RESPONSES OF JUBILEE INSURANCE COMPANY OF KENYA LIMITED TO CHANGING ENVIRONMENTAL CONDITIONS

BY

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DECLARATION

BY CANDIDATE

This proposal is my original work and to the best of my knowledge has not been submitted for examination or a degree award in any other university.

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I would like to acknowledge the contribution of my supervisor Professor Martin Ogutu and my Moderator Dr. John Yabs and friends for their valued contribution and input without which this study would not have been finalized within the stipulated time.

DEDICATION

I would like to dedicate this study to my family and in particular to my wife Mary Kerubo Nyamemba, son Bernard Masogo Nyamemba and daughters' Beverlyne Kemunto Nyamemba, Beryl Nyamoita Nyamemba and Britney Esther Nyamemba as well as my friends all of whom have always encouraged me to further my studies and continuously encouraged me throughout the study and course.

LIST OF ABBREVIATIONS

CBK: Central Bank of Kenya

CEO: Chief Executive Officer

CMA: Capital Markets Authority

IRA: Insurance Regulatory Authority

JICK: Jubilee Insurance Company of Kenya Limited

JHL: Jubilee Holdings Limited

KRA: Kenya Revenue Authhority

NSE: Nairobi Securities Exchange

RBA: Retirement Benefits Authority

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ABSTRACT

The main objective of this study was to identify responses of Jubilee Insurance to the changing environmental conditions. The study also sought to determine the forces of change in the external environment of Jubilee. This study was occasioned by the realization that Jubilee Insurance has been experiencing environmental turbulence such as rapid political, economic, technological and socio-cultural changes. Also, little research has been undertaken in this area. The few researches done for example those of Mriti (2010) on responses by Fidelity Insurance to the changing environment and Keranga (2009) on responses by Government of Kenya Press to the external environment were never exhaustive. This study adopted a case study approach of the Jubilee Insurance firm. Data was collected by using an interview guide. The researcher himself interviewed all the top ten managers of Pensions, Finance, Human resource, Business Development, Operations, Marketing, Public Relations, ICT, Legal and Underwriting departments. Data was analyzed by content analysis. The study findings indicate that the Jubilee Insurance faced challenges in terms of increased competition, changes in customer tastes and preferences, technology and economic changes. The study findings identified various response strategies by Jubilee Insurance. These included generic strategies of cost leadership, differentiation and focus. Strategic leadership was identified as the most important Strategic response by jubilee insurance. Other responses included product diversification, market development and use of modern technology as well as the use of marketing strategies like improved distribution and fair pricing. The findings of the study imply that Jubilee Insurance should invest more in R&D, Innovations and the creation of a learning culture. The study faced constraints of lack of enough time, resources and unwillingness of the interviewees to give the correct responses. It is hoped that the findings of this study will be of great value to various groups like other industry players, the Jubilee management and scholars. Given the limitations, the researcher did not fully cover the objectives set out and therefore recommends that further research be done on the nature of competition posed by Jubilee Insurance's other markets outside Kenya and the role of strategy in the growth of Jubilee Insurance business.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the recent past it has become a norm that the external business environment has become a significant player in the way of doing business by firms towards the realization of their goals. Firms draw inputs from the environment and from within themselves which they translate into outputs for consumption by the environment and the firm itself. The changes in the environment therefore have a profound effect on the nature of opportunities and risks they pose to the firms. It becomes necessary for organizations to align themselves with the environment for their continued survival and sustainability (Choi et al, 1985).

Firms must therefore adapt their resource capabilities to address environmental opportunities and challenges. However the greatest challenge for management is not even what they are capable to give but the level of environmental turbulence. The current business environment poses greater levels of turbulence for business, the ever changing nature of technology, the diminishing levels of natural resources, the increased change in demands and needs of customers coupled with the unpredictable weather and economic patterns, or but complicate the way of doing business (Burnes,2000;Aosa,1998).

Organizations must continuously adapt to the environment by tapping on the opportunities presented and handling the environmental threats. Strategic management of the opportunities presented act as the yardstick within which improvements in performance can be attained. Environmental threats on the other hand unless cautiously analysed and proactively addressed can inhibit the success of a firm. (Pearce &Robinson, 2005).

1.1.1 Organizations and Environment

Organizations operate within the environment. They draw their resources such as raw materials from the environment, translate these into outputs in the form of products which are released into the environment for consumption. Organizational adaptation to environment is therefore critical to the success of the firm. However the complexity within organizations and in their environments, leads to reluctance to organizational changes. In order to maintain competitiveness and survive in a potentially turbulent environment worst-case scenario, organization must change. There is a variety of theories dealing with organizational changes, and analyses are being made of the factors that influence changes, of the type and comprehensiveness of changes, of the effects and tasks of the strategic leadership and impacts of the changes on employees, among others (Jones, 2004).

Organizations effect changes because they want to see their mission accomplished, focusing on objectives that range from survival to dominance. Aware of the process of changes initiated by the management, through formal channels, they are encouraged by certain factors from within the organization and the business environment. Common internal factors of changes for the companies fall into the categories of: strategy changes, organizational growth process, life-cycle of the organization. The main external drives of organizational changes are within the domains of the market dynamics, new technologies, and socio-economic and political trends (Hollings, 2001).

1.1.2 Response Strategies

Firms can only create a strategic fit between the internal capabilities and the external environment. Without this there would be a mismatch between the firms' internal capabilities and the demands by the external environment. It would also increase high levels of uncertainty hence firms are encouraged to go for close functional communication and adaptation for them to effectively adapt to the environment. Team work in terms of departments, product differentiation, integration, control processes and future business planning and forecasting becomes handy in dealing with the environment. Organizations respond to the environment either strategically or tactfully. Strategic responses involve a set of decisions and actions formulated and implemented so as to achieve organizational goals and objectives. It is therefore more relationally to environmental changes that affects the long term direction of the firm (Burns & Stalker, 1961).

Tactical responses are usually taken to fine-tune strategy and involve less of the company resources and they are difficult to oversee. Organizations also adopt short term day to day tactics of the organization. These are simply meant to fine tune the overall organizational strategy and to address unforeseeable and emerging issues in the environment such as a reaction to an increase to competitors' prices. The other response to environmental uncertainty is in the level of differentiation of firms. This goes hand in hand with changes in the departments to address uncertainty, restructuring and creating differentiation in the cognitive and emotional orientation for top management across departments in line with environmental demands. Environments' which cause high levels of complexity and rapidity in change elicit greater levels of departmental specialization to deal with such complexity and uncertainty. The experts in various departments for example require to be differentiated in terms of qualifications, experience, goals and education so as to handle change (Lorsch, 1970).

Organizational structure is another response to environmental uncertainty. Structural formalities and control are affected by the nature of environment in place. In stable environment structural formality is more centralized and formalized with rules and procedures and clear formal authority. Rapidly changing environment however create a free flowing ,adaptive internal organization with less adherence to rules and organizations thereby creating a system that is more less of laisez faire with a not so clear hierarchy of authority and decentralizations. Strategic planning by top management can also be a response to the changing environment of business. Managers keep on adjusting to environmental changes by increased planning and forecasting especially when the environment is changing fast and rapid (Milliken, 1984).

1.1.3 Organizational Environment

Organizational environment is a set of forces surrounding an organization. These forces may affect its operation and access to scarce resources. These include the international forces, demographic forces, the political forces and the general forces. Other forces constitute economic and technological, among others (Klinger, 2004).

The environment of the organization needs to be understood by the firm in terms of its complexity and nature for it to effectively respond to the inherent dynamisms. For example firms need to understand environmental complexity in relation to whether that environment is simple or complex, homogenous or heterogeneous, concentrated or dispersed and stable or unstable so as to come up with environment specific strategies to address a specific environment (Dess &Beard, 1984).

