STRATEGIC RESPONSES TO INCREASED COMPETITION IN THE HEALTHCARE INDUSTRY; THE CASE OF PRIVATE HEALTH INSURANCE SECTOR

UNIVERSITY OF NAIROBI
LOWER KABETE LIBRARY

BY: LENGOPITO F.D

A management research project submitted in partial fulfillment of the requirements for the degree of Master of Business and Administration, Faculty of Commerce, University of Nairobi

September 2004

DECLARATION

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

Signed ..... Date 17/11/04

Lengopito F.D.

UNIVERSITY OF NAIROBI
TOWER KABETE LIBRARY

This management project has been submitted for examination with my approval as University Supervisor

Signed ..... Date 17/11/04

Dr. Martin Ogutu

DEDICATION

To my parents, brothers and sisters.

ACKNOWLEDGEMENTS

This study has been made possible by a number of people and organizations that I must offer my outmost gratitude.

I extend my appreciation to my supervisor, Dr. Martin Ogutu, for his tremendous and continued support throughout the project duration, his time, patience, guidance and ideas were of mutual importance to me.

My sincere gratitude importantly goes to all the managers from the insurance firms interviewed for their plentiful information offered without which this research project could not be complete.

I must also express my gratitude to my family for their continued courage and understanding during the time of study.

Finally, I extend my appreciation to Mrs. Muthiani who has tirelessly put her time towards the typing of this project.

TABLE OF CONTENTS

Declaration i
Dedication ii
Acknowledgements iii
Table of contents iv
List of Tables vii
List of Appendices viii
Abstract ix
List of Abbreviations xi

CHAPTER ONE: INTRODUCTION

1.1 Background 1
1.2 Health policy in Kenya 4
1.3 Research Problem 6
1.4 Research Objectives 9
1.5 Significance of the Study 10

CHAPTER TWO: LITERATURE REVIEW

2.1 The concept of strategy 11
2.2 Increased competition and its impact on organizations..... 13
2.3 How firm's cope with increased competition 15
2.4 Strategic responses to increased competition 18

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Population 22
3.2 Data collection..... 22
3.3 Data Analysis 23

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction 24
4.2 **Change and effects of competition** 25
4.2.1 Size of the firms 25
4.2.2 Frequency of change of firms' objectives, Vision, Goals and Mission Statement in response to competition 25
4.2.3 Installation of modern technology 26
4.2.4 Nature of medical cover provided 26
4.2.5 Level of competition in the sector..... 27
4.2.6 Effects of environmental changes to the core functions of the firms 28
4.2.7 Changes in Industrial/Environmental factors 30

4.3 **Strategic responses to increased competition** 34
4.3.1. Communication of strategic plan across the organization 34
4.3.2. Factors considered important to the success of the Organization in the turbulent environment 34
4.3.3. Strategic responses to important environmental changes 36
4.3.3.1. Human Resources 37
4.3.3.2. Levels of Premiums 38
4.3.3.3. Competition 38

4.3.3.4. Merger 39
4.3.3.5. Organizational Structure 40
4.3.3.6. Technological changes 41

CHAPTER FIVE: SUMMARY, DISCUSSIONS, RECOMMENDATIONS AND CONCLUSIONS

5.1. Summary 42
5.2. Discussions 44
5.3. Recommendations for policy and practice 45
5.4. Conclusions 47
5.5. Limitations of the study 47
5.6. Suggestions for further study 48

REFERENCES

APPENDICES

LIST OF TABLES

		Pgs
Table 1:	Revenue Turnover	25
Table 2:	Changes in firms Objectives, Vision, Goals & Mission	25
Table 3:	Installation of Modern Technology	26
Table 4:	Nature of cover provided	26
Table 5:	Level of competition in the sector	27
Table 6:	Effects of environmental changes to the core functions of the firms'	29
Table 7:	Extent of changes in Industrial/Environmental factors within and outside the sector	30
Table 8:	Mode of communication of strategic plan across the Organization.....	34
Table 9:	Factors considered important to the success of the Organization in the turbulent environments	35
Table 10:	Adjustments in response to important environmental changes..	36

APPENDICES

Appendix A: Private health insurance firms surveyed

Appendix B: Introductory letter

Appendix C: Questionnaire

ABSTRACT

Indeed, health insurance industry had experienced an unprecedented competition especially in the unregulated private heath insurance sector. Although the insurance is broader in perspective, this study was deliberately carried out to determine the extent to which competition had increased in the private healthcare insurance sector. The study was also geared towards finding out the strategic responses of the private healthcare providers to increased competition in the industry.

Data was collected using both the open-ended and closed-ended questionnaires administered by interviewing all the 14 firms in question. The data was further analyzed using tables, mean scores, standard deviation and co efficient of variation.

The study revealed that majority of the firms interviewed changed their objectives, vision, goals and mission statements for the past decade in a bid to increase market share and improve quality customer service. This changes were also contributed by increased competition where firms need to adopt to new environments in order to survive and improve profitability.

The level of competition in the sector was very high with 85.7% of the firms testifying to this, while attributing it mainly to price undercutting due to rising healthcare costs.

The study indicated that there exists an unexploited ability to pay for private health insurance that requires to be changed into a willingness to pay. Therefore, one way of achieving this is through public education on the benefits of health insurance and the perils of being uninsured.

Generally, the study pointed out various strategic responses adopted by firms to offer quality services to 'nowadays' sophisticated customer and increased competition.

List of Abbreviations

MOH	-	Ministry of Health
NGO's	-	Non –governmental Organizations
TB	-	Tuberculosis
AIDS	-	Acquired Immune Deficiency Syndrome
WHO	-	World Health Organization
GOK	-	Government of Kenya
AAR	-	Automobile Association of Kenya
IT	-	Information Technology
CEO	-	Chief Executive Officer
HQs	-	Headquarters
S.D.	-	Standard deviation
COV	-	Covariance/Coefficient of Variation
NSHIF	-	National Social Hospital Insurance Fund
GDP	-	Gross Domestic Product.

CHAPTER 1

1.0 INTRODUCTION

1.1 BACKGROUND

Private health insurance providers are organizations that are involved in the provision of health benefits to its enrolled members. This insurance companies provide medical insurance products ranging from the traditional indemnity plans to newer products which incorporate varying degrees of managed care principles.

The estimated turnover of healthcare industry in Kenya is estimated at Kshs.40 billion (MOH's policy framework, 1999). Delivery of health services in Kenya is financed through two broad categories, the public and private sectors. The public sector accounts for about 45% of total healthcare expenditure and includes; MOH, NHIF and donors. However, the declining quality and unavailability of public healthcare has created a demand for private healthcare services and hence for private insurance schemes that finance healthcare.

From the current estimates, (Health Sector Reform Secretariat, 1999) the private sector is increasingly bearing a heavy burden in healthcare financing, accounting for about 55% of total healthcare expenditure. This sector includes, out-of-pocket expenses by individuals which constitutes about 53% of private

sector financing of health delivery, employer based in-house/self insured schemes, private health insurance and HMO's charitable organizations (missionary organizations, individuals, foundations etc)

(Bennett, 1983), it is important to note that health provision is the insurance that provides for payments of benefits as a result of sickness or injury.

