EFFECT OF STRATEGIC RESPONSES ON COMPETIVENESSOF INSURANCE BROKERS IN KENYA

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DECLARATION

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

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ABBREVIATIONS AND ACROYNMS

DC	-	Dynamic Capabilities
GDP	-	Gross Domestic Product
ICT	-	Information and Communications Technology
IRA	-	Insurance Regulatory Authority
PSVs	-	Public Service Vehicles
SACCOs	-	Savings and Credit Co-operatives
SPSS	-	Statistical Package for the Social Sciences

ABSTRACT

Thisstudy sought to determine the effect of strategic responses on competitiveness of insurance brokers in Kenya. The study employed a descriptive research design and study’s population comprised the 188 insurance brokers in Kenya as of July 2020. The study thus undertook a census design to select the 188 insurance brokers with the unit of analysis being the brokerage firms’ managers. The study used primary data, which was collected usingquestionnairesthatwere dropped to the brokerage firms’ managers or their equivalents and picked after two weeks for the brokerage firms within Nairobi and emailed to brokerage firms outside Nairobi. Descriptive and inferential statistical tools was used for data analysis using the SPSS statistical software. Inferential statistics entailed regression analysis, which was used to determine the variables interrelationship. The study findings revealed that market expansion, diversification and cost cutting were the largely adopted strategies while innovation, strategic alliances, strategic outsourcing and downsizing were moderately adopted by the insurance brokerage firms. Regression analysis results revealed that diversification, innovation, market expansion, cost cutting and downsizing had a positive and significant effect on competitiveness of the insurance brokers in Kenya. Further, the study found that strategic alliances and strategic outsourcing had an insignificant and positive effect on competitiveness of the insurance brokerage firms in Kenya. The study concluded that that market expansion, diversification and cost cutting were the largely used strategic responses strategies while innovation, strategic alliances, strategic outsourcing and downsizing were the moderately used strategic responses by insurance brokers in Kenya.The study also concluded that that diversification, innovation, market expansion, cost cutting and downsizing response strategies significantly enhanced competitiveness of the insurance brokers in Kenya while strategic alliances and outsourcing does not significantly enhance the competitiveness of the insurance brokerage firms. The study recommended thatthe management of the insurance brokerage firms ensure they diversify their activities, undertake innovative initiatives, expand to new as well as the current market to ensure their services and products reach a wider audience to enhance their competitiveness as well as performance of their firms.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategic responses form part of the competitive strategies developed by business entities to overcome competition and improve performance (Ansoff& MacDonnell, 2013). Strategic management researchersaccentuate the need for organizations to have effective strategic responses as a prerequisite for attaining competitiveness in the changing environment characterized by unpredictablecustomer behavior, disruptive innovations, intense domestic and global business rivalry(Onamusi, 2020). Thus, in order for an organization to improve its competitiveness, its management should develop approaches that respond to environmental issues and by communicating the strategyeffectively (Išoraitė, 2018). When anorganization has the correct strategy in anyoperating environment, it can easily face the competitive challenges posed by its competitors (Zekiri&Nedelea, 2012).

On a theoretical perspective, the Porter'stheory of competitive advantage suggests that competitivenessfundamentally grows from the value that the organization creates for its consumers that surpasses the company's cost of producing it (Ceglińskі&Wiśniewska, 2016). The dynamic capabilities theory postulates that organizations that are able to seize and sense innovative opportunities and to further reconfigure their capabilities and resources based on the identified opportunities and environmental changes creates and maintains a competitive advantage (Breznik&Lahovnik, 2016).The Miles and Snow topology supports that an entity's strategic responses should take into account heterogeneity among organizations in terms of their individual capabilities, the effectiveness of their operations and their performance (Sollosy, Guidice&Parboteeah, 2019).

Contextually, the insurance sector in Kenya playsasignificant role in the financial sector by indemnifying financial risks and serve as institutional investors for both money and capital market instruments (Mbataru, 2018). In recent years, the Kenyan insurance sector has witnessed a number of changes due to financial reforms, globalization, ICT development and economic growth. Such changes have led to a significant impact on productivity, efficiency, market structure and performance of insurance brokers (Muriira, 2014).Insurance brokers in Kenya are also facing tough competitions and have thus opted to employ different strategies to adapt to the turbulent environment and to remain competitive (Pamba, 2017).

1.1.1 Strategic Responses

A strategic response refers to a set of actions and decisions that lead to plansdevelopment and execution to realize an organization's goals (Pearce & Robinson, 2011). Strategic responses are thus a series of activities and decisions that enable organizations to formulate and execute plans aimed at achieving its objectives (Wilson &Eilertsen, 2010). NuryakinandRetnawati, (2016) posits that strategic responses are inclusive of transformations that take place inside an organization in order to be successful in future transformation of business environment. Responsestrategies are long-term and they not only affect the organizations operating environment but also the firm’s future direction (Emirundu, 2018).

Strategic responses enhance organizations survival in general and increases their relevance in the environment in which they operate (Wilson &Eilertsen, 2010). In basic terms, effective strategic response enhances businesses'capability to raise market share, facilitatesnew products development, satisfies consumer tasteand reduces operating costs attributed to changes in the environment (Onamusi, 2020). Strategic responses are also considered as core drivers for addressing environmental issues and responding to client needs (Muchiri, Ombui&Iravo, 2017). Strategic responses are known to respond to constantly changing turbulent corporate environments (Pearce & Robinson, 2011).

Strategic responses require companies to match their plans to the environs and review their in-house capabilities to adapt them to that strategy (Išoraitė, 2018). They can take different forms subjectto the organization'scapabilities and the background, whichthe firms operate (Muchiri, Ombui&Iravo, 2017). An organization can opt to use several strategic responses in the event of environmental turbulence. These include product innovation, outsourcing, product differentiation, expansion and growth or contraction besides technology adoption. Others entaillong-term planning, budgeting, new venture development and business policy (Pearce & Robinson, 2011).

1.1.2 Organizational Competitiveness

Competitiveness is the organization's ability to offer its customers a greater value compared to its competitors and thus attain a relatively advantageous position (Išoraitė, 2018). The competitiveness concept describes the degree of relative advantage that a company possess within its market or industry over other businesses with which it competes indirectly or directly or with which its finances, human capital and other resources are comparable (Cegliński, 2016). Competitiveness isattained when an organization is capableof developing new products or providing better services than those of rivals or alternatively, when it can offer the same services and products at lower prices or a higher quality (Mekić&Mekić, 2014).

Competitiveness is considered one of the key foundations for higher organizational performance (Ismail et al., 2010). Thus, generating a sustainable competitivenessis one of the significant organizational goal and the utmost important distinct characteristic that any entity needs to focus on (Cegliński, 2016). Competitiveness enables organizations to generate earnings, which are greater than the average earnings of its opponents. It further demonstrates a firm'scapacity to provideservices that exceed or meet client values presently offered by competitors, and potential market entrants(Sachitra, 2017).

Competitiveness entails having lower costs, differentiation advantage or an effective targeting strategy (Išoraitė, 2018). Anentityusingthe differentiation strategy competes based on its aptitude to do things differently compared to its main competitors. A company that pursues the low cost strategy creates a competitive edge by offering goods or providing services at the lowest probable cost (Zekiri&Nedelea, 2012). The niche or focus strategy recommends focusing on specific target groups, market niches, specific product spectrums or a narrow geographic market. They serve a narrower segment of the market, which can be national or local, and create specific skills that are accurately tailored to a particular market thus being rewarded with higher profit margins (Mekić&Mekić, 2014).

1.1.3 The Insurance Industry in Kenya

The Kenyan insurance sector is categorized into two majorsubdivisions namely life and general insurance (Mbataru, 2018). General insurance enables protection against risks that lead to loss or damage to property. Life insurance facilitates long-term savings that ensures that an adequate amount is accrued to meet the financial needs of policyholders at different life stages (Kanyotu, 2017).The structure of the Kenyan insurance sector in 2019 included 56 insurance companies, 16 life insurance firms, 28 non-life insurance firms, 9 composite firms, 5 reinsurance companies, 14 reinsurance brokers and 187 insurance brokers (Insurance Regulatory Authority, 2019). The Insurance Regulatory Authority (IRA) is responsible for regulating, industrydevelopments and licensing the sector (Muriira, 2014).