The second dimension of environmental patterns and events regards environmental complexity and simplicity or the simple complex dimension. This refers to the level of dissimilarity of external elements of value to the organizations business performance. Environmental complexity usually has a diversity of external elements which influence organizational performance. A stable and unstable environment points out at the dynamic nature of the environment.

The environmental stability implies that the business environment fails to change drastically over duration of up to one year. However under unstable conditions there is the ever changing nature of the environment for example when competitors alone or ion groups react aggressively to counter competitive moves e.g. by way of aggressive promotion, new product launches and even distribution then the business environment is considered to be unstable (Koberg & Ungson,1987). On the other hand there is also the simple complex and unstable dimensions that are required for critical assessment of environmental uncertainty. The level of uncertainty is low if the environment is stable and vice versa. Environmental complexity therefore requires an analysis of multiple elements in the environment so as to come up with the correct strategies to deal with them. In simple and stable environments the rapidity of change is low and any such changes may easily be predicted (Tan & Litschert, 1994).

When rapid changes create high levels of uncertainty in simple and stable environments these creates organizational uncertainty. Such uncertainty makes the environmental elements difficult to predict and act upon. If this continues for quite some time and when several sectors change in a simultaneous manner with high levels of unpredictability, supressful outfits, high volatility and business hostility, then a state of environmental turbulence is created (McCann & Selsky, 1984). Environmental turbulences calls for strategic responses to cushion the firms against the risks posed.

1.1.4 Insurance Industry in Kenya

There were about 45 licensed insurance companies in Kenya as per the Association of Kenya Insurers (AKI) Insurance Annual Report, 2011. Out of these, 14 were composite (both life and non-life) business, 20 wrote non-life insurance business only and 9 wrote life insurance business. Other licensed industry players included 141 insurance brokers, 14 medical insurance providers (MIPs), 105 investigators, 75 motors assessors and 3,668 insurance agents. The Gross Revenue (written premium) by the industry in the year 2011 was KShs. 91.60 billion with non-life contribution of KShs. 60.67 billion and life was KShs. 30.93 billion. The penetration of insurance in Kenya is estimated at 3.02%.

Insurance provides economic protection from identified risks occurring or discovered within a specified period. Insurance is a unique product in that the ultimate cost is often unknown until long after the coverage period, while the premium payments by policyholders are received before or during the coverage period. Insurance contracts provide protection against damage to or loss of property caused by various perils, such as fire, damage or theft, legal liability resulting from injuries to other persons or damage to their property, losses resulting from various sources of business interruption, or losses due to accident or illness. The primary purpose of the insurance business is the spreading of risks (AKI, 2011).

1.1.5 The Jubilee Insurance Company (JICK)

The Jubilee Insurance Company of Kenya limited commonly referred to as Jubilee Insurance in this document is 100% owned by the Jubilee Holdings Limited (JHL), the listed company at the Nairobi Securities Exchange, Dar es Salam Stock Exchange and Uganda Securities Exchange. JHL also has Jubilee Insurance subsidiaries in Burundi, Mauritius, Tanzania, and Uganda. Jubilee Insurance is a leading insurance company in East Africa with its headquarters in Nairobi, Kenya. The company has plans to expand into another twelve (12) African countries in the next three (3) years. Jubilee Insurance was incorporated in 1937as a financial services provider with headquarters in the coastal city of Mombasa. The company prospered and over the years, opened offices in other East African cities and towns, including Nairobi, Dar-es-Salaam and Kampala. The company also opened branches in India Bombay (Mumbai) and on the Indian Ocean islands of Mauritius and Zanzibar. Jubilee Insurance, through its holding company, Jubilee Holdings Limited, was listed on the Nairobi Stock Exchange (NSE) in 1973. Jubilee's vision is enabling people to overcome uncertainty, while its mission is to provide solutions to protect our customers (http://www.jubileeinsurance.com/ke).

JHL is cross listed on the Uganda Securities Exchange (USE), and Dar es Salaam Stock Exchange (DSE), also in 2006. The stock of the company is listed on three of the major stock markets in East Africa. From the Annual Report and Financial Statements as of December 2011, the total assets of the company were estimated at KShs 38 billion, with shareholder's equity of approximately KShs 6.7 billion (http://www.jubileeinsurance.com/ke).

1.2 Research Problem

Environmental turbulence which has been marked with increased competition, globalization, political volatility and Technological advancement has among others changed the way of doing business not only in Kenya but also the world over. The changes in the organizations external environment have been so rapid, unpredictable, uncertain and discontinuous, thereby complicating management decision on how to remain competitive. This calls for strategic leadership that will allow for management of change, innovation, and information technology to tap on the opportunities in the environment and deal with the challenges therein more effectively (Bryson, 1995).

While environmental turbulence cuts across almost all fields in business, the insurance industry where Jubilee is a key player has received much of this impact. International terrorism affecting millions of people and destroying property worth millions, the 2007-2008 post-election violence in Kenya, bank related computer and armed crime (theft) of millions of shilling in Kenya all require insurance compensation. Accordingly the business environment under which Jubilee operates has long term implications on the company's strategic repositioning. Jubilee Insurance has to constantly reengineer itself so has to favourably undertake business in line with the changing environmental business parameters for it to effectively remain relevant and sustain its business as per its goals and mission. If this is not done Jubilee Insurance would face a bleak future in terms of future wealth maximization, if the industry's low profitability in the recent past especially in the period as late as 2010 is anything to go by.

Some studies have been undertaken on the response of organizations in the insurance industry to the environmental changes. These include those of Miriti (2010), Mwarania (2003), Abudulahi (2000) and Awino (2007). Miriti focused on responses of Fidelity Shield Insurance Company to changing environmental conditions; Abudulahi looked at the strategic responses by Kenyan firms following liberalization; Mwarania dealt with responses by Kenya Reinsurance Corporation to changes in the environment while Awino looked at responses of Kenya Reinsurance to challenges of globalization of the reinsurance industry. These researchers have positively shed some light on organizational response to the environment in a more company specific manner. However each of these firms is quite different and unique from the other in their way of responses and the way of doing business and even in the specific business context that they may be operating. None of these researches therefore could be applicable parse on the responses of Jubilee Insurance to changing environmental conditions. So far there is no known research which deals with this topic that is under study.

This study therefore addresses the question: what are the responses that have been adapted by Jubilee insurance company of Kenya Limited to changes in these environmental conditions?

1.3 Objectives of the Study

The two objectives of this study were as follows:

(i) To establish the responses adapted to changes in the environmental conditions by Jubilee Insurance.

(ii) To determine the forces of change in the external environment of Jubilee Insurance.

1.4 Value of the Study

The findings of this study will be useful to the various groups like other insurers, scholars and the Jubilee Insurance Company management, among ~~other~~ others.

Firstly, the study shall be beneficial to other industry players who may want to use and customize the adapted strategies by Jubilee Insurance Company for their future survival. The industry players include the other insurance companies who offer the same or similar insurance products competing for the same customers as well the banks, the NSSF and the NHIF who offer substitute goods to the conventional insurance products offered by insurers.

Secondly, the findings of this study will give the Jubilee Insurance Company management relevant information to help them build and improve their organizational capacity for responding to a range of changes in the operating micro and macro environment. It will give more insight into the desired strategies for responding to the ever changing environment to enable the company safeguard and further develop its market and thus increase its market share and enhance profitability for the good of all its stakeholders.

Last but not least, the findings of this study will enrich existing knowledge and hence will be of interest to both researchers and academicians who seek to explore and carry out further investigations. It will provide basis for further research. It will provide pertinent direction on research methodology, literature review and research question formulation, among others.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will cover both theoretical and empirical literature of the study. The empirical literature will focus on the past findings or studies on organizational responses to environmental changes. On the other hand the theoretical literature will cover the concept of strategy, organizational responses to environmental changes and the business environment.