Macroeconomic forces have resulted to inadequate financial resource flows to the health sector. Increasing poverty in the face of the rise in the burden of diseases (especially HIV/AIDS/TB) have led to growing consideration of broadening the design and adoption of affordable and sustainable health financing options. In particular, innovative insurance and pre-payments schemes capable of achieving wide population coverage and inclusion of benefits that correspond to the populations needs are desirable.

These challenges have resulted to the serious deterioration of public health services that culminated to the private sector playing an increasingly larger role in the provision of health services. Out of the 40 private insurance companies, only 17 offers health packages (current estimates, the health sector reforms secretariat, 1999). It is estimated that only 1% and 2 % of Kenya's population is covered by some form of private health insurance schemes (WHO, 1995). This is somewhat surprising considering that out-of-pocket spending constitutes the largest share of private health insurance that requires to be changed into a

willingness to pay. The current National health Strategic Plan clearly states the need for the government to encourage private sectors participation in healthcare delivery (MOH, 1999)

Despite several players in the healthcare financing, this study is biased towards the strategic responses of privately owned health insurance companies.

The private health sector insurance companies referred in this study include Alico, APA, Fidelity, General Accident, Heritage, ICEA, Kenindia, Madison, etc. (Commissioner of insurance, 2001)

Private healthcare in Kenya has been managed on a fee for service methodology. Under this system, a person who requires healthcare attention chooses a doctor or hospital, undergoes the prescribed treatment and individually pays the costs incurred or is reimbursed by his insurance or employer.

Strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates (Johnson and Scholes, 2001). Ansolf (1990) also defines Strategic Management as a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way, which will assure its continued success and make it secure from surprises. He continues to argue that strategic management involves a systematic approach for managing strategic change, which consists of positioning of the firm through strategy and capability planning in its rightful competitiveness and to make the

organization one of the preferred supplier of products or services, and use of real-time response through issue management by anticipating changes in the complex and dynamic environment and responding to them appropriately.

Thus, this study focuses on the private healthcare firms' strategic responses in this era of turbulent environments. These organizations falls firmly in the people-based services industry, where customer care and service quality must be treated as the most important success factors. Therefore it should closely monitor the changes in events and trends to adopt on time.

Most importantly, in the wake of liberalization, and globalization, these organizations should engage in strategic responses as a prerequisite to transformation into customer driven organizations, in order to gain competitive advantage over and above competitors besides public healthcare providers.

1.2 HEALTH POLICY IN KENYA

Kenya Health Policy framework (1994) stipulates the Ministry of Health's' vision of creating an enabling environment for the provision of sustainable, quality healthcare that is acceptable to all Kenyans. The specific issues addressed by the policy are governance, expanded provision of a basic package of quality health services to the growing population, human resource development, private sector expansion, and health sector financing.

Health sector reforms and policy are part of a wider program of reforms by the central government spelt out in the policy framework paper of 1994 addressing the broad economic reforms and intended to inspire economic growth. Specific reforms complementary to the sectoral ones include the civil service reform, organization program and parastatal reform program. The thrust of the GOK policy in the health sector is to reform the existing structures and operations to make them responsive to the needs of the Kenyan People. The strategy is to shift emphases to promotive and preventive health services, which is hinged on the premise that curative health services will be financed through Private and public insurance schemes hence releasing GOK budgetary resources to finance the firm. In creating and supporting the expanded infrastructure, government spending on nominal healthcare increased rapidly from 12.7 million Kenya pounds in 1972 to 691 millions in 1996. This trend in spending threatened the sustainability of the free healthcare policy and the treasury budget allocations have been in the decline from early 1980's. (MOH, 1999).

Although Kenya entered the 1980s having attained impressive government fiscal spending relative to countries within the same level of economic development, per capita spending for health in real terms began to drop in late 1980s following the slow down in economic performance. Policy decisions that were taken in response to the decline in economic performance such as the implementation of structural adjustment program led to drops in spending in the social sectors, including health. These policies together with increasing demand for services arising from a fast growing population has continued to constrain

public resources for health, hence resulting to potential competition in the private health insurance due to new entrants.

1.3 RESEARCH PROBLEM

The Private Health Insurance Sector has operated under turbulent environments especially in the 1990's. These firms have continued to receive great challenges from their competitors especially the HMOs; such as AAR, Mediplus, Health first, etc. who offer similar products.

Among this challenges include

i) Pervasive ignorance of the public, employers and service providers about health insurance principles. For a significant number of people, insurance is basically a barter trade. Each payment has to be exchanged with a claim or claims.

ii) Lack of confidence and mistrust/suspicion between the insuring public, service providers and plan providers. This has not been helped by the recent failures in the HMO sector.

iii) Increased competition from other health providers mainly due to lack of regulation of some players, especially HMO's. The recent amendments to the insurance act seeks to separate healthcare financing from delivery functions and thereby reduce HMO's to the role of an intermediary/administration.

iv) Escalating and unpredictable healthcare costs resulting from – fraud, moral hazard, adverse selection, over-utilization, supplier costs, medical inflation, etc.

v) Emerging and re-emerging diseases especially the recent HIV/AIDS case, resulting to increased benefit claims.

Due to the above challenges, Strategic Management must address the dynamics of markets, systems and behavior (MOH, 1999). This has necessitated the alignment and realignment of the organization's strategies, that is, its capabilities must match its strategies, and activities and strategies to match with ever-changing environment, Porter (1998).

Debate has been missing on healthcare provision as it has continued to achieve minimal attentions from both the public and professional arenas. However, there has been debate on other areas of insurance industry, e.g. Motor industry, Life insurance, etc. Kombo (1997) addressed the issue of strategic responses of motor vehicle franchise holders in Kenya as a result of changed environmental conditions.

Therefore, this study is important to examine the strategies that the private health sector has put in place to respond to these challenges of increased competition in the industry. Strategic responses of organizations have been studied extensively.

Kanter, (1984) acknowledges the need for strategic responses to change because the response does depend on the particular organization and industry. However

the common thread in her view lies in the need for innovation – this innovation thrives in flexibility, which she reckons, increases the capacity for effective response. The fast paced environmental changes call for constant replanning focused on tactics as well as long range direction, as opposed to the familiar "static strategic planning"

Burnes (1998), the nature of strategic response of the firm is critical in ensuring that the impact of a threat does not adversely affect the firm or make the firm miss an opportunity.

However, researchers of strategic responses have not studied the private health insurance industry.

This study therefore will address the following questions.

(i) To what extent has competition increased in the health insurance sector?

(ii) What strategic responses have the private health insurance firms adopted to cope with increased competition in the industry?

RESEARCH OBJECTIVES

To what extent competition has increased in the private healthcare insurance sector

To find out the strategic responses of the private healthcare providers to increased competition in the industry.

1.5 SIGNIFICANCE OF THE STUDY

To the Government: These findings can be useful to the government for formulation of policies and relevant regulations on health insurance industry.

The researchers and academicians: This is for their understanding of the nature of the industry and for future reference in research work.

