CRITICAL SUCCESS FACTORS IN THE INSURANCE INDUSTRY IN KENYA

BY

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DECLARATION

STUDENT

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

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SUPERVISOR

This thesis has been submitted for examination with my approval as University supervisor.

Signed .... Date 25/11/2008..........

MR M.C. KIBISU

DEDICATION

This project is dedicated to my Parents Mr William W. Njoroge and my late Mother Mrs Nancy.W. Njoroge who have moulded me to what I am today and have always encouraged me to study, my wife Jean , daughter Tamara and my son Tyrone for being patient supportive and understanding while I spent time studying and my brothers George, Patrick and Stephen for encouraging me to complete my studies

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ABSTRACT

Critical success factors (CSFs) are tasks or attributes that should receive priority attention by management because they most strongly drive performance. Due to competition, "key success factors are the minimum capabilities that a company must master to enter the competition" and therefore they must be identified and analysed as they are the elements that determine a company's strategic success or failure, emphasizing its destructive competence to ensure competitive advantage. Research indicates that organizations that possess strength in their official success factor outperform their competitors. These factors vary from company to company and from one industry to another.

The objectives of the study were to identify the Critical Success Factors in the Insurance Industry in Kenya, to determine the challenges experienced by Insurance firms in aligning to the Critical Success Factors and also to establish how insurance firms have addressed the challenges of alignment to the Critical Success Factors in the industry.

The design of this study was descriptive research design. The target population was senior managers in each of the insurance firms that were licensed. The researcher sampled 43 senior managers i.e. one senior manager in each insurance company, although 30 respondents responded and returned the questionnaires.

Data was collected using semi-structured questionnaires and was analyzed using descriptive statistics. The data was coded and entered and analyzed using SPSS (Statistical Package for Social Sciences and excel packages and presented through percentages, means, standard deviations and frequencies.

From the findings, the study established that the insurance firms adopted various Critical Success Factors in order to remain competitive in the market. Although the firms faced some

challenges in aligning to the Critical Success Factors, they employed some measures to address these challenges in order to remain competitive in the market, and it was also recommended that in order for the insurance companies to remain competitive in the industry they should ensure that they charge reasonable premiums to customers. In addition, the study has established that good customer service is a key success factor for insurance companies as this assists in the retention of existing business and acquisition of new business. Insurance companies should ensure staff are well trained in the area of Information technology so as to cope with the demands of the business and provide reliable information for decision making. Low operating costs was identified as being critical to the success of insurance firms as this tended to increase overall profitability. Expeditious settlement of claims was identified as an area where insurance firms can grow their market share through business retention and new businesses acquisition as a result of the confidence that customers gain when claims are paid in the shortest time possible.

LIST OF ABBREVIATIONS

CSF	Critical Success factors
KSF	Key Success Factors
IS	Information System
TAM	Technology Adoption Model
C.E.O	Chief Executive Officer
CSR	Corporate Social Responsibility

CHAPTER ONE: INTRODUCTION

1.1 Background

In an industry as complicated as that of financial intermediation, no simple formula can predict winners and losers from the external environment. Instead of guessing winners and losers, we try to identify the principal factors that determine an insurance company's success. Today's insurance industry is characterized by intensifying global competition and rapid advancements in the liberalization of the insurance market. This is especially true of Kenya's insurance market, which has become increasingly international and deregulated since the year 2000.

In 2007, the government in the budget read by Minister of finance through gazette notice dated Friday October 26, 2007 introduced new requirements for the insurance companies in Kenya, in order to safeguard insured's interests including the raising of the minimum capital requirements. These moves have made the insurance market in Kenya more competitive. Under these circumstances, an insurance company has to perform more than "average" and curve out a niche market by designing products and services that satisfy the needs of consumers in order to remain competitive in the Industry. Management must emphasize the strengths that will give the insurance company a competitive advantage, and these may be defined as the capabilities or circumstances which give it an edge over its rivals. In the long term, the success of an insurance company requires that its competitive advantage be sustainable. Critical Success Factors and the firm's competitive ability are the two main components of the competitive advantage of a firm (Bamberger, 1989). Appropriately identifying insurance companies' Critical Success Factors can provide for insurance companies a means of assessing and building up their competitive advantage.

In this study, Critical Success Factors are identified from the various business strategies adopted. Because the quest for competitive advantage from Critical Success Factors is the essence of the business level, as opposed to that of the corporate level, the business strategy is then the focus of attention. Business strategy is an effective management tool and it obviously affects resource allocation and competitive advantage in an enterprise (Hofer and Schendel, 1978). An appropriate strategy can lead an insurance company's resources in the desired direction and can effectively enhance an insurance company's competitive edge while intense competition is at play in the marketplace.

Critical Success Factors are strongly related to the mission and strategic goals of the business or project. Whereas the mission and goals focus on the aims and what is to be achieved, Critical Success Factors focus on the most important areas and get to the very heart of both what is to be achieved and how you will achieve it. They provide a link back from the market place to the organization's strengths and weaknesses.

For the modern executive to achieve desired results, it is not enough to respond by managing internal activities of the firm only but also the firm's remote environment. Companies should consider investing in real time systems as an essential tool to maintain their competitive edge and in meeting their customer's demands. Real time systems wreck hierarchical organizations by making possible instant access to activities of all types- anywhere, anytime, all the time.
A majority of business organizations, insurance companies included are focusing on investigating the critical factors of customer perceived service quality. Critical Success Factors (CSFs) are the essential areas of activity that must be performed well if you are to achieve the mission, objectives or goals for your business or project.

1.1.1 An overview of Critical Success Factors

In literature, several definitions of CSF exist. Representing one of the most frequently cited definitions, Rockart (1979) used ideas from Daniel (1961) and Anthony et al (1972) in defining CSF as "the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization"(p.85). Consequently, Rockart stresses, that a company should constantly and carefully manage these particular areas of activity.

In a similar context, Bruno and Leidecker (1984) defined CSF as "those characteristics, conditions or variables that, when properly sustained, maintained, or managed, can have a significant impact on the success of a firm competing in particular industry", while Pinto and Slevin (1987) regarded CSF as "factors which, if addressed, significantly improve project implementation chances" (p.112). According to Esteves (2004) however, both of these definitions fail to address the comprehensive concept proposed by Rockart (1979), which seeks to identify an ideal match between environmental conditions and business characteristics for a particular company.

Within the field of strategic management, the definition of Key Success Factors (KSF) is closely related to the CSF concept. In this context, Ellegard and Grunert (1993) define KSF as a qualification or resource that a company can invest in, which in turn, accounts for a significant part of the observable differences in perceived value and/or relative costs in the companies' relevant markets. In literature, the terms CSF and KSF are often alternately used.

Critical Success Factors are skills, tasks, or behaviours that influence performance (Bisp et al 1998). Bullen and Rockart (1981) observed that performing Critical Success Factors satisfactorily ensures successful competitive performance. Williams and Ramaprasad (1996) note that there are about six or seven CSFs in any particular context. In addition, CSFs are measurable, actionable, market-specific, and linked to perceived value in the marketplace (Bisp et al 1998). There are seven Critical Success Factors that will be common and applicable in any organization. These are Financials, Technology, Market Share, Risk, Profitability, Employee morale and Customer service Value.

Critical Success Factors (CSFs) are tasks or attributes that should receive priority attention by management because they most strongly drive performance. Due to competition, "Key Success Factors are the minimum capabilities that a company must master to enter the competition" and therefore they must be identified and analysed as they are the elements that determine a company's strategic success or failure, emphasizing its destructive competence to ensure competitive advantage. Research indicates that organizations that possess strength in their critical success factor outperform their competitors. These factors vary from company to company and from one industry to another.