2.2 The Concept and Theory of Strategy

The premise of thinking that is given about strategy concerns the inseparability of the firm and the environment in which it operates from (Biggadike, 1981). Various perspectives and theories that explain the concept of strategy has been proposed by various writers. Whittington (1993) for example gave a detailed exploration into four generic theories, approaches and perspectives on strategy. The four perspectives are the evolutionary, processual, classical and systemic. These perspectives differ fundamentally along two dimensions which are on the outcomes of strategy and the process by which it is made. In view of that, classical and evolutionary approaches see profit and wealth maximization as the natural outcome of strategy-making; systemic and processual approaches are more pluralistic, envisioning other possible outcomes as well as just profit. The pairings are different with regard to processes in which evolutionary approaches side with processualists in seeing strategy as emerging from processes governed by chance, conservatism and confusion. Equally, as much as they differ over the outcomes classical and systemic theorists do agree that strategy can be deliberate.

Strategy can be seen as a multi-dimensional concept with various authors defining it in different ways. Chandler (1962) calls strategy the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals. Holfer (1978) defines strategy as the match between an organization's resources and skills and the environmental opportunities and risks it faces and the purpose it wishes to accomplish. It is meant to provide guidance and direction for activities of the organization. Since strategic decisions influence the way organizations respond to both their micro and macro environments, the purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Schendel & Hofer,1979).

The concept of strategy is the organization's business operations and the known thread which can be arrived at through the use of the product- market scope. In relation to corporate strategy, strategy can be referred to as the pattern of major objectives, purposes or goals and essential policies and plans for achieving those goal, suited in such a way as to define what business the firm is in or is to be in and the organization it is or is to be (Ansoff,1965;Andrews,1971). Jauch and Glueck (1984), strategy is seen to be a an integrated and a unified plan that involves an advantage of the firm to the challenges of the environment and that is designed to ensure that the most basic objectives of the enterprise are achieved by the use of proper execution by the firm management and employees.

A unified definition of the concept of strategy is that it is a means of establishing the organizational purpose in terms of its long-term objectives, programs, actions and the allocation of resources. It is the competitive domain of the firm, a response to external opportunities and threats, and internal strengths and weaknesses, in order to achieve a sustainable competitive advantage; a way to define managerial tasks with corporate business; and functional perspectives; a coherent, unifying and integrative pattern of decisions. It can also be defined in terms of the economic and non-economic contribution the firm intends to make to its stakeholders; an expression of strategic intent; stretching the organization; a means to develop the core competencies of the organization and as a means of investing in tangible and intangible resources to develop the capabilities that assure a sustainable advantage (Hax & Majluf, 1996).

On the other hand, Mintzberg (1994) defines strategy as a pattern in a stream of decisions and actions. He defined strategy as a ploy, plan, pattern, position and perspective. Strategy is a plan, some sort of a consciously intended course of action, guidance (or a set of them) to deal with a situation. Strategy can be a ploy just a specific maneuver intended to outwit an opponent or competitor. Strategy is a pattern, specifically a pattern in a stream of actions. Strategy is a position, this means specifically identifying where the organization locates itself in what is known in the management literature as environment for a business firm, usually a market. Strategy is a perspective, its content consists not just a chosen position but an ingrained way of perceiving the world.

The concept of strategy is therefore built around winning. Strategy helps to achieve success whether in business or otherwise, success in this context refers to the realization of objectives that are desired. Effective strategy is formulated around four factors. These are, the goals and the objectives which are simple and engrossed in the mission and vision consistent and relate to the long term, there is profound understanding of the competitive environment, there is an objective appraisal of the resources available and that there is effective implementation (Bourgeois, 1980).

2.3 Organization and Business Environment

The organization and business environment consists of two components; the micro and macro environment. The macro environment consists of autonomous variables in the market that are beyond the control of the organizations and these are of significance to the management. The keystone of modern industrial society is a large number of companies that have the core occupation of supplying goods and/or services to their environment (Ansoff & Sullivan, 1993). Firms' operating environment context usually can be seen to consist of several dimensions which will include the political, economic, legal, socio-cultural, physical, historical and technological dimensions (Kibera, 1996). The business environments are in most cases broadly classified to include micro-environment, macro-environment, industry environment and global environment. If the environment of the organization changes drastically, this will create pressure for change within the organization. For their survival, organizations have to adapt their internal operations to reflect their external realities (Pearce &Robinson, 2005; Ansoff, 1988).

2.3.1 Micro environment

The micro-environment consists of stakeholders groups that a firm has regular dealings with. Micro environmental factors are internal factors close to a business that have a direct impact on its strategy. These factors include: the composition of its customers, the reputation that the firm has on its suppliers and creditors, shareholders, its ability to attract capable employees, media and competitors. The ways inter-relationships occur and develop usually affect the costs, quality and overall success of a business. The micro environment analysis examines the general business climate as it relates to the organization within its industry (Pearce & Robinson, 2008).

2.3.2 Macro Environment

The macro-environment includes all the factors that influence an organization but are out of its control. These include cultural changes, political environment, economic factors and technology (Bitt et all, 2008). Traditionally, the analysis of the macro-environment was referred to as PEST (Political, Economic, Social and Technological) analysis. More recently these acronyms have been extended to include PESTEL (Political, Economic, Social, Technological, Ecological and Legal). These different acronyms serve as an easy way of remembering which factors to cover. What is important is that any analysis of the macro-economic is comprehensive and includes all the factors likely to affect an organization (Ennew & Waite, 2007).

There are many factors in the macro-environment that will effect the decisions of organization. To help analyse these factors managers can categorize them using the PESTEL model. Political factors refer to government policy such as the degree of intervention in the economy. What goods and services does a government want to provide? To what extent does it believe in subsidizing firms? What are its priorities in terms of business support? Political decisions can impact on many vital areas for business such as the education of the workforce, the health of the nation and the quality of the infrastructure of the economy such as the road and rail system.

Economic factors on the other hand include interest rates, taxation changes, economic growth, inflation and exchange rates (Pearce & Robinson, 2005).

Environmental factors include the weather and climate change. Changes in temperature can impact on many industries including farming, tourism and insurance. With major climate changes occurring due to global warming and with greater environmental awareness this external factor is becoming a significant issue for firms to consider. The growing desire to protect the environment is having an impact on many industries such as the travel and transportation industries and the general move towards more environmentally friendly products and processes is affecting demand patterns and creating business opportunities. Legal factors are related to the legal environment in which firms operate. This include, for example in the UK there have been legal changes such as age discrimination and disability discrimination legislation (Pearce & Robinson, 2005).

2.3.3 Industry Environment

An industry is a group of firms producing products that are close substitutes. The industry environment often has a more direct effect on the firm`s strategic competitiveness and above-average returns. The intensity of the industry competition and an industry`s profit potential are functions of the five forces of completion. The five-forces model allows an organization to systematically analyse its relationships with other strategic competitors. In general, an attractive industry in terms of long-term ROI has high entry barriers, suppliers and buyers with low bargaining power, few threats from product/service substitutes and relatively moderate rivalry. Conversely, a less attractive industry has low entry barriers, suppliers and buyers with strong bargaining positions, strong competitive threats from product/service substitutes, and intense rivalry among competitive firms (Hitt et all, 2008). Porter (1979) argues that customers, suppliers and competitors (existing and potential competitors in the same and substitute industries) all shape competition in an industry. Miller (1992) categorizes the dimensions of the industrial environment as input (suppliers), product (customer), and competition (competitors). Porter's Five Forces Model is used to perform industry analysis in order to determine the attractiveness of the industry, which forms the basis of entry or exit strategies.