To the contributors (members): This study is useful to members of these organizations for their interest to understand the organization's operations, management and future survival.

Other Healthcare providers: **Other players in the industry can use the study to understand their operations and survival strategies.**

CHAPTER TWO

UNIVERSITY OF NAIROBI
LOWER KABETE LIBRARY

2.0 LITERATURE REVIEW

2.1 THE CONCEPT OF STRATEGY

Johnson' and scholes (1997), strategy is the direction and scope of an organization over the long term through its configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholders exceptions. Strategy is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization. It guides an organization to superior performance through establishing competitive advantage. It also acts as a vehicle for communication and coordination within organizations.

Grant (1998) , Points out that strategy is a fundamental framework through which the organization can simultaneously assert its vital continuity and facilitates its adaptation to the changing environment. It is one of the top management tools for coping with both external and internal changes. It is the match between the organization resources and skills and environmental opportunities and risks it faces and the purposes it wishes to accomplish. For strategy to be successful it must be consistent with the firm's goals and values, its external environment, its resources and capabilities, its organization and systems.

Porter (1980), Strategy can be viewed as building defense against the competitive forces and finding positions in the industry where the forces' are weakest. Knowledge of the companies capabilities and of the causes of the competitive forces will highlight the areas where the company should confront competition and where it should avoid. Strategies need to be considered not only in terms of the extent to which the existing resource capability of the organization is suited to opportunities but also in terms of the extent to which resources can be obtained and controlled to develop a strategy for the future.

Aaker (1989) says that positioning involves a decision to stress only certain aspects of a company's brand and not others. He argues that the key in positioning strategy is that the customer must have a clear idea of what the brand stands for in the product category and that a brand cannot be sharply distinctively positioned if it tries to be everything to everyone. This explains that the building of brand name is a strategic thrust that cannot be avoided in turbulent environment.

The major task of managers is to assure survival and success of the company's they manage. In order to achieve success, the company's have to adequately adjust to meet environmental challenges. Failure to do this will cause a strategic problem to be experienced. Strategy is therefore a tool which offers significant help for coping with turbulence confronted by business firms.

2.2 INCREASED COMPETITION AND ITS IMPACT ON ORGANIZATIONS

The 1980's and 1990's have been characterized by discontinuous and unpredictable business environment. Consequently, businesses have been forced to change their strategies regularly to be able to match their resources with the environment.

Thompson and Strickland (1993), organizations depend on the environment for their survival and therefore it is necessary for them to scan the environment in an effort to identify changing trends and conditions that could eventually affect the industry and adapt to them.

While globalization has its positive effects, it has contributed to declining house hold incomes, widespread poverty, unemployment as businesses and productive Institutions resort to restructuring and reengineering efforts in order to cope with increased competition and crowded business space. There is increasing medical impoverishment of households as the burden of paying for health services continues to grow owing to the increased charges levied by private - for profit health care providers.

Johnson and scholes (1999), organizations operate within environments which are turbulent and rapidly changing.

Therefore, their relationship is seen as mutual and it is important that effective strategies be in place to facilitate the relationship. He continues to say that most important environmental factors that influence and determine the success of competitive strategies adapted by an organization are found within the competitive environment which constitutes the industry within which an organization operates.

Liberalization has led to stiff competition in many sectors of the economy and has made firms change their activities in order to survive. The health sector has not been spared the turbulence brought by liberalization hence increased competition. In an environment that was dynamic the firms found it necessary not only to be focused but also to be flexible and adaptive. They adopt more market driven strategic approaches. In the health sector, decisions on price levels, discounts on premiums and allowances are important to enhance customers perceived value, Bennet, et al (1983).

The effects of increased competition can be seen in health and other social sector's in increased private sector role in the provision and financing of health and other service, as public spending and role is diminished, and largely to the general decline in the ability of the health system to sustain the provision of adequate, quality and affordable health services , and to guarantee access.

Due to the fact that environment is constantly changing, it is imperative that an organization has to constantly adapt its activities to reflect to the new environment requirements. Yesterday cannot be used to predict tomorrow. Companies which would like to survive must adapt and adopt to the change, Porter (1980).

2.3 HOW FIRMS COPE WITH INCREASED COMPETITION

Strategic management according to Ansoff (1990) is a systematic approach to position and relate the firm to its environment in a way that will assure its continued success and make it secure from environmental surprises.

Hamel and Prahalad (1989), an organization has a foundation for sustained competitive advantage when it possesses skills or resources that provide superior value to customers and that are difficult to imitate. In a turbulent environment, the more enduring advantage is ability to anticipate evolving customer needs and to generate new value creating capabilities based on that knowledge. And unless there is an advantage over competitors that is not easily duplicated or connected, long-term profitability is likely to be elusive.

In the 1990's, many companies have acknowledged the critical importance of being customer oriented. Customers pay attention to after sales services, knowledge and responsiveness of employers. (Kotler, 1997).

Aaker (1989) observes that long term success, involves creating, managing and exploiting assets and skills that competitors find difficult to match or counter. This involves a three-step process; (a) Identifying relevant skills and assets by observing successful and unsuccessful firms, Key customers motivations, large value-added items, and mobility barriers; (b) Selecting those skills and assets that will provide an advantage over competitors, will be relevant to the market, and will be feasible, sustainable and appropriate for the future, and (c) Develop and maintain those assets and skills and neutralize those of competitors.

Aarker continues to state that there are three basic ways to compete, namely; on the basis of delivery (including conveniences), quality (including service) or price.

Hamel and Prahalad (1989) say that restructuring and re-engineering –while both are legitimate and important tasks, they have more to do with sharing up today's business than with building tomorrow's industries. Any company that is a bystander on the road to the future will watch its structure, values and skills become progressively less attuned to industry realities. Such a discrepancy between the pace of industrial change and the pace of company change gives rise to the need for organizational transformation. A company's organizational transformation typically includes downsizing, overhead reduction, employee empowerment, process redesign and portfolio rationalization.

Bennet (1983), emphasizes the importance of improving a company's image and points out that the first step in doing this is finding out where you are currently. According to him this can be done by determining the target audience, especially the employees.

In respect to increased competition, the case of Health provision organizations requires an application of various strategic approaches to be customer service oriented. This may include the use of effective communication systems (modern IT), customer responsiveness strategies, re-packaging of the existing product to meet the needs of those outside main wage employment, improved quality service delivery, overcoming political interference, among others.

However, many efficient health plans or insurer's have little incentive to reduce prices if lower prices do not help them gain market share. Even when choosing a health plan, most patients have had little incentive to consider cost, they rarely have access to relative price information. (Porter, 1980)

2.4 STRATEGIC RESPONSES TO INCREASED COMPETITION

A number of studies have been done in Kenya on the strategic responses by various business firm's to increased competition. Kombo (1997) noted that in the motor vehicle industry, firms made substantial adjustments in introducing new technologies of product development, differentiated their products, segmented and targeted their customer's more and improve customer services in order to adapt to changes in Environment.

He continued to say that for firms to be effective and hence successful, they should adapt appropriately to the changes that occurs in their respective environments. Such adaptations may referred to as strategic responses.