Kenya's insurance sector is one of the most advanced and fastest growing in sub-Saharan Africa (Otieno, 2015). The sectorenhances economicgrowth through provision of financial security, savings mobilization, and promotion of indirect and direct investments (Gichohi, 2014). The sector in 2017 contributed 4.9% to the Kenyan GDPthough insurance penetration decreased from 2.71% in 2016 to 2.68% in 2017 (IRA, 2018).The industry also employs over 10,000 people (Pamba, 2017).Kenya insurance grew by 10.7% during the periodof 2017 from compared 7.2% in 2016. Although the Kenyan insurance sector has existed for years and the industry is struggling with poor performance (Mbataru, 2018).

Despite favorable growth projections, the Kenya insurance sector facesvarious challenges among them low uptake and awareness levels and very low penetration rates. Other challenges arelimited InsureTechadoption in product distribution, development and claims settlement, low levels of capitalisation, automotive PSVs underwriting and health insurance (Insurance Regulatory Authority, 2018).In addition, competition for market share among many players has led to price wars, with various underwriters charging untenable premiums (Muriira, 2014). The sector also has the lowest rates of penetration with insurance brokerage firms facing intense rivalry (Otieno, 2015).

1.1.4Insurance Brokers in Kenya

Insurance brokers act as the link between the customer and the insurance companies in which they partner with. In return, brokers earn a commission as well as a fee they charge their customers (Pamba, 2017).Insurance brokerage companies operate both life and general insurance in conjunction with insurance companies(Otieno, 2015). Insurance companies, whichhave partnered with brokerage firms have attainedmuchin the past few years. This is evidencedby the expanded annual premium income, higher investment earnings, larger market share and improvedgrowth in network (Ng'ang'a, 2020). According to the Insurance Regulatory Authority (2020), 188 insurance brokerage firms were registered in the Kenyan insurance market, which expanded nationwide as of July 2020.

Insurance brokers in Kenya compete for greatershare in the market in actuarial consulting, risk management, medical schemes management, insurance brokerage, life and pension's management, health insurance managementand advisory services for small, medium and large businesses in Kenya, includingpersons from various occupations (Otieno, 2015). Insurance brokers have lately started to experience competition from the same insurance firm they collaborate with (Gichohi, 2014). Hence, in such a thin marketplace, it indicates that brokerage firms dealing with a few insurers need to develop aggressive strategies in order to remain competitive (Pamba, 2017).

1.2 Research Problem

Strategic responses aredescribed as effective in allowing companies to cope with business environment changes and enhancing competitiveness (Pearce & Robinson, 2011).Any organization, which wants to compete effectively on the market,must implement effective response strategies(Cegliński&Wiśniewska, 2016).Thus, well aligned and defined strategic responses form a formidable organizational tool for sustaining and obtaining competitiveness (Muchiri, Ombui&Iravo, 2017). However, in practice, response strategies differ in terms of time and its formulation and execution may not be perfect. Frequent conflicts may arise between long-term goals and actual needs within the organization (Zekiri&Nedelea, 2012). In addition, various response strategies have led to the desired results in some companies, while in other companies the responses have failed terribly (Ansoff& MacDonnell, 2013).

Insurance brokers play a significant part in the Kenyan insurance industry. However, the Kenyaninsurance brokerage firms operate in a highly competitive environment and work hard to outwit each other to sustain the topmost position and to improve performance (Gichohi, 2014).The brokerage companies are further facing business rivalry and stiff rivalry from their maincommercialallies the insurance firms, as the companies are nowadaysdoing awaywithbrokersand opting to sell their services and products directly to theircustomers to reduce operational costs (Otieno, 2015). Further, the inception of banc-assurance also led toadditionally rivalry to insurance brokerage firms as commercial banks arrange for insurance services and encourage their clients to purchase from them directly (Ng’ang’a, 2020). Though, some insurance brokers have achievedsuperior performance over othersowing to their response strategies, some brokers have opted for strategies which are not necessarily ethical in order to survive (Pamba, 2017).

Empirically, numerous studies have been undertaken on strategic responses and firm competitiveness but the studies were carried out in varying contextual settings. For instance, Chittoor et al (2008) examined the strategic responsesby Indian pharmaceutical firms to addressinstitutional changes and documented that strategic responses aided the firms to overcome the institutional pressures arising changes from though the study's context was pharmaceutical firms. Almeida and Bremser(2013)also investigated the strategic responses adopted by the Spanish hotels duringeconomic crises and documented that hotels that focused onbrand image, high quality and a loyal client base but the study's context was the hospitality sector. Further, Sands and Ferraro (2010) examined strategic responses by retailers to economic downturn and reveled that retailers adopted green and sustainable practices, differentiation, reduced costs and personalized offerings though the focus was retailers and not insurance brokers.

In Kenya, Otieno (2015) examined the competitive strategies adopted to enhance competitiveness by insurance brokers in Kenya and revealed that adoption of competitive strategies led to enhanced competitiveness though the study focused only on competitive strategies.Gichohi(2014) also explored the strategies embraced by AON Kenya to achieve competitive advantage and revealed that AON usedclient focus, value addition, diversification, and lobbying though the study focused on a single insurance broker. From the reviewed researchesit isapparentthat different organization use varying response strategies to enhance competitiveness hence an indication that no specific response strategy fits all organizations. In addition, the studies have been undertaken in different context and using varying methodologies making it impossible to generalize their findings to the current study. Further, strategic responses are not static, they keep changing due to technology, and environmental changes thus need for review of the presentlyused strategic responses. Thus, this study seeks to answer the question, what is the effectofstrategic responses oncompetitiveness of insurance brokers in Kenya?

1.3 Research Objectives

The objectives of this study was:

i. To determine the strategic responses adopted by insurance brokers in Kenya to enhance competitiveness.

ii. To determine the effectof strategic responses oncompetitiveness of insurance brokers in Kenya.

1.4 Value of the Study

The study's results shall useful to the management of insurance brokerage firms to make appropriate response strategies to enhance their firms' competitiveness hence performance improvement. The brokerage firms' management can use the study recommendations and conclusions to formulate appropriate policies on enhancing their firms' competitiveness.

Policymaking entities like the Insurance Regulatory Authority (IRA), the capital markets authority and the government agencies who are tasked with developing policies within the insurance sector. Policymaking entities can use the study conclusions and recommendation to develop strategic policy to enhance competitiveness among insurance brokers in Kenya.

The paper shall as well form a base for upcoming researches as well the forthcoming scholars can adopt the study to be a base for their individual study.The study will further add on to the obtainable theoretical literature on thestudy theories. Further, the study will complement the available empirical literature on the strategic responses and organizational competitiveness.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter bring out the study's theoretical underpinnings and the various response strategies adopted by organizations. The chapter further presents literature on strategic responses and competitive advantage and a review of various studies under empirical review and the gaps arising from the studies.

2.2 Theoretical Review

The Porter's theory of competitive advantage, the dynamic capabilities theoryand the Miles and Snow topology will form the study's underpinning theoretical foundation.

2.2.1Porters Theory of Competitive Advantage

The competitive advantage theory by Porter (1985) indicates that a company can maximize performance by being either a low cost manufacturer in the industry or by differentiating its range of products or services from other companies and the two approaches can be supplemented by a focus of the firm efforts in a particular market segment (Zekiri&Nedelea, 2012).Thus, a firm in its effort to attain competitive advantage should a firm can consider manufacturing its products and offer its services at a lesser price than its competitors or differentiate and sellthe products and services at a premium price. In addition, the company has to decide whether the chosen strategy targets the entire market (broad) or the narrow market (niche) (Emirundu, 2018).

The theory indicates that for a company to be successful, it should compete through the cost leadership, focus or differentiation strategies that allow companies to choose any of the three options(Binuyo, Ekpe&Binuyo, 2019). However, the critiques of the theory indicate that the choice of strategy may be bounded by the entity’s size, age, resources access in addition tocompetition and industry analysis (Mekić&Mekić, 2014). The theory also presumes a classical perfect and a static marketplace structure that is unlikely to be found in today's changing markets (Wang, 2014).Further, the model focuses on industry and ignores firm specific capabilities and resources (Zekiri&Nedelea, 2012).

This theory is very useful in managerial practice, as it combines the three dimensions of cost leadership, focus and differentiation that underpin the approach of the competitive environment and the effective positioning of the organization on the market (Nuryakin, 2018). Thus, competitiveness places an individual or organization over market place competition. As such, insurance brokerage firmsoperate in anextremely turbulent, competitive and volatile environment. Thus, to outperform rivalsan insurance brokerage firm has to do many things better than others. In this study, the competitive advantage theory reinforces that a response strategy is concerned with succeeding or winning in an environment that is competitive through creation of sustainable competitive advantage.