2.3.4 Global Environment

The global business environment can be defined as the environment in different sovereign countries, with factors exogenous to the home environment of the organizations, influencing decision making on resources use and capabilities. This includes the social, political, economic, regulatory, tax, cultural, legal and technological environment. The political environment in a country influences the legislations and government rules and regulations under which a foreign firm operates. The economic environment relates to all the factors that contribute to a country's attractiveness for foreign businesses (Tan, 1996).

The analysis of the global environment of a company is called global environmental analysis. This analysis is part of a company's analysis-system, which also comprises various other analyses, like the industry analysis, the market analysis and the analyses of companies, clients and competitors. This system can be divided into a macro and micro level (Mercer, 1998).

Many environmental factors, especially economical or social factors, play a big role in a company's decisions, because the analysis and the monitoring of those factors reveal chances and risks for the company's business. This environmental framework also gives information about location issues. A company is thereby able to determine its location sites. Furthermore, many other strategic decisions are based on this analysis. In addition, the factors are analyzed to evaluate external business developments. It is finally the task of the management to adapt the firm to its environment or to influence the environment in an adequate way. The latter is mostly the more difficult option. There are different instruments to analyze the company's environment which are going to be explained afterwards (Mercer, 1998).

2.4 Responses to Environmental Change

The forces in external environment have their impact on the goals, values, human relations technologies and decision making in a business organization. At the same time perceptions and beliefs of the managers are also important. It is because of the fact that information from the external environment is passed through the perceptive and cognitive process of individual managers. The decision will be based on how managers have perceived and interpreted the information by the management. It may, therefore, be concluded that managers of two firms of the same industry may perceive the same information from the environment differently and take different decisions. The forces in the external environment may act a positive stimulant or a negative constraint for the business. When they act as positive stimulant, the efficiency of the business improves and when they act as negative constraint or when prevailing environment is not favorable the business efficiency and managerial performance decline. This situation lowers the image of the management in the eyes of the public. It should also be noted a change in the environment may influence on business unit positively while other business negatively (Jeffs, 2008).

Changing micro and macro environmental conditions shape what a company's strengths, opportunities, challenges and threats. With this mind it is necessary for any organization to understand and evaluate the underlying sources of competitive pressure in its industry so that it is able to formulate appropriate strategies to respond to competitive forces (Porter, 1979). Once organizations face unfamiliar and changing business environments, they should revisit and revise their operational strategies to match the turbulence and the unpredictable level (Ansoff & McDonnell, 1990). Companies respond differently to the same environmental changes for example they respond with different strategies to the same opportunities (Greenstein, 2001). Strategic responses involve large amounts of resources and decisions relating to them are usually made at corporate and business level (Byars, 1991). The organization, therefore, has to harness both its intangible and intangible assets to maintain a strategic fit in its environment and strategy (Ansoff & McDonnell, 1990).

In selecting strategic response a firm can choose, depending on its internal capability, between three generic competitive strategies namely; cost leadership, differentiation and focus. Organization can respond using product-market scope strategies. A company may use the penetration strategy when internal factors show strength in the present product and the external factors show continuous market opportunity and management has relative low risk orientations. This penetration also implies that there is a small gap desired and expected performance. New product development strategy is used when the external factors suggest that the market is saturated or that stronger competition or other threats to market exist and the internal factors show weakness in distribution or strength in product development. New market development strategy may be adopted when internal factors suggest adding markets for existing products due to greater distribution strengths but production or product development weaknesses (Jauch & Glueck, 1998).

Diversification strategy could take the form of related diversification or unrelated diversification. Related diversification allows a business to escape from possible business wars with existing competitors while minimizing product-market adjustment costs in terms of having to adopt new technology. Unrelated diversification is an expansion by a business into market areas that are not related to existing products or services in terms of technology, distribution channels or end use (Howe,1986). At functional level, companies can formulate strategies in marketing, finance, operations, research and development and human resource functions. Using the product development strategy, a company can develop new products for new markets. For advertising and promotion, a company could use push and pull marketing strategies (Wheelen & Hunger, 1990). In relation to operations strategy the firm is able to determine how and where a product or service is to be manufacture and/or offered. Through the operations function, powerful sources of competitive advantage of the organizations are provided. This function is regarded as subordinate to marketing, finance, R&D (Hayes et al, 1996).

2.5 Empirical Review

Adapting to a major environmental change is an important challenge for organizations and how organizations evolve and adapt in changing environments has been a prominent theme in organization and strategy research (March, 1991; Levinthal & March, 1993). A long stream of research suggests that routines give rise to inertia and constrain non-incremental organizational changes required to respond to radical environmental change (Tushman & Romanelli, 1985; Leonard-Barton, 1992). But recently, research on dynamic capabilities highlights the potential for routines to spur organizational change and innovation (Eisenhardt & Martin, 2000; Zollo & Winter, 2002).

Smart, C & Vertinsky (2006) carried out a study on corporate responses to crises. This study examined the relationship between the type of external environment in which a firm operates and the repertoire of strategic responses the firm develops to cope with crises. The findings suggest that an executive's propensity to adopt a particular strategic posture depends on his perceptions of how well his firm can control its environment and on the costs of introducing change into the organization. Zajac and Kraaz (2007) in their study examined the environmental and organizational forces, counter-forces, and performance consequences of strategic restructuring in the higher education industry. The results suggest that, contrary to ecological predictions, restructuring is a predictable, common, and performance-enhancing response to changing environmental conditions.

Pfeffer and Salancik (1978) propose that through its influence on the distribution of power and control within organizations, the environment affects the selection and removal of top executives; changes in the environment tend to encourage the selection of top-level managers more appropriate for the new environment. Mahon and Murray (1981) cogently argued that the transition from a regulated to a deregulated environment involves dramatic environmental changes for a firm and its managers.

Both Thompson (1967) and Pfeffer and Salancik (1978) believe, however, that the influence of environment alterations on changes in the dominant coalition may be constrained or delayed by current top managers' using their institutionalized power base to hold onto their positions. Davis (1951) noted that "It is evident that leadership requirements (skills necessary) must change radically with fundamental changes in the leadership situation. He also noted that economic changes associated with changing business conditions are usually accomplished by considerable executive change. Miller et al. (1982) found that firms operating in dynamic environments tended to be managed by executives with an internal locus of control. In explaining their results, Miller et al. discuss the influence of the environment on managerial requirements: "dynamic environments may require that firms be run by internal executives. They demand innovative and bold strategies that are most likely to be forthcoming from executives who are confident about their abilities to control the destiny of their firms.

Guthrie and Olian (1991) found that instability in business units' product markets was associated with the propensity for parent corporations to hire "outsider" GMs. Although not studying organizational tenure levels per se, Osborn et al (1981) empirically related frequency of CEO succession with dimensions of environmental volatility. Another top-management characteristic that may be important in facilitating alignment with environment contingencies is level of education. Hambrick and Mason (1984) maintain that education level is an indicator of a manager's knowledge, skill, and propensity toward innovation. For example, Kimberly and Evanisko (1981) found that administrators with higher levels of education were more likely to adopt technological (new production/process technology) and administrative (new information system technology) innovations. Managers with higher levels of education may be more exhaustive in their information search activities, yielding a richer information set for formulating strategic decisions (Hambrick & Mason, 1984). This ability or skill will be more valuable in the competitive environment associated with deregulation.

CHAPTER THREE

RESEARCH METHODLOGY

3.1 Introduction

This chapter covers the following sub-topic which relate to how the project was carried out. The topic covered the design used to conduct the study, data collection methods used and the analysis of data in order to generate the findings of the research.

3.2 Research Design

This study adopted the case study design where by the unit of study was the Jubilee Insurance Company of Kenya Limited. This design is the most appropriate when a detailed and an in-depth data is desired. This is the case with this study which is focusing on a single unit. Case study research design provides very focused and valuable insights to the phenomena that may otherwise be vaguely known or understood. The design enabled the researcher not only to establish factors explaining phenomena but also unearth underlying issues.