Ansoff (1990) noted that strategic responses involve changes in the firm's strategic behaviors to assure success in the transforming future environment.

Pearce and Robinson (1997) define strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. It is thus a reaction to what is happening in the environment of organizations.

Operational responses issues are concerned with setting broad policies and plans for using the resources of a firm to best support its long term competitive strategy. Thus operational responses can be viewed as part of a planning process that coordinates operational goals with those of the larger organization, (Porter, 1998).

Managerial decisions with respect to operational planning and control are narrow and short-term by comparison with the strategic issues that are broad with a typically long-time frame depending on the specific industry, (Johnson & Scholes 1999). Thus the study is focused on management decisions at the strategic level which impact the company's long-range effectiveness in terms of how it can address its customers needs and response to increased competition.

Ansoff and Mcdonnel (1990), increased competition has created fundamental shift in economic environment. No organization can hope to stay afloat if it fails to come up with proper strategic responses. Terminologies such as retrenchment, mergers and cost reduction have become a routine for survival means.

Aosa (1992), Industries are responding to customers demands by becoming more innovative in their new ways of approaching the changed environment. They use strategies such as improved customer services, credit facility, post-paid cards and provision of convenience goods and services.

Competitive pressures are forcing corporations to adopt new flexible strategies and structures. Many of these are familiar: acquisition and divestitures aimed at more focused combination of business activities, reductions in management staff and increased use of performance based rewards (Kanter, 1989).

The concept of organizational restructuring or reorganization is all about changing the organization the equivalent of self- administered surgery with no insurance, no anesthetic and no assurance of long-term health. (Augustine,, N.R.1997). There is need to adapt to new strategies that match the challenges from the environment. Reengineering, downsizing, self – management and outsourcing are some of the dominant strategies that have been used for restructuring in the 1990's (Pearce and Robinson 2000).

Burnes (1998), the concern in real time response is to minimize the sum to total losses and restore profitability to ensure organization success in a turbulent and surprising environment. He also observed that the unstable and unpredictable conditions in which organizations have to operate today means that the ability to think strategically and manage strategic change successfully is key competitive strengths for a sustainable competitive advantage.

Real time strategic issue responses are necessary to facilitate the firm's preparedness in handling the impending issues, which may have profound impact on the firm.

Ansoff and McDonnell (1990), asserts that the management system used by a firm is a determining component of the firm's responsiveness to environmental changes because it determines the way that management perceives the environment, diagnosis their impact on the firm, decides what to do, and implements the decisions.

He also observes that the work place has been fundamentally transforming such that the sharp distinction between management and worker is no longer visible. The unquestioned authority of the manager has been replaced with negotiations. Other forms of management such as participate management, affirmative action, flexitime, etc have emerged.

In my own view, strategic responses within the private health sector must reflect and underscore the macro economic, social, political events in Kenya, as well as the increasing burden of diseases, and policies within and outside the sector in determining its key elements. Thus, the private health sector In Kenya is bound to engage the various strategic management responses purported by researchers in order to realize their effective service delivery.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1. POPULATION

The population of interest in this study consists of all the 17 private health sector insurance providers, (Annual Report, Commissioner of Insurance, 2001). Since the numbers of these firms are few a census survey will be done .

3.2 DATA COLLECTION

The data collection technique will involve the use of primary data through administering a questionnaire. The type of questionnaire will include both the open ended and closed questions to ensure that the respondent is not restricted to certain information details. The questionnaire shall be administered through a drop and pick letter method, alongside personal interviews.

One questionnaire shall be provided to every organization targeting the senior managers who are in a position to make strategic decisions. Alongside the questionnaire, the study will involve in-depth discussions through individual meeting (personal interviews) with CEO's of the firm's in question.

The questionnaire shall entail various aspects of the study, which include the objectives, mission, vision of the organization, the challenges (both internal and

external), customer care, organizational structure, and strategy management issues, among others that could appear relevant to the study.

3.3 DATA ANALYSIS

The questionnaires that were already completed, checked and verified to ensure that they were consistent exhaustive and complete in the information expected. The views from discussions were also formatted in order to make their translation into actionable plans and programmes much easier.

Descriptive statistical analysis will be suited to analyze the study. These will include tables, proportion/percentage and mean scores to achieving the set objectives. Mean score will be calculated to indicate what adjustments have been adopted on the strategic variables in response to competition.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1. INTRODUCTION

This chapter concerns the data analysis and presentation of the research. The data was summarized in the form of tables, percentages, mean scores, standard deviations and frequencies. Various issues regarding competition have been analyzed which include changes in the firms' objectives, Mission Statements, Vision, goals and strategic plans in response to increased competition. Strategic responses to increased competition by the firms' in question have also been analyzed.

At the beginning of the study the firms targeted were 17 according to the information from the commissioner of Insurance. However, two firms were found to have stopped providing health Insurance cover and also it happened that there was a merger, bringing the number of firms interviewed to 14. All the fourteen firms targeted responded by answering the questionnaires; Personal interviews were only done to two firms due to lack of response from others and could only offer to fill the questionnaire.

4.2. CHANGE AND EFFECT OF COMPETITION

4.2.1. Size Of The Firms

The size of the firms' was analyzed in terms of revenue turnover which could assist the research in obtaining information on the management strategies applied in their successful implementation of goals and objectives. The respondents were asked to show their levels of revenue turnover.

Table 1: Revenue Turnover.

Revenue (Kshs. Billion)	Frequency	Percentage
< 1	4	28.6%
1 ≤ 2	5	35.7%
2 ≤ 3	3	21.4%
>3	2	14.3%
TOTAL	**14**	**100%**

28.6% of the firms collected revenues of 1 billion Kshs and below, with 35.7% ranging between 1 to 2 billion Kshs and only 14.3% collecting 3 billion Kshs and above (Table 1).

4.2.2. Frequency of change of firms' Objectives, Vision, Goals and Mission Statement in response to competition.

Table 2: Changes in firm's objectives, Vision Goals and Mission

Response	Frequency	Percentage
NO	5	35.7%
YES	9	64.3%
TOTAL	**14**	**100%**

Source: Research data

Table 2 indicates that 64.4% if the firm's changed their objectives, vision, goals and mission for the last decade . This was due to the need to increase market share by creating products and services that add value to customers.

4.2.3. Installation Of Modern Technology

The respondents were required to show how modern information technology was applied and distributed across the firms. This revealed that 57% installed modern technology only in their HQs while 43% networked throughtout their branches. This shows their appreciation to modern technology as a means of improving the flow of information and service delivery (Table 3).

Table 3: Installation of Modern Technology

Level of Distribution	Number	**Percentage**
Only in the HQs	8	57%
In all the branch Offices	6	43%
In some branches	-	-
Total	**14**	**100%**

Source: Research data

4.2.4. Nature Of Medical Cover Provided

This aspect was looked to deliberately obtain information on the popular and profitable type of medical cover offered in the market.

Table 4: Nature of cover provided

Cover	Frequency	Percentage
Out patient only	1	7.14%
Inpatient only	1	7.14%
Both	12	86%
Total	**14**	**100%**

Source: Research data

The study showed that 86% of the firms' in question issued both inpatient and outpatient with only 7.14% providing either of the two. The combination showed their equitability to boost the market share (Table 4).

4.2.5. Level of competition in the sector

Table 5: Level of competition in the sector.

Level of Competition	Proportion of Respondents	
	Frequency	Percentage
Very Strong	12	85.7%
Fairly Strong	2	14.3%
No Competition	-	-
Total	**14**	**100%**

Source: Research Data.

Majority of the firms (85.7%) pointed out that high levels of competition were due to entry by new health providers especially brokers and the HMO's who offer

similar medical cover. Other reasons include the rising healthcare costs that resulted to undercutting of premium rates, continued economic recession culminating to low poverty levels thus diminishing regular clientele (Table 5).

A respondent also attributed increased competition to the pending government bills (the proposed NSHIF bill and the HIV/AIDS Bill) which might have a long-term effect on the operations and profitability of the health Insurance Industry.

4.2.6. Effects of environmental changes to the core functions of the firms

The information was obtained using mean scores ranked on a 5-point likert scale with I taken to mean lowest level and 5 taken as highest. The researcher also went further to obtain their standard deviations and coefficient of variation.

The researcher looked at the core functions of the firms and their changing trends in order to observe the effect over environmental changes. The trends may indicate organization performance in terms of premium and revenue obtained visa a vi payment of claims /expenditure.

Table 6: Effects of environmental changes to core functions of the firms

Aspects affected	Mean	S.D.	Cover Percentage
Rate of submission of premium	3.625	0.55	15.2%
Level of Revenue turnover per annum	3.75	0.68	18.13%
Payment of claims	3.75	0.68	18.13%
Registration of new members	3.375	1.09	32.3%

Source: Research Data

The results showed that there was an average effect on the rate of submission of premium, revenue turnover and payment of claims with mean scores of 3.625, 3.75 and 3.75 respectively. The degree of variability also ranged on 18.13% which was low indicating a fair representation of firms' in question where most of the firms were able to implement claims control mechanism to stay profitable (Table 6).

The registration of new members was at the lowest with a mean score of 3.375 and a standard deviation of 1.09. Respondents attributed this to poor publicity, a back drop of dismal economic performance, high unemployment and the shifting of clients from mainstrain insurance to HMO's and brokerage firms. The registration of new members gave the highest coefficient of variation, 32.3%, which indicates that it's a poor representation of the firms performance.

4.2.7. Changes In Industrial/Environmental Factors

The researcher sought to obtain information on the extent of change in industrial or environmental factors for the last 10 years. This was intended to show the state of the business environment in which the firms operated amid increased competition. The factors were ranked in a 5 point- likert scale with the respondents asked to score against each of the factor in terms of the extent of change i.e. To a high extent, a fair extent, moderately, to a lesser extent, and no effect at all for scores of 5,4,3, 2 and 1 respectively. The mean, standard deviation and coefficient of variation were also obtained for each factor.

The results obtained were also a representation on the challenges faced by the organizations in the provision of healthcare services.

Table 7: Extent of change in Industrial/Environmental factors within and outside the Sector.

	Factors/Rating	Mean	S.D.	Cover %
1	Entry of new healthcare providers	3.5	1.08	30.9
2	Competitive rivalry	3.5	1.08	30.9
3	Availability of substitutes	3.125	1.0	32
4	Power of contributors (Customers)	3.375	0.89	26.4
5.	Power of suppliers;			
	i. Hospitals	3.375	0.89	26.4
	ii. Suppliers of utilities, materials, stationeries etc	2.625	0.98	37.3
	iii. Others (specify)	-	-	
6	New technology	4.0	0.71	17.75
7	Economic factors	4.25	0.64	15.0
8	Political/Legal factors	2.875	0.82	28.5
9	Social Cultural factors	2.5	0.86	34.4
	GRAND MEAN	**3.2**		

Source: Research Data

The greatest challenge was observed from the changes in the economic factors with a mean score of 4.25. The coefficient of variation was also the lowest, 15.1%

implying a very low variability from the mean giving a good representation of the respondents.

Since the year 2002, there has been a slow economic activity with an annual GDP growth of 1.4%. However, most firms alluded to the change of government which brought greater transparency in the way government did business and this had a direct impact on the insurance industry. The advent of cronyism in the award of business was challenged and as a result, government and parastatals business was better spread across the market players. Premium rate undercutting resurfaced again as the negatively affected payers attempted to hold onto the business they had hitherto had at higher rates by reducing rates. This development continued to affect the industry adversely.

The use of new technology also changed to a greater extent with a mean score of 4.0 and low degree of variability as companies continued to adapt innovative information systems in order to boost competitiveness and service delivery.

Entry of new healthcare providers, competitive rivalry among the players, and availability of substitutes realized mean scores of 3.5, 3.5 and 3.125 respectively. The degree of variability in these factors was high which indicates a poor representations of the firms interviewed.

The findings indicated the power of contributors (customers) had a moderate trend with a mean score of 3.375 which most respondents attributed it to poor publicity and uneducated customers. One respondent also suggested that customers were not protected by any regulation against the privately owned firms who charged exorbitant premium rates which they could not afford.

The political/legal changes had a lesser effect with a mean score of 2.875 due to inadequate regulation of health service providers. The current regulation of service providers is largely technical and does not cover important healthcare management issues such as standardization of services, coding and regulated tariff structures. The legal factors provided a high degree of variability of 28.5% which indicated that it did not give a fair representation to the firms in question.

Social cultural factors with a mean score of 2.5 contributed to the least changes affecting the industry. The respondents however pointed out the "Harambee Spirit" had greatly contributed to slow insurance growth in Kenya, as it was a substitute to policies like health, education and life. Poverty had also become a culture with its effects being a great deterrent to health insurance, where saving rations were so little with no capital accumulation resulting to many people deciding to leave everything to Fate. The highest variability of 34.4% observed in this factor showed that it was not a fair representation of the firms surveyed.

4.3. STRATEGIC RESPONSES TO INCREASED COMPETITION

4.3.1. Communication of strategic plan across the organization

Table 8: Mode of communication of strategic plan across the organization

Communication Mode	Frequency	%
Top down	13	92.9%
Bottom up	1	7.1%
TOTAL	**14**	**100%**

Source: Research Data

92.9% preferred using the top-down approach to communicate the strategic plan and other management issues across the organization. Only 7.1% applied the bottom up approach. The results also indicated the dominant management style by this organizations (Table 8).

4.3.2. Factors considered important to the success of the organization in the turbulent environment

The researcher sought to obtain information on the most accepted factor in determining the strategic direction and success of the organization especially in the long-term. The mean scores were ranked on a 5 point likert scale with 1 taken to mean the least important and 5 taken as the most important. The mean, standard deviation and co efficient of variation were also computed.

UNIVERSITY OF NAIROBI
LOWER KABETE LIBRARY

Table 9: Factors considered important to the success of the Organization in the turbulent environments

Factor/Rating	Mean	S.D	Cov. %
Survival	3.75	1.1	29.3
Growth	4.625	0.51	11.0
Profitability	4.875	0.3	6.0
Competitiveness	4.375	0.8	18.3
Corporate Image	4.0	1.05	26.3
Employees satisfaction and empowerment	3.875	0.6	15.5

Source: Research Data

The findings indicated that profitability was the most important factor in determining the success of the organization (with a mean save of 4.875). This was closely followed by growth, competitiveness and the corporate image with mean scores of 4.625, 4.375, 4.0, respectively. Profitability also had the lowest degree of variability (6.0%) followed by growth, Employees satisfaction and empowerment, competitiveness and corporate image with coefficient of variations of 11%, 15.5% 18.3% and 26.3%, respectively.

Factors with low degree of variability especially profitability gave a fair representation of the firms' responses while those with relatively high coefficient of variation such as survival (with 29.3%) indicated a poor representation of the firms surveyed (Table 9).

UNIVERSITY OF NAIROBI
LOWER KABETE LIBRARY

4.3.3. Strategic Responses To Important Environmental Changes

To understand the strategic response of the firms to the increased competition in the health insurance sector, respondents were asked to indicate the level of adjustment they have adopted against a number of environmental changes or factors. The adjustments were ranked on a 5 point likert scale in terms of the level of adjustment. Mean scores were obtained against each factor with 5 taken to mean highest level of adjustment and I taken to mean lowest level of adjustment. Further analysis was done to obtain the standard deviation and the coefficient of variation of each factor. The factors were taken to be the major representatives of the environmental changes taking place in the health sector (Table 10).

Table 10: Adjustments in Response to Important Environmental Changes

	Adjustments	Mean	S.D	Cov. %
a.	**Human Resource**			
	i. Retrenchments	2.25	0.93	41.3
	ii. Remunerations	3.44	1.04	30.2
	iii. Outsourcing	2.875	0.83	28.8
	iv. Contractual	2.5625	0.91	35.5
	v. Employment	3.0625	0.7	22.9
	GRAND MEAN	**2.84**		
b.	**Levels of Premium**			
	i. Increased Premiums	3.5	1.06	30.3
	ii. Reduced Premiums	3.375	088	26.1
	GRAND MEAN	**3.4375**		
c.	**Competition**			
	i. Formation of Partnerships	2.5	1.46	58.4
	ii. Strategic alliances	2.875	0.83	28.9
	iii. Reinsurance	3.5	1.06	30.3
	iv. Levels of Marketing	4.4375	0.56	12.6
	v. Divestitures and acquisitions	3.75	0.89	23.7
	GRAND MEAN	**3.4125**		
d.	**Organizational Structure**			
	i. Level of bureaucracy	3.875	1.1	28.4
	ii. Reduced Management Levels	3.45	0.96	27.8
	iii. Empowerment of Employees	3.625	0.82	22.6
	iv. Expansion	3.0	1.0	33.3
	GRANT MEAN	**3.5**		
e.	**Technological Changes**			
	i. Use of Modern IT	3.8125	1.18	1
	ii. Interlinked branches	4.125	0.99	24
	iii. Online transactions	3.5	1.45	41.4
	iv. Electronic Exchange	3.375	0.73	21.6
	GRAND MEAN	**3.7**		

Source: Research Data

4.3.3.1. Human Resources

The findings indicate that there were relatively low levels of adjustments to human resource factor as a response to increased competition. Remunerations and employment policies had the highest level of adjustment with means scores of 3.44 and 3.0625 respectively implying that the companies value both factors as tools for maintaining and motivating its employees. Retrenchment was the least affected factor with a mean score of 2.25 and the highest variation from the mean. Outsourcing and contracting were moderately adjusted with mean scores of 2.875 and 2.5625 respectively. The grand mean indicates moderate adjustments across the factors in question. Generally, the human resource factors showed very high levels of coefficient of variability ranging from 22.9% to 41.3% which implies a poor representation of the firms surveyed.

4.3.3.2. Levels of Premium

The respondents were asked to score against increased and reduced premiums which gave mean scores of 3.5 and 3.375 respectively which respondents attributed to the market unpredictability characterized by low purchasing power. However, the degree of variability (30.3 & 26.1) was high indicating a poor representation of the firms interviewed.

4.3.3.3. Competition

There has been a considerable number of mergers/strategic alliances that occurred during the last decade. However, the study focused more on the current merger that occurred in the year 2002 between two companies by presenting a brief analysis, implementation, causes, the outcome in future and its implication to the health sector.

Meanwhile, the results from other factors showed that partnerships had the least occurrence with a mean score of 2.5 and the highest coefficient of variation of 58.4%. Divestitures/acquisition and strategic alliance provided a mean score of 3.75 and 2.875 respectively. Respondents preferred this as their major expansion strategies.

Adjustments were high in terms of the levels of marketing and reinsurance with means scores of 4.4375 and 3.5 respectively. Most respondents attributed this trend

to strategic product pricing i.e. risk sensitivity and demand to increase market share. The grand mean is at 3.4125 which indicates that relatively high adjustments were done as a result of competition. However, all the factors except levels of marketing with 12.6% variability showed highest levels of coefficient of variation implying a poor representation of the firms interviewed.

4.3.3.4. Merger

Due to few mergers having taken place in the industry for the better part of the decade, there was curiosity and excitement about the new one that happened in 2002. The merger was necessited by the need for increase in size and diversification of portfolios. The two companies needed to increase retentions thereby reducing reinsurance, and offer competitive premium rates. Both companies also had similar strategies and a fit on other parameters, for example, they shared the same objectives such as better manpower, training, empowerment and customer focus.

Currently, the company formed as a result of the merger is one of the largest health insurance provider in the region and holds a critical mass of policies that allow it to obtain favorable terms of trade with all key stakeholders –reinsurance partners, brokers etc. in addition to competitive advantage in terms of service delivery and premium pricing.

4.3.3.5. Organizational Structure

The level of adjustment for bureaucracy was the highest with mean score of 3.875 followed by employees empowerment with a mean score of 3.625. Respondents attributed these to change in management styles from top – down approach to bottom – up approach with others preferring both. There has been also an encouragement to practice open policies and access to top management by participation in regulatory initiatives. The study too reveals that there were reduced levels of management and implementation of expansion strategies both with mean scores of 3.45 and 3.0 respectively.

The organizational factors show higher variabilities from the mean, thus higher coefficient of variations. This implies that it is not a fair representation of the firms surveyed.

4.3.3.6. Technological Changes

The study revealed higher levels of adjustments on technological changes with most companies adapting modern IT and interlinked branches. Both provided mean scores of 3.8125 and 4.125 respectively. Online transactions and electronic exchanges were also relatively high with mean scores of 3.5 and 3.375 respectively. The high level of adjustments was due to increased competition and companies ensuring efficient delivery of services. The coefficient of variation is very high (upto 41.4%) implying a poor representation of the firm's in question.

CHAPTER FIVE

5.0 SUMMARY, DISCUSSIONS, RECOMMENDATIONS AND CONCLUSIONS

This chapter presents a summary of the research findings where the main objectives were to show the extent to which competition has increased in the private healthcare insurance sector and to find out the strategic responses adopted to cope with the ever changing environment. Recommendations are also given by the researcher on further strategic options by the players to improve their performance. Limitations of the study and suggestions for further research are discussed in the chapter.

5.1 Summary

The research results indicated that companies could only remain successful if they appropriately respond to the existing and emerging environmental needs. The study revealed the challenges faced by the health insurance firms which include rising unemployment, economic recession, entry of new health providers, increased claims ration due to HIV/AIDS, poor publicity, poor regulations among others are due to increased competition.

The respondents pointed out the escalating and unpredictable healthcare costs resulting from – fraud, moral hazard, adverse selection, over – utilization, supplier

costs, medical inflation, etc. as the major environmental challenges that affected their performance.

However, despite of the challenges, the study shows that there has been a substantial growth in medical business as a result of shift by clients from HMOs to mainstream insurance companies. The growth was also attributed to adaptation and adjustments to various strategic variables by the firms in question.

The strategic responses applied by the respondents amid increased competition include increasing employees remuneration needs due to economic constraints, use of new technical skills, cost cutting measures, expansion strategies, formation of partnerships, strategic alliances divestitures and acquisitions among others.

The increasing challenges facing these firms seems to suggest that strategy be made formal, i.e. companies need to operate with some formal strategic planning processes. Such formal process need not be overly sophisticated. Rather, they should provide a structured and logical bases for assessing what is going on so that decisions can be made regarding the future of the organization.

5.2 Discussions

The study shows that a series of measures are needed on the reform side to spur growth in health care investment. These include fiscal reform, restoration of the dilapidated infrastructure and the reduction of high healthcare costs.

Against a backdrop of dismal economic performance in 2003, the government needs to focus on implementing policies that will promote quick economic recovery . The careful implementation of the Economic Recovery for Wealth Plan and Employment Creation is a key factor in this initiative. Improved security and public sector governance ,being catalytic to economic revival, should create a necessary environment for private health insurance sector.

The health insurance companies should adopt a more pro-active approach to claims management by settling valid claims expeditiously and shortening claims negotiation processes to boost on public image and trust. These companies must also begin active re-engineering of their policies with a twin purpose of differentiating and making them attractive and relevant to today's customers.

Indeed, the research shows that the health insurance sector has experienced an unprecedented decline in the training of staff particularly in the case of short-term courses.

Only the most essential and unavoidable training is currently being undertaken.

In the face of environmental complexity characterized by retrenchment, downsizing, rightsizing and all manner of euphemisms used to describe staff reduction, these organization should embark on skill enhancement, maintenance of key skills and skills acquisition following redeployment.

There were indications also that the threat of terrorism, the poor state of infrastructure, insecurity, the fight against corruption, putting inplace a new constitution and putting to an end the infighting in the coalition government, the latter which seems to erode public and investor confidence, remain major challenges to the realization of the benefits of reform and economic growth.

In the advent of HIV/AIDS, the health insurance firms should design products that are AIDS tolerant which is the only really satisfactory alternative counter measure, e.g. to provide insurance against death from a specified number of causes excluding AIDS.

5.3 Recommendations for policy and practice

The researcher further suggests the following key strategies to be applied by the players to boost their performance.

*Responsive leaderships to be put in place through encouraging accountability teamwork, effective communication and results.

*Being innovative and knowledgeable by continuously educating and training its staff. Recruitment of highly qualified, technical and experienced employees is also important

* Better motivational facilities for staff and their empowerment

*Continued focus on customer care services accompanied by quality service delivery.

*The firms should be entrepreneurial by identifying opportunities and putting them into action.

* Integrity should be part of an honorable and committed work ethic.

* The companies to embark on increased investment in IT technology while policy contracts and other documents delivery should be largely automated.

* Lack of insurance specialization in institutions of learning requires insurance companies to re-think on developing a professional reorientation.

* Focused marketing to be in line with innovation in product development.

*Adoption of quality optimization programmes.

*Finally, as a matter of policy, the company should be able to answer the following questions

- What kind of product does the customer want?
- How does the customer want to interact with the company?
- How can we enhance our already good relationship with the customer through insurance subsidiaries?

5.4. Conclusions

The research clearly indicates that there have been increased competition in the private health insurance sector due to the ever changing environmental conditions. The firms have also revealed diversified strategic responses to counter this challenges. Therefore, for these firms to be successful, managers must make deliberate efforts to develop a competitive edge over others. This can be done through formulating and implementing good strategies which can be achieved by combining product of analysis, intuition and reflection in a formal planning process. How good a company's strategy will be critically dependent on how well the company managers understand the dynamics of the external environment and adapt to them.

5.5.Limitations of the Study

Accurate and updated results were hard to come by due to data collection and analysis problems. Some of this problems encountered include; the lack of willingness by other respondents to answer to the questionnaire thoroughly to the expectation. There was also a problem of time lapse in collecting the data and convincing the respondents that the information required was purely academic.

5.6.Suggestions for further study

The study narrowly focused on competition and strategic responses by the private health insurance sector. This is just part of the wider insurance industry which can also be subject for research.

Other health providers such as the public sector, NGO's, HMO's can provide similar research areas.

This similar studies can be carried out on the above diversified areas and players, to determine the levels of competition alongside the strategic responses adapted.

REFERENCES

Aaker, D.A "Managing Assets and skills. The key to sustainable competitive Advantage". California Management Review. 1989,Pp 91 – 106.

Ansoff, H & Mcdonnel, E (1990) Implanting strategic management, Prentice Hall Cambridge, UK, 2nd Edition.

Aosa, E. (1992) An Empirical Investigation of Aspects of Strategy Formulation And Implementation within large, private manufacturing companies in Kenya. Unpublished PHD dissertation. University of Strathelyde (Scotland).

Augustine N.R, (1997), Reshaping an industry. Harvard Business Review on Change, Harvard Business Review Press, May – June.

Bennet, W.E et al (1983), Individual Health Individual; Health insurance Association of America – New York.

Commissiner of Insurance (2001), Annual Report of the Commissiner of Insurance for the year ended 31st Dec' 2001. Jomo Kenyatta foundation. NAIROBI

Burnes. B. (1996), Managing Change. Strategic approach to organizational Dynamics. Pitman Publishing. 2nd Ed.

Burney, J. "Firm Resources and Sustained Competitive Advantage." Journal of Management. 17, 1991 pp 99 – 120.

Government of Kenya (1994), Kenya Health Policy Framework Paper, Nairobi.

Government of Kenya (1998), LOK, NHIF Act Cap. 255 No. 9 of 1998, Government Printers.

Government of Kenya (1997), Sessional Paper No. 4 of 1997 on Aids in Kenya.

Gorverment of Kenya. The insurance Act. 1985

Grant R.M Contemporary Strategy Analysis. Concepts, Techniques, Application. 3rd Edition 1998. Blackwell. Massachusetts. U.S.A.

Hamel, G. and Prahalad, C.K "strategic intent", Harvard Business Review. May/June 1989 pp 63 – 73.

Johnson G, & Scholes K, Exploring Corporate Strategy, Text and Cases. Prentice Hall New India 1997.

Johnson, G. & Scholes, K. (1999), Exploring Corporate Strategy, 5th ed, Prentice Hall Europe.

Kanter, R.M et al. The challenges of organizational change. Free Press, 1992.

Kanter, R.M. Frontiers of Management. Harvard Business Review Book, 1997

Kanter, R.M The change masters: Innovation and Entrepreneurship in the American Corporation. Sinon & Schuster, New York 1984.

Koigi. A.N. Implementation of strategic alliance in a competitive environment;The case of Kenya Post Office Savings Bank and Citibank. Unpublished MBA project. University of Nairobi.

Kombo, H.K, (1997) Strategic response by firms facing changed environmental Conditions – A study of Motor Vehicle franchise holders in Kenya. Unpublished MBA Thesis, University of Nairobi.

Kotter J.P. Leading Change. Harvard Business School press. 1996.

MOH (1999), National health sector Strategic Plan, 1999 – 2004, MOH

Nachmias, V.F and Nachmia, D. Research methods in the social sciences. 5th Ed.1996

Pearce, J.A & Robinson, R.B (1997), Strategic Management: Formulation, Implementation & Control. Irwin, Homewood Illinois 6th edition.

Pearce J.A & Robinson R.B (2000), Strategic Management. Formulation, Implementation and Control, McGraw Hill ed. 7th Ed.

Pearce, J.A & Robinson, R(1997). Strategic Management: Strategy Formulation and Implemetation, Richard D Irwin Inc, U.S.A, 3rd Edition.

Porter, M (1980) Competitive Strategy, The Free Press.

Porter, M (1998) Competitive Strategy, The Free Press

Thompson, & Strickland A. J (1993). Strategic Management: Concepts & Cases, Richland, D. Irwin, Inc, New York, 7th Edition.

APPENDICES

Appendix A

Private health insurance firm's surveyed.

1. Madison Insurance Company (K) Ltd.
2. British American Insurance Co. (K) Ltd
3. Invesco Insurance
4. UAP provincial Insurance Company Ltd
5. American Life Insurance Company
6. Heritage A.I.I Insurance Co. Ltd
7. General Accident Insurance Co. Ltd.
8. Fidelity Insurance Co. Ltd
9. Kenindia Assurance Co. Ltd
10. Kenya Alliance Insurance Co. Ltd
11. Phoenix of E.A. Assurance Co. Ltd
12. Merchantile. Life and General Assurance Co. Ltd.
13. Insurance Company of East Africa Ltd.
14. APA Insurance Co. Ltd.

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 732160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 23RD JUNE 2004

TO WHOM IT MAY CONCERN

The bearer of this letter MR. LENGOPITO F. DOUGLAS

Registration No: D/61/P/8553/00

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

M.B.A. OFFICE
P.O. Box 30197, Nairobi
UNIVERSITY OF NAIROBI FACULTY OF COMMERCE

JACKSON MAALU
CO-ORDINATOR, MBA PROGRAM

Appendix 1

QUESTIONNAIRE

This questionnaire has been prepared in accordance with the objectives of the study and it is purely meant for academic research. Therefore, I request your honesty truthfulness and openness in answering the questions asked. Any clarification sought shall be solved as the researcher picks the questionnaire.

A. COMPANY'S DATA

1 What is the company's contributions (turnover) per annum?

---

2 What is the approximate expenditure on claims per annum?

---

3 Has there been a significant decline in revenue collection in the last 10 years? ----------
--

4 If yes in (3) above, give reason----------

---

5 What is the current number of employees? ----------
---

6 How long has one worked? ----------
---

7 How many branches does the organization operate in the country? -----
---

8 To what extent is the organization modern technology compliant?

Only in the H/Qs ☐
In all the branch offices ☐
In some branches ☐

9 What is the nature of the cover provided by the organization for its members?

Outpatient only ☐
Inpatient only ☐
Both ☐

B. STRATEGIC RESPONSES

1 What is the company's mission? ----------

---

2 Has it changed for the last 10 years?

Yes ☐ No ☐

3 If yes in (2) above, give reasons ----------

---

4 What is the company's vision? ----------

---

5 State the company's objectives----------

---

6 Has the objectives changed for the last 10 years?

Yes ☐ No ☐

7 If yes in (6) above, give reasons ----------

---

8 Are you aware of any strategic plan and its first inception?

Yes ☐ No ☐

9 How is the strategic plan communicated to all levels of operation's and management?

Top down ☐

Bottom up ☐

10 Who is responsible for making strategic decisions?

Managers ☐

Board of directors ☐

Chief Executive Officer ☐

11 What challenges does the organization face in its operations and implementation of its policies and plans? ----------

---

---

12 What strategic responses do you apply in dealing with these challenges? ----------

---

---

13 Please rank the following strategic responses in the order of importance to the organization

	Very Important				**Least important**
	5	4	3	2	1
Survival					
Growth					
Profitability					
Competitiveness					
Corporate image					
Employees satisfaction and empowerment					

14 What are the employee's challenges? ----------

-

15 How do you respond to these challenges? ----------

---

16 What are your future strategies to minimize these challenges? ----------
---

C. LEVEL OF COMPETITION

1. What is the level of competition faced by the organization?

Very strong ☐
Fairly Strong ☐
No competition ☐

2. What are the major business environmental changes that have taken place in the last 10 years ----------
---

---

3. To what extent has the above environmental changes affected the following aspects of the organization?

	Least extent				Greatest extent
	1	2	3	4	5
Rate of submission of premium					
Level of revenue turnover per annum					
Payment of claims					
Registration of new members					

4. Do you think that you are a major player in the industry?

Yes ☐ No ☐

5. If yes in (4) above give reason ----------

---

6. To what extent have the following industrial or environmental factors changed in your organization for the last 10 yrs? (Tick the appropriate box)

	5	4	3	2	1
	To a high extent	A fair extent	Moderately	To a lesser extent	No effect at all
a) Entry of new healthcare providers					
b) Competitive rivalry among healthcare providers					
c) Availability of substitute products competing with healthcare.					
d) Power of contributors (Customers)					
e) Power of suppliers; i) Hospitals for medical treatment.					
ii) Suppliers of utilities, materials, stationeries, etc.					
iii) Others (Specify)					
f) New technology					
g) Economic factors					
h) Political/legal factors					
i) Social cultural factors					

7. What major action or transformation has the organization taken in the recent years? ----------
---

---

8. Please indicate the level of adjustment for the following in response to environmental changes.

	Level of adjustment				
	Low				High
	1	2	3	4	5
a) Human resources					
i) Retrenchments					
ii) Remunerations					
iii) Outsourcing					
iv) Contractual					
V) Employment					
b) Levels of premium					
i) Increased premiums					
ii) Reduced premiums					
c) Competition					
i) Formation of partnerships					
ii) Strategic alliances					
iii) Reinsurance					
iv) Levels of marketing					
v) Divestitures and acquisitions					

d) Organizational structure					
i) Level of bureaucracy					
ii) Reduced management levels					
iii) Empowerment of employees					
iv) Expansion					
e) Technological changes					
i) Use of modern IT					
ii) Interlinked branches					
iii) Online transactions					
iv) Electronic exchange					

9. Specify any other changes ----------