Customers in developing economies seem to keep the "technological factors" of services such as core service and systematization of the service delivery as the yardstick in differentiating good and bad service while the "human factors" seem to play a lesser role. So many important matters can compete for the managers' attention in business that it's often difficult to determine the critical elements. What's more, it can be extremely difficult to get everyone in the team pulling in the same direction and focusing on the true essentials. That's where Critical Success Factors (CSFs) can help.

Critical Success Factors (CSFs) are the essential areas of activity that must be performed well if you are to achieve the mission, objectives or goals for your business or project. By identifying Critical Success Factors, managers can create a common point of reference to help them direct and measure the success of the business or project (Angur, 1999).

Rockart,(1979),was first to define the concept of Critical Success Factors. He defined them as "the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization". He indicated that CSF is a useful approach for identifying management's information requirements because it can focus attention on areas where "things must go right". Boynton and Zmud (1984) also defined CSF as the "few things that must go well to ensure success for a manager or an organization". They recognized the Critical Success Factor approach as an appropriate planning instrument. Leidecker and Bruno (1984) identified the few Critical Success Factors, often as few as six in a successful firm, while Guimaraes (1984) attempted to rank Critical Success Factors based on their relative importance. Martin (1990) then pointed out that CSFs combined with computers could effectively translate business strategy planning. Crag and Grant (1993) highlighted the contexts of competitive resources and illustrated the relationship between competitive resources and Critical Success Factors. Kay *et al.* (1995) identified several CSFs applicable to insurance agency sales in high performance and low performance groups.

With regard to the insurance industry, Johnson and Johnson (1985) proposed that the width and depth of the product and service line, low operating costs, and a good insurance company reputation can be considered as the three Critical Success Factors in a competitive market in the insurance industry. Canals (1993) recognized that the concepts of value chain and insurance company configuration could be employed to develop an insurance company's competitive advantage. He identified four sources of an insurance company's competitive advantage, namely:

i. Manpower;
ii. Financial management;
iii. Asset base; and
iv. Intangible assets

Wilde and Singer (1993) singled out three Critical Success Factors for insurers, that is, lower cost, product innovation and differentiation, and financial strength

1.1.2 The Insurance Industry in Kenya

The main players in the Kenyan insurance industry are insurance companies, reinsurance companies, insurance brokers, insurance agents and finally the risk managers. The statute regulating the industry is the Insurance Act; Laws of Kenya, Chapter 487. The office of the Commissioner Of Insurance was established under its provisions to strengthen the government regulation under the Ministry of Finance. There is also self regulation by the Association of Kenya Insurers (AKI). The professional body of the industry is the Insurance Institute of Kenya (IIK), which deals mainly with training and professional education. According to the (AKI) Insurance Industry Report for the year 2007, there were 43 licensed insurance companies in 2007 with 20 companies writing general insurance, 7 writing life insurance while 15 were composite(both life and general). There were 201 licensed insurance brokers, 21 medical insurance providers (MIPs), 2665 insurance agents, 213 loss assessors / investigators, 30 insurance surveyors and 8 risk managers during the year. The gross premium written by the industry was Kshs 47.39 billion in 2007 compared to Kshs 41.68 billion in 2006 representing a growth of 13.7%. The gross written premium from general insurance in 2007 was Kshs 32.95 billion (2006: Ksh 29.2 billion) while that from Life business in 2007 was Ksh 14.44 billion(2006 Ksh 12.48 billion)

The overall underwriting loss for the industry in 2007 was Ksh 1.218 billion with general insurance recording an underwriting profit of Ksh 0.365 billion while life insurance recording an underwriting loss of Ksh 1.583 billion.

Insurance business can broadly be classified into general and life. Despite this classification the different classes of insurance businesses can be viewed as lines of business along the profit centre concept. According to the KPMG's 2007 Kenya Insurance Survey, the General Insurance industry in Kenya is mainly driven by four main lines of business: Motor-Commercial, Fire- Industrial and Engineering, Motor- Private and Personal Accident. The life insurance industry is mainly driven by two main lines of business: Ordinary Life and Superannuation, which includes Group Life Insurance and Deposit Administration. The 2007 Kenya Insurance Survey revealed that the General insurance business is facing two major challenges. The first challenge is to come up with a solution for companies whose viability is threatened by their inability to meet policy holder claims. The second major challenge is how to generate growth for an industry that has significant potential for growing as a percentage of GDP but has been stagnant. In contrast to the General insurance business, the life insurance business enjoyed a real cumulative average growth rate of 8.6 per cent between 2000 and 2004. One serious challenge facing the life insurance is the increasing difficulty of managing the HIV/AIDS. Other challenges facing the insurance industry in Kenya include: structural weaknesses, Kimura (2002), fraud by both clients and employees, Mutiga (2005), high claims, delays in claim settlement, delayed premium collection, lack of liquidity leading to collapse of some firms, low economic growth, Ikiara (2001), poor governance and industry saturation, Makove, (2002). In the 2007/2008 budget the Finance Minister proposed several requirements to be met by insurance companies. This included raising their paid capital by 200% and complying with this requirement within a period of three years.

The insurance industry has also been challenged following the disputed General Election of 2007 and the post election violence that led to destruction of property of policy holders. On checking the current status of the Insurance Contracts entered into between Insurance Companies and the policy holders, it became apparent that most of the existing policies excluded loss or damage arising from any act of riot or strike which is calculated or through the "Political Risks Exclusion clause". Most Insurers have made it clear that although, technically there was no cover under their policies, they would consider entertaining the losses from their clients partially or in full on ex-gratia basis. However, Re- Insurers have insisted that wherever a loss extends to involve them they should be consulted before an ex-gratia offer is made (AKI Bulletin, 2008). A new development has also been witnessed with the launch of the Insurance Regulatory Authority which is mandated to rein on the insurance industry players. It is against this background that this proposed study aims to investigate the Critical Success Factors with a survey on the insurance industry in Kenya

1.2 Statement of the Problem

The business environment within which the insurance industry operates has been very volatile. The political anxiety, competition from the new entrants, social reforms, technological advancement and global changes are some of the challenges that have greatly affected the growth of the industry

The dynamism of the insurance environment in the current times is posing many challenges to all insurance companies. Following the background of this study, it is only those insurance companies that are able to adapt to the changing external environment and adopt new ideas and ways of doing business that can be guaranteed of survival. Some of the forces of change that have greatly influenced the insurance industry include intense competition, globalization and technological advancement.

However, misdiagnosing the industry factors critical to long-term competitive success greatly raises the risk of misdirected strategy. Issue management in the insurance industry demand that insurance companies should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved. The Critical Success Factor approach represents an accepted top-down methodology for corporate strategic planning, and while it identifies few success factors, it can highlight the key information requirements of top management (Byers and Blume, 1994; Rockart, 1979). In addition, if the Critical Success Factors are identified and controllable, management can take certain steps to improve its potential for success. Employing the "industry-level" analysis approach, rather than the approach adopted in company-level studies, the CSF approach stresses the factors in the basic structure of the insurance industry that significantly impact insurance companies operational performance. In this study, we identify Critical Success Factors in the insurance industry. The research results will fill the gap in the current literature and provide some useful insights concerning the Critical Success Factors associated with insurance company management and business strategy in Kenya

Prior research concerning Critical Success Factors has been undertaken in other industries in Kenya i.e. Petroleum Industry (Mbugua, 2005) and the Hotel Industry (Muindi, 2006). However, a study of the success of insurance companies in Kenya using the Critical Success Factors approach has not been undertaken. This proposed study fills that void by combining a study of both Critical Success Factors and the situation in the Insurance industry in Kenya which is unique due to the legislative and cultural conditions that prevail in the country. The research results will fill the gap in the current literature and provide some useful insights concerning the Critical Success Factors associated with insurance company management and business strategy in Kenya.