2.2.2Dynamic Capabilities Theory

Teece, Pisano and Shuen (1997) conceptualized the dynamic capabilities (DC) theory to describe how and why certain companies can quickly create competitive advantage in rapidly changing regimes. The theory explains beyond the assumption that sustainable competitiveness arises from an entity’s acquisition of valuable, non-imitable, rare and un-substitutableresources (MacInerney, 2012).The theory groups dynamic capabilitiesinto three classes, which include sensing capability, reconfiguring capability and seizing capability (Breznik&Lahovnik, 2016).The theory explains thatDCs are processes that aids firms to reconfigure its approach and resources to realize sustainable competitiveness and higher performance in quickly changing environments (Bleady, Ali & Ibrahim, 2018).

The DC theory argues that in a changing and dynamic environment, companies should have sufficient adaptability and flexibility to meet challenges and create the required capabilities to identify best practices (Peng, 2014). The main critique of the DC theory is that the dynamic capabilities are usually operationalized in such a manner that makes ithard to distinguish between their effects and existence (Hernández & Bautista, 2017).Another drawback of the DC perspective is the lack of micro-fundamentals in this area that describe how individual-level capabilities are used for collective organizational-level constructs, such as the organizational routines and capabilities (MacInerney, 2012).

The DC theory presents path-dependent procedures that enable companies to adapt to a quickly changing environment by creating, integrating, and reconfiguring their portfolio of capabilities and resources (Bleady, Ali & Ibrahim, 2018).Thus, strategic response capabilitieslike external and internal response strategies are dynamic capability features that expound how entities enhancecompetitiveness (Onamusi, 2020).In this study, the theory indicates that forlong-termcompetitiveness, the continual dynamic capabilities development is desired to maintain insurance brokerage company’s competitive advantage. Further, insurance brokers should examine the ever-turbulent forces of the environment thus the need for strategies. This would help the brokerage firms to adapt, integrate and reconfigure the adopted response strategies with internal and external competences in response to dynamic business environments.

2.2.3 Miles and Snow Topology

The Miles and Snow (1978) topology classifies organizational units into four different categories of adaptive strategies, namely prospectors, analyzers, defenders and reactors. Prospectors are entities that sustain their competitive edge and continually seeks new marketplaceprospects and expand their product and service offerings (Sparano et al., 2014).Defenders are firms that seek and retain a range of services and products with a slightconcentration and protect their domain with high quality products/servicesand competitive prices (Sollosy, Guidice&Parboteeah, 2019). Analysts are enterprises that focus on established products or services trying to successfully add new services and products as other corporations in a sector, while reactors do not have a comprehensive strategyfor competing with the industry or a mechanism to adapt to the marketplace(Obel&Gurkov, 2013).

This theory assumes that an organization's success depends on external environmental conditions and internal strategy, ideology,processes and structuresadaptation (Sparano et al., 2014). This topology reflects a comprehensive set of organizational attributes and processes as well as environmental attributes, including dimensions such as market/product entry behavior, organizational structure, management attributes, market access and technology (Obel&Gurkov, 2013).However, although the typology provides a useful framework for analysis, it is not theoretically substantiated because it fails to explain the causal relationships and does not provide predictive knowledge, and typology is not a predictive tool (Aljuhmani, Emeagwali&Ababneh, 2021). According to Obel and Gurkov (2013), the typology is also described in a relatively general way and is limited to explaining competitive behavior or large markets.

The theory presents a strategy as a set of decisions, including a focus on the skills a business unit uses to align management processes with its environment (Aljuhmani, Emeagwali&Ababneh, 2021). The typology addresses many of the key strategic and organizational trade-offs that today's enterprises must make in order to gain some competitive advantage (Sparano et al., 2014).In this study, the theory supports that the management of organizations should be able to create a management system, structure, and set of processes that seamlessly manage and monitor the organization's current activities. Thus, insurance brokerage firms should generally develop relatively stable strategic patterns to adapt well to different environmental conditions.

2.3 Organizational Strategic Responses

Organizational strategic responses vary from resistant toconforming, from preconscious to controlling, from passive to active, from impotent to influential and from opportunistic to ordinary, contingent on the institutional compliance pressures an organization applies (Nuryakin, 2018).Response strategies may includerestructuring, marketing, information technology and cultural change, expansion, innovations, mergers and acquisitions, strategic alliances among others. This study focused on diversification, innovation, market expansion, strategic alliances, strategic outsourcing, cost cutting and downsizing response strategies.

Diversification is a strategy for entering an industry or new market in which the company is not currently present in whilst creating new products (Ireland, Hoskisson&Hitt, 2013).Diversification can be classified under two headings as product diversification and geography. Related diversification is a business-level tactic in which an organization diversifies into industries or markets similar to existing ones. An organization that pursues unrelated diversification by adding new products and entering new markets unrelated to existing markets and products (Gasela, 2018).

Innovation strategy entails coming with new products or modifying the existing ones (Peng, 2014). There are several types of innovation that a firm can adopt in reaction to the changing business environ. They are product, process, and market, technological and institutional innovation (Binuyo, Ekpe&Binuyo, 2019).Innovation is a key tool that companies can use to enter a new market, to strengthen their competitiveness and increase theirindustry’s market share. The need for innovation emanates from the growing competition in national and global markets (Binuyo, Ekpe&Binuyo, 2019).

Market expansion entails offering a service or product to a larger portion of thecurrent market or a new demographic, geographic or psychographic market. Marketing expansion strategies are used whenever a company intends to enlarge its undertakings to sell its products to new potential customergroups(Ireland, Hoskisson&Hitt, 2013).The market expansion strategy is guided by the product/market expansion matrix, which focuses on the organization’s potential and presents markets and products, considers means of growth through new and existing products in new and existing markets (Peng, 2014).

Strategic alliances denotes voluntary cooperation agreements between organizations to attain mutually beneficial strategic objectives. Joint ventures, non-stakeholder alliances, equity strategic alliances, franchises, synergies are some of the strategic alliance tactics widely adopted by organizations (Gasela, 2018). Under a strategic equity alliance, organizations create a business unit with diversesharesto share capabilities and resources, creating a uniquemarketplace advantage (Gasela, 2018). Non-equity alliances denotes a situation where one organization enters into a contract with another to cooperate on specific activities that share their unique strengths and advantages and reinforce its competitive edge (Ireland et al., 2011).

Strategic outsourcing is a strategy that companies often use to address external environment aspects andentails the cognizant decision not to conduct particular value chain undertakings internally and instead outsource them from external providers and strategic partners (Peng, 2014). Outsourcings as a response strategy entail subcontracting of outsider vendors to carry out non-core activities of an organization (Binuyo, Ekpe&Binuyo, 2019).To keep pace with changing consumer needs and competition and the desire to operate in a competitive corporate environment, firms need to employ effective strategic outsourcing strategies to undertake the non-core activities (Volberda, et al., 2011).

The cost cutting strategy arises when companies emphasizeson cost reduction for every value chain activity(Nuryakin, 2018).In terms of cost reduction, it is suggested that many different measures can be considered, such as reducing staff, delaying the start of some key projects, renegotiating debts and eliminating other non-essential items from the budget (Gasela, 2018).In turbulent periods, corporate prospects often shorten and managers/owners focus on survival as opposed to long-term goals. Hence, it becomes easier to reduce costs than to generate more income (Volberda et al., 2011).

Downsizing is strategy aimed at improving a company's financial position by changing and reducing its workforce structure to improve operating results (Volberda, et al., 2011).Downsizing is achieved by reducing the employees through attrition, layoffs, early retirement, redeployment or reducing the organizational management levels or units through de-layering, transfer, reorganization or divestiture (Peng, 2014). Downsizing eliminates a certain number of workers in the organization, especially middle-level management (Wenzel, Stanske& Lieberman, 2020).

2.4 Strategic Responses and Organizational Competitiveness

Strategic responses entail changes in the company's strategic behavior in order to successfully enhance afirm competitiveness (Onamusi, 2020). The Miles and Snow topology shows that the company's approach and structure are partly determined by environmental conditions and that top management decisions are crucial drivers of an organization's competitiveness (Sollosy, Guidice&Parboteeah, 2019).Therefore, for organizations to attain sustainable competitiveness should ensure it sets anappropriate strategic responsesbased on their organization structure and approaches to support their operations (Kimalel, Kihara&Muriithi, 2017). The dynamic capabilities theory suggests that indirect and direct linkageexists between the dynamic external and internal capabilities and firm competitiveness (Hernández & Bautista, 2017).