3.3 Data Collection

The study made use of both secondary and primary data. Primary data was obtained from managers of JICK by the use of an interview guide. The interview guide that was used to gather data on the study topic which was the changes in the company`s external environment and the responses therein. The interviewees of the study were the executive and senior management in the company's Pensions, Finance, Human resource, Business Development, Operations, Marketing, Public Relations, ICT, Legal and Underwriting departments. A total of ten top managers were interviewed. These interviewees were better placed in providing required data to answer the research questions of this study. This is because they are the ones playing a key role in ensuring that the firm is better positioned to favourably manage the ever changing environment by instituting appropriate and effective responses. The interview guide used was administered through personal interview carried out by the researcher himself which gave more room for further and extensive probing of the respondents. The secondary data for this study was obtained from the company's documented strategies and any other relevant information about the company in relation to the responses to the changing environmental conditions. Secondary data was also obtained through a review and analysis of relevant documents, key among them the company's strategic plan, past published Audited Annual Financial Statements and Accounts and other relevant documentation for this study.

3.4 Data Analysis

The data analysis narrowed to qualitative techniques as data was collected using an interview guide. The qualitative data was summarized and categorized according to common themes and was presented using content analysis in order to assist the researcher in answering the research questions.

Content analysis was used mostly to arrive at inferences through a systematic and objective identification of the specific messages recorded by or from the interviewees. The data that was obtained was also compared with existing literature in order to establish areas of agreement and disagreement in order to ascertain the facts. The findings in many situations identified the responses adopted by the Jubilee Insurance toward the ever changing conditions in the external environment

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the analysis and findings of the study as set out in the research methodology. Data collection was done by the use of an interview guide which was developed in line with the objectives of the study. The main objective of the study was to establish the responses by Jubilee Insurance to the changing environmental conditions. The study also sought to determine the forces of change in the external environment and the researcher further probed the interviewees on jubilees response to these changing environmental conditions.

A total of the ten top managers responded to the interview. This represents one hundred per cent response rate which is satisfactory enough and could be used as a basis for drawing conclusions. Content analysis was utilized in the analysis of the data collected from each interviewee.

4.2 Bio Data of the Interviewees

All the interviewees were from the senior management cadre of the organization. These were the managers of Pensions, Finance, Human resource, Business Development, Operations, Marketing, Public Relations, ICT, Legal and Underwriting departments. The findings indicate that seven of the top management staff had more than fifteen years' experience in the insurance industry; two of them had between 8-15 years' experience and only one had less than 8 years experience in the Insurance Industry. Staff experience is necessary in the delivery of the desired goals of the firm.

This is because experienced staffs take relatively less time to deal with routine issues based on past experience and are also confident in dealing with emerging and new environmental issues at the work place. Overall, Jubilee Insurance top management are highly experienced, qualified and competent in their work and as a result, Jubilee Insurance is the market leader in Kenya and in the region.

4.3 Forces of Change in the External Environment

From the research findings, various forces of change were identified. These included the economic, political, technological, socio-cultural and ecological factors that had significant impact on Jubilee Insurance business.

Other external environmental factors identified that also affected Jubilee Insurance business include the ecological, competition, regulatory, changes in customer tastes and preferences and customer needs among others.

In terms of the dominant conditions, the findings identified competition as the greatest force facing Jubilee Insurance. The interviewees identified competition as being a key force requiring the required Jubilee Insurance to change in order to handle the challenges for business survival. Other key challenges were found to be changes in customer preferences and tastes and technological changes. Other factors include Economic, political, ecological and socio-cultural factors.

The interviewees were asked to identify the nature of competition in the external environment. All those interviewed concurred that increased competition poses the greatest challenge to Jubilee insurance. The key issues identified in the competitive challenge included new competitor products, competitor price undercutting, competitor staff poaching, unethical business acquisitions and aggressive advertising.

At the same, other key issues identified in the competitive environment were competitor innovations, regional and international insurance players, more competitor entry like the banks and conversions of Medical Insurance providers (MIPs) to full insurers such as AAR and Resolution Health.

These findings on competition as a force facing firms in the external environment echoed the findings of Smarth & Vertisnsky (2006) who carried out a study on the relationship between the type of change in the external environment conditions in which a firm operates and the strategic responses which the firms employed to deal with these changes. Smarth & Vertinsky just like in this research identified the major issues in competition as aggressive advertising and price undercutting. However, their research did not see regional and international players and conversion of insurance providers / agencies into fully fledged insurance companies as a competitive challenge.

The other key external environmental condition that the interviewees also identified was the changes in customer tastes and preferences as a major force posing challenges to Jubilee Insurance. There was general consensus about the key issues involved in this force. These were customer need for short term quality products, quality personalized services and prompt claims settlement. They interviewees also mentioned increased desire for prompt complaints resolution, e-transactions facilities and improved customer care.

From the literature reviewed, changes in customer tastes and preferences were also identified as a major force facing firms by other researchers. For instance, Miriti (2010) whose study focused on responses of Fidelity Insurance company to the changing environmental conditions identified customer needs changes as a great challenge to fidelity insurance company. Other scholars who agree with this factor that it is a major challenge include Mwarania(2003), Abdullahi(2000)and Awino(2007) in their various researches.

The interviewees also identified rapid technological changes as another environment condition that Jubilee Insurance had to respond to for the firm to continue to prosper. These challenges include the adaption of -e-commerce, use of electronic payment facilities like Pesapoint and mobile phone enabled transaction like Safaricom's Mpesa, Essar Telcom's YuCash and Airtel's Zap among other mobile phone enabled transactions that are now readily available. The other technological changes include the use of internet services, transactions through the web and increased use of SMS facilities, video and skype conferencing and e-banking.

The interviewees also identified the volatile economic environment as another key issue that Jubilee insurance had to respond and this included the unpredictable inflation, the exchange rate fluctuations, weakened power of investors, high fuel costs, increasing wage rates and the prevailing high taxation levels that all erode the customers' purchasing power.

The identification of changes in technology as a force facing players of the industry is also pointed out in the literature of Bryson (1995) and Mogeni (2008). The political and regulatory environment is another environmental condition identified by the interviewees. These include the influence of the regulatory - IRA and the changes in the insurance legislation that have enabled IRA to issue regular prudential regulations and guidelines and the political changes take place from time to time in tandem with the presidential / parliamentary elections cycle. These together with the differing objectives between the regulator and the regulated erode investor confidence besides interfering with insurance business prospects. The others include planned change in NHIF and NSSF Acts, regional conflicts like Somalia and previously South Sudan as well the imminent terrorism threats. Further, the changes in the country's governance structure and in particular the impending devolution of government to the counties, the increased regulatory controls by KRA, IRA, RBA, NSE, CMA & CBK and 2013 parliamentary and county elections' uncertainty pose a critical challenge to Jubilee Insurance and the business fraternity in general. All these changes in the political and regulatory environment require management attention. The interviewees also identified changes in the ecological environment that Jubilee has to respond to for continued survival. These include climate change and unpredictable weather patterns and as a result of informal settlements, garbage damping, deforestation and global warming that result into poor sanitation diseases. These means increased insurance claims compensation as the health of the insured population is affected due worsening morbidity and mortality rates.

The other changing environmental condition identified by the interviewees was the dynamic economic situation characterised by higher taxation in the country, unstable inflationary trends partly driven by increased fuel costs, increasing wages and fluctuating commodity prices. All these weaken the purchasing power of the insurance buyers as it happens to other consumers of goods and services and thus weakens the power of investors. These findings are in in agreement with the findings of Keranga(2010) who did research on the responses of the Government Kenya printing Press to the challenges in the external environment. Keranga(2010) identified the rising inflation, low incomes and escalating fuel prices as a great challenge to the government as it tries to deal with public satisfaction.