1.3 Objectives of the Study

i) To identify the Critical Success Factors in the Insurance Industry in Kenya.

ii) To determine the challenges experienced by Insurance firms in aligning to the Critical Success Factors.

iii) To establish how Insurance firms have addressed the challenges of alignment to the Critical Success Factors in the industry.

1.4 Research Questions

The study was expected to answer the following questions

a) What are the Critical Success Factors in the Insurance Industry in Kenya?

b) What challenges do Insurance firms experience in aligning to the Critical Success Factors?

c) How are Insurance firms addressing the challenges of aligning to the Critical Success Factors?

1.5 Importance of the Study

The results of the study will be of benefit to the following:

All the existing firms in the insurance industry in Kenya will benefit from this study. The identification of the Critical Success Factors (CSFs) employed by the leading insurance companies in Nairobi will give an insight to other aspiring insurance companies on what elements are important for their success.

The study will aid managers of various institutions to gain important insights in establishing the Critical Success Factors that contribute to organizational success.

The policy makers will obtain knowledge of the Critical Success Factors adopted by Insurance industry in Kenya. They will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector participation.

Government agencies and policy makers may use the results to formulate positive national policies on a framework that is relevant and sensitive to the forces influencing the Insurance industry in Kenya.

The study will provide information to potential and current scholars on the Critical Success Factors (CSFs) adopted by insurance companies in Kenya. This will expand their knowledge on Critical Success Factors (CSFs) in the Insurance industry and identify areas of further study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

According to a study by Esteves (2004), the Critical Success Factors (CSFs) approach has been established and popularized over the last 30 years by a number of researchers, particularly Rockart (1979). Today, consultants and departments increasingly use the approach as a means of support to strategic planning (Esteves, 2004). Ramaprasad and Williams (1998) underline this position by stating that "there is a great deal of attention devoted to the concept in the CSFs literature as many argue that the use of CSFs can have a major impact on the design, development and implementation of successive strategies in organisations"

2.2 Evolution of Critical Success Factors

Research on Critical Success Factors can be traced back to 1961, where Daniel (1961) first discussed success factors" in management literature. In a broad approach, he focused on industry-related Critical Success Factors, which were relevant for any company in a particular industry.

In 1972, Anthony et al. (1972) went a step further by emphasizing the need to tailor Critical Success Factors to both a company's particular strategic objectives and its particular managers. Here, management planning and control systems are responsible for reporting those Critical Success Factors that are perceived by the managers as relevant for a particular job and industry

Combining the perspective of both Daniel (1961) and Anthony et al (1972), Rockart(1979) described a study on three organizations which confirmed that organizations in the same industry may exhibit different Critical Success Factors. The reasons for such a constellation are differences in geographic location and strategies among other factors. Nevertheless, Rockart was also able to identify analogies between the Critical Success Factor lists of the three examined organizations: "It is noticeable that the first four factors on the mature clinic's list also appear on the other two lists. These, it can be suggested, are the all-encompassing industry-based factors. The remaining considerations, which are particular to one or the other of the practices but not to all, are generated by differences in environmental situation, temporal factors, geographic location, or strategic situation." (Rockart, 1979, p. 87).

In line with his initial study, Rockart (1982) gathered data in regard to executives. This data indicated that executives share a limited number of Critical Success Factors. "Each executive lists some but not all, of the Critical Success Factors gathered from the sample as a whole" (Zahedi, 1988, p 190). The remaining differences were linked to organizational aspects as well as the time pressure facing the particular manager at the time the data was collected (Rockart, 1982).

Furthermore, Rockart (1979) stressed that his approach did not attempt to address information needs related to the field of strategic planning. Instead, his CSFs approach concentrates on information needs for management control and seeks to identify data which can be used to monitor and improve existing areas of business. In this context, Rockart (1979) follows Anthony's (1965) categorization of management activities into operational control, management control and strategic planning. However, it must be emphasized that Rockart (1979) limited his approach to management control which was precisely defined by Anthony (1965) as "the process of ensuring that resources are obtained and used effectively toward the attainment of corporate goals"

Today, Rockart's (1979) Critical Success Factors approach is particularly relevant within the limits of project management and IS implementation and therefore often used by executives.

2.3 Dimensions of Critical Success Factors

Reflecting the progress in research on Critical Success Factors, several different CSFs dimensions have emerged in literature over the course of the years. In the following, the most common dimensions according to Esteves (2004) will be reviewed

2.3.1 Hierarchy vs. Group of Critical Success Factors

Rockart (1979) defines a specific hierarchy of CSF which is primarily based upon the organizational level at which the individual strategic issues are discussed. In line with this particular approach. Critical Success Factors can be addressed on either an industry, corporate or sub-organizational level, thereby forming a certain type of CSFs hierarchy within the organization (Rockart and Bullen, 1986). While a pre-defined level structure is dominant within the hierarchy suggested by Rockart, Barat (1992) argues that the hierarchy of CSFs may also be built upon logical dependencies such as those existent between business aims and the factors influencing these aims.

In addition, the hierarchical approach is extended to include groups of Critical Success Factors. Here, either Critical Success Factors for a group of organizations belonging to the same particular industry (industry CSFs) or Critical Success Factors for a group of managers in a particular role belonging to different organizations (occupational CSFs) are identified. As a result, the idea of generic CSFs for these particular groups is addressed (Esteves, 2004).

2.3.2 Temporary vs. Ongoing Critical Success Factors

According to Ferguson and Khandewal (1999), Critical Success Factors can be of either a temporary or ongoing nature. An example of an ongoing CSF is the existence of a project champion in top management, thereby influencing all phases of the project's implementation. On the contrary, the definition of the project scope represents temporary CSFs which is only regarded critical for a certain period of time. In this context, Ferguson and Khandewal (1999) note that all CSFs can be defined in a way that makes them temporary. However the CSFs may differ in their individual degree of temporality, some spanning a larger timeframe than others. Consequently, the key is to recognize their individual relevance for different stages within a project's lifecycle.

2.3.3 Internal vs. External Critical Success Factors

Critical Success Factors can further be distinguished by the dimension of which they are internal or external to the particular organization or unit in which they are applied. Arce and Flynn (1997) state that "an internal CSFs has related actions taken within the organization, while an external CSFs has related actions performed outside the organization" (p. 312). As a result, internal CSFs are linked to issues within a manager's range of control, whereas external CSFs may not be exclusively controlled by the manager.

According to Rockart (1979), the relevance of this CSFs dimension is particularly high when determining the proper sources of information within a process of data collection.

2.3.4 Building vs. Monitoring Critical Success Factors

Building and monitoring Critical Success Factors refer, on the one hand, to the amount of control on the part of the management and, on the other hand, to the monitoring or building nature of the actions taken. According to Arce and Flynn (1997), "a monitoring Critical Success Factor is concerned only with monitoring an existing organizational situation (whereas) a building Critical Success Factor is concerned with changing the organization or with future planning" (p. 312). For instance, the maintenance of technological leadership would be a Critical Success Factor which a company could build and control, while changing consumer demographics would represent a Critical Success Factor which needs to be monitored and not controlled (Esteves, 2004).

In a similar approach Rockart and Bullen (1986) distinguish between building CSFs, used to achieve certain goals or implement a certain degree of change in performance, and monitoring CSFs, used to monitor key issues over a larger time frame. Such long term monitoring is often closely related to the strategic and tactical CSFs dimension (see below).