According to Zekiriand Nedelea (2012), strategic responses help organizations to stay competitive and enhance their performance in an ever competitive and turbulent business environment. Therefore, to maximize long-term organizational performance, there is need for the strategic managers to develop the responses that will help them adopt to the external environmental changes. Appropriate strategic responses ultimately curb the changes in the external environment and ultimately affectsan organization’scompetitiveness (Wilson &Eilertsen, 2010).According to Kimalel, Kihara and Muriithi (2017) properly targeted anddesigned responses strategies are important tools for sustaining competitive edge.

Strategic responses are key for any organization aspiring to remain competitive and they ensure that organizationsremain competitive in the changing business environment and this improves on performance (Kimotho, 2016). Strategic responses require that organization move away from its current strategies so that it remains competitive and therefore performance. Companies pursue a variety of strategies that outweigh their rivals like cost leadership, product quality, differentiation and good customer service (Wilson &Eilertsen, 2010).In their study, Kuria and Waiganjo (2016) documented a positive and significant link between the market penetration strategy and competitiveness.

Onamusi (2020) study on strategic response andNigerian firms' competitiveness reveled that strategic responses positivelyaffected firms' competitiveness. Koch (2020) also examined the strategic responses of MNCs and documented that MNC used a variety of response strategies that positively enhanced their competitive advantage. Kimotho (2016) investigated the strategies adopted by banks to enhance competitiveness documented that strategic alliances, licensing, decentralization and technology adoption were the strategies used by Kenyan banks to achieve competitive edge.

2.5 Empirical Studies and Gaps

A study by Muriira (2014) explored the competitive strategies used by insurance firms to attain success. The study used questionnaires for collection of data from all the Kenyan insurance firms. Using descriptive analytical tools, the study revealed that bulk of the insurance corporationsused the market penetration and niche or focus strategies to sustain competitiveness. This study however concentrated much on competitive strategies and not the response strategies used to enhance competitiveness. Further, the study's context was insurance firms as opposed to insurance brokers who operations are different.

Da Rocha et al (2017) investigated the strategic responses employed by Brazilian firmsto respond to the 2008 global financial crisis. The study data was collected using personal interviews. The authors revealed thatthe firms adopted different response strategiessubjectto dependence degree on external markets and cooperation levels. However, this study focused on export oriented manufacturing companies whose activities vary with those of insurance brokers. In addition, the study used personal interviews for data collection hence a methodological gap since this study shall use questionnaires for gathering data.

Muchiri, Iravo and Ombui (2017) examined whether strategic responses affected Kenyan oil marketing firms' performance. A survey design was adopted and collected data using questionnaires from 115 respondents. The study found that the firm adopted key strategic responses such as differentiation, strategic alliances and mergers. Through regression analysis, the authors documented thatstrategic alliance and differentiation significantly affected performance. This study's context was oil-marketing firms thus the findings may not be generalized to insurance brokers.

Kanyotu (2017) investigated the response strategies to business environmental changes by Britam Insurance. The authorused a survey design and gathered data through questionnaires from the firms' employees. The study documented a significant and positive relationship between market-based strategies;products based strategies and responsiveness to the changes in business environment. The study by Kanyotu (2017) however did not focus on insurance brokerage firms but a single insurance entity in Kenya as focused more on business environment changes and not competitive advantage.

Lin et al (2018) assessed the response strategies adoptedby the Chinese automobile sectorto ensure success strategy implementation. The study used the structural modeling method for analysis of the collected data. The outcomes revealed that strategic responses not only helped in enhancingcompetitiveness, but they also hadeconomic and social effects. The study also found that business size and its nature did not enhance technology usage. This study's context was the automotive industrywhich is labor and technology intensive and whose competitive response strategies may significantly differ with those of insurance brokers.

In their study, Kwoka and Batkeyev (2019) examined the response strategies to competitive threats by airlines in USA. The study examined a single airline and two carriers inthe US Airway and focused more on their capacity and price strategies when faced with entry of new rivals in particular routes. The study found that thefirm's strategies among themnew entrant's identification, the possiblescenarios of driving the competitor out, the rout completion and airport type were the significant threats affecting the airlines. This study's context wasairline, which belong to a different industry with that of insurance brokers making it impossible to apply the results to the presentresearch context.

Table 2.1: Summary of the Research Gaps

Author (s)	Focus of the study	Methodology	Findings	Knowledge gaps
Muriira (2014)	Competitive strategies used by insurance firms to attain success	Questionnaires were used for data collection, which analysed through descriptive analysis tools.	The insurance firms used the market penetration and niche strategies to sustain competitiveness	The study's context was insurance firms as opposed to insurance brokers who operations are different.
Da Rocha et al (2017	Response strategies adopted by Brazilian companies in response to the 2008 global financial crisis	Data was collected using personal interviews	Firms adopted different response strategies subject to dependence degree on external markets and cooperation levels	The study focused on export oriented firms whose activities vary with those of insurance brokers
Muchiri, Iravo and Ombui (2017)	Strategic responses affected Kenyan oil marketing firms' performance	The study adopted a survey approach and questionnaires used for data collection	The firms adopted key strategic responses such as differentiation, strategic alliances and mergers	The context was oil marketing firms thus the findings may not be generalized to insurance brokers
Kanyotu (2017)	Response strategies to business environmental changes by Britam Insurance	A survey design and collected data using questionnaires	A significant and directlink between market and products strategies and responsiveness to the business environment	The study did not focus on insurance brokerage firms but a single insurance entity
Lin et al (2018)	Response strategies by the Chinese automobile sector to ensure success strategy implementation	The study used the structural modeling method to analyse the collected data	Strategic responses helped in enhancing competitiveness, but they also had economic and social effects	The study's context was the automotive industry which is labour and technology intensive
Kwoka and Batkeyev (2019)	Response strategies to competitive threats by airlines in USA	Questionnaires were used for data collection, which analysed through descriptive analysis tools.	Firm strategies among them new entrants identification, the possible scenarios of driving the competitor out were the significant threats affecting airlines	The study's context were airline which belong to a different industry with that of insurance brokers

Source: Author (2021)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This sectionhighlights the methodology employed to undertake the research. Specifically, the chapter presents the research design, the study's population, data collection and analysis methods.

3.2 Research Design

A research design is a roadmap used by researchers to define the procedures and method adopted to undertakea research. A study design is used to outline research objectives, describe the data to be collected, and to identify the limitations that may affectaresearch (Omair, 2015). This study adopted a descriptive research design. Descriptive research aims at providing a depiction of the state as it naturally occurs. It is used to validate current practice and judgment and to develop theory (Leedy&Ormrod, 2010).A descriptive research was used to examine the variables without manipulating them and to report the differentattributes that define competencies. In addition, a descriptive study design is employed when aninvestigatorintends to explaina particular activity as it happens in the environment (Saunders, Lewis & Thornhill, 2009).

3.3 Population of the Study

Population denotes the aggregate number of items from which data from individuals, events, organizations or artifacts can be collected (Saunders, Lewis & Thornhill, 2009). The Insurance Regulatory Authority (2020) indicates that there were 188 insurance brokers in Kenya as of July, 2020. This study's population therefore comprised the 188 insurance brokers who were authorized to transact insurance business as insurance brokers in Kenya.

This study thus undertook a census design to select the 188 insurance brokers with the unit of analysis being the brokerage firms' managers or their equivalents.As this study's population is small and the insurance brokers can be ascertained with certainty, it is therefore appropriate to use a census for this study. Saunders, Lewis and Thornhill (2009) suggests that data collection through a census enables a researcher to undertake an intensive research about a problem; in addition, it offers for a high degree of accuracy and is very suitable for a heterogeneous population.

3.4 Data Collection

This study used primary data thatwas gathered through a questionnaire. The study questionnaire wasfragmented into three sectors where the first part collected data on the insurance brokers firms' general information. The second and the third sections included Likert scale based questions and obtained data on the adopted strategic responses as well ascompetitiveness. The questionnaires were dropped to the brokerage firms' managers or their equivalents and picked after two weeks for the brokerage firms within Nairobi and emailed to brokerage firms outside Nairobi. A questionnaire is an effective way of collecting an extensive range of data from a large sample and is generally easy to analyze (Saunders, Lewis & Thornhill, 2009).

