, motives, interest, past experiences and expectations. Characteristics of the target being observed can affect what is perceived. The context in which we see objects and events is also important. The perception process takes place in two stages, the first one is selection and the second is organization. Identifying certain features of an event to notice is referred to as selection. Individuals are continually faced by a mélange of sounds and sights. In a situation so many stimuli bombard the individual concerned that they find it difficult to take full account of all of them. Individuals tend to select and attend to only some of the features that they are present in any situation. Attention is paid to the actions and conversations of only a certain person or object. This selection process helps people to avoid dealing with information that seems to them to be irrelevant and avoid information overload (Mondy, Shaplin and Premeaux 1990).Unfortunately in some cases selection causes the individual to overlook important stimuli. According to Mullins (1999) perceptions are influenced by stimuli. Stimuli are any physical, visual or verbal communication that influences an individual's response. Once stimuli have been selected, individuals categorize and organize them so that they make sense.

The decision individuals make in an organization and the quality of their final choices is influenced largely by their perceptions. Decision making occurs as a reaction to a problem. That is there is a discrepancy between some current state of affairs and some desired state requiring the consideration of alternative courses of action. The individual decision maker's perceptual process will have a large bearing on the final outcome of the decision made. Throughout the entire decision process, perceptual distortions often surface that have the potential to bias analysis and conclusions. The cognitive approach which focuses an individual's mental process recognizes that firms or rather their managers perceive the environment differently and imperfectly. This approach emphasizes the need to deepen our understanding of manager's mental schemas if we are to understand corporate behavior and firm's strategic processes fully.

Behavioral scientists have proposed techniques whose primary purpose is to scale respondents along some attitude of continuum of interest; these are summated scale or the

Likert scale, the Q-sort technique and the differential scale. Mugenda (1999) contends that the rating scales are used to measure perceptions attitudes and behaviors. They explain that the rating scales consist of numbers and descriptions which are used to rate or rank the subjective and intangible components in research. The numerical scale helps to minimize the subjectivity and makes it possible to use quantitative analysis. The most common used scale is the Likert which required the respondent to indicate the degree of agreement or disagreement with each series of statements related o attitude object (Tull and Hawkins, 2002).

Perception can also be measured using the Guttmann'sScale gram designed by Louis Guttman in 1950 and the thurstone scale.The Guttman scale is used mostly when researchers want to design short questionnaires with good discriminating ability. The Guttman model works best for constructs that are hierarchical and highly structured such as social distance, organizational hierarchies, and evolutionary stages. In psychology, the thurstone scale was the first formal technique for measuring an attitude. It was developed by Louis Leon Thurstone in 1928, as a means of measuring attitudes towards religion. It is made up of statements about a particular issue, and each statement has a numerical value indicating how favorable or unfavorable it is judged to be. People check each of the statements to which they agree, and a mean score is computed, indicating their attitude (Guilford, 1954).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter described the research methodology that was used for the study. It described the research design, population and data collection method. The method of data analysis is also identified and the specific statistical methods that are used to achieve the objectives are also identified.

3.2 Research design

A survey research design was used in this study to determine the perception of Co-operative insurance group managers towards strategic alliances and competitive advantage. According to Mugenda and Mugenda (2003), Survey research attempts to obtain information that describes existing phenomena by asking individuals about their perceptions, attitudes, behaviors or value.

The survey design attempted to measure the perception of managers using a questionnaire. The advantage of using questionnaire is that it minimizes wastage of time and it is easier for the researcher to gather data.

3.3 Population of study

The study populations comprised all Headquarter office managers of the Co-operative Insurance group of Kenya. Population in research is described as a group of people in which research wishes to generalize the result or the group to which the result of the research apply (Stringer, 2008). See Table 3.1(list of tables).

According to the last human resource records of January 2012 they were twenty three managers.

They consisted of the Finance managers, underwriting managers, Claims managers, marketing manager, Human resource managers, Medical manager, CIC asset manager, Procurement manager, Customer care manager, Information technology managers, Legal manager and the Chief Internal auditor. All of them were studied. Questionnaires were issued to each manager individually and they were guided on how to fill them. This study employed a census method. These managers are the highest decision making body in the company and are therefore the ones charged with formulation and implementation of strategic decisions for the company.

3.4 Data collection

The study used both primary and secondary data. Primary data was collected using only questionnaires to all the managers of Co-operative insurance group in the head offices at Upper hill while secondary data was from secondary sources. The questionnaire was hand delivered to the managers since they are involved in all strategic issues affecting the company. The Questionnaires were administered personally by the researcher.

The questionnaire consisted of two parts; Part A collected the general information about the respondents while Part B targeted data on perceptions of managers on competitive advantage gained from strategic alliances. The questionnaires comprised of closed ended questions. There was an introduction letter on each questionnaire briefly explaining to the respondents the purpose of the research. The Questionnaire had A 5-point Likert scale that was used as the basis of measurement where 5 represented a very great extent,4 represented great extent,3represented moderate extent,2represented little extent and 1represented not at all. The respondents were required to choose what extent they agreed or disagreed on the questions.

3.5 Data analysis

The collected data was analyzed using quantitative procedures. Quantitative data was analyzed using descriptive statistics. The descriptive statistics involved frequencies, standard deviation and means. The findings were presented using tables.

To achieve the first objective, the mean scores of the sixteen statements were calculated for each competitive advantage response. A mean score of more than three point five and above was interpreted to mean that CIC Insurance gained competitive advantage from the strategic alliances. The mean scores were also sorted from the highest to the lowest. The top five statements were identified and the bottom 5 statements were also identified and this indicated the areas of “strong” competitive advantage and areas of “weak” competitive advantage.

To achieve the second objective descriptive statistics such as mean was used. Mean scores were computed for each competitive advantage as perceived by the managers. A further analysis was done to determine whether demographic characteristics such as age, gender, education and work experience had an influence on managerial perceptions on strategic alliances. A mean score of more than three point five and above interpreted to mean that the managers has a positive perception that CIC Insurance gained competitive advantage from the strategic alliances.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

In this chapter, the data collected during the research was analyzed and reported. This study was executed to achieve the stated objectives. The respondents were all the managers in Co-operative insurance group. Data collected was presented in the form of frequency distribution tables. A total of twenty questionnaires were received out of a possible twenty three questionnaires. This a response rate of 87%. The unsuccessful response rate was three questionnaires (13%).According to Mugenda and Mugenda (2003), a response rate of more than 50% is adequate for analysis. Babbie (2004) also asserted that a return rate of 50% is acceptable for analysis and publishing. He also states that a 60% return rate is good and a 70% return rate is very good. The achieved response rate was above 70% which implies that the response rate was very good.

4.2 Demographic Characteristics

This section displayed the results of the demographic characteristics. These include the gender of respondents, age of respondents, and level of education, number of years in employment and subsidiaries of CIC insurance group in which the respondents work in.

4.2.1 Gender Profile

The study sought to establish the gender distribution of the respondents. The respondents were asked to state their gender by ticking either male or female. Gender of respondents is important because it can determine the gender representation of respondents. The findings were presented in Table 4.1.

Table 4.1: Gender of the Respondents

Gender	Frequency	Percentage
Male	10	50
Female	10	50
Total	**20**	**100**

From the study findings, both male (50%) and female (50%) took an equal share. The gender balance in employment may have an implication on the perception of managers on the formation of strategic alliances and also on the competitive advantage of CIC.

4.2.2 Age of the Respondents

The study sought to establish the age bracket of the respondents. The respondents were asked to tick where their age lies. Age of respondents is important because it can determine the maturity, youthfulness or dynamism of the respondents. The findings were presented in Table 4.2.

Table 4.2: Age of the Respondents

Age group	Frequency	Percentage
21-30 years	2	10

31-40 years	14	70
41-50 years	4	20
Total	**20**	**100**

From the study findings, majority of the respondents (70%) were aged between 31-40 years, 20% were aged between 41-50 years while 10% were age between 21-30 years. The finding implies that the respondents of the study were mature. The age distribution may have an implication on the perception of strategic alliances and the enjoyment of competitive advantage. The implication could be that those firms with more mature employees view strategic alliances more positively than those with young employees or vice versa.

4.2.3 Level of Education of the Respondents

The study sought to establish the level of education of the respondents. The respondents were asked to indicate by ticking their education level. Education level of respondents is important because it can determine the skills level and capacities of an organization representation. The findings were presented in Table 4.3.

Table 4.3: Level of Education of the Respondents

Education level	Frequency	Percentage
Undergraduate University level	4	20
Post graduate level	16	80
Total	**20**	**100**

From the study findings, majority of the respondents (80%)were post graduates while 20 % of the respondents were undergraduates. The finding implies that majority of the CIC managers have got a high level of education which perhaps contribute positively into the achievement of the competitive advantages by may be making appropriate decisions as far as CIC's involvement in strategic alliance is concerned.

4.2.4 Number of Years in Employment

The study sought to establish the number of years the respondents have been in the employment. The respondents were asked to indicate their length of service in the company. Length of period worked is important because it can determine whether the respondents are knowledgeable enough of the practices of the organization. The findings were presented in Table 4.4.

Table 4.4: Number of Years in Employment

Length of service	**Frequency**	**Percentage**
Less than 5 years	2	10
More than 5 years	18	90
Total	**20**	**100**

From the study findings, majority of the respondents (90%) had been in the employment for more than five years, while 10% of the respondents had been in the employment for a period less than five years. The finding implies that most of the CIC managers had been in the employment for quite a considerable period thus is assumed that most of them had a remarkable experience which perhaps leads positive perceptions that strategic alliances may enable the company realize competitive advantages.

4.2.5 Subsidiary of the Respondents

The study sought to establish the subsidiary in which the respondents work for in the company. The respondents were asked to indicate which subsidiary of the company they work in. Departmental representation of respondents is important because it can determine the which subsidiary engaged in more strategic alliances and hence this would reflect in the managers perceptions. The findings were presented in Table 4.5.

Table 4.5: Subsidiary of the Respondents

Subsidiary	**Frequency**	**Percentage**
Asset management	8	40
CIC Life Assurance	6	30
CIC General Insurance	6	30
Total	**20**	**100**

From the study findings, majority of the respondents (40%) were from the Life Assurance department while equal shares of 30% were from both the Asset Management and CIC General Insurance Company. The findings may have an implication on the managerial perceptions on formation of strategic alliances. Perhaps some subsidiaries are more likely to enter into more strategic alliances compared to others hence some subsidiaries may enjoy superior competitive advantages than others.

4.3 Competitive Advantages of Co-operative Insurance Group

The study sought to establish the competitive advantage that CIC enjoys. The respondents were asked to rate their responses on a scale of 1-5, where 1=not at all and 5=very great extent. Descriptive statistics were then computed as shown in the table below. The results would help in answering the first research objective. The first objective was to determine the competitive advantages enjoyed by CIC insurance group. The results are presented in Table 4.6.

Table 4.6: Competitive Advantages

Competitive Advantage	**Mean**	**Std. Deviation**
Large market share	4.10	0.72
Huge profitability	3.60	0.68
Enhanced and stronger customer loyalty	4.30	0.80
Huge returns on investments	3.40	0.50
Strong technological capability	3.70	0.66
SuperiorPortfolio of products	3.90	0.97
Stronger financial capability	4.00	0.46
Stronger, solid anchor shareholder base	4.40	0.68

Strong distribution network	4.20	1.01
Stronger supplier loyalty	3.90	0.72
Stronger brand name	4.30	0.80
Modern technological infrastructure	4.10	0.55
Stronger capital base	4.20	0.77
Stronger and wider interconnected branch Network	4.30	0.80
Highly experienced industry board of directors	2.70	0.92
Higher sales ratio	3.60	0.50
Grand Mean	**3.91**	

Results revealed that CIC insurance enjoyed competitive advantage from the strategic alliance with a grand mean of 3.91.The top five most enjoyed competitive advantages were a strong shareholder base with a mean score of 4.40, followed by a strong brand name with a mean score of 4.30, a stronger and wider interconnected branch network with a mean score of 4.30, strong distribution network with a mean score of 4.20, and a large market share with a mean score of 4.10. The least enjoyed competitive advantages were highly experienced industry board of directors with a mean score of 2.70, higher sales ratio with a mean score of 3.60, stronger technological capability with a mean score of 3.70 and huge returns on investments with a mean score of 3.70. The overall findings overall imply that CIC enjoyed all the competitive advantages to a great extent from the strategic alliances. The findings concur with those of Wheelen and Hungar (2000) who said that Companies are forming alliances to obtain technology, to gain access to specific markets, to reduce financial risk, to achieve and ensure competitive advantage.

4.4 Managers Perception on whether Strategic alliances have led to Competitive Advantage

The study sought to establish the perceptions of CIC managers on whether strategic alliances have led to competitive advantage. The respondents were asked to rate their responses on a scale of 1-5, where 1=not at all and 5=very great extent. Descriptive statistics were then computed as shown in the table below. The results would help in answering the second research objective. The second objective was to determine the perceptions of CIC insurance group managers towards strategic alliances and competitive advantage. The results were presented in Table 4.7 below.

Table 4.7: Managers Perception on Strategic Alliances

Strategic Alliance and Competitive Advantage	**Mean**	**Std. Deviation**
Large market share	3.70	0.92
Huge profitability	3.80	0.41
Enhanced and stronger customer loyalty	4.00	0.80
Huge returns on investments	3.20	0.90
Strong technological capability	3.50	0.83
SuperiorPortfolio of products	3.60	0.82

Stronger financial capability	4.10	0.97
Stronger, solid anchor shareholder base	3.90	0.72
Strong distribution network	4.20	0.77
Stronger supplier loyalty	4.20	0.89
Stronger brand name	4.20	0.62
Modern technological infrastructure	3.90	0.85
Stronger capital base	4.10	0.55
Stronger and wider interconnected branch Network	4.20	1.11
Highly experienced industry board of directors	3.20	1.01
Higher sales ratio	3.05	0.10
Grand Mean	**3.83**	

The results grand mean of 3.83 imply that managers had a positive perception that CIC gained competitive advantages from the strategic alliances. The results revealed that the top four most enjoyed competitive advantages from the strategic alliances were a strong distribution network with a mean score of 4.20, strong brand name with a mean score of 4.20, and stronger, wider interconnected branch network with a mean score of 4.20 and a stronger supplier loyalty with a mean score of 4.20. The results also revealed that the managers also perceived that the four least enjoyed competitive advantages from the strategic alliances were huge returns on investments with a mean score of 3.20, highly experienced board of directors with a mean score of 3.20, higher sales ratio with a mean score of 3.05 and strong technological capability with a mean score of 3.50.The results implied that CIC insurance group managers perceived that strategic alliances led the company to enjoy competitive advantages and they would engage more in strategic alliances. According to Pearce& Robinson,(2005)Business managers need to evaluate and choose strategies that they think will make their business successful, CIC insurance group managers therefore also need to evaluate the competitive advantages it would gain from each strategic alliance it enters into so as to get more gains.

4.4.2 Influence of demographic characteristics on Managerial Perceptions

4.4.2.1 Gender and perceptions

The study sought to find out whether the respondents gender had an influence on their perceptions on strategic alliances and competitive advantage. Mean scores were computed for each competitive advantage response for male and females respondents. The results are shown in Table 4.8 below.

Table 4.8: Descriptive Statistics on gender and perceptions

Gender and Perceptions

Competitive Advantage	Mean	
	Male	**Female**
Large market share	3.00	4.40
Huge profitability	3.60	4.40

Enhanced and stronger customer loyalty	3.40	4.60
Huge returns on investments	2.60	3.80
Strong technological capability	2.80	4.20
SuperiorPortfolio of products	3.00	4.20
Stronger financial capability	3.20	5.00
Stronger, solid anchor shareholder base	3.40	4.40
Strong distribution network	3.60	4.80
Stronger supplier loyalty	3.60	4.80
Stronger brand name	3.80	4.60
Modern technological infrastructure	3.40	4.40
Stronger capital base	3.80	4.40
Stronger and wider interconnected branch Network	3.40	5.00
Highly experienced industry board of directors	2.40	4.00
Higher sales ratio	2.30	3.80
Grand mean on Strategic Competitive Advantage	**3.21**	**4.40**

Results in table 4.8 below revealed that females had a higher perception of strategic alliances and competitive advantage compared to males. The findings were supported by a grand mean response of 4.4 for female respondents and 3.2 for male respondents. The female managers perceived that the top two enjoyed competitive advantages were a stronger and wider interconnected branch network with a mean score of 5.00 and a stronger financial capability with a mean score of 5.00 while the males managers perceived that the top two enjoyed competitive advantages were a strong brand name with a mean score of 3.80 and a stronger share capital base with a mean score of 3.80These findings would imply that perhaps CIC insurance group female managers are more willing to enter into strategic alliances than the male managers.

4.4.2.2 Age and perceptions

The study sought to find out whether the respondents' age had an influence on their perceptions on strategic alliances and competitive advantage. Mean scores were computed for each competitive advantage response for the different age categories of the respondents. The results are shown in Table 4.9 below,

Table 4.9: Descriptive Statistics on age and perceptions

Competitive Advantage	Age group		
	Mean		
	21-30 years	31-40years	41-50 years
Large market share	3.00	3.43	5.00
Huge profitability	3.00	3.86	4.00

Enhanced and stronger customer loyalty	3.00	3.86	5.00
Huge returns on investments	2.00	3.00	4.50
Strong technological capability	2.00	3.43	4.50
SuperiorPortfolio of products	2.00	3.57	4.50
Stronger financial capability	3.00	4.00	5.00
Stronger, solid anchor shareholder base	3.00	3.71	5.00
Strong distribution network	3.00	4.14	5.00
Stronger supplier loyalty	2.00	4.29	5.00
Stronger brand name	3.00	4.14	5.00
Modern technological infrastructure	2.00	3.86	5.00
Stronger capital base	3.00	4.00	5.00
Stronger and wider interconnected branch Network	2.00	4.29	5.00
Highly experienced industry board of directors	1.00	3.29	4.00
Higher sales ratio	1.00	3.07	4.00
Grand mean on Strategic Competitive Advantage	**2.38**	**3.75**	**4.72**

Results in table 4.9 indicated that managers of between age 41-50 years agreed to a great extent that strategic alliances led to competitive advantage with a grand mean score of 4.72 and the age group 21-30 years had a weak positive perception towards strategic alliances and competitive advantage with a grand mean score of 2.38, while the age group 31-40 years had a positive perception towards strategic alliances and competitive advantage with a grand mean score of 3.75.The finding implies that age is one of the factors influencing the manager's perceptions. Perhaps we can conclude that with their ages, they seem to have years of knowledge and experience with the industry development and strategy development. However, the overall perception seems to imply that all the respondents indicated that the strategic alliances have led to competitive advantage to a great extent.

4.4.2.3 Education and perceptions

The study sought to find out whether the respondents' level of education had an influence on their perceptions on strategic alliances and competitive advantage. Mean scores were computed for each competitive advantage response for each education category of the respondents. The results are shown in Table 4.10 below,

Table 4.10: Descriptive statistics on Education and perceptions

Competitive Advantage	**Level of education**	
	Mean	
	Under graduate level	**Post graduate level**

Large market share	3.00	3.88
Huge profitability	3.00	4.00
Enhanced and stronger customer loyalty	3.00	4.25
Huge returns on investments	2.00	3.50
Strong technological capability	2.50	3.75
SuperiorPortfolio of products	2.50	3.88
Stronger financial capability	3.00	4.38
Stronger, solid anchor shareholder base	3.00	4.13
Strong distribution network	3.00	4.50
Stronger supplier loyalty	3.00	4.50
Stronger brand name	3.50	4.38
Modern technological infrastructure	2.50	4.25
Stronger capital base	3.50	4.25
Stronger and wider interconnected branch Network	2.50	4.63
Highly experienced industry board of directors	1.50	3.63
Higher sales ratio	1.50	3.44
Grand mean	**2.69**	**4.09**

Results in table 4.10 revealed that those respondents who attained post graduate level of education had a higher mean on strategic competitive advantage perceptions compared to respondents had reached to the university level. The findings were supported by a grand mean response of 4.09 for respondents post graduate respondents and 2.69 for respondents who had reached the university. Managers with undergraduate level of education perceived that the most enjoyed competitive advantages were a strong brand name with a mean score of 3.5 and a strong share capital base mean score of 3.5 while managers with post graduate education level perceived that the most enjoyed competitive advantages were a strong distribution network mean score of 4.5 and a strong supplier loyalty mean score of 4.5.The finding implies that education level is one of the factors influencing the manager's perceptions. The results concur with those of Molina et al (2004), who asserted that among other things a managers educational background and professional know how may be used to measure the level of competitive advantage.

4.4.2.4 Length of experience and perceptions

The study sought to find out whether the respondents' length of service had an influence on their perceptions on strategic alliances and competitive advantage. Mean scores were computed for each competitive advantage response for each length of service category of the respondents. The results are shown in Table 4.11 below,

Table 4.11: Descriptive for Length of service and perception

Competitive Advantage	Length of service	
	Mean	
	Less than 5 years	More than 5years
Large market share	3.00	3.78
Huge profitability	3.00	3.89
Enhanced and stronger customer loyalty	3.00	4.11
Huge returns on investments	2.00	3.33
Strong technological capability	2.00	3.67
SuperiorPortfolio of products	2.00	3.78
Stronger financial capability	3.00	4.22
Stronger, solid anchor shareholder base	3.00	4.00
Strong distribution network	3.00	4.33
Stronger supplier loyalty	2.00	4.44
Stronger brand name	3.00	4.33
Modern technological infrastructure	2.00	4.11
Stronger capital base	3.00	4.22

Stronger and wider interconnected branch Network	2.00	4.44
Highly experienced industry board of directors	1.00	3.44
Higher sales ratio	1.00	3.28
Grand mean	**2.38**	**3.96**

Results in table 4.11 revealed that respondents with experience of more than five years had a grand mean response of 3.96, while respondents with experience of less than five years a grand mean response of 2.38. The results implied that those respondents who had long experience in the company had a more positive perception on competitive advantages from strategic alliances compared to respondents who had less years of experience. The finding implies that length of experience is one of the factors influencing the manager's perceptions. However, the overall perceptions seems to be high for all respondents as a total grand mean score of 3.8 implied that the respondents indicated that the strategic alliances have led to competitive advantage.

4.4.2.5. Subsidiary and perceptions

The study sought to find out whether there was a difference in perceptions on strategic alliances and competitive advantage in the different subsidiaries of the group. Mean scores were computed for each competitive advantage response for each respondent of each subsidiary of CIC group. The results are shown in Table 4.12 below,

Table 4.12: Descriptive statistics on subsidiary and perceptions

Competitive Advantage	Subsidiary		
	Mean		
	CIC Asset management	CIC Life Assurance	CIC General Insurance
Large market share	3.00	3.33	5.00
Huge profitability	3.50	4.00	4.00
Enhanced and stronger customer loyalty	3.25	4.00	5.00
Huge returns on investments	2.50	3.00	4.33
Strong technological capability	2.75	3.67	4.33
SuperiorPortfolio of products	2.75	4.00	4.33
Stronger financial capability	3.00	4.67	5.00
Stronger, solid anchor shareholder base	3.25	4.00	4.67
Strong distribution network	3.50	4.33	5.00
Stronger supplier loyalty	3.50	4.33	5.00
Stronger brand name	3.75	4.00	5.00
Modern technological infrastructure	3.25	4.00	4.67

Stronger capital base	3.75	4.00	4.67
Stronger and wider interconnected branch Network	3.00	5.00	5.00
Highly experienced industry board of directors	2.25	3.67	4.00
Higher sales ratio	2.13	3.33	4.00
Grand mean	**3.07**	**3.96**	**4.62**

Results in table 4.11 revealed that those respondents from CIC general insurance had a higher mean on strategic competitive advantage perceptions compared to respondents from CIC life assurance and asset management. The findings were supported by a grand mean response of 4.62 for respondents from CIC general insurance, 3.96 for respondents from CIC life assurance and 3.07 for respondent's asset management department. CIC general insurance managers perceived that the most enjoyed competitive advantage was a large market share with a mean of 5.0 while CIC life manager perceived a strong distribution network while CIC asset managers perceived a strong brand name with a mean of 3.75.The findings could imply that perhaps CIC general insurance engaged in more strategic alliances with its partners compared to CIC asset management and CIC life assurance.

4.5 Discussion of Findings

The study established that CIC insurance group managers perceived that the company gained many competitive advantages from the strategic alliances it engaged in. The highest perceived competitive advantage enjoyed and perhaps the most important was stronger, solid anchor shareholder base followed by stronger and wider interconnected branch network, enhanced and stronger customer loyalty, stronger brand name and stronger distribution network. The finding also indicates that the bottom five competitive advantages enjoyed by CIC include; strong technological capability, huge profitability, higher sales ratio, huge returns on investments and highly experienced industry board of directors.

The findings further imply that CIC group needs to concentrate on improving the bottom five competitive advantages while also maintaining and excelling at the highest ranked competitive advantages. For instance, to improve on the competitive advantage of a strong technological capability, CIC needs to adopt a differentiation strategy in line with Porter(1985), Al-Swidi and Mahmood (2011) and Njuguna (2009). It is through investing in research and development and new technologies that CIC can gain competitive advantage in technological capability. In addition, this may require CIC to look for external resources and capabilities inorder to develop this competitive advantage. This in line with Barney (1991) and Prahalad and Hamel(1990) who assert that according to the new resource-based view of the company, sustainable competitive advantage is achieved by continuously developing existing and creating new resources and capabilities in response to rapidly changing market conditions. CIC group may also use cost cutting strategy in order to enjoy the competitive advantage of huge profitability and huge returns on investments. This is in line with Porter (1985) and Porter(1998) which recommend that firms can pursue cost leadership in an effort to improve profitability and returns. A high sales ratio can be achieved through the generic competitive strategies (cost leadership, differentiation and market focus) or through value chain analysis in line with Raduan, Jegak, Haslinda, Alimin (2009), Ma (2000), Flint and Van Fleet (2005).

Results also indicated that female rated highly that various strategic alliances has led to competitive advantage compared to males. The finding implies that perhaps gender is one of the factors influencing the manager’s perceptions. Results also revealed that those respondents who were 41-50 years of age rated strategic competitive advantage perceptions highly compared to respondents aged between 18-30 years and 31-50 years. The finding implies that age is one of the factors influencing the manager’s perceptions.The study findings revealed that those respondents who attained post graduate level of education agreed highly to the statement that strategic alliances have led to competitive advantage compared to respondents who had reached undergraduate university level. The finding implies that education is one of the factors influencing the manager’s perceptions.

Result findings revealed that those respondents who had long experience in the company rated strategic competitive advantage perceptions highly compared to respondents who had less experience. The finding implies that length of experience is one of the factors influencing the manager’s perceptions.

Finally the results indicated that those respondents from CIC general insurance rated highly on perceptions of strategic alliances and competitive advantage compared to respondents from CIC life assurance and asset management. The findings imply that perhaps CIC general insurance engaged in more strategic alliances compared to the other subsidiaries and hence it enjoyed more competitive advantages. The finding also implies that the subsidiary or company strategic alliance is one of the factors influencing the competitive advantage. The findings agree with those of Dyer et al (2001) who noted that the ability to form and manage strategic alliances more effectively than competitors can become an important source of competitive advantage The findings also concur with those of Segil (2004) who asserts that strategic alliances are giving companies a competitive advantage. In addition, Segil (2004) notes that strategic alliances are a fast and flexible way to access complementary resources and skills that residue in other companies and hence have become an important tool for achieving sustainable competitive advantage. Furthermore, the findings agree with those of Brucellaria,(1998), Elmuti and Kathawala (2001) and Cojohari (2008) who note that strategic alliances are becoming more and more prominent in the global economy since they improve on an organizations operations and competitiveness. The findings are also consistent with Wheelen and Hungar (2000) who notes that companies are forming alliances to obtain technology to gain access to specific markets, to reduce financial risk, to achieve and ensure competitive advantage.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the researcher discuses and presents the overall findings of the study. An attempt is made to provide answers to the research questions in the light of the existing theories and within the theoretical framework derived from the literature review. The chapter also presents conclusions, recommendations drawn from the study and suggests possible areas of further research.

5.2 Summary of Findings

The general objective of this study was to establish the competitive advantages enjoyed by Co-operative insurance group and to determine whether the Co-operative insurance group managers perceive strategic alliances as a way of creating competitive advantage for the company .A population of twenty three respondents was drawn from all the managers in CIC group. For purposes of collecting primary data, the researcher developed and administered a questionnaire and the results obtained were analyzed using Microsoft Excel and Statistical Package for Social Sciences (SPSS).

Study findings indicated that (50%) of the respondents were male and (50%) were female. These findings imply that the organization has adhered to gender equality. A majority (70%) of the respondents were aged between 31-40 years, followed by 20% were aged between 41-50 years. This shows that the respondents were at the peak of their careers hence accurate responses. A majority of the respondents (80%) were post graduates while 20 % of the respondents were university graduates. The finding implies that majority of the CIC managers have got a high level of education which perhaps contribute positively into the achievement of the competitive advantages. Majority of the respondents (90%) had been in the employment for more than five years, while 10% of the respondents for a period of between 1 to 2 years. A majority of the respondents (40%) were from the Life Assurance department while equal shares of 30% were from both the Asset Management and CIC General Insurance departments.

The first objective of the study was to establish the competitive advantages enjoyed by Co-operative insurance group. The study results indicated that the CIC enjoyed various competitive advantages in the strategic alliances but at different levels. The highest competitive advantages enjoyed and perhaps the most important were, a solid anchor shareholder base, stronger and wider interconnected branch network and enhanced and stronger customer loyalty. The finding also indicates that the bottom three competitive advantages enjoyed by CIC include; strong technological capability, huge profitability and a higher sales ratio. The overall results imply that CIC insurance gained competitive advantages from the strategic alliances it engaged in. The findings concurred with those of Elmuti and Kathawala (2001) who asserted that Strategic alliances have become a key source of competitive advantage for firms and have allowed them to cope with increasing organizational and technological complexities that have emerged in the global market.

The second objective of the study was to determine whether the Co-operative insurance group managers perceive strategic alliances as a way of creating competitive advantage for the company. The results revealed that managers had a positive perception towards strategic alliances and competitive advantage. The results therefore imply that CIC insurance groups managers had positive perceptions toward strategic alliances and competitive advantage and are therefore support it. It also means that they are willing to work with their partners so that the company can gain significant competitive advantage and growth potential. Results also indicated that female rated highly that various strategic alliances has led to competitive advantage compared to males. Results also revealed that those respondents who were 41-50 years of age had stronger perceptions that strategic alliances led to competitive advantage compared to respondents aged between 18-30 years and 31-50 years. The finding implies that age is one of the factors influencing the manager's perceptions. The study findings revealed that those respondents who attained post graduate level of education agreed highly to the statement that strategic alliances have led to competitive advantage compared to respondents who had reached to the university level. The finding implies that education is one of the factors influencing the manager's perceptions. Result findings revealed that those respondents who had long experience in the company rated strategic competitive advantage perceptions highly compared to respondents who had less experience. The finding implies that length of experience is one of the factors influencing the manager's perceptions. Finally the results indicated that those respondents from CIC general insurance rated strategic competitive advantage perceptions highly compared to respondents from CIC life assurance and asset management. The finding implies that the company that engaged more in strategic alliances gained more competitive advantages than those that don’t and is there for one of the factors influencing the manager’s perceptions.

The findings indicate that the ability to form and manage strategic alliances more effectively than competitors can become an important source of competitive advantage. Furthermore, the findings also indicate that that strategic alliance is giving CIC group a competitive advantage. In addition, strategic alliances are a fast and flexible way to access complementary resources and skills that residue in other companies and hence have become an important tool for achieving sustainable competitive advantage. Furthermore, the findings imply that strategic alliances are becoming more and more prominent in the global economy since they improve on an organizations operations and competitiveness. Consequently, companies are forming alliances to obtain technology to gain access to specific markets, to reduce financial risk, to achieve and ensure competitive advantage.

5.3 Conclusions of the study

The study found out that CIC insurance group managers perceived that strategic alliances enabled the company gain competitive advantage and that the company gained a lot of competitive advantages from the strategic alliances it engaged in. These advantages were such as stronger financial capability, solid shareholder base, strong Branch and distribution network and a stronger brand name. These findings concur with Elmuti and Kathawala (2001) who asserted that strategic alliances are essential building blocks for companies to achieve stronger and more effective market presence.

In the year 2012 Co-operative Insurance group was ranked among the most successful insurance companies in Kenya and is the only thriving and surviving co-operative insurer in Africa. The company is also focusing to be a leader in the region and is targeting to expand operations in the East and Central parts of Africa such as Southern Sudan, Rwanda, Malawi and Tanzania. They believe partnering with companies both nationally and internationally will be their fasted and most effective method to achieve growth in their expansion plan into the region. Entering into strategic alliances with other firms would definitely see the company gain significant competitive advantage over other insurance companies and their managers' commitment and determination would be a major driving force towards this dream.

5. 4 Limitations of the study

One of the study limitations was the nature of research methodology. This was generally a perception study which took into account the opinions of managers. Better and more objective results would have been obtained with a more rigorous methodology involving the quantification of strategic alliances into costs and the quantification of competitive advantages into revenues and resources, and capabilities.

Another limitation was time allocated to complete the entire project. The time allocated was little in comparison to the amount of research work that was to be done. The researcher had to use a lot of company time in order to complete the research work in time and employ research assistants to assist. Resources such as money for printing work and travelling back and forth to the university were a bit scarce.

5.5 Suggestions for Further Research

The study confined itself to CIC insurance group. A further area of study would be to replicate the study in all insurance firms and the results compared for more accurate generalization.

A study should be carried out in the insurance firms to find out which type of strategic alliances they engaged in and which ones led to more competitive advantages than the others. The results would enable the insurance firms to make appropriate decisions as to which strategic alliances are better entered into.

A similar study should be carried out on CIC insurance group partners to find out whether they enjoyed similar competitive advantages from the strategic alliance they engaged in with the company.

5.6 Recommendations for Policy and Practice

The study recommends that Managers sat CIC Group can use the results to craft strategies on which areas to improve and which areas to excel at. For instance, CIC Group managers may highlight the 5 highest ranked competitive enjoyed as Strengths in a SWOT Analysis. The Managers may also identify the 5 lowest raked competitive advantages enjoyed as Weakness. With this classification, they may find ways to improve on the drivers of the “weaknesses” and also identify the drivers of “Strengths” with an intention to excel in these areas.

It is also suggested that since the managerial perceptions were that formation of strategic alliances have brought about competitive advantages, it may be important to consider investing in the area of strategic alliances with a hope of building and enjoying further competitive advantages. This investment would take the form of more human and financial resources allocated to strategic alliance formation.

The Insurance Regulator may also use this study to come up with policy guidelines to encourage alliance formation between Insurance firms and other partners as doing so would bring about competitive advantages in the insurance sector.

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APPENDICES

Appendix I: Cover Letter

Dear Respondent,

I am a post-graduate student at University of Nairobi. As part of my course work requirements, I am required to conduct a research in my area of study. It aims at determining the perceptions of Co-operative Insurance group managers towards strategic alliances and competitive advantage. I am therefore kindly requesting your cooperation through filling the questionnaires and providing me with any other information concerning my research work.

Your responses will be treated with utmost confidentiality and will only be used for the purpose of this study.

Please do not indicate your name anywhere on this questionnaire.

Yours Faithfully,

Linda Faith Otieno

Appendix II: Questionnaire to the Co-operative Insurance Group managers

PART I: GENERAL INFORMATION

(Kindly tick (√) as appropriate)

1. Gender

a) Male ☐ b) Female ☐

2. Age

a) 21-30 years

b) 31-40 years

c) 41-50 years

3. Highest level of education

a) Secondary level ☐ b) College level ☐

c) Undergraduate University level ☐ d) Post graduate level ☐

4. Number of years in current employment

a) less than 5 years ☐ b) more than 5years ☐

5. Subsidiary working in;

a) CIC Life Assurance ☐ b) CIC Asset management ☐

c) CIC General Insurance ☐

Part II (A) Managers perception on strategic alliances

1. To what extent does your company enjoy the following competitive advantages? Use a 5- point scale, where,

5=Very great extent 4=Great extent 3= Moderate extent 2=little extent 1= Not at all

COMPETITIVE ADVANTAGES	RESPONSE RATINGS				
	1	**2**	**3**	**4**	**5**
1. Large market share					
2. Huge profitability					
3. Enhanced and stronger customer loyalty					
4. Huge returns on investments					
5. Strong technological capability					
6. SuperiorPortfolio of products					
7. Stronger financial capability					
8. Stronger, solid anchor shareholder base					
9. Strong distribution network					
10. Stronger supplier loyalty					

COMPETITIVE ADVANTAGES	RESPONSE RATINGS				
11. Stronger brand name					
12. Modern technological infrastructure					
13. Stronger capital base					
14. Stronger and wider interconnected branch Network					
15. Highly experienced industry board of directors					
16. Higher sales ratio					

B). To what extent does the strategic alliance you are involved in enable your company to realize each of the following competitive advantages? Use a 5- point scale, where,

5=Very great extent 4=Great extent 3= Moderate extent 2=little extent 1= Not at all

COMPETITIVE ADVANTAGES	RESPONSE RATINGS				
	1	**2**	**3**	**4**	**5**

COMPETITIVE ADVANTAGES	RESPONSE RATINGS				
Large market share					
Huge profitability					
Enhanced and stronger customer loyalty					
Huge returns on investments					
Strong technological capability					
Superior Portfolio of products					
Stronger financial capability					
Stronger, solid anchor shareholder base					
Strong distribution network					
Stronger supplier loyalty					
Stronger brand name					
Modern technological infrastructure					
Stronger capital base					
Stronger and wider interconnected branch Network					

COMPETITIVE ADVANTAGES	**RESPONSE RATINGS**				
Highly experienced industry board of directors					
Higher sales ratio					

Thank you for participating

Appendix III; Table on distribution of respondents

Table3.1. Respondents

Manager	Population=23respondents
Finance Managers	3
Underwriting Managers	2
Marketing managers	3
Human resource managers	4
Medical business manager	1
CIC asset manager	1
Claims Managers	3
Procurement manager	1
Customer care manager	1
Information technology managers	2
Legal manager	1
Chief internal auditor	1
Total respondents	23