2.3.5 Strategic vs. Tactical Critical Success Factors

This dimension focuses on the type of planning which takes place within an organization, thereby differentiating between strategic and tactical Critical Success Factors. According to Esteves (2004), while strategic factors seek to identify which goals are to be achieved, the tactical factors describe possible alternatives in regard to how these goals can be met. Strategic factors, although based on opportunities, often contain a great amount of risk and, therefore, require long term planning primarily executed by senior executives. On the contrary, tactical factors deal with resources required to reach the goals described on the strategic level and only call for a short or medium term planning effort, most often performed by the middle management

According to Ward (1990) "there will normally be a mixture of tactical and strategic CSFs. If they are all strategic, the business might founder in the short term while everybody concentrates on the blue skies ahead. Equally, if all CSFs are tactical, the business might burn out like a super-nova"

2.3.6 Perceived vs. Actual Critical Success Factors

The identified Critical Success Factors in one organization do not necessarily apply to all other organizations. Rather, each individual company must align their Critical Success Factors in accordance with their own specific goals and needs. This is where the final dimension comes into play, distinguishing between perceived and actual critical success factors. Initially proposed by Ellegard and Grunert (1993), the concept of perceived versus actual Critical Success Factors could bring forth useful implications by shedding light on the knowledge concerning discrepancies between actual and perceived critical success factors. Experience in this field could, for instance, lead to more stabile strategy formulations and implementations.

Although the measuring of actual CSFs is not possible, Dess and Robinson (1984) suggest a more frequent confrontation of key decision makers with these factors. By doing this, decision makers might win insight on their perceptions in regard to both truly relevant success factors and those which are only perceived as such.

2.4 The Process of Identifying Critical Success Factors.

In order to identify the relevant Critical Success Factors according to Esteves (2004) a wide array of research methods can be used (see Table 1). Among them are for instance the realization of case studies (e.g. Sumner, 1999), group interviews (e.g. Khandewal and Miller, 1992), structured interviews (Rockart and Van Bullen, 1986), as well as the analysis of relevant literature (e.g. Esteves and Pastor, 2000). According to Shah and Siddiqui (2002) the most frequently used method to identify success factors is the realization of a questionnaire.

Table 1: Research methods used for Critical Success Factor identification

Research Method	Examples
Action research	Jenkins et al. (1999)
Delphi technique	Atthirawong and McCarthy (2001).Brancheau et al (1996)
Case studies	Gibson et al. (1999), Sumner (1999)
Group interviewing	Khandewal and Miller (1992)
Literature review Multivariate analysis	Esteves and Pastor (2000), Umble and Umble (2001) Dvir et al. (1996)
Scenario analysis	Barat (1992)
Structured interviewing	Rockart and Van Bullen (1986)

Source (Author, 2008)

2.5 The Process of Aligning Critical Success Factors in an Organisation

Rockart developed a three-step method for determining which factor contributes to meeting organizational goals. He had found that many executive tend to think in terms of what it takes to be successful rather than in terms of grand strategy, goal, and objectives. Therefore, Rockart developed a method that would help executives to derive a strategy, goal and answer to the question "What does it take to be successful in this business?" Rockart termed the answer Critical Success Factors. Once the Critical Success Factors for business are identified, executives can use them to develop strategies.

The method can be applied by strategic plans within the company or by an outside management consultant or other advisor. The three steps in Rockart's method are:

General Success Factor: In applying this approach in an organization, the strategic planner (advisor) meets with the organization's CEO and asks, "What does it take to be successful in the business?" The answers are recorded as they are given, in a stream of consciousness fashion. A free flow of ideas is encouraged. The results are a preliminary list of Critical Success Factors (CSFs)

Refine Critical Success Factors into goal and objectives: The advisor reviews the Critical Success Factors evaluates and restates them in clear and more precise language. Then the advisor asks for each Critical Success Factor, what should the organization's goal and objectives be with respect to this Critical Success Factor?" Once the list of Critical Success Factors is refined, the goals and objectives are stated for each one, the advisor meets again with the CEO. During the session, each Critical Success Factor is discussed and restated. Unimportant factors are eliminated; if possible, the list is pared down to the seven to ten critical factors

Identify measures of performance: At this stage, the advisor reviews the organizations information system and other available source of data to determine how to measure each Critical Success Factor. The question in this step is "How will we know whether the organization has been successful with respect to this factor? The advisor constructs an indicator or measure that makes use of available data sources. In a third session with the CEO, the proposed measure of performance for each Critical Success Factor is discussed and refined. If "hard" data are available, this process may be short and straightforward. If "soft" data must be used, however, the effort may be more time consuming and will generally result in the identification of some indices, benchmark, or milestones that can be used as indicator of how well the organization is doing in achieving its Critical Success Factors.

According to (Rockart, 1979) the following are some of the Critical Success Factors application to every organization:

Critical Success Factors	Measures
Financial image	Price/earning ratio
Technological reputation	Quality/reliability
Market	Market share / Growth
Risk	Year of experience, customer
Profit	Profit margin
Employees morale	Turnover, absenteeism
Performance	Budgeted/actual

2.5.1 Financial Image

Financial strategy's goal is to provide the corporation with the appropriate financial structure and fund to achieve the overall objectives. (Wheelen, 1998) In addition, it examines the financial implications of corporate and business-level strategic options and identifies the best financial course of action. It can also provide competitive advantage through a lower cost of funds and flexible ability to raise capital to support a business strategy. Financial strategy usually attempts to maximize the financial value of the firm (Robinson,1997).

The desired level of debt versus equity versus internal long-term financing with cash flow is a principal issue in financing strategy .Many small and medium sized firms such as Hilton, try to avoid external sources of funds in order to avoid outside engagements and to maintain family control of the companys The use of high risk bonds to finance many of a company's acqusition in terms of assets was one reason that numerous corporations were forced to declare bankruptcy. In 1990's however more companies were trying to de-leverage, by reducing amount of log-term debt on their balance sheet (Robinson, 1997).

The three techniques used most to evaluate international performance are return on investment, budget analysis and historical comparisons. Nevertheless, return on investments can cause problems when applied to international operations, "because of foreign currencies, different rates of inflation, different tax laws and the use of transfer pricing, both the net income figure and investment base may be seriously distorted.

2.5.2 Technology

Companies that depend on technology for their success are becoming increasingly concerned with the development of reseagch and development strategies, the hotel industry being one of them. This will complement business level strategies (Wheeler, 1995). According to Porter (1980), making a decision to become a technological leader or follower may be a way to achieve either overall low cost or differentiation

Creative technological adaptation can support possibility for new product, for improvements in existing products, or in manufacturing and marketing techniques (Robinson, 1997). A technological breakthrough can have a sudden and dramatic effect on a firm's environment. It can spawn sophisticated new markets and products or significantly shorten the anticipated life of manufacturing facility

Technological forecasting is one method used by firms to protect and improve profitability in growing industries. It alerts strategic managers to both impending challenges and promising opportunities. The key beneficial forecasting of technological advancement lies in accurately predicting future technological capabilities and their impacts.

Company personnel should have a clear definition of what quality means in the job, department and throughout the company. It should be developed from the customer's perspective and communicated as a written policy (Robinson, 1997). Thinking in terms of the customer broadens the definition of quality to include efficiency and responsiveness. In other words, quality to customers often means that the product performs well; that it is priced competitively (efficiency); and that you provide it quickly and adapt it when needed (responsiveness). Customer value is found in the combination of all three quality, price, and speed

Customer value is what the customers say it is. The value chain provides an important way to think about customer's orientation, particularly to recognize internal as well as external (ultimate) customers. Operating personnel are internal customers of the accounting department for useful information and also the purchasing department for quality, timely supplies. When they are served, with quality, internal customers and eventually external (ultimate) customers are happy and contented

2.5.3 Market Share

A firm may choose to maintain or increase the market share, sometimes at the expense of greater profits if industry status or prestige is at stake (Rudelius, 1994). Market share is the ratio of sales revenue of the firms to the total sales revenue of all firms in the industry, including the firm itself.

In addition to defining market share precisely and accurately, it is critical to understand the impact of different approaches to growing market share. Traditional strategic thinking would argue that bigger is better — that increased overall market share is better almost regardless of what the company has to do to achieve it. Our research and experience show, however, that this is not always the most effective approach. For example, a reasonably large player in a given industry may earn an average 7 percent return on $300 million in sales. A significantly smaller player, by contrast, may perform far better, earning, say, a 14 percent return on $150 million in sales. In other words, the company that is half as big makes twice as much on a percentage basis.

There are several possible explanations for this difference. The smaller, more profitable company may avoid going head-to-head with larger, more powerful competitors. It may deploy its investments into segments where, among other things, the dominant players simply do not compete. In essence, it positions itself in its industry strategically and allocates more assets in fewer, carefully selected ways. As a result, it has a much higher market share in its chosen segments

2.5.4 Profitability

Industry profitability is one of the Critical Success Factors of a firm (Wheelen, 1995). Profitability is the maintaining goal of a business organization no matter how profit is measured or defined. Profit over the long term is the clearest indication of firm's ability to satisfy the principle claims and desire of employees and stockholders (Robinson, 1997) Overlooking the enduring concerns of customers, suppliers, creditor, ecologists and regulatory agents, may produce profits in short term but over time, the financial consequences are likely to be detrimental (Robinson, 1997). According to Robinson (1997), a firm's success in tied inextricably to its survival and profitability. The Hotel industry is one of the industries in Kenya which have improved of late due to improved performance of tourism sector which has direct impact on the industry.

Profitability is measured in terms of profit margin, which is a markup above the cost of providing a firm's value-adding activities, and is normally part of price paid by the buyers thus creating value that exceeds cost to generate a return for the effort.

2.5.5 Employee Morale

Employees have to be motivated in order for them to work hard. Employee motivation comes in terms of rewards. Some employees are motivated through recognition which often may be motivated through financial rewards (Champoux, 1996). Action plans and short term objectives that clarify personal and group roles in a firm's strategies and are also measurable, realistic and challenging can be powerful motivators of managerial performance—particularly when these objectives are linked to the firm's reward structure (Robinson, 1997). This is very important for the Insurance industry where employees have to be motivated so that they can serve the customers effectively and efficiently Lack of motivation kills employee's morale and they become reluctant while performing their duties and this has great impact on the customers who may decide to turn away to competitors (Davis, 1993).

2.5.6 Risk

Risk is brought about by uncertainty about future, risk attitude exerts considerable influence on strategic choice made by organization. According to Robinson (1997) where attitude favour risk, the range of the strategic choice expands and high-risk strategies are acceptable and desirable for an organization to succeed In managing risk, the range of strategic choices is limited and risky alternatives are eliminated before strategic choices are made. Past strategy exerts far more influence on the strategic choice of risk-avenue managers.

Industry volatility influence the propensity of managers towards risk. top managers in highly volatile industry such as financial services industry in Kenya absorb and operate with greater risk than they do their counterparts in stable industries. Therefore, top managers in volatile industries consider a broader, more diverse range of strategies in the strategic choice process (Robinson, 1997). In making a strategic choice, risk oriented managers lean toward opportunities strategies with higher payoff. They are drawn to offensive strategies based on innovation, company strength and operating potential. Risk managers lean towards safe conservative strategies with reasonable, highly probable returns, they are drawn to defensive strategies that minimize a firm's weakness, external threats and the uncertainty associated with innovation-based strategies (Snyder, 1989).

2.5.7 Customer Value

Critical Success Factors emanate from the value that customers attach to a certain firm. Christou and Kassianidis's, (2003). Customer value is a focal concept that has been examined in multiple disciplines. Value is emphasized in the fields of economics, and it has its foundations in exchange, utility, labour value theories, marketing, accounting, and finance and information systems literature. For example, the traditional constructs of technology usefulness and ease of use found in technology adoption theories and models. Christou and Kassianidis's, (2003) review on technology adoption models (TAM)), diffusion of innovations, theory of planned behaviour etc) have been replaced by concepts such as emotions, image, social influence, control, perceived enjoyment, perceived value and needs, as the latter are found to better predict and explain customer adoption and use of technologies (Pura, 2005).

Customer value perceptions are also found to significantly impact and drive consumers' post-purchase intentions, e.g. repurchase intent, word-of-mouth referrals, customer commitment and loyalty in off line (e.g. Brady and Cronin, 2001; Cronin et al., 2000; Christou, 2004) and financial environments (Pura, 2005). Thus, the extension and further investigation of both utilitarian and emotional customer value of Mass Customization strategies in financial services becomes crucially important. Initial conceptualizations of value were mainly price-based. For example, Thaler (1985) claimed that customer value perceptions result from comparisons between various price structures (i.e. advertised selling and reference price, internal reference price), while Monroe (1990) proposed that customer value is the weighted sum of acquisition and transaction value.

Zeithaml's (1988) common conceptualization of value as a "get-versus-give" model has helped to broaden the concept of value by linking it to a wide array of antecedents that represent not only what consumers give but also what they get from the consumption experience. So, for example Parasuraman and Grewal (2000) further extended the dimensions of customer value by identifying utilitarian benefits in different stages of the product consumption process: acquisition, transaction, in-use, and redemption value. However, their customer value conceptualization was again price-based ignoring other types of sacrifices-gives, e.g. the perceived sacrifice may also include non financial aspects such as time, search costs and physical or mental effort that the customer has to give for consuming the service (Dodds and Monroe, 1991). Initial conceptualizations of value also tended to measure value as a single overall value construct, e.g. "fair price", "good value" (Baker et al., 2002; Sweeney et al., 1999), "value for money" and "meeting quality and price requirements" (Grewal et al., 1998) or to use a multi-item scale to measure perceived value as a one-dimensional construct that traditionally has emphasized price perceptions (e.g. Grewal et al., 1998; Baker et al., 2002; Brady and Robertson, 1999, Sweeney et al., 1999). The one-dimensional conceptualization of value is effective and important, but it cannot discern the complex nature of perceived value, the multi-dimensionality of decision making and the full representation of perceived customer benefits and sacrifices (both utilitarian and emotional)

Lin et al. (2005) also argued a methodological limitation of such one-dimensional models. Previous models have also applied structural models to measure not only the one-dimensional perceived value, but also give-get components, concepts that have been incorporated in the value domain. Thus, the relationships between give-get and value are conceptually tautological because the existence of high value perception automatically implies that existence of high get perception, or low give perception, or both. The tautological hypothesis is self-verifying and may not be disconfirmed; i.e. it is not falsifiable (Lin et al., 2005).

Overall, the need to conceptualize customer value as a multidimensional construct both in terms of its "give" and "get" was recognized. As a result, numerous studies emerged treating customer value as a multidimensional construct

Holbrook (1994) proposed a typology of customer value based on three dimensions: self-oriented versus other-oriented, depending if one is consuming a product-service solely for his/her own pleasure or also for his/her companion (i.e. social environment) pleasure; active versus reactive value reflects the collaboration between supplier and customer, the role of customer during the service encounter and so, it depends on whether the consumer is active or passive viewer during the service experience; and extrinsic versus intrinsic, extrinsic value refers to the ability of a product and service experience to achieve a specific goal (e.g. fulfil hunger) while intrinsic value derives from the "appreciation of an experience for its own sake, apart from any other consequence that may result" (e.g. enjoy the meal experience, window shopping without any specific goal to buy anything). However, Holbrook (1994) recognized that consumption experiences most likely involve more than one type of value simultaneously, while consumers buy products and evaluate service experiences based on both utilitarian (extrinsic) and experiential (intrinsic) values.

2.6 The Relevance of Critical Success Factors.

Pinto and Prescott (1988) argued that "the majority of the studies in the Critical Success Factor research stream have been theoretical and have assumed a static view of the importance of various factors over the life of a project. In other words, a Critical Success Factor was assumed to have the same degree of importance throughout the life of a project" (p. 5). After having examined the criticality of CSF throughout the lifecycle of a project, they came to the conclusion that the degree of criticality of a CSF is subject to change during the different stages of a project lifecycle.