Last but not least, the interviewees also identified changes in the socio-cultural environment such as the demographic composition where by the more than sixty per cent of the population is below 35 years old majority of whom are unemployed. There are also the gender issues and more older citizens that require care. All these complicate the business environment due to increased poverty levels and prevalence of crimes that range from bank robberies, cybercrime and ethnical violence.

From the foregoing paragraphs, it is evident that increased competition punctuated with new entrants in the industry such as Takaful Africa, transformation of medical insurance providers into full insurance firms such as AAR and Resolution Health, and increased substitutes paraded by indirect competitors such as banks; the NHIF and the NSSF are relevant to the Jubilee Insurance management. On the other hand, findings indicated changes in customer tastes and preferences also do pose a significant challenge. The interviewees indicate that the modern Jubilee customer needs short term insurance products, expect expert presentations, require online or e-transactions and personalized service, among others. Technological factors were also found to be important environmental conditions facing JICK. The increased use of Mpesa and other mobile money transfer facilities, the internet, credit card and direct debit and e-commerce call for proper response by the Jubilee management. Other key issues in the other factors such as changes in the weather patterns, increased crime, increased taxation and the change in the regulatory framework also require appropriate responses from JICK.

The above environmental condition affects all the firms in the insurance industry and JICK is equally affected in one way or the other. Increased competition reduces profitability and the overall market share of the firm while changes in technology present both of opportunities for investment as well as the need for the significant capital outlays as compared to the competition. Regular and ad hoc changes in the regulations of the insurance industry create consistent planning hiccups while increased taxation erodes the customers' purchasing power and creates low investor power. Terrorism threats and disease lead to more insurance claims compensation from the insurance firms as does calamities occasioned by floods and drought. The findings also point out that change in customer preferences and service offering, need for advanced and unique customer care as well as the increased desire for innovative products among others are the environmental challenges facing Jubilee Insurance

4.4 Responses to the Environmental Conditions

The second and main objective of the study was to establish the responses by Jubilee to the changing environmental conditions in Kenya. The findings indicate that Jubilee has responded in various ways to the various environmental conditions.

4.4.1 Strategic Leadership

First and foremost, the insurance firm has employed 80% experienced and highly qualified staff from the middle level management upwards. Findings indicate that top management alone has managers with a minimum Diploma qualification while the CEO is a chartered insurer and is a member of the Society of Fellows of the Chartered Insurance Institute of London, UK. He is also a member in the masters' degree in strategic management class. More than 65% of the top management have more than 15 years industry experience. The company therefore has a grip on staff with capability and ability of waging strategic response and management of change as and when required to do so. The findings indicate that this high calibre of staff has in the past and is responsive to the environmental changes all the time.

Strategic leadership as a response to the external environment has also been identified by various scholars cited in the literature review. These include Guthrie and Olian(1991), Kimberly E. and Evanscko(1981), Miller et al(1982) as well as Thompson(1967).

Hence strategic leadership has been a key response to the changes in the environmental conditions. This is confirmed by literature review whereby Guthrie and Olian (1991) found that instability in business units' product markets was associated with the propensity for parent corporations to hire "outsider" GMs. Although not studying organizational tenure levels per se, Osborn et al (1981) empirically related frequency of CEO succession with dimensions of environmental volatility. Another top-management characteristics that may be important in facilitating alignment with environment contingencies is level of education. Hambrick and Mason (1984) maintain that education level is an indicator of a manager's knowledge, skill, and propensity toward innovation. Different environments may influence the relative importance of formal education. Studies have shown that level of education is consistently related to receptivity to innovation (Becker, 1970; Kimberly & Evanisko, 1981; Rogers & Shoemaker, 1971). For example, Kimberly and Evanisko (1981) found that administrators with higher levels of education were more likely to adopt technological (new production/process technology) and administrative (new information system technology) innovations. Managers with higher levels of education may be more exhaustive in their information search activities, yielding a richer information set for formulating strategic decisions (Hambrick & Mason, 1984).

This ability or skill will be more valuable in the competitive environment associated with deregulation.

Miles and Snow (1978) propose that organizational groups with different types of expertise (including functional expertise will become part of the "dominant coalition" in such times when their specialties help meet the demands of the task environment. For example, Pfeffer and Salancik (1977) found that hospitals' top administrators were more likely to have higher levels of training in hospital administrations when their organizations received insurance funding and less training when private donations were predominant. Gupta and Govindarajan (1984) argue that experience in marketing predisposes "managerial orientation towards, and competence at monitoring and analysis of, external industry characteristics such as consumer needs and competitor strategies. The importance of marketers would increase in a competitive, deregulated environment. In a regulated environment, top managers would tend to have expertise in functional areas indicating more of an internal focus area such as engineering, operations or accounting/finance

4.4.2 Product Portfolio Diversification

The interviewees were also interviewed on product diversification by their firm and the findings indicate that the main reason for Jubilee Insurance's product diversification strategy is to wade of competition and satisfy customer tastes and preferences. Jubilee has developed various market / product diversification strategies. Findings indicate that so far Jubilee product portfolio has varied revenue contributions to the firm. The products and markets serve various competitive reasons ranging from maintaining market share and servicing exiting existing or known customer needs to creating new markets / customers with new products.

These findings agree with the literature review of Keranga(2010) on the diversification strategy as a response to the challenges posed by the external environment. Keranga(2008) pointed out that Government Press has diversified its product and service offering by printing other services for the public who pay for the production. For example the requires payments for the published Kenya Gazzette notices, makes photocopies to the public and also receives cash for the published Parliamentary Bills and Acts booklets

The findings from the Financial Statements of JICK indicate that more than half of its total revenue comes from the Pensions and Medical products which target corporate and individual clients. Jubilee also deals with Life and Motor vehicle insurance business each of which contributes about one third of the total revenue. These products also target both individual and corporate clients countrywide and regionally. The products in these range comprise variants such as Career Life for Education purposes, Uniflex for endowments and savings mobilisation and Baada ya Campo for University and College students. To endear itself to its current and potential customers, the findings indicate that Jubilee has entered into new markets spreading into the newly established counties in Kenya. Jubilee Insurance is also in the Eastern African Region countries of Tanzania, Uganda, Burundi and Mauritius and has plans to cover the Sub-Saharan Africa.

Jubilee is also a socially responsible corporate citizen as it is involved in several areas. These findings indicate that Jubilee sponsors CSR activities to a tune of KShs 4 Million annually for needy students in secondary schools. Similarly, jointly with other corporates like the Mater Hospital, Aga Khan Hospital and The Standard Chartered bank, it sponsors other activities that mobilise funds for dealing with sight and cardio related ailments besides offering Medical insurance.

From the findings this positive gesture has earned the company customer goodwill which indirectly translates into indirect sales. The company has also increased new products such as Baada ya Campo to cover the young generation market segment. Other products include SMEs cover, Retail Medical, Agriculture, Micro-insurance and Funeral cover as well Political Violence and Terrorism covers, among others. Jubilee Insurance has also undertaken product quality improvements to attract more customers and deal with competitors by embracing use of modern technology platforms. For instance, the Yumobile subscribers can conveniently purchase Funeral cover on their mobile phones monthly. Further Jubilee collects insurance premium for its products through Mpesa, Direct payment and credit card platforms besides the conventional cash and cheque payments.

4.4.3 Marketing Strategies

From the findings, the interviewees indicate that Jubilee insurance has also intensively entered into new markets through new sales channels such as establishing branch and agency offices, increased distribution through brokers, agents and bank agencies and increased customer interaction on Facebook and Twitter. The company also undertakes extensive advertising and improved customer care as a means of remaining competitive. In the past four years for example, Jubilee has undertaken various multimedia marketing promotions and campaigns such as Bill Boards, print media and TV adverts with the intention of increasing customer awareness of its product portfolio. In its pricing strategy, Jubilee has embraced flexible premium payment options and offered a wide range of product variations to fit customer needs and financial ability.