3.5 Data Analysis

Data analysis includes the mechanism for organizing data to produce results that need to be interpreted by the researcher(Saunders, Lewis & Thornhill, 2009). Descriptive and inferential statistical toolswas used for data analysis using the SPSS statistical software. To achieve, the study's first objective, descriptive analysis entailed, frequencies, percentages, standard deviation and themean, whichwereemployed to organize, describe and summarize the data.Inferential statistics entailedregressionanalysis, whichwas used to achieve the study's second objective of determining whether a relationship exists between the strategic responses and competitiveness of insurance brokers in Kenya.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon$$

Where, Y = Organizational competitiveness, X_1= Diversification, X_2= Innovation, X_3 = Market expansion, X_4 = Strategic alliances, X_5 = Strategic outsourcing, X_6 = Cost cutting, X_7 = Downsizing, β_0 = Constant, β_1- β_7 = Regression coefficients, ε = Error term

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This section presents the findings and results of the analyzed data. The chapter thus comprises of the response rate results, background information outcomes, descriptive statistics results on the response strategies and competitiveness, regression analysis results and lastly a discussion of the findings.

4.2 Response Rate

In this study, a census of the 188 insurance brokerage firms in Kenya as of July 2020 was undertaken. However, complete data was obtained from 117 firms, which led to 62.2% response rate. The 62.2% response rate was deemedsatisfactory for the study as it was supported by more than 50% by Babbie (2004), who suggested that 50% is usually acceptable for publication and analysis, 60% is good and 70% is excellent.Table 4.1 shows the results.

Table 4.1: Response Rate

	Frequency	**Percent**
Returned questionnaires	117	62.2
Unreturned questionnaires	71	37.8
Total	188	100.0

Source: Study Data (2021)

4.3 Background Information

This part presents the findings regarding the number of years the brokers have been operating, the number of employees, the brokers' core business and the number of branches they have across Kenya.The results were as follows;

4.3.1 Age of the Firms

This section is intended to determine the number of years that brokerage institutions had existed. Years of operation define the quality of experience companies have accumulated over the years.Table 4.2 shows the results.

Table 4.2: Age of the Firms

Years	Frequency	Percent
Less than 5 years	17	14.5
6-10 years	37	31.6
11-15 years	32	27.4
Over 16 years	31	26.5
Total	117	100.0

Source: Study Data (2021)

Table 4.2 shows that 31.6% of the enterprises existed between 6-10 years and 27.4% for 11-15 years. The findings also show that 26.5% of businesses have been in operation for more than 16 years, while 14.5% have been in operation for less than 5 years. This finding indicates that the majority of the companies sampled have been in operation for more than 5 years and thus have sufficient industry experience in terms of the various strategic responses adopted in the insurance industry.

4.3.2 Number of Employees

This section aims to determine the number of personnel working in brokerage entities. The number of employees in a company is an indicator of the size of the company.Table 4.3 shows the results;

Table 4.2: Number of Employees

Number	**Frequency**	**Percent**
Less than 10 employees	64	54.7
11-20 employees	37	31.6
Over 21 employees	16	13.7
Total	117	100.0

Source: Study Data (2021)

Table 4.2 shows that 54.7% of the brokerage firms had less than 10 employees, while 31.6% had had 11-20 employees. Further, the findings indicate that 13.7% of the firms had more than 20 employees. The results indicate that most of the brokerage firms had few employees with most of them having less than 10 employees hence an indication that most of the brokerage firms are small in nature.

4.3.3 Area of Operation

This partdepicts the results on the key areas of operations by the brokerage firms. Table 4.3 depicts the results;

Table 4.3: Area of Operation

Services offered	**Frequency**	**Percent**
Life insurance brokerage	15	12.8
General insurance brokerage	35	29.9
Both life and general insurance brokerage	67	57.3
Total	117	100.0

Source: Study Data (2021)

The findings on table 4.3 indicates that 57.3% of the brokerage firms offered both life and general insurance services while 29.9% offered the general insurance services whereas 12.8% of the firms offered life insurance services. This finding indicates that most of the brokerage firms offered both life and insurance services hence he findings were not skewed towards a particular area of operations.

4.3.4 Number of Branches

Table 4.4 shows the findings on the number of branches by the various insurance brokerage firms in Kenya.

Table 4.4: Number of Branches

Number	Frequency	Percent
Less than 5 branches	41	35.0
6-10 branches	56	47.9
More than 10 branches	20	17.1
Total	117	100.0

Source: Study Data (2021)

The findings in table 4.4 shows that 47.9% of the brokerage firms had 6-10 branches whilst 17.1% had more than tenbranches. The finding further indicates that 35% of the firms had less than five branches. This finding indicates that most of the brokerage firms had more than five branches indicating that they had geographically diversified their operations.

4.4 Strategic Responses

This section aims to identify the extent to which brokerages have adopted different strategic responses on a scale of 1 to 5, where 1 presented Not at all; 2 indicated little extent; 3 indicated Moderate extent; 4 represented large extents while 5 indicated very large extentrespectively. The study focused on diversification, innovation, market expansion, strategic alliances, strategic outsourcing, cost cutting and downsizing response strategies. The results were as follows;

4.4.1Diversification

Under this section, the various forms of diversification adopted by the brokerage firms were assessed to determine their extent of adoption. Table 4.5 depicts the results;

Table 4.5: Diversification

Form of diversification	Mean	Std. Deviation
Related diversification	4.39	.708
Unrelated diversification	2.78	.940
Geographic diversification	4.43	.708
Products and services diversification	4.47	.622
Composite mean and standard deviation	**4.02**	**.745**

Source: Study Data (2021)

The findings on table 4.5 shows that related diversification had been adopted at a large extent (mean=4.39; SD=0.708) while unrelated diversification had been adopted little extent (mean=2.78; SD=0.940) respectively. The findings further indicate that geographic diversification (mean=4.43, SD=0.708) as well as products and services diversification (mean=4.47; SD=0.622) had beenadopted at a large extent respectively. Overall, the analysis shows that diversification was adopted at a large extent (mean=4.02; SD=0.745) respectively. This finding implies diversification as a strategic response was largely (mean= 4.02; SD=0.745) adopted by the insurance brokerage firms in Kenya.

4.4.2Innovation

This section assessed various types of innovation to determine their extent of their adoption by the insurance brokerage firms. Table 4.6 denotes the outcomes;

Table 4.6: Innovation

Form of innovation	**Mean**	**Std. Deviation**
Technology based innovations	4.15	.702
Process innovations	3.25	.808
Service innovations	3.50	.847
Organizational innovations	3.86	.681
Composite mean and standard deviation	**3.69**	**.760**

Source: Study Data (2021)

Table 4.6 indicates the technology based innovation had been adopted at a large extent (mean=4.15; SD=0.702) while process innovations were moderately adopted (mean=3.25; SD=0.808) respectively. Theoutcomes findings indicated that service innovations (mean=3.50; SD=0.847) and organizational innovations (mean=3.86; SD=0.681) were moderately adopted. Overall, the findings indicate that the insurance brokerage firms had moderately (mean=3.69; SD=0.760) adopted innovation as strategic response to enhance competitiveness.

4.4.3Market Expansion

Various types of market expansion strategies were assessed under this section to determine their extent of adoption by the insurance brokerage firms. Table 4.7 depicts the outcomes.

Table 4.7: Market Expansion

Type of market expansion	**Mean**	**Std. Deviation**
Product market expansions	4.34	.659
Market development	4.21	.650
Serving specific sectors	4.46	.609
Creating insurance awareness	4.57	.758
Composite mean and standard deviation	**4.40**	**.669**

Source: Study Data (2021)

Thefindings on table 4.7 indicate that product market expansion (mean=4.34; SD=0.659) and market development (mean=4.21; SD=0.650) were adopted at a large extent respectively. Further, servicing specific sectors was adopted at a large extent (mean=4.46; SD=0.609) while creating insurance awareness had been largely adopted (mean=4.57; SD=0.758) respectively. Overall, the analysis indicates that the insurance brokerage firms had largely (mean= 4.40; SD=0.669) adopted market expansion as a strategic response to enhance competitiveness.

4.4.4 Strategic Alliances

Under this section, various form of strategic alliances was assessed to determine their extent of adoption by the insurance brokerage firms. Table 4.8 depicts the outcomes.

Table 4.8: Strategic Alliances

Form of strategic alliance	**Mean**	**Std. Deviation**
Strategic partnerships	3.85	.633
Collaborations with agents	4.06	.577
Business networks	3.59	.745
Mergers	2.57	1.085

Composite mean and standard deviation	**3.52**	**.760**

Source: Study Data (2021)

Table 4.8 depicts that strategic partnerships (mean=3.85; SD=0.633) and business networks (mean=3.59; SD=0.745) had been moderately adopted by the insurance brokerage entities. The outcomes also indicate that the firms collaborated with agents at a large extent (mean=4.06; SD=0.745) while the merger strategy had been adopted at a smaller extent (mean=2.57; SD=1.085) respectively. Overall, the analysis shows that the insurance brokerage firms had moderately (mean=3.52; SD=0.760) adopted strategic alliances as a strategic response to enhance competitiveness.

4.4.5 Strategic Outsourcing

Different strategic outsourcing approaches were assessed to determine their extent of adoption by the insurance brokerage firms. Table 4.9 provides a summary of the results.

Table 4.9: Strategic Outsourcing

Approach	Mean	Std. Deviation
Subcontracting	3.03	.737
Outsourcing for non-core activities	4.35	.661
Services outsourcing	2.79	.945
Logistics outsourcing	2.78	1.026
Composite mean and standard deviation	**3.24**	**.842**

Source: Study Data (2021)

The findings under table 4.9 shows that subcontracting had moderately been adopted by the insurance brokerage firms while outsourcing of non-core activities had been adopted at a large extent (mean=4.35; SD=0.661) respectively. Further, services outsourcing (mean=2.79; SD=0.945) and logistics outsourcing had been adopted at smaller extent respectively. The overall analysis indicates that strategic outsourcing had been moderately (mean=3.24; SD=0.842) adopted by the insurance brokerage firms as a strategic response to enhance competitiveness.

4.4.6 Cost Cutting Strategy

This section assessed various cost cutting approaches to determine their extent of adoption by the sampled insurance brokerage firms. Table 4.10 depicts the outcomes.

Table 4.10: Cost Cutting Strategy

Approach	**Mean**	**Std. Deviation**
Removal of non-essential budget items	4.46	.549
Reduction of operational costs	4.29	.869
Debt renegotiation	2.95	.676
Closing off non-profitable business lines	4.38	.607
Composite mean and standard deviation	**4.02**	**.675**

Source: Study Data (2021)

Table 4.10 displays that the removal of non-essential items from the budget (mean=4.46, SD=0.549), reduction of operational costs (mean=4.29, SD=0.869) and closure of non-profitable business lines (mean=4.38; SD=0.607) were the largely used costing cutting strategies by the insurance brokerage firms. The findings further indicate the insurance brokerage firms used debt negotiation at a little extent (mean=2.95; SD=0.676) respectively. The overall results show that the insurance brokerage firms largely (mean=4.02, SD=0.675) used cost-cutting approaches to enhance competitiveness.

4.4.7 Downsizing

Various downsizing approaches were assessed to determine their adoption by the insurance brokerage firms. Table 4.11 depicts the outcomes.

Table 4.11: Downsizing

Approach	Mean	Std. Deviation
Reducing the number of employees	4.32	.641
Layoffs and early retirement	3.86	.668
Redeployment/reducing management levels	3.57	.922
Reorganization	3.62	1.016
Composite mean and standard deviation	**3.84**	**.812**

Source: Study Data (2021)

The findings on table 4.11 indicates that reduction of the number employees was largely used (mean=4.32; SD=0.641) by the insurance brokerage firms. The findings further indicate that layoffs and early retirement (mean=3.86; SD=0.668), redeployment/reducing management levels (mean=3.57; SD=0.922) and reorganization (mean=3.62; SD=1.016) approaches had been moderately adopted by the insurance brokerage firms. The overall analysis indicates that the downsizing approach had been moderately (mean=3.84; SD=0.812) adopted by the insurance brokerage firms as a strategic response to enhance competitiveness.

4.5Organizational Competitiveness

Under this section, various organizational competitiveness indicators were assessed to determine the extent to which the insurance brokerage firms had improved. Table 4.12 shows the results.

Table 4.12: Organizational Competitiveness

Competitiveness indicator	**Mean**	**Std. Deviation**
Differentiation advantage	3.55	.737
Successful focus strategy	3.70	.769
Reduction of costs(efficiency)	4.21	.595
Excellent quality services	4.23	.700
Market share	3.52	.750
Composite mean and standard deviation	**3.84**	**.710**

Source: Study Data (2021)

As shown in table 4.12, the insurance brokerage firms' differentiation advantage (mean=3.55; SD=0.737), focus strategy (mean=3.70; SD=0.769) and market share (mean = 3.52; SD=0.750) had moderately improved. The results further indicate that the insurance brokerage firms had largely (mean=4.21; SD=0.595) reduced costs and largely (mean=4.23; SD=0.700) enhanced their services respectively. The overall analysis indicates that the insurance brokerage firms' competitiveness was moderate (mean=3.84; SD=0.710) respectively.

4.6Regression Analysis

Regression was used to determine linkbetween the strategic responses and competitiveness of insurance brokers in Kenya as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon.$$

4.6.1 Model Summary

Table 4.13: Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.642[a]	.412	.374	1.48117

a. Predictors: (Constant), Downsizing, Strategic alliances, Diversification, Innovation, Cost cutting strategy, Strategic outsourcing, Market expansion.

Source: Study Data (2021)

Table 4.5 shows that the studied strategic responses (downsizing, strategic alliances, diversification, innovation, cost cutting strategy, strategic outsourcing and market expansion) explains 41.2% of the variation of the insurance brokerage firms' competitiveness. This is shown by the R-square value (coefficient of determination) of 0.412 (41.2%). On the other, the findings indicate that 58.8% of the variation is explained by other variables that this study did not consider.

4.6.2 Analysis of Variance

Table 4.14: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	167.379	7	23.911	10.899	.000[b]
	Residual	239.132	109	2.194		
	Total	406.511	116			

a. Dependent Variable: Organizational competitiveness

b. Predictors: (Constant), Downsizing, Strategic alliances, Diversification, Innovation, Cost cutting strategy, Strategic outsourcing, Market expansion

Source: Study Data (2021)

The ANOVA results in Table 4.6 show that the regression is appropriate for the study and statistically significant. This is represented by a statistically significant F value (10.899) (P-value = 0.000 < 0.05) at the 5% significance level.

4.6.3 Coefficients

Table 4.15: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.828	2.667		1.060	.291
	Diversification	.291	.114	.198	2.546	.012
	Innovation	.977	.371	.214	2.635	.010
	Market expansion	.558	.154	.491	3.621	.000
	Strategic alliances	.376	.409	.069	.918	.361
	Strategic outsourcing	.006	.226	.004	.029	.977
	Cost cutting strategy	.954	.177	.639	5.378	.000
	Downsizing	.921	.349	.227	2.641	.009

a. Dependent Variable: Organizational Competitiveness

Source: Study Data (2021)

The coefficient results on table 4.15 show that diversification had a positive (B=0.291) and significant (P-value=0.012<0.05) relationship with competitiveness of the insurance brokers in Kenya. Similarly, innovation had a significant (P-value=0.010<0.05) and positive (B=0.977) relationship with the insurance brokerage firms' competitiveness. Further, there was a positive (B=0.558) and significant (P-value=0.000<0.05) link between market expansion and competitiveness of the insurance brokers in Kenya. However, strategic alliances had a positive (B=0.376) and insignificant (P-value=0.361>0.05) relationship with the insurance brokerage firms' competitiveness while strategic outsourcing had an insignificant (P-value=0.977>0.05) and positive (B=0.006) relationship with the competitiveness of the insurance brokers. The finding also shows cost-cutting strategy positively (B=0.954) had significantly (P-value=0.000<0.05) affected the insurance brokerage firms' competitiveness. Lastly, the results show that downsizing had a positive (B=0.921) and significant (P-value=0.009<0.05) effect on the competitiveness of insurance brokers in Kenya.

4.7 Discussion of the Findings

This study's first objective was to determine the strategic responses adopted by insurance brokers in Kenya to enhance competitiveness. The findings revealed that the diversification approach had been largely adopted by the insurance brokers with related, geographic diversification, products and services diversification being the mostly used forms of diversification.The regression analysis results revealed that diversification positively and significantlyaffected competitiveness of the insurance brokers in Kenya, which means that adoption of the diversification strategy significantly enhances the competitiveness of insurance brokers. In their study,Chirani and Effatdoost (2013),both related and unrelated diversification had a significant impact of organizational competitiveness. In addition, Wanjiru and Nzulwa (2018) found that revenue and portfolio diversification positively and significantly influenced Kenyan banks competitiveness.

The findings also revealed that the insurance brokers had moderately adopted the various innovation strategies (technology, process service and organizational innovations) although technology based innovations had been largely adopted by the firms. The regression findings documented that innovation had a significant and positive link with the insurance brokerage firms' competitiveness hence an indication that innovation significantly improves the competitiveness of insurance brokers.According to Binuyo, EkpeandBinuyo (2019) innovation is a key tool that companies can use to enter a new market, to strengthen their competitiveness and increase their industry's market share. In their study, Wanjiru and Nzulwa (2018) documented that technological innovations had a positive and significant effect on competitiveness. Shqipe, Gadaf and Veland(2013)documented that technological, product and process innovations had a significant effect on competitiveness and concluded that an entity can enhance its competitive advantage through innovation.

The findings further indicated that the market expansion strategies had been largely adopted by the insurance brokers with creation of insurance awareness being the mostly preferred expansion strategy followed by serving specific sectors, product market expansions and market development. The regression analysis results revealed that market expansion had a positive and significant link with competitiveness of the insurance brokers in Kenya, hence an indication that market expansion significantly enhances the competitiveness of insurance brokers.In their study, Kuria and Waiganjo (2016) documented a positive and significant link between the market penetration strategy and competitiveness.Kanyotu (2017) also documented a significant and positive relationship between market-based strategies; products based strategies and responsiveness to the changes in business environment.Mwilu and Njuguna (2020) also documented that market expansion strategies significantly affects Kenyan SACCOsprofitability.

The findings indicated that the insurance brokerage firms had moderately adopted variousstrategic alliance approaches (strategic partnerships, business networks) although collaborations with agents had been largely adopted while mergers and acquisitions were the least used strategies. Regression results on the other hand showed that strategic alliances had a positive but insignificant relationship with the insurance brokerage firms' competitiveness, meaning that strategic alliances do not significantly increase the competitiveness of insurance brokers.However, Muchiri et al. (2017) documented that strategic alliance and differentiation significantly affected firms' competitiveness and performance. Further, Todeva and Knoke (2005) in their study documented that strategic alliances propagated inter-organizational relationships that boasts the achievement of organizational objectives and enhances organizational competitiveness.

In addition, the findings showed that strategic outsourcing had been moderately adopted by the insurance brokerage firms. However; outsourcing of non-core activities was largely used while subcontracting was moderately adopted. On the other hand, services and logistics outsourcing were the least adopted strategies. The regression analysis results revealed that strategic outsourcing had a positiverelationship but an insignificant statistical relationship with the competitiveness of insurance brokers in Kenya, hence an indication that strategic outsourcing does not significantly increase the competitiveness of insurance brokers.However, a study by Shaviya (2013) documented that outsourcing is used as a strategic response to enhance competitiveness and outsourcingsignificantly affects organization competitiveness. Kaboro (2018) also documented that strategic outsourcing had a significant and positive effect on Kenyan banking entities competitiveness. In addition, Kang, Wu and Hong (2009) documented that strategic outsourcing approachenables firms to achieve competitive advantage and to gain a substantial market growth.

The finding also revealed that the insurance brokerage firms largely used various cost-cutting approaches with removal of non-essential items from the budget, reduction of operational costs and closure of non-profitable business lines being the mostly used strategies. Debt renegotiation was the least used strategy meaning that most the brokerage firms did not have huge debts. The regression findingsdocumentedthat the cost-cutting strategy positively and significantlyaffected competitiveness of the insurance brokers in Kenya, hence an indication that cost cutting significantly enhances the performance. In their study, Chirani and Effatdoost (2013) found that cost cutting reduced operational costs, which in turn led to enhanced performance and competitiveness. Shqipe, Gadaf and Veland(2013) further indicated through cost cutting measures, an entity is able to enhance its market competitiveness as well as its performance. In their study, Abdelraheem et al. (2017) documented that strategic cost cutting helps to reduce cost during product development and design, enhances organizations performance that leads to enhanced competitiveness.

The study also found that the various downsizing approaches among them layoffs and early retirement, redeployment/reducing management levels and reorganization had been moderately used while reduction ofstaff members had been largely adopted by the insurance brokers. The regression analysis results documented that that downsizing had a positively and significantlyaffected the competitiveness of insurance brokers in Kenya, hence an indication that downsizing significantly enhances the competitiveness of insurance brokers.In their study, Wenzel, Stanske and Lieberman (2020) posited that downsizing eliminates a certain number of workers in the organization, especially middle-level management. Sheaffer et al. (2009) documented a positive effect of various downsizing strategies on organizational competitiveness and short-term performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section summarizes the study findings and presents its conclusions and recommendations. This section also summarizes the study limitations and recommendations for further research.

5.2 Summary

This study aimedat determining the effect of strategic responses on competitiveness of insurance brokers in Kenya. This study adopted a descriptive research design and study's population comprised the 188 insurance brokers in Kenya as of July 2020. This study thus undertook a census design to select the 188 insurance brokers with the unit of analysis being the brokerage firms' managers or their equivalents. This study gathered primary data through a questionnaire and were dropped to the brokerage firms' managers or their equivalents and picked after two weeks for the brokerage firms within Nairobi and emailed to brokerage firms outside Nairobi. Descriptive and inferential statistical tools was used for data analysis using the SPSS statistical software. Inferential statistics entailed regression analysis, which was employed to determine the variables interrelationship. Complete data was obtained from 117 firms, which led to 62.2% response rate.

The findings on background information showed that majority of the sampled firms had been in operation for more than 5 years and that most of the brokerage firms had few employees with most of them having less than 10 employees hence an indication that most of the brokerage firms were small in nature. The findings furthershowed that majority ofthe brokerage firms offered both life and insurance services hence he findings were not skewed towards a particular area of operations and that most of the brokerage firms had more than five branches indicating that they had geographically diversified their operations.

The descriptive analysis results revealed that related, geographical, products and services diversification had been adopted at a large extent while unrelated diversification had been adopted at a little extent by the insurance brokers. The descriptive findings on innovation indicated that service innovations, process and organizational innovations had been moderately adopted while technological innovations had been largely adopted by the insurance brokers. The findings on market expansion indicated that product market expansion, market development, servicing specific sectors and creating insurance awareness were largely adopted by the insurance brokerage firms. The descriptive results on strategic alliances established that strategic partnerships and business networks had been moderately adopted while collaboration with agents had been largely adopted by the insurance brokerage firms.

Further, descriptive analysis results on strategic outsourcing revealed that outsourcing of non-core activities was largely adopted while subcontracting was moderately adopted whereas services and logistics outsourcing had been adopted at a little extent by the insurance brokerage firms. The descriptive results on cost cutting revealed that removal of non-essential items, reduction of operational costs and closure of non-profitable business lines were the largely used cost cutting strategies while the insurance brokers minimally used debt negotiation strategy. The descriptive results on downsizing revealed that layoffs and early retirement, redeployment/reducing management levels and reorganization strategies were moderately used while reduction of the number of employees was largely used by the insurance brokerage firms.

The regression analysis results revealed that diversification had a significant and positive relationship with competitiveness while innovation had a significant and positivelink with the insurance brokerage firms' competitiveness respectively. The results further showed that a positive and significant link exists between market expansion and competitiveness while strategic alliances had a positive but insignificant relationship with the insurance brokerage firms' competitiveness. The results also established that strategic outsourcing had apositive but statistically insignificantrelationship with the competitiveness while cost-cutting strategy positively and significantly affected the insurance brokerage firms' competitiveness. Lastly, the results showed that downsizing had a significant and positive effect on the competitiveness of insurance brokers in Kenya.

5.3 Conclusions

This study documented that market expansion, diversification and cost cutting were the largely adopted strategies by the insurance brokerage firms in Kenya. As per the result, the study concludes that market expansion, diversification and cost cutting are the most used responses strategies by insurance brokers in Kenya to enhance competitiveness hence most of the insurance brokerage firms in Kenya are prospectors who maintain their competitive position and aggressively seek new marketplace opportunities and expand the range of its services and products.Prospectors are companies that sustain their competitive position and aggressively seek new market opportunities and expand their product and service offerings (Sparano et al., 2014). Secondly, the findings indicated that innovation, strategic alliances, strategic outsourcing and downsizing were moderately adopted by the insurance brokerage firms. This leads to the conclusion that innovation, strategic alliances, strategic outsourcing and downsizing are moderately used by insurance brokers in Kenya.

Further, it was documented that diversification, innovation, market expansion, cost cutting and downsizing had a significant and positive effect on competitiveness of the insurance brokers in Kenya. As per this finding, this study concludes that diversification, innovation, market expansion, cost cutting and downsizing response strategies significantly enhance competitiveness of the insurance brokers in Kenya. Conversely, it was documented that strategic alliances and strategic outsourcing had a positive but insignificant influence on competitiveness of the insurance brokerage entities in Kenya. This study therefore concludes that strategic alliances and outsourcing does not significantly enhance the competitiveness of the insurance brokers in Kenya.

5.4 Recommendations

The study concluded that diversification positively and significantly affected the competitiveness of insurance brokerage firms in Kenya. This study therefore recommends that the management of the insurance brokerage firms should enhance their product, services, geographical, related as well as international diversification to as to enhance their client base and ensure their services and products reach a wider audience to enhance their competitiveness as well as performance of their firms.

Secondly, the study observed that innovation positively and significantly affected the competitiveness of insurance brokerage firms in Kenya. Based on this observation, this study recommends that the insurance brokerage firms' management should review the innovation strategies as well as adopt process, organizational and product innovation in addition to technology based innovations.

Third, the study concluded that market expansion significantly and positively affects the competitiveness of insurance brokerage firms in Kenya. Thus, this study recommends that the management of insurance brokerage firms should continually review their market expansion approaches focusing both on the current market or on a new demographic, geographic or psychographic market as this would enhance their growth through new and existing products in new and existing markets, which would in turn enhance their competitiveness.

In addition, the findings led to the conclusion that strategic alliances had a positive and insignificant relationship with the Kenyan insurance brokerage firms' competitiveness. However, this study recommends that the management of the brokerage firms should initiate policy and strategic mechanisms to encourage strategic alliances with other entities through creating business networks, strategic partnerships and collaboration with insurance agents to enhance their competitiveness.

Further, the study observed that strategic outsourcing had an insignificant and positive relationship with the competitiveness of the insurance brokers in Kenya. The study however recommends that the management of the brokerage firms should adopt the different operational functions which is part of their core business as this would enable them to concentrate on their core activities and to develop strategies, which will enhance their competitiveness.

The study also concludedcost-cutting strategy positively and significantly affected the Kenyan insurance brokerage firms' competitiveness. This study thus recommends that the management of the insurance broker should take specific measures to reduce their operational costs to enhance their performance and to enhance competitivenessbut such measures should be appropriate to ensure they do not demotivate staff.

Lastly, the study concluded downsizing significantly andpositivelyaffected the competitiveness of insurance brokers in Kenya.Based on this conclusion, the study recommends that the management of Kenyan insurance brokers should initiate appropriate strategies to retain talented and appropriate number of staff, which is cost effective to maintain and to meet organizational objectives.

5.5 Limitations of the Study

This study targeted the 188 insurance brokerage firms in Kenya as of July 2020 but managed to obtain complete data from only 117 firms that led to 62.2% response rate. This indicates that the study did not attain a 100% response rate a shortfall that can be attributed to lack of cooperation by some of the respondents. The study findings therefore were based on the 117 participants who responded to the questionnaires.

This study also collected data using structure questionnaires, which had closed ended questions. This means that the respondents' qualitative views and opinions were not captured as such can only be obtained through open-ended questions or interviews. Data was also collected from brokerage firms' managers or their equivalents hence the views of junior managers and other employees was not incorporated in the study.

Third, the study's context was insurance brokers in Kenya hence the findings may not be generalized to other insurance brokerage firms outside Kenya. Further, the findings may not be generalized to insurance agents, banc assurance agents and insurance firms that offer similar services as those of insurance brokers. Lastly, the study focused on diversification, innovation, market expansion, strategic alliances, strategic outsourcing, cost cutting and downsizing response strategies and their effects on competitiveness of the insurance brokers in Kenya. The study thus is limited to the studied variables and the specific measures that were used to assess them.

5.6 Suggestions for Further Research

The study model summary indicated that downsizing, strategic alliances, diversification, innovation, cost cutting strategy, strategic outsourcing and market expansion explained 41.2% of the variation of the insurance brokerage firms' competitiveness. This means there are other strategies that this study did not consider which affects the competitiveness of the insurance brokerage firms. This study thus, recommends a similar study, which will examine the other strategic responses and other factors that affect the insurance brokerage firms' competitiveness.

This study's context was insurance brokers in Kenya, which restricted the scope and the generalization of the findings to the study context. However, several other entities including banc assurance agents as well as individual insurance agents also offer similar services as those of brokerage firms. This study therefore recommends a similar study, which can focus on other entities with the insurance sector that offer insurance brokerage services. Further, this study used structured questionnaires to collect data. However, structure questionnaires contain closed ended questions, which require a particular response making it impossible to obtain an in-depth view and opinions of the respondents regarding the study variables. This study based on this observation recommends that a similar study be undertaken through the research tools that will incorporate qualitative views and opinions of managers.

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APPENDICES

Appendix I: Research Questionnaire

Dear Respondent,

This questionnaire aims at collecting data onthe effectofstrategic responses oncompetitiveness of insurance brokers in Kenya. The study is academic in nature and any information obtained will be used for academic purposes. In addition, the information obtained will not be shared with third parties and will be treated with confidentiality. Please fill in the provided blank spaces or tick the suitable answer in the given choices.

Section I: Background Information

1. Indicate your brokerage firm's name (Optional) ____________________________
2. Indicate the number of years you firm has been in existence

   Less than 5 years [ ]

   6-10 years [ ]

   11-15 years [ ]

   Over 16 years [ ]
3. Number of employees

   Less than 10 employees [ ]

   11-20 employees [ ]

   Over 21 employees [ ]
4. Indicate you key area of operations

   Life insurance brokerage [ ]

   General insurance brokerage [ ]

   Both life and general insurance brokerage [ ]
5. Indicate the number of branches across Kenya ____________________________

Section II: Organizational Strategic Responses

6. Indicate the extent with which the strategic responses have been adopted by your brokerage firm to enhance competitiveness. Use a scale of 1 to 5 where 1. Not at all. 2. Little extent, 3. Moderate extent, 4. Large extent, and 5. Very large extent.

Strategic responses	**Scale**				
Diversification	**1**	**2**	**3**	**4**	**5**
a. Related diversification					
b. Unrelated diversification					
c. Geographic diversification					
d. Products and services diversification					
Innovation	**1**	**2**	**3**	**4**	**5**
a. Technology based innovations					
b. Process innovations					
c. Service innovations					
d. Organizational innovations					
Market expansion	**1**	**2**	**3**	**4**	**5**
a. Product market expansions					
b. Market development					
c. Serving specific sectors					
d. Creating insurance awareness					
Strategic alliances	**1**	**2**	**3**	**4**	**5**
a. Strategic partnerships					
b. Collaborations with agents					
c. Business networks					
d. Mergers					
Strategic outsourcing	**1**	**2**	**3**	**4**	**5**
a. Subcontracting					
b. Outsourcing for non-core activities					
c. Services outsourcing					
d. Logistics outsourcing					
Cost cutting strategy	**1**	**2**	**3**	**4**	**5**
a. Removal of non-essential budget items					
b. Reduction of operational costs					
c. Debt renegotiation					
d. Closing off non-profitable business lines					
Downsizing	**1**	**2**	**3**	**4**	**5**
• Reducing the employees' through attrition					
• Layoffs and early retirement					
• Redeployment/reducing management levels					
• Reorganization					

Indicate other response strategies your organization uses to enhance competitive advantage

____

____

Section III: Organizational Competitiveness

Please indicate the extent into which the listed competitiveness indicators have improved in the last two years in your organization. Use the following scale; 1- Not at all; 2- Minimal extent; 3-Moderate Extent; 4- Great extent 5- Very great extent

Organizational Competitiveness indicator	**1**	**2**	**3**	**4**	**5**
Differentiation advantage					
Successful focus strategy					
Reduction of costs(efficiency)					
Excellent quality services					
Market share					