Although the number of studies examining the relevance of Critical Success Factors in regard to the individual phases of the project lifecycle has increased, most studies still remain limited to the sole identification of these Critical Success Factors, not addressing their individual degree of relevance at all. Out of the more comprehensive studies addressing both the identification and the relevance, two different approaches can be found: The approach implemented by Pinto and Prescott (1988), for instance, is based upon the same set of CSF at all times, while examining their individual degree of criticality along the different project phases. In contrast, other studies have chosen to define different sets for CSF for each project phase. Although differently executed, both concepts generally tend to refer to the same set of Critical Success Factors.

According to Esteves (2004), in order to gain insight on CSF relevance, researchers most frequently use case studies as well as surveys based on interviews. Most of the time, participants are asked to either create a list of the most relevant Critical Success Factor for each project phase or examine the relevance of individual Critical Success Factor using a scale which indicates a low, normal or high relevance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The researcher used the Descriptive survey method in carrying out the research. A survey research collected data from all of the 43 licensed Insurance companies in Kenya whose operations were based in Nairobi and therefore within easy reach. The research aimed to be systematic, accurate, valid and reliable as possible regarding the responses on the CSF was adopted by Insurance companies in Kenya. The research was descriptive in nature.

3.2 Population

The population of this study consists of all insurance companies in Kenya that have been inspected, assessed and classified as Insurance companies by the Insurance Regulatory Authority and have been operating in the year 2007. There are 43 licensed insurance companies that were licensed to operate in the year 2007

3.3 Sample Design

he survey was conducted from the current list of Insurance companies from the Insurance egulatory Authority. All the 43 licensed insurance companies in Kenya were targeted. The dy targeted at least one senior manager in each of the insurance firms that were licensed and erational in 2007.

Data Collection Methods

e main instrument in data collection was through structured questionnaire targeting at least senior manager in each Insurance company among Finance Managers, Marketing Managers, ront Office Managers. Questionnaires were dropped and picked later from the respondents.

rder to identify the Critical Success Factors, self-administered mail questionnaires were ributed among the population of insurers currently employed by Insurance companies in ya.

3.5 Data Analysis

Data collected was analyzed based on primary statistics such as the frequency analysis and reliability tests. Data collected being quantitative in nature was analyzed by the use of descriptive statistics and was analysed by means of SPSS package and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of cross tabulation and pie charts

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the findings of the study From the 43 questionnaires sent to the respondents 30 questionnaires were filled and returned to the researcher which comprised of a 69.8% response rate.

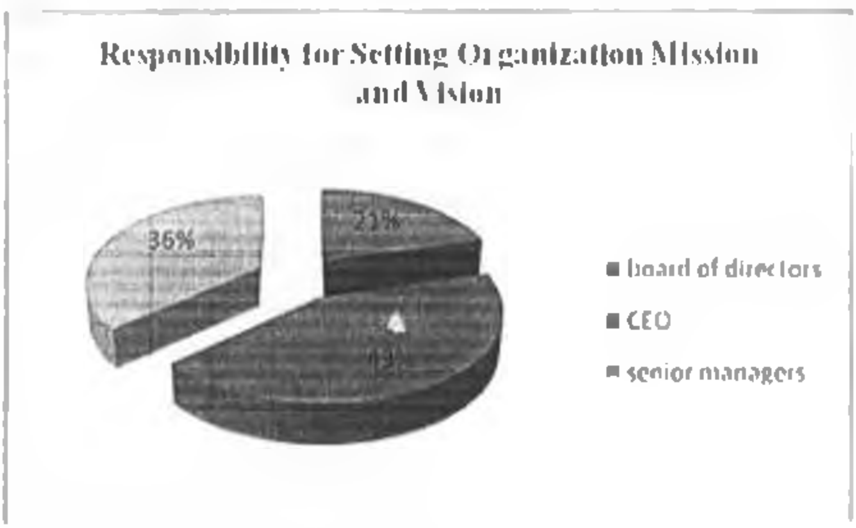
4.2 General Information

Position in the organization

On the position of the respondents, the study found out that the respondents held positions such as Financial advisors, Head of customer service, Head of ICT, Human resources manager, Internal auditor, Risk manager and Sales managers.

4.3 Specific Information

Figure 1: Responsibility for Setting Organization Mission and Vision



The study also sought to find out the responsibility of setting organizations mission and vision. From the findings, majority of the organizations mission and vision were set by the CEO's as shown by 90%, followed by the senior managers as indicated by 76.3% of the respondents Few respondents as shown by 43.3% reported that the Board of Directors were involved in setting their organization's mission and vision This information is also shown by figure 1.

Table 2: Factors Determining Strategy

	most significant	more significant	significant	less significant	insignificant	mean	std dev
Employee morale	36.7	43.3	20	0	0	1.8	0.746
Product differentiation and innovation	36.7	50	13.3	0	0	1.8	0.679
Affordable premiums	36.7	36.7	26.7	0	0	1.9	0.803
Asset base	26.7	56.7	10	6.7	0	1.9	0.809
Intangible asset	36.7	20	13.3	0	0	2.1	0.907
Financial efficiency	23.3	20	43.3	13.3	0	2.5	1.001
Customer service/value	56.7	30	13.3	0	0	1.5	0.728
Claims settlement	60	[illegible]	10	0	0	1.5	0.682
Technology	53.3	36.7	10	0	0	1.6	0.679
Risk management	43.3	36.7	10	10	0	1.9	0.973

The findings in table 2 show the extent of importance of the factors in determining strategy.

From the findings, the important factors in determining strategy in the majority of the organizations were customer service/value and claims settlement as shown by a mean score of 1.5 in each case, technology as shown by a mean score of 1.6, employee morale and product differentiation and innovation as shown by a mean score of 1.8 in each case. Other factors important in most organizations were affordable premiums, asset base and risk management as indicated by a mean score of 1.9 in each case and intangible asset as shown by a mean score of 2.1.

The study further found that financial efficiency was significant according to the majority of respondents shown by a mean score of 2.5.

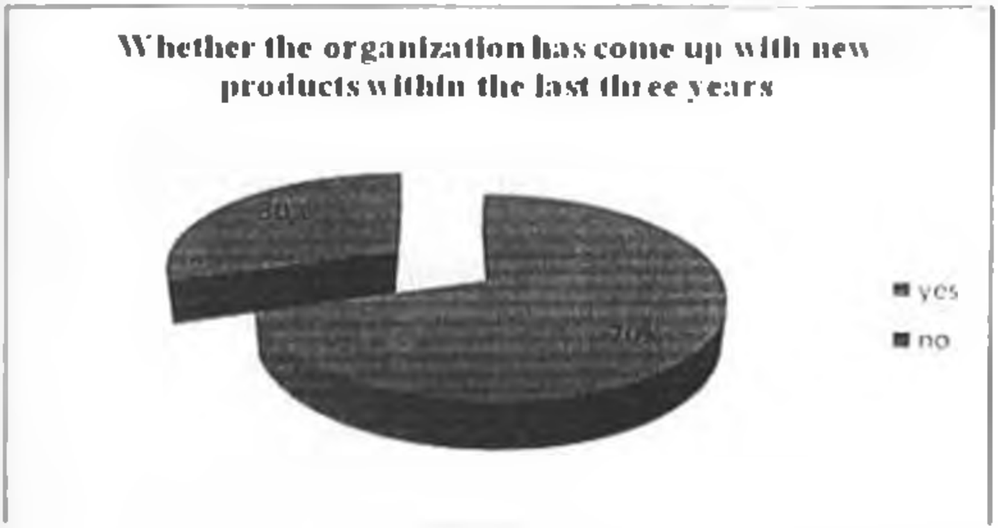
Using the standard devintion which is the measure of dispersion from the mean score, in all the cases except in financial efficiency which had a standard deviation which is more than 1 i.e. 1.001, all the other factors in determining strategy had a mean score of less than 1 which means that there was not much diversity in the responses.

Organizations Critical Success Factors

The respondents were also requested to state their organizations Critical Success Factors. From the findings, the organizations Critical Success Factors were corporate governance, profitability of the company, young dynamic team, relationship values, leadership oriented, integrity, innovation in product and service, effectiveness and efficiency in technology use, winning team, employment of sound integrity measures, good co-workers relationship, niche market, intermediary network and employee motivation and empowerment.

Other Critical Success Factors were business retention, brand royalty, company structure, ownership-decisiveness as board level, business re-engineering, performance management framework in place, corporate culture, strategic planning, customer service strategy and consistent growth in market share.

Figure 2: Whether the Organization Has Come Up With New Products within the Last Three Years



The study also sought to find out on whether the organizations had come up with new products within the last three years. From the findings in the above table, the majority of respondents reported that their organizations had come up with new products within the last three years as shown by 70%. This has led to an increase in premiums which also leads to increase in revenue, it had led to the customer demands being met, and also the overall rating of the company had improved. 30% of the respondents said that their organizations had not come up with new products within the last three years.

Table 3: Number of lines of products that the organization has

	Frequency	Percent
Below 5	2	6.7
6-10	2	6.7
11-20	23	76.7
Above 20	3	10
Total	30	100

The study also sought to find out the number of lines of products that the organizations had. From the findings, most organizations had 11-20 lines of products as shown by 76.7% of the respondents, 10% had above 20 product lines, while the organizations that had below 5 and 6-10 product lines were shown by 6.7% each.

Challenges that the organizations experience in aligning themselves to the Critical Success Factors

The study also sought to find out the challenges that the Insurance firms experienced in aligning themselves to the Critical Success Factors.

The research has revealed that there was lack of leadership skills for some senior staff thus putting the company into crisis, there was also ambiguity in leadership roles (ownership/management) CEO/general management turnover.

On market share growth the rival companies offered stiff competition, thereby limiting each companies individual market share.

The research has also shown that most organizations lacked well trained staff in technology which was a hindrance in achieving company objectives.

The research has shown that company profitability which is a Critical Success Factor faced major challenges as a result of stiff competition from rival companies within the industry.

The research identified young dynamic teams as lacking cohesiveness among members of the same team and teams not cooperating with other teams. These teams also preferred multiple tasks which remained outstanding after deadlines and also clear cut roles for workers. This has hindered companies in achieving their strategic goals

The research has indicated that corporate culture is a Critical Success Factor for organizations despite the fact that most employees were from different background i.e. in terms of education, age, exposure, sex etc there by posing a challenge in terms of identifying the company's corporate culture.

The study found that the implementation costs was high in terms of money and time for business re-engineering for firms in the industry and this has posed as a challenge for some firms.

The study has found that there were also delays in decision making on innovation of product service in some organizations which was a challenge in alignment to the Critical Success Factor.

Addressing the challenges of aligning to each Critical Factor

The study also sought to find out how the challenges insurance firms of aligning to the Critical Success Factor were addressed. From the findings, on market share growth there was recruitment of key personnel in place to launch the new company products

The study has shown that firms are investing in leadership training by conducting trainings to equip senior management staff on leadership skills

On relationship values, there was creation of good relationships both internally and externally. There were also regular meetings with external providers and amongst different units to enhance relationships and build trust and commitment.

The study has shown that firms were tackling the Critical Success Factor of technology by training of staff on various aspects of technology. Users were also given better tools for work and process flow charts and departmental manuals were already operationalized.

The Critical Success Factor of having a winning team was addressed by Insurance firms through training and team building activities for staff which has enhanced teamwork. The training included carrying out team building activities within the organization regularly to enhance teamwork. Performance contracts for all staff was critical to most organizations to ensure that the goals and objectives of the firms were achieved. Most firms ensured that performance contracts were signed by all staff including senior managers.

On continuous improvements on products and services, there was branding exercise ongoing in all branches for some firms. In some organizations, new branches were opened and launched to enhance public relations for the firm. Existing products and services were also enhanced and revamped. There were also advertisements through company websites to assist in product knowledge for customers.

On corporate governance, there was continuous audit put in place including spelling out firm's code of conduct to all staff members through the human resources policies which were circulated to reinforce ethical behaviours from staff members. CSR projects were identified and budget allocated.

The study has revealed that for firms to be profitable there was focus on reducing losses and costs and taking remedial action in time. There was also speed in decision making of investment risks.

CHAPTER FIVE: DISCUSSIONS, SUMMARY AND CONCLUSIONS

5.1 Discussions

The study intended to find out the Critical Success Factors in the Insurance industry in Kenya. From the analysis and data collected the following discussions, conclusions and recommendations were made. The analysis was based on the objectives of the study.

From the findings, the Critical Success Factors in the Insurance companies were corporate governance, profitability of the company, young dynamic team, relationship values, leadership oriented, integrity, innovation in product and service, effectiveness and efficiency in technology use, winning team, employment of sound integrity measures, good co-workers relationship, niche market, intermediary network and employee motivation and empowerment, business retention, brand royalty, company structure, ownership-decisiveness at board level, business re-engineering, performance management framework in place, corporate culture, strategic planning, customer service strategy and consistent growth in market share.

The study also found that there were some challenges that the organizations experienced in aligning themselves with the Critical Success Factors. These challenges included lack of leadership skills by some senior staff thus putting the company into crisis, there was also ambiguity in leadership roles (ownership/management) CEO/general management turnover, the rival companies offered stiff competition, Lack of a direct sales force thus affecting the market share growth, lack of well trained staff, company profitability also suffered from stiff competition from rival companies. Other challenges were lack of cohesiveness among members of the same team and teams not cooperating with other teams. Some of the teams preferred multiple tasks which remained outstanding after deadlines. There was also lack of clear cut roles for workers, employees from different background i.e. in education, age, exposure, sex etc affected the organizational culture, there were also delays in decision making on innovation of product service and also there were external forces and competition challenges which affected the competitiveness of the company.

In order to address these challenges, the organization conducted seminars to equip senior management staff on various leadership skills, there was creation of good relationships, regular meetings with external providers and amongst different units to enhance understanding. In order to cope up with the changes in technology, there was training of staff on various aspects of technology and the users were also given better tools for work and process flow charts and departmental manuals were already in use. Major training was also undertaken stressing the value of teamwork, performance contracts were also signed by all staff including senior managers, there was branding exercise ongoing in all branches and new branches opening were launched to enhance public relations for the company thereby enhancing existing products and services. There was also a website to assist in product and service advertisement and product knowledge for customers. On being a profitable company, there was focus on reducing losses and remedial action taken in time. There was also speed of decision making in investment activities.

5.2 Conclusions

From the findings, the researcher concluded that Critical Success Factors were very important for the organizations to meet their goals, objectives and their missions. Therefore, Insurance firms adopted various Critical Success Factors in order to remain competitive in the market. Although the firms faced some challenges in aligning to the Critical Success Factors, they employed some measures to address these challenges in order to remain competitive in the market.

5.3 Recommendations

From the study, it is recommended that for the Insurance companies to remain competitive in the market, they have to focus on the Critical Success Factors in their company.

Insurance firms should ensure that they offer affordable premiums to the customers as a way of being competitive in the market. The study has also identified good customer service as a necessary ingredient for the success of Insurance firms.

Training of staff in information technology was another Key Success Factor for Insurance firms in Kenya as this ensured that firms remained efficient and offer quality services to their clients. Low operating costs was identified as a Critical Success Factor for Insurance firms as this had a direct positive impact on the profits for the companies.

The study has shown that expeditious settlement of claims by Insurance firms has a positive impact for customers as it inspires confidence and grows the market share of firms through retention of existing business and acquisition of new business.

Insurance companies must ensure growth in their market share as a way of remaining competitive in the industry. This can be achieved by the development of new products lines by companies to ensure that they offer a variety of services to different customer segments.

Profitability of Insurance companies was identified as another Critical Success Factor that is used to measure the performance of Insurance companies. One of the ways of increasing profitability was to ensure costs were kept to a minimum and also to ensure that fraudulent claims are not paid.

Teamwork of the management teams was identified as critical to the success of Insurance companies. Managers need to work in harmony among themselves and ensure positive relationships are maintained to ensure the achievement of corporate goals.

Good and decisive leadership was identified as a Critical Success Factor for Insurance companies who have responded to this challenge by training senior management on leadership skills to enhance the competitiveness of the firms and also to give direction to firms on the vision and mission of Insurance companies

Good Corporate Governance policies and practices which also included the integrity of staff were also identified as critical for the success of Insurance firms. Insurance firms need to ensure that they operate within sound principles and always comply with the laid down rules and regulations to maintain a positive image among all stakeholders including customers, shareholders, and employees.

Employee motivation and empowerment of staff in Insurance companies was identified as a Critical Success Factor to ensure that Insurance companies remain competitive in the market. Coupled with this a positive corporate culture that enhances teamwork, rewards good performance and empowers employees to take responsibility for their actions was critical to ensure that Insurance companies remained competitive in the industry.

Good customer service practices and policies are critical to the success of Insurance firms more so due to the nature of the business which is service oriented and therefore close interactions with customers is critical to ensure a high rate of business retention.

Insurance firms need to have appropriate organizational structures that are flat and flexible to enable them to respond faster to the changes in the external environment and also to allow for faster decision making processes and enhance better communication within the firms

The study also recommended that for the Critical Success Factors to be fully embraced by Insurance companies, the employees should be motivated in terms of good salaries and good working conditions. The companies should also ensure that there are enough funds to help in training the staff in various aspects of technology and also in order to avail necessary and adequate resources for them to remain competitive in the industry.

5.4 Limitations of the Study

The greatest limitation of this study was that the respondents chosen for the survey were Senior Managers in various Insurance companies and were quite busy and the researcher had to continually remind the managers of these companies to fill in the questionnaire because of their busy schedules. However, most respondents (69.8%) eventually filled and returned the questionnaires

The other limitation was the unwillingness of Senior Managers in various Insurance companies in divulging information that would affect their customers and their competitive advantage. Due to the nature of the study, most senior managers felt reluctant to divulge company information that was deemed to be secretive and therefore the researcher encountered incomplete information from the respondents.

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APPENDICES

Appendix II – Letter of Introduction to Respondents

University of Nairobi
School of Business
Dept of Business administration
P O BOX 30197
Nairobi
30 th August 2008

Dear Sir/Madam,

RE: COLLECTION OF SURVEY DATA

I am a Masters' program student at University of Nairobi. School of Business.

In order to fulfil the Masters program requirements; I am undertaking a strategy research project on **"Critical Success Factors in the Insurance Industry in Kenya".**

Your organization has been selected to form part of this study. Therefore, I kindly request you to assist me to collect data by filling out the accompanying questionnaire.

The information provided will be used exclusively for academic purposes and will be held in strict confidence. Your name or the name of your company will not be mentioned in this research. A copy of the research project will be made available to you upon request. I will appreciate your cooperation in this academic exercise.

Thank you in advance

Yours faithfully,

STUDENT	LECTURER
John	Mr Kibisu

Student Number D61/P/7033/05

Appendix II: Questionnaire

PART A: GENERAL INFORMATION

1) Name of the Company: ____

2) What is your Position in your organization?

....

PART B: SPECIFIC INFORMATION

3) Who is responsible for setting organization mission and vision? *(Tick)*

a. Board of Directors [ ]

b. CEO [ ]

c. Senior Managers [ ]

d. Others (Specify) ....

4) Rank the following factors in determining strategy in order of importance in your Organization *(Tick Appropriately)*

(1) Most Significant (2) More significant (3) Significant (4) Less Significant (5) Insignificant

		1	2	3	4	5
a	Employee morale	[ ]	[ ]	[ ]	[ ]	[ ]
b.	Product Differentiation & Innovation	[ ]	[ ]	[ ]	[ ]	[ ]
c.	Affordable premiums	[ ]	[ ]	[ ]	[ ]	[ ]
d.	Asset Base	[ ]	[ ]	[ ]	[ ]	[ ]
e	Intangible Asset	[ ]	[ ]	[ ]	[ ]	[ ]
f.	Financial Efficiency	[ ]	[ ]	[ ]	[ ]	[ ]
g	Customer service / Value	[ ]	[ ]	[ ]	[ ]	[ ]
h)	Claims settlement	[ ]	[ ]	[ ]	[ ]	[ ]
i)	Technology	[ ]	[ ]	[ ]	[ ]	[ ]
j)	Risk Management	[ ]	[ ]	[ ]	[ ]	[ ]

k) Any other (please specify) ______________________________

5) What are your organization's Critical success factors? (*Indicate Briefly*)

a)..

b)..

c)..

d)..

e)..

f)..

g)..

h)..

i)..

6) Has your organization come up with new products within the last three years?

Yes [ ] No [ ]

If yes, how has this benefited your organization?________________________

____

____

____

____

7) How many lines of products do you have? *(Tick appropriately)*

a) Below 5 [ ]

b) 6-10 [ ]

c) 11-20 [ ]

d) Above 20 [ ]

(8) What Challenges does your organization experience in aligning itself to the Critical Success Factors identified in Question 5?

Critical Success Factor	Challenge experienced in Alignment to Critical s factor
1)	
2)	
3)	
4)	
5)	
6)	
7)	
8)	

9) Briefly explain how your company is addressing the challenges of aligning to each Critical Success Factors identified.

Critical Success Factor	How is the challenge being addressed for each criti success factor ?
1)	
2)	
3)	
4)	
5)	
6)	
7)	
8)	
9)	
10)	
11)	

Thanks a lot for your time and cooperation.

Appendix 3: List of Insurance Companies in Kenya

1. Africa Merchant Assurance Company Limited (AMACO)
2. AIG Global Insurance Co
3. A P A Insurance Limited
4. Apollo Insurance
5. Blue Shield Insurance Company Limited
6. British-America Insurance Company (K)
7. Cannon Assurance Company (K) Ltd
8. CFC Life Assurance Ltd
9. Concord Insurance Company Limited
10. Co-operative Insurance Company Limited
11. Corporate Insurance Company Limited
12. Directline Assurance
13. Fidelity-Shield Insurance Company
14. First Assurance Company Limited
15. Gateway Insurance Company Limited
16. Geminia Insurance Company Limited
17. General Accident Insurance Company
18. Heritage A.I.I. Insurance Company Limited
19. Insurance Company of East Africa Limited
20. Intra Africa Assurance Company Limited
21. Invesco Assurance Company Limited
22. Jubilee Insurance Company Limited

23. Kenindia Assurance Company Limited

24. Kenya Orient Insurance Company

25. Kenya Alliance Insurance Company

26. Lion of Kenya Insurance Company Limited

27. Madison Insurance Company Limited

28 Mayfair insurance Company

29. Mercantile Life & General Assurance Company Limited

30 Metropolitan Life

31. Occidental Insurance Company Limited

32. Old Mutual Life Assurance Company Limited

33. Pacis Insurance Company Ltd.

34 Pan Africa Life Assurance Company Limited

35. Phoenix of East Africa Assurance Company

36 Pioneer Assurance Company Limited

37. Real Insurance Company of East Africa Limited

38. Standard Assurance Kenya Limited

39. Tausi Insurance Company Limited

40. The Monarch Insurance Company Limited

41. Trident Insurance Company Limited

42. Trinity Life Assurance Company Limited

43. UAP Provincial Insurance Company.