4.4.4 Use of Information Technology

Proper utilization of ICT is a competitive edge creation tool for firms. To effectively respond to the ever changing technological conditions in the environment 100% of Jubilee staff in the underwriting and distribution departments are IT Compliant. This means they are able to utilize IT skills for cost reduction for competitiveness. Jubilee has embraced IT for easy and faster communication with the clients and as a cost reduction strategy. The firm has established a fully operational IT department and has computerised all its operations. There is also use of IT in procurement, and record keeping. The findings indicate that the IT department is upgraded on a continuous basis to keep up with technological changes. Jubilee also uses technology in transaction processing, premium collection and insurance claims payment for all its product range. The head office is the hub and all the branch and agency offices are linked and thus, all transactions are real time. All the operating systems are integrated with the finance and accounting system for effective reporting.

4.4.5 Responses to Economic Changes

The study findings indicate that Jubilee Insurance has not done so much to deal with the changes in the economic environment. This is because more of these changes are external to the firm and the firm has little if any influence over them. However, to mitigate itself from the adverse effects of a slow economic growth in Kenya, Jubilee has undertaken prudent investments such as investments in property buildings, associate companies (e.g. Tsavo Power, Bujagali Energy, Farmers Choice) unquoted shares and in quoted stocks at the Nairobi Securities Exchange. It has entered new markets like Tanzania , Burundi, Mauritius and Uganda and intends to expand further into Southern Sudan, Rwanda and the rest of Sub-Saharan Africa. The company has also undertaken to develop new products and services for clients thereby increasing its profitability. This is in addition to having risk and compliance managers who not only ensures that the company mitigates against market risks but also complies with the law and regulatory frameworks of the land. At the same time some of the company products are customer pocket friendly in line with the hard economic time facing Kenyans.

4.4.6 Generic Strategies

The study findings also point out to the use of generic strategies of cost leadership, differentiation and focus by the firm as a response to changes in the environment and particularly to competition. The cost leadership strategy has widely been used by Jubilee. Jubilee has undertaken staff restructuring whereby staff are only deployed in areas where they add maximum value. The top management has strategically cut down on the number of vehicles and drivers. Routine works like cleaning, security and courier services are outsourced to cut down on head count and related cost of employment.

The company has also embraced ICT which has cut down expenses especially in communication, filing and paper work, which is a great saving for the firm. There is use of M-pesa, internet and mobiles for business transactions at Jubilee. The installation of CCTV cameras has also reduced drastically incidents of equipment theft and firm insecurity. The clock-in clock-out IT strategy for all staff has reduced the levels of lateness and improved on the employee performance. Again, procurement is done only from reliable and cost effective suppliers. This has the consequence of reducing the overall wastes associated with cheap procurement of goods and services. These responses are similar to the responses Smart, C & Vertinsky (2006) carried out a study on corporate responses to crises. This study examined the relationship between the type of external environment in which a firm operates and the repertoire of strategic responses the firm develops to cope with crises. The findings suggest that an executive's propensity to adopt a particular strategic posture depends on his perceptions of how well his firm can control its environment and on the costs of introducing change into the organization. Zajac and Kraaz (2007) in their study examined the environmental and organizational forces, counter-forces, and performance consequences of strategic restructuring in the higher education industry. The study proposes a diametric forces model to address the conflicting pressures for strategic change faced by these organizations, and uses extensive longitudinal data spanning the last two decades to examine the ways in which restructuring has been used as a successful adaptive response. The results suggest that, contrary to ecological predictions, restructuring is a predictable, common, and performance-enhancing response to changing environmental conditions. A number of organizational theorists for example (Katz & Kahn, 1978) suggest that executive succession acts as a means for organizational adaption to environmental alterations. Pfeffer and Salancik (1978) propose that through its influence on the distribution of power and control within organizations, the environment affects the selection and removal of top executives; changes in the environment tend to encourage the selection of top-level managers more appropriate for the new environment. Mahon and Murray (1981) cogently argued that the transition from a regulated to a deregulated environment involves dramatic environmental changes for a firm and its managers. In discussing executive succession in the context of organizational theory, Pfeffer and Salancik's (1978) basic thesis is that "environmental contingencies affect the selection and removal of top organizational administrators to make the organization more aligned with its environment. More generally, they propose that organizations' environments influence organizational behaviour and structure

Jubilee has also adopted differentiation strategy. Differentiation strategy involves creating a product that is being perceived as being unique or of superior value to the customer and therefore, attracts customer loyalty pricing notwithstanding. The additional costs of differentiating the products could require a premium pricing strategy there by increases the fortunes of the firm.

The study found out the new SMEs medical cover, the Bada ya campo life cover and Jubilee retirements scheme with catchy adverts like 'life begins at 60' are some of the differentiated products. Strong creativity and innovativeness coupled with strong Research and Development has made it possible for Jubilee to come up with differentiated products and markets. The new agriculture insurance products which is weather indexed is a good example of this. This is besides the Jubilee Career Life Product popular to parents for the education of their children.

Focus strategy has also been utilized by Jubilee as a response to the environmental conditions. Focus strategy encompasses the selection of a few market segments. Jubilee to some point focuses on the specific rather than the general client needs. The company has products for the corporates, the family, the aged, the middle aged the youth. It also has products for car owners, pensioners and savers. All these are specific market niches.

CHAPTER FIVE

SUMMARY, CONLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter deals with the summary, conclusions and recommendations of the study for further research. It also covers the limitations and recommendations for policy and practice.

5.2 Summary and Conclusions

The main objective of this study was to establish the responses that have been adapted to changes in the environmental conditions by Jubilee Insurance Company. This study also sought to determine the forces of change in the external environment of Jubilee Insurance Company. A study was subsequently carried out and the 10 top managers responded to the interview. This represents 100% response rate which could be used as a basis for conclusions.

The results indicated that Jubilee has been experiencing environmental turbulence and has come out stronger than ever before. The major threat to Jubilee was found to be the increased levels of competition that could have led to a declining market share for Jubilee but instead, it has increased its market share to become the industry leader as confirmed by the Association of Kenya Insurers' report of 2011. This was followed by the change in customer preferences and needs. Economic problems such as inflation and the weakening currency were also found to be conditions creating business problems to the Jubilee Insurance to a large extent. Other environmental conditions facing Jubilee were found to be the political changes especially the impeding election of 2013 and political legislations such as the proposed changes of the NHIF and NSSF Acts. This is in addition to international terrorism, ecological, demographic and technology factors among others.

The greatest competition to Jubilee was found to emanate from the existing competitors who utilize unethical practices to Jubilee customers. Such practices included price undercutting customer incentives and propaganda. There are over forty five insurance companies all competing for the same customer all over the country for all the types of insurance ranging from Fire Insurance, Motor Insurance as well as Accident and Life assurances and pensions.

Competition was also posed by firms which were not full insurance firms that are now converting to fully-fledged insurance firms such as AAR and Resolution Health. The two shall from this year over the full range of insurance covers and this posing competition to Jubilee Insurance. At the same time substitute products from non-insurance firms such as banks, the NHIF and NSSF gave the Jubilee a competitive run. The banks besides offer secure and trusted investment avenues and most people prefer depositing or their funds with banks as compared taking life covers. Similarly, NHIF has now entered into direct competition for medical insurance business with insurers and of late, the minister seems to be attempting to increase NHIF contributions for workers and employees. Though this is being done under the guise of social health insurance, this will mean more employers currently offering medical insurance may withdraw such sponsorship to join NHIF.

Changes in technology, such as e-mobile, mobile internet as well as WIFI internet and website marketing also called on Jubilee to change in tandem with the changing times. The research findings indicate that jubilee insurance has embraced the use of mobile telephony enabled transactions whereby its policyholders now pay for their insurances via Mpesa, Pesapoint and direct debits.

The customer preferences and tastes changes also called for Jubilee to change. Modern Kenyan customers were found to be interested in one stop shop, variety insurance products, faster services and personalized attention. So far increased competition, changing customer tastes and preferences and changes in technology were found to be the top three factors affecting Jubilee Insurance. Hence major attention on the responses to these environmental conditions by Jubilee concentrated on these three key factors.

Jubilee Insurance was founded to have crafted various strategies in response to these changing environmental conditions. The company's key strategy was adoption of strategic leadership. This is especially in relation to the top managers of the firm who were found to be professionals and highly experienced to deliver on the mission and vision of Jubilee firm. The strategic leadership at Jubilee was found to be always on the alert to the changes in the environment. The capability of Jubilee to create a learning organization was found to give it a competitive edge in its responses to the environmental conditions.

Jubilee also responded to the changes in the environment through diversification of products and markets. The company has entered in Tanzania, Uganda, Burundi and Mauritius and is expanding further to other countries in Africa. Jubilee is currently studying markets like Mozambique, Democratic Republic of Congo, South Sudan, Rwanda, Ghana and Ivory Coast, just to mention a few. In terms of product diversification, Jubilee has a wide range of products including pensions, life, motor, accident, fire, medical, marine, Sabotage & Terrorism, Bankers Blanket Bond, Travel

Insurance and domestic package to cater for its corporate and individual customers. Further, Jubilee is constantly engaging its product development team to keep the research and development initiatives on course. Through such initiatives, Jubilee has recently rolled out innovative products and services to the market in partnership with Yumobile, Safaricom and also various packages through banks.

The other responses are on the applied use of ICT in its operations and e-commerce in general. The Jubilee customers can now pay online through M-pesa. Jubilee customers use mobile internet to communicate with management. The prudent management principles by Jubilee management also involve corporate governance, management by objectives and the inclusion of stakeholders especially management in strategy formulation and implementation. By doing so there is little resistance from employee during times of change. Employee benefits including medical and group life covers, retirement fund, car and mortgage loans, among others, go a long way in boosting employee motivation to surpass their targets year on year.

The findings also indicated the utilization of marketing strategies by the firm. The firm uses aggressive advertising, marketing and customer care, among others. Its billboard campaigns are eye catchy and create customer expectations. Notable ones include the Pensions and Life Insurance campaigns where they mention that life begins at 60 years and that one can buy the gift of life and Live Free. The company has also managed to come up with low priced products to attract the low income category of consumers as well the large corporates and wealthy individuals. When probed further, the interviewees confided that the large banks, multinationals and key embassies all insure with jubilee insurance.

Similarly Jubilee has also applied generic strategies of cost leadership, differentiation and focus strategies. Under cost leadership the firm has embraced modern technology, restructuring and business processing re-engineering to cut on overall costs. This is in addition to the use of e-commerce to do business. For product differentiation Jubilee has branded its products and modified their specific characteristics to suit various market segments ranging from the informal sector, middle income and all the way to higher income and the very large corporate clients. The focus strategy by Jubilee has been to come up with products that target certain niche markets for example the SMEs insurance, Livestock farmers and tea farmers countrywide in partnership with Kenya Tea Development agency and their in-house broking firm, the Majani Insurance brokers. In addition Jubilee`s corporate social responsibility has gone along way in endearing the public and customers to the firm. This is witnessed in its key sponsorship of the Standard Chartered Marathon to boost recovery of sight and also promote athletics in Kenya; participation in the Mater Heart Run to help the less fortunate in cardio related ailments and participation in the Jubilee Samaritan Award.

5.3 Limitations of the Study

This research was not without limitations; Firstly, time was a limiting factor. The researcher is in full time employment and travels most of his time and therefore did not have adequate time especially in the collection of data. Equally, the top management to whom the interview guide was directed is a very busy category and did not have adequate time at their disposal to adequately respond to the issues raised in the interview guide.

At the same time, there was the general unwillingness of the interviewees to supply the right response was another limitation factor. The interviewees were suspicious that such study could expose their competitive advantage to their competitors who may have access to this thesis as it may become a public document.

Also there were limited resources on the part of the researcher. The research lacked adequate funding for conducting the research in detail and carry out adequate comparisons with other researches done by other scholars. Further, data from the top ten managers was insufficient to be used to answer the research objectives sufficiently.

5.4 Recommendations for Further Research

Given the above limitations, the research did not cover the study objectives exhaustively. It is therefore recommended that the further research be undertaken to assess the impact of the 2007 post-election violence on Jubilee insurance`s response to changes in the political environment and its preparedness for a repeat of the same or other politically motivated changes.

Secondly, research should also be undertaken on the nature of competition posed by Jubilee Insurance's other markets outside Kenya where it has expanded to in its regional market diversification.

Last but not least, further research should be undertaken on the role of strategy in the growth of Jubilee Insurance business given that it is now the dominant insurance player in Kenya and in the East African region.

5.5 Implications for Policy and Practice

Jubilee needs to put in place a Research and Development department. This will be charged with not only gathering and analysing competitor intelligence information but also exploring new markets and new products. R & D will also be charged with innovations and environmental monitoring and possible firm investment. The firm should also consider additional outsourcing of non-core functions such as auditing, archiving, public relations and information technology, among others.

The company should review technology needs, have in house group and individual training, improve on a learning culture and reward and implement innovations. At the same time the company needs to be more aggressive in media advertising and improve on premium payments through M-pesa and Zain. More fundamentally, all employees should be turned into marketers of the firm. Also short term products should be developed as well as empowerment of employees to work from wherever they are. IT improvement such as teleconferencing and working from outside the official roofed home should be encouraged. Above all performance management for effectiveness whereby employees` performance is pegged on surpassing key performance indicators should be prioritized.

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Http://www.iubileeinsurance.coms/ke/

APPENDICES

APPENDIX I: INTERVIEW GUIDE ON RESPONSES OF JUBILEE INSURANCE COMPANY TO CHANGING ENVIRONMENTAL CONDITIONS

1. What is your managerial position in your firm?..

2. For how long have you been in charge of this department? Please tick

1-3 Years ( ) 3-6 Years ( ) 3-9 Years ( ) Over 9 Years ( )

3. How many years have you been working with this company?

....

....

4. Does your company collect information on its external environment? Who's responsible? After how long does the company collect this information?

....

....

....

....

....

....

....

5. Which changes have you observed in each of the following environmental factors that affect the company? Please explain

i) Economic factors

✓ ....

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

i) Political factors

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

ii) Technological factors

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

iv) Socio-cultural factors

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

v) Ecological factors

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

vi) Competition in the industry

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

vii) Regulatory factors

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

viii) Customer preferences

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

ix) Customer needs

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

x) Number of new entrants

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

xi) Substitute products

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

xii) Any other environmental factor?

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

✓ ....

6. What do you think have been the implications of the changes in each of the environmental factors in (5) above

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

7. For each of the changes mentioned in (5) above, how has your company responded operationally and strategically?

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

   ✓ ....

- ✓ ....
- ✓ ....
- ✓ ....

8. Has your company developed internal capability to effectively and successfully execute the responses explained in (7) above? (Explain)

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

9. Overall do you think the company has competitively positioned itself favourably in its operating environment? Please explain how?

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

- ✓ ....
- ✓ ....

10. Given a chance to become the CEO of this firm what do you think are some of the additional strategies you will deploy to create a sustainable competitive advantage for you firm?

- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....
- ✓ ....

APPENDIX II: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI

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DATE 27/9/2012

TO WHOM IT MAY CONCERN

The bearer of this letter NYAMEMBA PATRICK N. TUMBO

Registration No D61/P/7932/2001

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.

IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE