COMPETITIVE STRATEGIES AND HUMAN RESOURCE MANAGEMENT PRACTICES ADOPTED BY THE INSURANCE COMPANIES IN NAIROBI, KENYA

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OCTOBER 2010

DECLARATION

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

Sign.. Date ....

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This project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

To my husband George Ngugi Kinuthia for the moral and financial support he gave towards my education.

To my children, Stanley Ngugi and Christopher Marley who gave me the encouragement throughout the course of the research work.

To my dear mother for her love and encouragement.

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ABSTRACT

This study was carried with an objective to establish the relationship between competitive strategies and human resource management practices adopted by the insurance firms in Nairobi Kenya. The central hypothesis under investigation in this study is that firms that have aligned their corporate strategy with the Human Resource Management practices stand a better chance to attaining a sustainable competitive advantage as well as good performance. To achieve the objective of the study, the research used a descriptive research design and a census survey comprising of all the 42 registered insurance firms in Kenya.

Primary data was collected using structured questionnaires. The questionnaires were dropped and picked up later and others were filled through direct interview. Once the pertinent data was collected, the researcher carried out an analysis of the same using mean, standard deviation and percentages. Where appropriate, the study results were presented in tables and charts.

The study established that most insurance firms have aligned their corporate strategy with the human resource management practices in order to survive and compete in the market. To enhance the competitiveness, the insurance companies use low cost leadership strategy, and differentiation strategy by offering a wide range of products and services. To achieve this, the companies use high skilled and innovative staff and most companies' use staff training and development as means to bridging the gap between human resource competence and competitive advantage.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Increasingly, service firms are pursuing strategies that feature a greater customer - orientation. In the implementation of these strategies, service firms are recognizing that getting customer-oriented behaviors from their employees is critical. Because these behaviors are often different from those exhibited by the employees in the past, service firms are utilizing their human resource practices to stimulate and reinforce the behaviors needed for the successful implementation of greater customer-oriented strategies (Jackson and Schuler, 1992). Firms are environment dependent and changes in the environment shape opportunities and challenges facing them. Understanding this is important in defining objectives and developing strategies that will ultimately result in competitive advantage (Pearce and Robinson, 1991).

In today's turbulent business environment, managing both internal resources and challenges posed by the external environment are essential for the survival of any organization. To deal effectively with matters that affect growth and profitability, executives employ management processes that they believe will position a firm optimally in its competitive environment (Pearson and Robinson, 1991). Human resources play a key role in determining competitiveness of a business. To gain a competitive advantage, firms should ensure that their digital strategy are committed to world class products and services to its customers and should have a world – class work environment for its employees (Porter, 1980). This means organizations must attract and retain world – class people. The company's operations should be guided by customer-focused and employee

–centered core values such as social responsibility, diversity, quality and a passion for innovation, speed and adaptability. The changing global environment has led to more competition, increased product choice, increased customer demand, lower prices, product innovations and information technology (Johnson and Scholes, 2001). Kotler (2006) posits that, consumers have become more educated and informed more than ever before and they have the tools to verify companies' claim and seek out superior alternatives. Companies face intense competition from domestic and foreign brands which is resulting in rising promotion costs and shrinking profit margins. Due to changes in the market place, companies must cope with the dynamic environment in order to survive (Adcock et al, 2001).

1.1.1 Human Resource Management (HRM) Practices

Human resource management (HRM) is the strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business (Torrington & Hall 1987). Miller (1987) suggests that HRM relates to: "those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage". HRM also refers to "people practices" which support business goals. These practices are embedded in the HR function such as, analysis and design of work, HR planning, Recruiting (attracting potential employees), Selection (choosing employees), Training and development (teaching employees how to perform their job and prepare them for the future) Compensation (rewarding employees), Performance Management (evaluating their performance) and Employee Relations (creating a positive work environment). All these are geared strategically to maximize on company performance. The HRM practices support business goals and objectives. That is, effective HRM practices are strategic. Effective HRM enhances company performance by contributing to employees and customer satisfaction, innovation, productivity and development of a favorable reputation in the firm's community.

1.1.2 Competitive Strategies

Competitiveness refers to a company's ability to gain and maintain a reasonably market share in its industry. A strategy is defined as the "skillful employment of tactics in planning and management" (Webster's New American Dictionary). A strategy reflects companies' awareness of how and where it should compete and for what purpose.

Pearson and Robinson (2007) define competition as the state within a market setting where firms work and set strategies to gain advantage or greater success over each other. Competition denotes the existence of firms that try to sell identical products or services to the same group of customers. A firm's competitors may change over time in terms of their characteristics, strategies, and strategic focus due to environmental factors that affect the structure of the industry (Guiltinan and Paul, 1994).

Competitive strategy consists of all those moves and approaches that a firm is taking to attract buyers withstand competitive pressure and improve its market position (Thompson and Strickland, 2002). Competitive strategy, also known as a business strategy, is concerned with how a firm competes in a given industry or market (Grant, 1998).

1.1.3 Human Resource Management Practices and Competitive Strategies

As stated earlier, competitiveness refers to a company's ability and performance to gain and maintain market share in its industry (Easterly and Levine, 2002). Human resource management practices, therefore, must help support the company's strategy and provide services with customer value. The value of a product or service is determined by its quality and how closely the product fits customer needs. Competitiveness is related to company effectiveness which is determined by whether the company satisfies the needs of stakeholders (Barney, 1991). Important stakeholders include: stockholders who want a return on the investments; customers, who want a high-quality product or service; an employees, who desire interesting work and reasonable compensation for their services and the community, which wants the company to contribute to activities and projects and minimal pollution of the environment. Companies that do not meet stake holder's needs are unlikely to have a competitive advantage over other firms in the industry.

Miles and Snow (1984) argued that HRM practices must be tailored to the demands of business strategy. They noted that successful firms display a consistent strategy supported by complimentary organization structures and management processes. Schuler and Jackson (1987) provided a detailed treatment of the three competitive strategies (innovative, quality enhancement and cost reduction) and the required role behaviors. They argued that it is more useful to think about what is needed from an employee who works with other employees in a social environment and the required employee behavior.

1.1.4 Insurance Industry in Kenya

Insurance industry in Kenya is one of the most risky businesses to venture in mainly because of the potential risks that are involved and thus it is of interest to understand the survival tactics in such a risky business. The main players in the Kenyan insurance industry are: insurance companies, reinsurance companies, insurance brokers, insurance agents and the risk managers. The statute regulating the industry is the insurance Act; laws of Kenya, chapter 487. There is also self regulation of insurance by the Association of Kenya Insurers (AKI). The professional body of the industry is the insurance institute of Kenya. In 2006 there was formed, the Insurance Regulatory Authority (IRA) to take up the role of regulating, supervising, and developing the insurance industry players. Over the years, Kenya's insurance industry has continued to endear itself to the existing and potential customers through new products and a significant improvement on its service delivery platforms, guaranteeing consumers of world class services delivery.

According to the AKI (2009), there were 42 licensed insurance companies with 20 companies writing general insurance, 7 writing life insurance while 15 were composite. The insurance industry has been growing widely in Kenya and hence faced with stiff competition in the market. As a result, I have found this industry appropriate for my study to establish the competitive strategies used to survive and the role of human resource management practices in attaining companies' sustainable competitive advantage

1.2 Statement of the problem

The concern with the link between business strategy and human resource strategy today represents a growing recognition of the importance of people in the achievement of organizational strategy. The human resource management practices make the human resource strategy where, employees are seen as key in the implementation of the declared organizational strategy outcomes. The human resource function should ideally respond to organizational strategy by defining a strategy which meets organizational needs. For a company to be successful in attaining high performance, the link between its strategies should be holistic, with the people in the organization being recognized as the key to competitive advantage rather than just way of implementing organizational strategy. Human resource strategy therefore becomes critical and, as Baird et al (1983) argued, there can be no corporate strategy without human resource strategy. Boxall (1996) develops this idea in relation to resource based firm and argues that business strategy can usefully be interpreted as broader than a competitive strategy (or positioning in the marketplace). Butler (1989) identified the HR-driven model which places human resource strategy in prime position. He suggested that, if people are key to competitive advantage, then we need to as the implementers of strategy to human resources as a driving force in the formulation of the strategy.   strengthen our people. The model acts as a shift from human resources

Despite the importance of the link between human resource management practices to corporate competitive strategies there appears to be no study that has addressed the relationship between these two concepts more so in Kenya. Given the developing nature of the Kenyan economy, one cannot assume that firms in the insurance sector have automatically made this alignment. If some of them have made the alignment and others have not, it would be important to demonstrate empirically there is a significant difference between those companies that have achieved their alignment and those that have not done so. This will help bring out more clearly the importance of such alignment. This is what the proposed study sets out to do.

Some studies have been done in Kenya on the area of competitive strategies. For example, Kimaru (2006) conducted a study on competitive strategies used by the agricultural chemical suppliers in Kenya. His objectives were to determine the competitive strategies used by agricultural chemical suppliers in Kenya and also to determine the factors that influence the choice of such strategies. His findings were that low cost strategy, differentiation strategy and the focus strategy as used by different companies, while the factors affecting choice of strategy comprised of product, its quality, entrepreneurship and market or focused learning capability. This study did not highlight the role of human resource management practices in the implementation of corporate strategy. Wacuka, (2007) conducted a study on competitive strategies adopted by car dealers in Nairobi and she found that different companies used strategies such as quality services delivery to customers, competitive pricing, quality products and discounts. These studies revealed the existence of competitive strategies in the firms studied. However, they did not address the link between the competitive strategies adopted and the role of human resource management practices in the firms studied. Hence this study seeks to fill the knowledge gap on the relationship between human resource management practices and the competitive strategies used by insurance firms in Kenya to gain a competitive advantage in the market competition.

1.3 Objective of the Study

To establish the relationship between the Human Resource Management Practices and the competitive strategies adopted by the insurance firms in Kenya.

1.4 Importance of the Study

The study will be important to:

Scholars and Researchers for it provide a useful basis upon which future studies can be done on the same. It has also increased to the body of knowledge.

Business corporations, the study provide useful insights on the role HRM in placing a firm in the market competition.

Management and staff of business firms, the study has opened their minds to realize and appreciate HR functions as critical towards competition and how to apply HRM to compete.

Potential investors, the study will help them know what strategies they need to put in place as they set up new firms.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy

Johnson and Scholes, (1993) defines strategy as the direction and scope of an organization over the long term, which ideally matches resources to its changing environment and its particular markets so as to meet stakeholders' expectations. This definition identifies three key components of strategy namely definition of scope and range of an organization's activities within the specific environment it faces, the need of customers and markets matched against resource capability to determine long-term direction and lastly, the roles of stakeholders have on the strategy articulation because of their influence over the values, beliefs and principles which govern organizational behavior and business conduct.

Chandler (1962) defines strategy as the determination of the basic long term goals and objectives of an enterprise, the adoption of action and the allocation of resources necessary for carrying out these goals. This means that strategy is about managing new opportunities. The strategy that is chosen should be one that optimizes the resources available in order to achieve organizational goals and objectives. According to (Thompson and Strickland, 1998) a strategy is a game plan that management has for positioning the company in its chosen market in order to compete successfully, please its customers and also achieve good business performance.. Strategy is therefore crucial for organizations to obtain a viable match between their external environment and their internal environment and capabilities and it also helps to continuously and actively adapt the organization to meet the demands of an ever-changing environment. Muriuki (2005) notes that strategy has become very critical and contributes to the organizational success and comes in handy as organizations continue to face turbulent environment.

2.2 Competitive Strategies

Competitive strategies consists of all the business moves and approaches that a firm undertakes to attract buyers, withstand competitive pressure and improve its market position (Thomson and Strickland, 1993). It concerns what a firm is doing to in order to gain a sustainable competitive advantage. They are of the opinion that a company has competitive advantage whenever it has an edge over its rivals in securing customers and putting the company apart from its competitors. Competitive strategy is concerned with how a firm competes in a given industry (Grant, 1998)

Competitive strategy is defined as the bases on which a business unit might achieve competitive advantage in its market. Firm achieve this competitive advantage by providing their customers with what they want, or need, better or more effectively than competitors, and in ways in which their competitors find difficult to imitate (Johnson and Scholes, 2002). Porter (1980) refers to strategy as to how a company competes in a given industry and how a company can gain a competitive advantage through distinctive ways of competing.

There are several generic competitive strategies that a firm can use in order to gain a sustainable competitive advantage according to Michael porter and will be used in this study because they deal with the core issues that many organizations are concerned with, like cost efficiency and product/service quality and are very crucial in the management of the insurance firms. Porter (1998) posits that a firm can use three potential successful generic strategies to outperform other firms in an industry. They include:

Low cost leadership strategy; Firms that chooses a low cost leadership strategy, focuses on gaining advantages by reducing its economic costs below the cost of all its competitors (Barney, 1997). Competitive advantage through low prices might be sustained in a number of ways like; an organization accepting reduced margins because it can sell more volume than competitors, an organization being prepared to sustain and win price war with competitors, an organization having cost advantage through organizationally specific capabilities that can drive down cost throughout the value chain, that is, being the low cost producer in the industry and exploiting all sources of cost advantage for, example by obtaining raw materials at lower prices than competitors, producing more efficiently, locating the firm in an area where labor cost is low among other ways. Low cost leadership can also be achieved through focusing on market segments where low price is particularly valued by customers (Johnson and Scholes, 2008). Once Low cost is achieved, the position provides high margin which can be re-invested in new equipment and modern facilities in order to maintain cost leadership (Porter, 1998).

Differentiation; this involves offering products or services that are perceived industry-wide as being unique (Porter, 1998). Successful differentiation is based on a study of buyers' needs and behavior in order to learn what they consider important and valuable that, understands well customer perception (Barney, 1997). The basis for competitive advantage is a product whose attribute differ significantly from rivals products and creates difficulties of imitation. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes (Bowman and Faulkner, 1997).

Focus strategy; the focus strategy basis for competitive advantage is either lower costs than competitors serving that market segment or an inability to offer niche members something different form competitors (Pearce and Robinson, 1997). Focusing is based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members. Firms pursuing this strategy are willing to service isolate geographic areas, satisfy needs of customers with specific financing or servicing problem or even to tailor the products to somewhat unique demands of the focused customers.

2.3 Human Resource Management

Human resource management is the strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business. The terms "human resource management" and "human resources" (HR) have largely replaced the term "personnel management" as a description of the processes involved in managing people in organization

In simple words, HRM means employing people, developing their capacities, utilizing, maintaining and compensating their services in tune with the job and organizational requirement. The human resource management (HRM) plays a key role in determining the survival, effectiveness and competitiveness of any company. HRM refers to the policies, practices, and systems that influence employees' behavior, attitude, and performance. (Gerhart and Wright, 2006). The HRM function has evolved over time and it began as purely administrative function but due to the market growth and competition globally, it is now changing to a strategic function. As a result, this has brought up the strategic human resource management (SHRM) which is defined as the linking of human resources with strategic goals and objectives in order to improve business performance and develop organizational culture that foster innovation, flexibility and competitive advantage. SHRM means accepting and involving the HR function as a strategic partner in the formulation and the implementation of the company's strategies through HR activities such as recruiting, selecting, training and rewarding personnel (Boxall, 1992). The goal of human resource management is to help an organization to meet strategic goals by attracting, and maintaining employees and also to manage them effectively. The key word here perhaps is "fit", i.e. a HRM approach seeks to ensure a fit between the management of an organization's employees, and the overall strategic direction of the *company (Miller, 1989).*

2.4 Human Resource Management Practices

HRM practices are a primary means for defining, communicating and rewarding desired role behaviors (Aldrich, 1979). Effective and efficient human resource management (HRM) practices are key to success in many industries. Organizations use their HRM practices to encourage the behaviors needed to successfully carry out the employment roles. Given that the managerial role is different from the roles of lower-level employees in organizations, it is reasonable to expect that organizations would use somewhat different human resource management practices for the two groups of employees (Jackson and Schuler, 1992). Specifically, given the nature of the managerial role, it is probable that compared to hourly employees in service-based organizations; managers would be more likely to be influenced by the following practices:

Jobs with greater skill variety and responsibility, Performance appraisals that focus on results, Performance appraisals that focus on projects that takes a longer period of time, Compensation schemes based on company-wide bonuses, Training that is provided for longer-term and broader skill development, and More training hours per year.

HRM practices must be cost-effective while simultaneously assuring employee attraction and retention as well as protection from legal liability. HRM and its practices are at the heart of organizational success and the common HRM practices include:

Analysis and design of work; Job analysis refers to the process of getting detailed information about jobs. This is because, to achieve high quality performance, or a firm to succeed, it must have detailed information about the requirements of jobs and attempt to place people in occupation that best suit their aptitudes. Job analysis entails two parts namely: Job description and job specifications. A job description is a list of the tasks, duties, and responsibilities that a job entails. A job specification on the other hand is a list of the knowledge, skills, abilities and other characteristics that an individual must have to perform the job. Job design on the other hand is the process of defining how work will be performed and the tasks that will be required in a given job. Also is job redesign which refers to changing the tasks or the way work is performed in an existing job (Gerhart and Wright, 2006).

Human Resource Planning; Human resource planning is a process which consists of forecasting, goal setting and program implementation and evaluation. Forecasting refers to the attempt to determine the supply and demand for various types of human resources to predict areas within the organization where there will be future labor shortage or surpluses (Schuler, 1987). After forecasting, is goal setting and strategic planning. The purpose of setting specific quantitative goals is to focus attention on the problem and provide a benchmark for determining the relative success of any programs aimed at redressing a pending labor shortage or surplus. The goals should come directly from the analysis of labor supply and demand and should include a specific figure for what should happen with the job category or skill area and a specific timetable for when results should be achieved.

Human Resource Recruitment; Recruitment involves attracting a pool of applicants upon which selection procedures will later be applied. Research suggests staffing effectiveness is both a function of the quality and quantity of the applicant pool (Fisher, 1989). This is the practice carried on by the organization with the primary purpose of identifying and attracting potential employees. Recruitment activities are designed to affect; the number of people who apply for vacancies, the type of people who apply for them and or the likelihood that those applying for the vacancies will accept positions if offered. The goal of an organizational recruitment program is to ensure that the organization has a number of reasonably qualified applicants to choose from when a vacancy occurs (Gerhart, 2006).

Recruitment can be external or internal where internal recruitment provides ample opportunity for advancement and promotion of the existing employees.

Selection and Placement; Personnel selection is the process by which companies decide who will or will not be allowed into organizations. There are five generic standards to be met in any selection process namely: reliability, validity, generalizability, utility and legality. There are several methods used in the selection process like, interviews, physical ability tests, cognitive ability tests, work sample tests, among others (Robinson, 1981).

Training and Development; Training refers to a planned effort by a company to facilitate employees' learning of job- related competencies (Gerhart, 2006). These competencies include knowledge, skills or behaviors that are critical for successful job performance. (Mathias and Jackson, 2000) define training as a learning process whereby people acquire capabilities to aid in achievement of organizational goals. The goal of training is to provide employees with knowledge, skills and behaviors emphasized in the training program and apply them to their day –to –day activities. Recently, training has been acknowledged to offer a competitive advantage and thus training should include more than just basic skill development to a broader focus of creating and sharing knowledge (Wright et al 2006). A key characteristic of training activities that contribute to competitiveness is that they are designed according to the instructional design process which has several steps mainly; Needs assessment by analyzing the organization, the individual and the task, ensuring employees' readiness for training, creating a learning environment, selecting training methods and evaluating the training programs in terms of training outcomes and cost benefit analysis.

On the other hand, employee development involves learning that goes beyond today's job; it has a more long term focus (Mathias and Jackson, 2000). It prepares employees to keep pace with the organization as the company changes and grows. (Wright and Gerhart, 2006) defines development to be the formal education, job experiences, relationships, and assessment of personality and abilities that help employees prepare for the future. Its learning is not necessarily related to the current job. It is the acquisition of knowledge, skills, and behavior that improves an employee's ability to meet changes in job requirements and in client and customer demands.

Performance Management; Companies that seek competitive advantage through employees must be able to manage the behavior and results of all employees. (Wright and Gerhart, 2006) defines performance management as the process through which managers ensure that employees' activities and output are congruent with the organization's goals. They further explain that, performance management has three parts namely: defining performance rooted from job analysis, measuring performance through performance appraisal, and feedback performance information to employees. The purposes of performance management system in an organization are of three kinds: strategic, administrative, and developmental.

Compensation; Compensation refers to all forms of pay or rewards that employees receive as part of employment relationship (Fisher, 1989). Compensation can be direct financial payments in form of wages, salaries, bonus and commissions and it also involves indirect payments in form of financial benefits like employer paid insurance, paid vacations/leaves among others. Organizations should therefore design their pay and benefit systems. The major concern in pay and benefit system design is to create reward systems that elicit desired and necessary behaviors from employees. Pay and benefits, while often thought of separately, should be considered simultaneously since they collectively represent an organization's overall strategy to motivate employee behaviors. Compensation design decisions are firm and situation-specific, making it difficult to develop a packaged solution for all firms. Strategically, because compensation issues are important contributors to organizational effectiveness, decisions regarding pay and benefit design should be made in house and be administered in a fair, timely, legal, and equitable manner. (Armstrong, 2001) highlights that, organization’s compensation management is very vital for it supports the achievement of a business strategy**.**

Employee Relations; Employee relations involve creating and maintaining harmonious employer-employee relationships that contribute to satisfactory profitability, productivity, motivation, and job satisfaction for an organization (Gennard and Graham, 2007). It is concerned with preventing and resolving problems involving individuals that arise out of or affect work situations. Industrial or employee relations can also be regarded as a system or web of rules regulating employment and the way in which people behave at work. (Dyer, 1985) states that the role of the system is to produce the regulations and procedural rules that govern how much is distributed in bargaining process and how the parties involved in the industrial relation relate to one another. Employee relations mainly concern the pay-work bargain and the agreement between employers and employees. The main concern of employers is simply to get employees who will do what they are instructed to do at minimum cost. On the other hand, employees want a say in how much they are rewarded, their terms and conditions of employment and the way in which their work is organized. They want good working conditions, security of employment, good and safe working environment and the scope to raise and resolve grievances.

2.5 Link between Competitive Strategies and Human Resource Management Practices

A firm's digital strategy should be committed to world class products and services for its customers and a world class work environment for its employees. This means, attracting and retaining world class people (Starner, 2004). The companies operation should be guided by customer focused and employee – centered core values such as social responsibility, diversity, quality and a passion for innovation, speed and adaptability. The human resource function is a shared services organization in which pay, bonuses, staffing and recruiting, benefits, diversity, learning and HR systems are all part of corporate human resource.

Human resource in any organization should provide support for the business strategy as it evolves to help the business survive. The human resource department should align its strategies to the corporate strategy in order to help the firm achieve its goals and objectives. For, example the human resource strategies should ensure practices like recruiting and selecting the best workforce, ensure that talented employees get the right experiences, job assignments, visibility and learning opportunities. Rewarding employees through good pay and recognition motivates employees to the commitment of the corporate competitive strategy planning and implementation (Pearce and Robinson, 1997) Human resource should focus on key initiatives like employee value proposition and building a high performance culture.

The strategy underlying the HRM practices need to be considered to maximize their influence on company performance, by contributing to employee and customer satisfaction, innovation, productivity and development of favorable reputation in the firms community. A strategic choice perspective recognizes that multiple design options are often available to organizations, but does not necessarily assume that all options are equally effective within a given environment (Porter 1980, 1985). Thus, inappropriate managerial decisions can create organizational practices that are less than optimal, in which case organizational effectiveness is likely to suffer. When applied to the issue of human resource management systems, this view of organizational adaptation leads to the prediction that when organizations operating within a given industry sector are compared, those that are more effective will be the organizations that have adopted HRM practices consistent with the demands of the industry.

Based on the previous discussion and the literature, several differences would be expected between the human resource practices in more effective service firms in comparison to less effective service firms. Specifically, the more effective the service firms the more likely that; Job designs will be characterized by skill variety and autonomy, Employees will have input into their performance appraisals, Clients will have input on appraisals, Performance appraisal results will be used in determining training needs, There will be a great deal of training of new employees, and Performance appraisal.

HRM was primarily reactive; that is, human resource issues were a concern only if they directly affected the business. Although this still remains the case in many companies that have yet to recognize the competitive value of HRM practices, other companies believe that HRM is important for business success and therefore have expanded the role of HRM as a change agent and a strategic partner (Gerhart and Wright, 2006). Recent studies show that human resource is being transformed from a specialized, stand-alone function to a broad corporate competency in which human resource and line managers build partnership to gain competitive advantage and achieve overall business goals and also, HR managers are increasingly included on high level committees that are shaping the strategic direction of the company (Halcrow, 1988).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction.

This chapter presents the methodology that was used to carry out the research. It presents the research design, target population, sampling procedures, data collection procedures and instruments and data analysis.

3.2 Research Design

The research design used was descriptive survey of the employees in the insurance firms. This design is considered for this study because of comparative analysis that will be done to achieve the research objective.

3.3 Population of the Study

The population of the study consisted of all the 42 insurance firms in Nairobi where their main offices are based. This will be a census study since all the 42 insurance firms will be involved.

3.4 Data Collection

Primary data will be used in this study; a structured questionnaire will be used to collect data. The questionnaire will contain both closed-ended questions and few open ended. The questionnaire will consist of three sections. Section one will be designed to obtain general information on person and organization profile. Section two consists of questions on the competitive strategies and section three contains questions on the human resource management practices. The questionnaire will be administered through “drop and pick later” method. Respondents will be the human resource managers in all the 42 insurance firms within Nairobi.

3.6 Data Analysis

Before analysis, data will be checked for completeness and consistency. Simple descriptive statistics such as mean, standard deviation, frequencies and percentages will be used. The data will then be summarized and presented in form of table and charts. Pearson’s product moment correlation technique will be used to establish the relationship between competitive strategies and human resource management practice adopted by the insurance firms in Kenya.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter contains the findings of the data collected on the researchers study. The response rate was 52% meaning that out of the questionnaires administered to all the 42 insurance companies registered in Kenya, only 22 were returned duly filled. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for statistical reporting. Therefore, the study's response rate of more than 50% is considerably efficient for data analysis. Data is presented in form of tables, charts and graphs.

4.2 General Findings

Figure 4.1 below presents the findings on the gender of the respondents . Majority (59%) of the respondents were male while 41% were female

Figure 4.1: Distribution of the Respondents by Gender

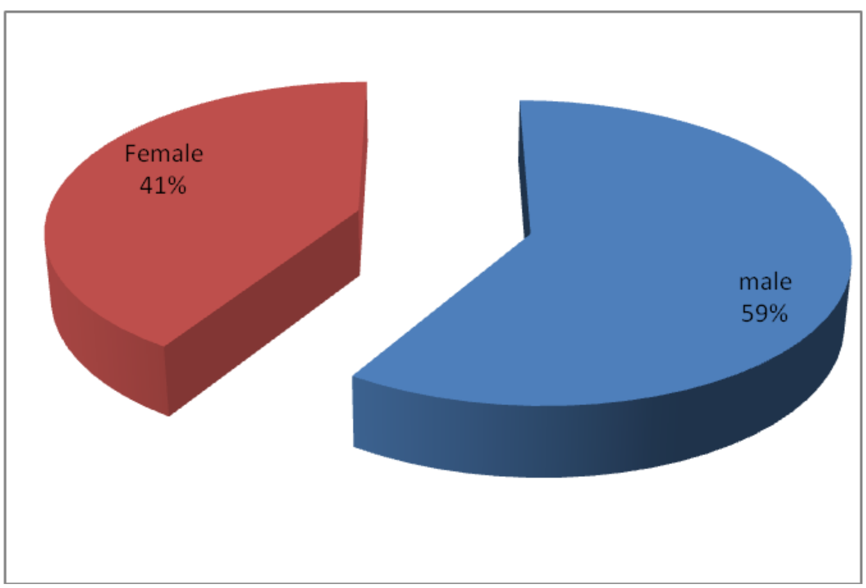
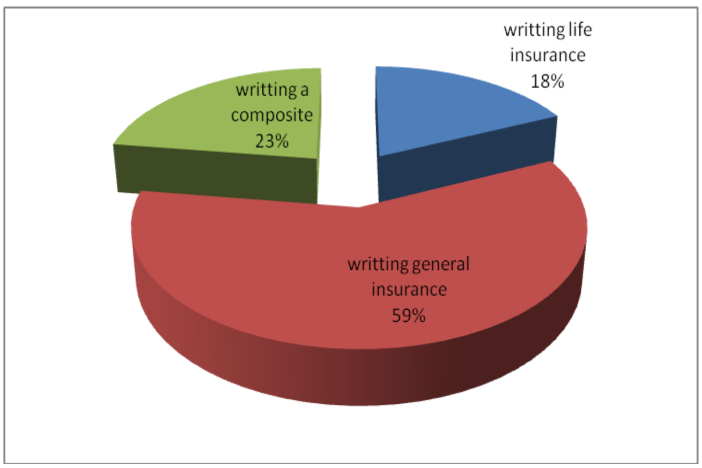


Table 4.1: Distribution of the Respondents by Length of Service and Age of the Firm

	Less than 10 years	Between 10 and 20 years	More than 20 Years	Total
Length of service in this organization	81.8	9.1	9.1	100
Length of time the company has been in existence	40.9	9.1	50.0	100

As indicated in table 4.1, 81.9% of the respondents had served for a period of less than 10 years, where as 9.1% had served for a period between 10 and 20 years or more. The table also indicates that 50% of the insurance companies had been in operation for a period of more than 20 years while 40.9% had been in existence for a period of less than 10 years, indicating an increasing percentage of new entrants in the Kenyan insurance industry.

Figure 4.2: Classification of the Companies by the type of Business



As shown in figure 4.2, 59% of the insurance companies surveyed were classified as writing general insurance, 23 % were in writing a composite class and 18% were classified as writing life insurance. The classification is important in terms of the type of competitive strategies adopted by firms in the insurance industry.

Figure 4.3: Classification of Firms by Number of Branches

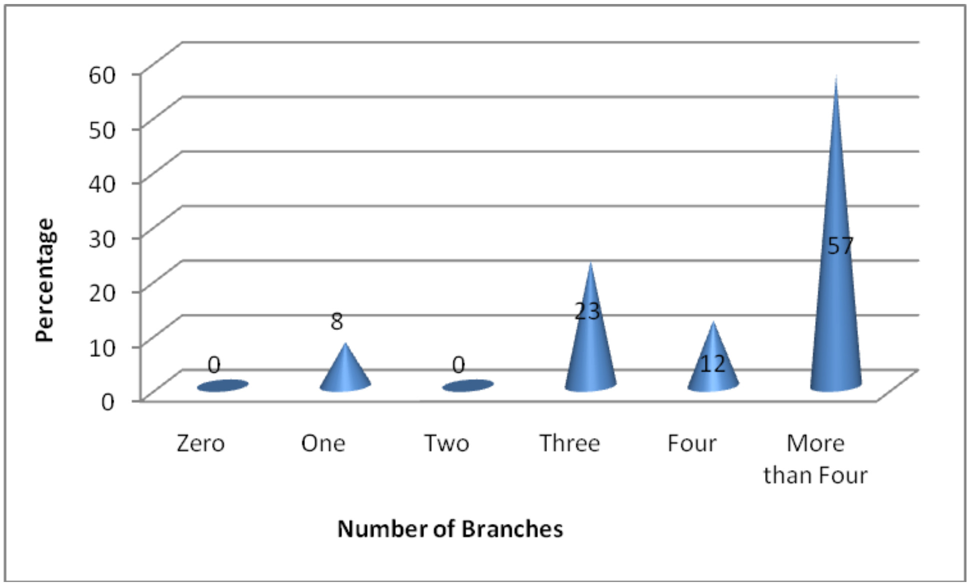


Figure 4.3 presents the number of branches and the corresponding number of firms. It is noted that majority of the insurance companies 57% had more than four branches; 23 % had three branches, 12% had four, while 8% had one branch. This is indicates horizontal growth as a competitive strategy adopted by most of the insurances companies in Kenya.

Table 4.2: Distribution of Firms by Size

Number of employees	Frequency	Percent
Below 50	8	36.4
50-100	3	13.6
Over 100	11	50
Total	**22**	**100**

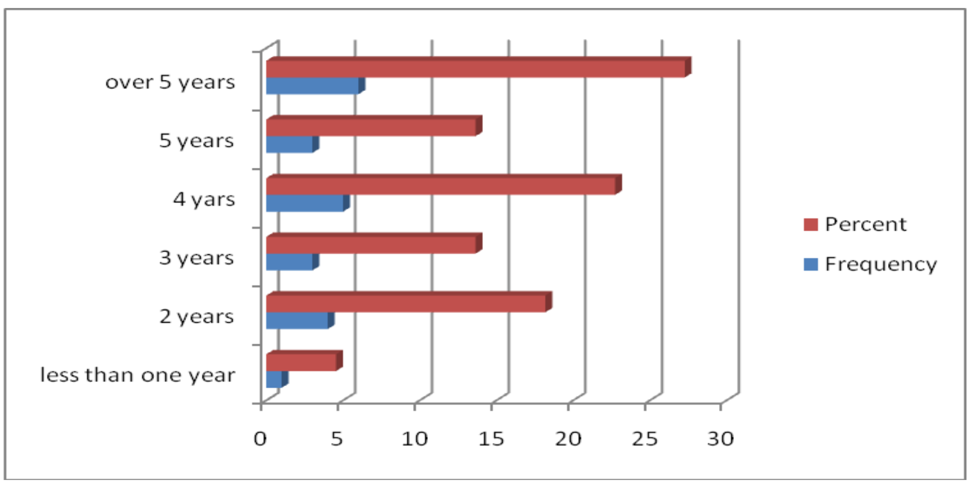
Human resources are one of the most prerequisite factors which determine the operation of businesses. It is noted in table 4.2 that 50% of the surveyed companies had over 100 employees, 36.4% had less than 50 employees while 13.6% had 50-100 employees.

Table 4.3: Respondents' Rating of the Strength of Competition in Insurance Industry in Kenya

	Frequency	Percentage
Weak	0	0
Strong	9	40.9
Very Strong	10	45.5
Hyper	3	13.6
Total	**22**	**100**

Majority of the respondents (45.5%) perceive competition in the insurance industry in Kenya as very strong, 40.9% described it as strong, while 13.6 % viewed it as hyper. This perception in the respondents as indicated in table 4.3 makes it imperative for these companies to adopt strategies that will enable them to remain in operation.

Figure 4.4: Length of Time the Strategic Plan Has Been In Operation



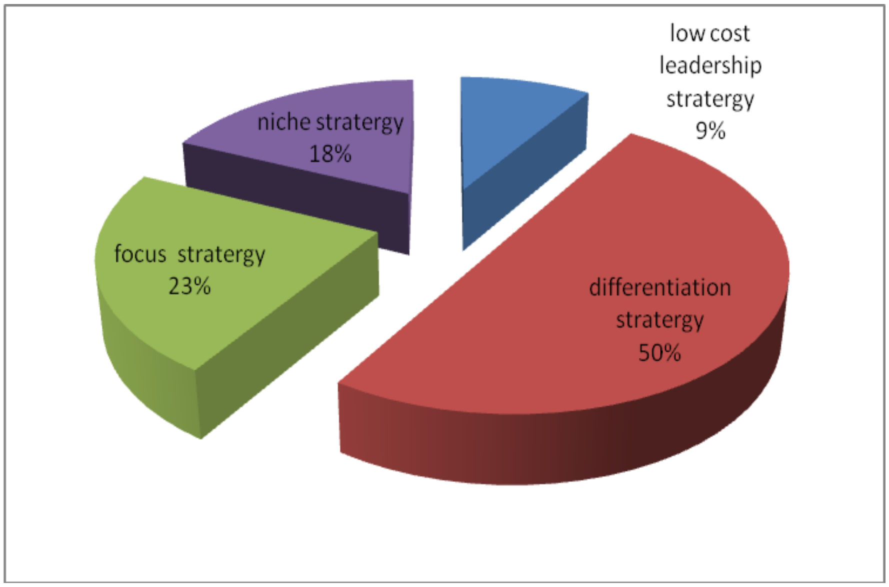
All the respondents agreed that their respective insurance companies had a strategic plan as shown in figure 4.4 above; this plan had been in operation for over 5 years in most companies (28%), while 22% of the respondents stated that this plan had been in operation for 4 years. Only a small percentage (4%) indicated that the plan had been in operation for less than one year.

Table 4.4: Brand and Company Attributes that attract Customers

	Strongly Disagree	Slightly Disagree	Disagree	Undecided	Agree	Slightly Agree	Strongly Agree	Mean	SD
The level to which low prices make customers prefer your brand	2	3	7	1	4	1	4	3.9	1.9
The level to which strategic location make customers prefer your brand	3	1	10	0	6	1	1	5.1	1.7
The level to which good customer service make customers prefer your brand	0	0	1	0	4	4	13	6.6	1.1
The level to which giving incentives make customers prefer your brand	1	0	4	2	7	4	4	4.9	1.6
The level to which aggressive marketing make customers prefer your brand	1	3	0	1	6	5	6	5.1	1.9

Table 4.4 indicates the level of agreement with factors that attract customers to the company's products. It emerged that good customer service is the most important factor which determines customer's preference for a particular insurance product with a mean of ($\bar{x}$ = 6.6). Strategic location, aggressive marketing and giving incentives are also factors dictating the customer's preference for an insurance company, as indicated by respondents mean scores of 5.1, 5.1 and 4.9, respectively. However, the respondents feel that lower prices has little influence on the customers preference for the insurance company as its mean score is low ($\bar{x}$ = 3.9).

Figure 4.5: Competitive Strategies Adopted by the Firms



Competitive strategy is defined as the basis on which a business unit might achieve competitive advantage in its market. Firms achieve this competitive advantage by providing their customers with what they want, or need, better or more effectively than competitors, and in ways in which their competitors find difficult to imitate (Johnson and Scholes, 2002). Differentiation emerges as the most competitive strategy adopted by most insurance companies in Kenya. As shown in figure 4.5 above, 50% of the surveyed companies use this strategy, 23% indicated that their organizations use focus strategy, 18% use niche strategy while 9% uses low cost leadership strategy.

Table 4.5: Mean Scores on the Extent of Adoption of Low Cost Leadership

Adoption to Low Cost Leadership	Not at All	Less Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	STDEV
Increased number of competitors	1	6	6	6	3	3.8	1.1
Foreign competition	3	9	6	3	1	3.2	1.1
Unpredictable government policies	2	4	7	7	2	2.5	1.1
Rapid changes in interest rates	1	1	12	6	2	3.1	1.12
Responding to the constant changes in customer needs	1	2	5	10	4	3.3	0.89
Attracting large number of customers	0	2	8	4	8	3.6	1.0

Table 4.5 above shows the mean scores and standard deviations on the adoption of low cost leadership strategy. Firms that choses a low cost leadership strategy, focuses on gaining competitive advantage by reducing its costs below the cost of all its competitors (Barney, 1997). As shown in table 4.5, most companies (78%) adopted low cost leadership strategy as a result of increased number of competitors' in the market and this was indicated by a mean score of 3.8. Attracting large number of customers, responding to the constant changes in customer needs, foreign competition are other strategies applied by the insurance companies' in the adoption of low cost leadership strategy as their mean scores were high at 3.6, 3.3, and 3.2 respectively. However, majority of the companies surveyed, unpredictable government policies are rarely applied in adoption of low cost leadership strategy as its mean score was low at 2.5.

Table 4.6: Extent of Adoption to Differentiation Strategy

Adoption to Differentiation Strategy	Not at All	Low Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	SD
Offering wide range of products	1	1	3	5	12	4.2	1.13
Engaging high skilled staff	1	0	3	7	11	4.2	1.0
Use of publicity	0	5	5	9	3	3.5	1.0
Combining with competitors	3	11	5	2	1	2.4	1.00
Advertising extensively in media	4	1	5	7	5	3.4	1.4
Coming up with new products in the market	0	3	5	3	11	4.0	1.2
Offering flexible products to meet different levels of customer affordability	1	2	6	9	4	3.6	1.1
Striving for leadership in technology	4	2	3	5	8	3.5	1.5

Differentiation involves offering products or services that are perceived industry-wide as being unique (Porter, 1998). Bowman and Faulkner, (1997) noted that profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes. Offering a wide range of products and engaging high skilled staff are the most applied in adoption of differentiation strategy by the insurance companies in Kenya. These had a mean score of 4.2 each as indicated in table 4.6 above. Introducing new products in the market, offering flexible products to meet different levels of customer affordability, striving for leadership in technology, using publicity and advertising extensively in media are also other strategies applied to distinguish themselves and their products from those of their competitors as their mean scores were close to 4 at 4.0, 3.6, 3.5, 3.5 and 3.4 respectively. However, combining with competitors is rarely applied as a differentiation strategy by insurance companies in Kenya, and this indicated a mean score of 2.4.

Figure 4.6: Focus Strategies Used by Insurance Firms

Majority of the respondents (90.9%) stated that differentiation focus strategy was applied in adoption of focus strategy in insurance companies in Kenya, while only a small percent of 13.6 agreed on the use of low cost focus strategy in adoption of focus strategy in insurance companies in Kenya as indicated by table 4.6 above

Table 4.7: Means and Standard Deviations for the Importance of Human Resource Practices

	Not Important	**Less Important**	**Important**	**Very Important**	**Mean**	**STDEV**
Job analysis and design of work	0	1	9	12	3.5	0.341
Human resource planning	0	2	8	12	3.45	0.461
Human resource recruitment	1	2	10	9	3.23	0.613
Selection and placement	1	2	12	7	3.14	0.549
Training and development	2	2	7	11	3.23	0.885
Performance management	0	3	7	12	3.41	0.508
Compensation	0	7	11	4	2.86	0.502
Employee relations	1	7	9	5	2.82	0.684
Outsourcing	1	8	9	4	2.73	0.638

As indicated in table 4.7 above, job analysis and design of work, emerges as the most important human resource management practice adopted by most insurance companies in

Kenya in the achievement of competitive strategy. This is well illustrated in figure 4.7 below with a mean of 3.5. Human resource planning, performance management, human resource recruitment, training and development, selection and placement are also human resource management practices valued and adopted by most insurance firms in the achievement of their competitive strategy. These human resource practices have the mean scores of 3.45, 3.41, 3.23, 3.23, and 3.14 respectively. However, compensation, employee relations and outsourcing are perceived to have less importance to the achievement of the firm's competitive strategy as their mean scores according to the respondents were 2.86, 2.82 and 2.73 respectively.

Figure 4.7: Means and Standard Deviations for the Importance of Human Resource Practices

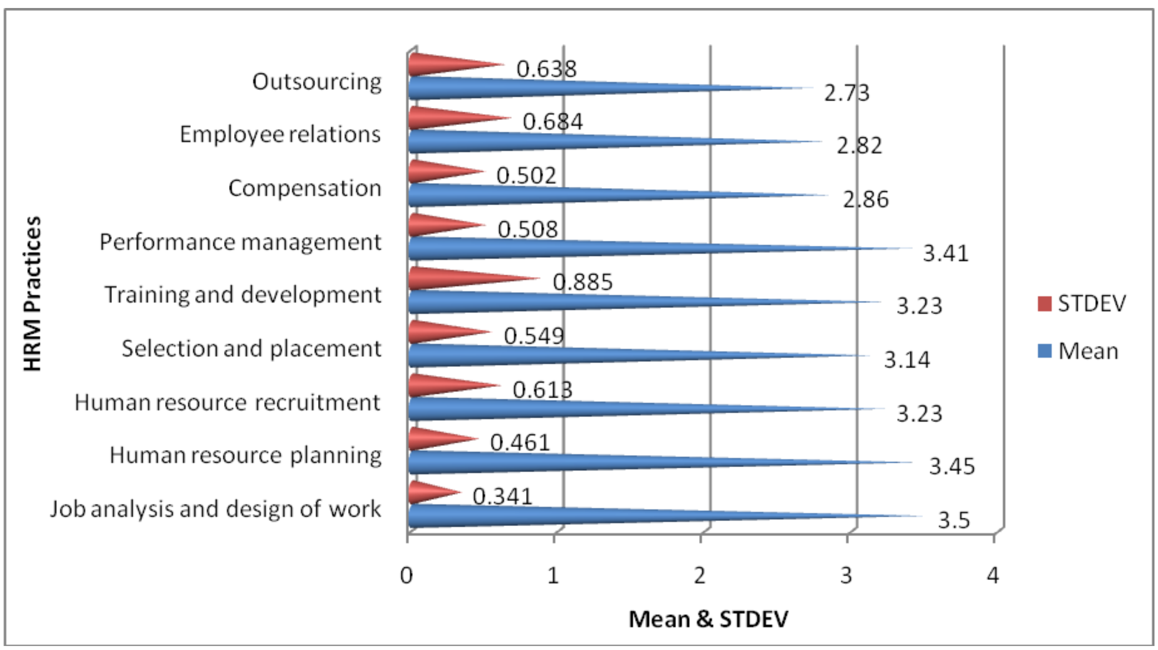


Table 4.8: Means and Standard Deviations of the Respondents' Rating of Benefits from the Employer

	Strongly Disagree	Disagree	Agree	Strongly Agree	Mean	SD
Employees are highly valued towards the success of the organization	0	0	5	17	3.7	0.43
There is a clear communication of the organization goals to all employees in different departments	0	2	13	7	3.2	0.6
This link has a great impact on the company's positive performance	0	1	14	7	3.2	0.5
Employees have input into their performance appraisal and results obtained are used in determining training needs	4	1	13	4	2.8	0.97
Human resource managers are always included on high level committees that shapes the strategic direction of the company	0	5	10	7	3.1	0.75
Compensation of employees is highly linked to individual qualifications and Performance	0	8	8	6	2.9	0.8

Table 4.8 shows the extent of the respondents' agreement with the various statements which represent benefits their organization uses to link corporate strategy to its human resource management practices. The respondents were supposed to indicate their levels of agreement i.e. strongly disagree, disagree, agree and strongly agree.

As indicated in the table, (77.3 %) of the respondents strongly agreed that employees are highly valued towards the success of the organization hence giving a mean score of 3.7 This perception concurs with Staner (2004) that a firm's digital strategy should be committed to world class products and services for its customers and a world class work environment for its employees. This means, attracting and retaining world class personnel. Pearce and Robinson, (1997) noted that rewarding employees through good pay and recognition motivates employees to the commitment of the corporate competitive strategy planning and implementation. The respondents also agreed that clear communication of the organization goals to all the employees in different departments has a great impact on the company's positive performance. This had a mean of 3.2. The fact that human resource managers are always included on high level committees that shapes the strategic direction of the company are also the prerequisite considerations representing the benefits most insurance companies uses to link corporate strategy to its human resource management practices and this had a mean of 3.1. However, the respondent perceived that employees have input into their performance appraisal and results obtained are used in determining training needs; and compensation of employees is highly linked to individual qualifications and performance to have little benefits in insurances to link corporate strategy to its human resource management practices as their mean scores were low at 2.8 and 2.9 respectively.

4.3 Competitive Strategies and Human resource Management Practices

Table 4.9: Correlation between Competitive Strategies and HRM Practices

		Low Cost Leadership Strategy	**Differentiation Strategy**
Human Resource Management Practices	Pearson Correlation	0.187	-0.218
	Sig. (2-tailed)	0.405	0.330

The study grouped the competitive strategy indicators (low cost leadership strategy and differentiation strategy) presented in tables 4.5 and 4.6 and correlated these with human resource practices indicators presented in table 4.7. The Pearson Product Moment correlation was done at 95% confidence level. From the table, human resource strategy had a low but positive association with low cost leadership strategy at a correlation coefficient of 0.187, which was not significant and a negative association with differentiation strategy which was not significant.

Table 4.10: Reliability of the Scale

Scale/Group	Cronbach's Alpha
Low Cost Leadership Strategy Scale	0.435
Differentiation Strategy Group	0.6502
Human Resource Management Practices Scale	0.8362

To determine the reliability of the group/scale used in the correlation, the study conducted a Cronbach's reliability test from which it was established that differentiation and human resource management practices were most reliable as they exceeded 0.6 thresholds. According to Nunnally (1967), an alpha value of 0.6 is sufficient hence an Alpha of value 0.65 and 0.836 is even better.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter discusses the summary of the finding in chapter four. Conclusion and recommendations drawn from these findings are discussed in relation to the objectives of the study which was to establish the relationship between the human resource management practices and the competitive strategies adopted by the insurance firms in Kenya.

5.2 Summary of Findings

5.2.1 Findings on Demographic Information

The study sought to establish the information on the respondents in the insurance industry with regards to the gender, job designation, and duration of service in the respective insurance company in years. These bio data point at the respondents' appropriateness in answering the questions and also looks at the employment demographics in various insurance companies in Kenya. 59% of the respondents were males while 41 % were females. 81.9% of the respondents had served in their respective organizations for a period of less than 10 years; where as an equal percent of 9.1 had served for a period between 10 and 20 years or more. Various responses ranging from human resource managers, human resource assistant, underwriting manager, and customer care managers were stated as the various position/ titles of the respondents. Hence the information provided by the respondents would help establish the relationship between the human resource management practices and the competitive strategies adopted by the insurance firms in Kenya

5.2.2 Findings on the Organization Data Information

The study established that most insurance companies (50%) had been in operation for more than 20 years, 40.9% had been in existence for a period of less than 10 years, indicating the rise in the insurance companies in Kenya. Classification is important in terms of adoption of the competitive strategies within insurance industry. 59% of the insurance companies surveyed were classified as writing general insurance, 23 % as writing composite, while 18% were classified as writing life insurance. The growth of the insurance industry in the competitive environment by the insurance companies in Kenya is indicated by expansion in terms of branches. Majority of the insurance companies (50%) had more than four branches, 23 % had three branches, and 12% had four, while 8% had one branch. The number of employees in the insurance companies ranged between below 50 to over100 employees depending on the size of the company.

5.2.3 Findings on Competitive Strategies

Competition in insurance industry in Kenya is strong, as perceived by the respondents as 45.5% indicated this fact. As a move to adapt to this competition, the finding established that all the insurance companies had strategic plan which in majority of the companies (28%), had been in operation for over 5 years. 22% of the respondents stated that this plan had been in operation for 4 years.

Good customer service emerged as the most important factor which determines customer's preference on the choice of most insurance companies as its mean score according to the respondents was 6.6. Strategic location, aggressive marketing and giving incentives are also factors dictates the customer's preference on the choice of insurance companies. However lower price factor had little influence on the customers preference of the insurance company as its mean score was low at 3.9

Differentiation (with a percentage of 50) emerged as the most competitive strategy adopted by most insurance companies in Kenya in order to compete or achieve a sustainable competitive advantage. 23% indicated that their organizations uses focus strategy, 18% use niche strategy, while 9% uses low cost leadership strategy.

Increased numbers of competitors, attracting large number of customers, responding to the constant changes in customer needs, foreign competition are the strategies applied in the companies' adoption of low cost leadership strategy. Unpredictable government policies are rarely applied in adoption of low cost leadership strategy. Offering a wide range of products and engaging high skilled staff emerged as the most strategies applied in adoption of differentiation strategy by the insurance companies in Kenya. Introducing new products in the market, offering flexible products to meet different levels of customer affordability, striving for leadership in technology, use of publicity and advertising extensively in the media are also other strategies applied in adoption of differentiation strategy. However, combining with competitors is rarely applied in the adoption of differentiation strategy in insurance companies in Kenya,

5.2.4 Findings on Human Management Practices

The objective of the study was to identify the link between the Corporate Competitive Strategy and the Human Resource Management practices adopted by the insurance companies in Kenya. The study found that, job analysis and design of work is a highly valued human resource management practice for competitive advantage. Other important factors include; human resource planning, performance management, human resource recruitment, training and development and selection and placement. Further the study established that employees are highly valued towards the success of the insurance companies and a clear communication of the insurance companies' goals to all employees in different departments has a great impact on the companies' positive performance. The study also established that human resource managers of the insurance companies are always included on high level committees that shape the strategic direction of the company. This findings proved that most companies have aligned there human resource strategy to the company's competitive strategy and hence the advantage of growth, quality performance and a sustainable competitive advantage through the value given to the different companies human resource.

5.3 Conclusion

The main aim of the study was to establish the link between the Human Resource Management Practices and the Competitive Strategies adopted by the insurance firms in Kenya. The study concludes that insurance companies consider such HRM practices such as job analysis and design of work, human resource planning, performance management and training and development as key to achieving the competitive advantage.

The study also concludes that though the insurance companies have adopted focus, niche, low cost leadership and differentiation strategies, they mostly use differentiation strategy for competitive advantage. Nevertheless, the insurance companies' HRM practices are more geared towards having low cost leadership than products/service differentiation owing to negative correlation between HRM practices and the latter.

5.4 Recommendations

Based on the findings of the study, the study recommends that the insurance companies should consider outsourcing some HR functions since the study found that they rarely outsource as a HRM practice. Outsourcing would enhance the insurance companies' low cost leadership and ensure that some highly specialized functions like fraud investigations are undertaken by experts. Employee relations and compensation should also be encouraged as Human Resource Management practices since they are practiced the least. This would enhance employees' motivation. The study also recommends that insurance companies should ensure that HRM practices are geared more towards product differentiation. Product differentiation as a strategy would, in turn, enhance their competitive position in the industry.

Lastly, the study recommends that insurance companies should improve on their good customer service which determines customer's preference on the choice of insurance companies. In a bid to remain in the competitive market an insurance company should ensure its efficiency in marketing, giving incentives and being in a strategic location among other factors.

5.5 Areas for Further Studies

The study suggests that further studies be carried out on talent management practices adopted by the insurance companies for competitive success as this would bring out clearly how human resource management practices can be used as competitive strategy.

5.6 Limitation of the Study

The findings of the study may not be generalized as there were some limitations. First, this study aimed at studying all the 42 listed insurance companies, but to get feedback from some of the companies became difficult since a good number said filling questionnaires is against their company's policy. As a result, this did not allow the researcher to get feedback from 20 companies and hence data was collected from 22 companies only.

Secondly, the target respondents from each insurance firm was the human resource manager, but it was not possible because many of the human resource managers were too busy in their daily human resource management activities and this reduced the response rate from 100% to 68%. Out of 22 respondents, 15 were human resource managers and 7 were their assistants. Some managers did not fill their questionnaires instead they referred them to their assistants. Lastly, some human resource managers were not cooperative because they thought that the researcher had been contracted to work for competitors, even though there was an introduction letter. A lot of time was wasted to convince the respondents that the study was purely for academic purposes and those who agreed to fill the questionnaires did it with a lot of suspicion.

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APPENDICES

Appendix I: Introductory Letter

INTRODUCTION LETTER

Dear Respondent,

I am a graduate MBA student at the University of Nairobi currently undertaking a management research project on **"The link between the competitive strategies and human resource management practices adopted by the insurance firms in Kenya".**

The purpose of developing this questionnaire is purely academic and therefore, i kindly request you to assist by completing the enclosed questionnaire which shall provide data for analysis in order to achieve the objectives of the research. Whatever ideas you express, you are assured that your response will be kept strictly confidential.

Your assistance in facilitating the same will be highly appreciated.

Thanks in advance.

Yours faithfully,

----------------------	-----------------------
Matilu M. Caroline	Prof. K'obonyo
MBA student	Supervisor
Tel: 0721-282407	Tel: (020)2059162

Appendix II: Questionnaire:

The questionnaire is divided into three sections: Kindly answer the questions in each section.

SECTION A: GENERAL INFORMATION.

Please tick or fill as appropriate.

PART I: DEMOGRAPHIC INFORMATION

1. Name of the respondent (optional)………………………………………………
2. Gender…………………………………………………………………….
3. Title or position of respondent in the firm………………………………………
4. How long have you been with this organization…………………………………

PART II: ORGANIZATION DATA

5. Company

   Name…………………………………………………………………………

6. For how long has your organization been in existence?

   Less than 10 years ( )

   Between 10 and 20 years ( )

   More than 20 years ( )

7. How would you classify your organization?

   Writing life insurance ( )

Writing General insurance ( )

Writing a Composite ( )

8. How many branches does your organization have?

0 ( )

1 ( )

2 ( )

3 ( )

4 ( )

More than 4 ( )

9. Indicate the number of employees in your organization.

0-50 ( )

50-100 ( )

Over ( )

SECTION B: COMPETITIVE STRATEGIES

10. How do you describe competition in insurance industry in Kenya?

Weak ( ) Strong ( ) Very Strong ( ) Hyper ( )

11. Does your organization have a strategic plan?

Yes ( ) No ( )

12. If yes for how long has the strategic plan been in operation?

Less than one year ( )
2 Years ( )
3 Years ( )
4 Years ( )
5 years ( )
Over 5 years ( )

13. In the following question indicate your level of agreement with the statement by ticking the appropriate answer using the scales below.

7=strongly agree 6=slightly agree 5=agree 4=undecided

3=disagree 2=slightly disagree 1=strongly disagree

Why do you think your customers prefer your brand?

	7	**6**	**5**	**4**	**3**	**2**	**1**
a) Lower prices	( )	( )	( )	( )	( )	( )	( )
b) Strategic location	( )	( )	( )	( )	( )	( )	( )
c) Good customer service	( )	( )	( )	( )	( )	( )	( )
d) Giving incentives	( )	( )	( )	( )	( )	( )	( )
e) Aggressive marketing	( )	( )	( )	( )	( )	( )	( )

14. What competitive strategy has the organization adopted in order to compete or achieve a sustainable competitive advantage? (Tick appropriately)

Low cost leadership strategy	( )
Differentiation strategy	( )
Focus strategy	( )
Niche strategy	( )

15. Low Cost Leadership Strategy: To what extent does your organization employ the following strategies? Please tick the appropriate option using the scale provide against each statement. The scale points stand for the following:

1-Not at all
2-Low extent
3-Moderate extent
4-Great extent
5-Very great extent

Strategies used	1	2	3	4	5
Attracting large number of customers					
Increased number of competitors					
Foreign competition					
Unpredictable government policies					
Rapid changes in interest rates					
Responding to the constant changes in customer needs					

a) Others (specify)? ……………………………………………………………….

16. Differentiation Strategy: To what extent does your organization adopt the following strategies to remain competitive in the market? Please tick the appropriate option using the scale provided below:

1-Not at all
2-Low extent
3-Moderate extent
4-Great extent
5-Very great extent

Strategy Used	1	2	3	4	5
Offering a wide range of products					
Engaging high skilled staff					
Use of publicity					
Combining with competitors					
Advertising extensively in media					
Coming up with new products in the market					
Offering flexible products to meet different levels of customer affordability					
Striving for leadership in technology					

Others (specify)

…………………………………………………………………………………

17. Focus strategy: Which strategy does your company use mainly? Tick appropriately

Low cost focus ( ) or Differentiation focus ( )

SECTION C: HUMAN RESOURCE MANAGEMENT PRACTICES

18. How important are the following human resource management practices to the achievement of your organization's competitive strategy?

Key: Very important - 1
Important - 2
Less important - 3
Not important - 4

	1	2	3	4
○ Job analysis and design of work	[ ]	[ ]	[ ]	[ ]
○ Human resource planning	[ ]	[ ]	[ ]	[ ]
○ Human Resource recruitment	[ ]	[ ]	[ ]	[ ]
○ Selection and placement	[ ]	[ ]	[ ]	[ ]
○ Training and Development	[ ]	[ ]	[ ]	[ ]
○ Performance Management	[ ]	[ ]	[ ]	[ ]
○ Compensation	[ ]	[ ]	[ ]	[ ]
○ Employee Relations	[ ]	[ ]	[ ]	[ ]
○ Outsourcing	[ ]	[ ]	[ ]	[ ]

Others (specify) …………………………………………………………………

19. To what extent do you agree that the following statements represent benefits your organization uses to link corporate competitive strategy to its human resource management practices?

Key: Strongly agree [SA]
Agree [A]
Disagree [D]
Strongly disagree [SD]

	SA	A	D	SD
Employees are highly valued towards the success of the organization .	[ ]	[ ]	[ ]	[ ]
There is a clear communication of the organization goals to all employees in different departments .	[ ]	[ ]	[ ]	[ ]
This link has a great impact on the company's positive performance.	[ ]	[ ]	[ ]	[ ]
Employees have input into their performance appraisal and results obtained are used in determining training needs	[ ]	[ ]	[ ]	[ ]

Human resource managers are always included on high level committees that shapes the strategic direction of the company.	[ ]	[ ]	[ ]	[ ]
Compensation of employees is highly linked to individual qualifications and Performance	[ ]	[ ]	[ ]	[ ]

Others (specify………………………………………………………………………………

Thank you for your cooperation.

Appendix III: List of Insurance Companies in Kenya

1. African Merchant Assurance Company (AMACO)
2. APA Insurance Company
3. Apollo Life Assurance Company
4. Blue Shield Insurance Company
5. British American Insurance Company
6. Cannon Assurance Company
7. CFC Life Assurance Company
8. Chartis Kenya Insurance Company
9. Concord Insurance Company
10. Co-operative Insurance Company
11. Corporate Insurance Company
12. Directline Assurance Company Ltd
13. Fidelity Shield Insurance Company
14. First Assurance Company
15. Gateway Insurance
16. Geminia Insurance Company
17. General Accident Insurance Company
18. Heritage Insurance Company
19. Insurance Company of East Africa (ICEA)
20. Intra Africa Assurance Company
21. Jubilee Insurance Company
22. Kenindia Assurance Company
23. Kenyan Alliance Insurance Company
24. Kenya Orient Insurance Company
25. Lion of Kenya Insurance Company
26. Madison Insurance Company
27. Mayfair Insurance Company
28. Mercantile Insurance Company
29. Metropolitan Life Insurance Kenya Ltd.
30. Monarch Insurance Company
31. Occidental Insurance Company
32. Old Mutual Life Assurance Company
33. Pan Africa Life Assurance Company
34. Pacis Insurance Company Ltd
35. Phoenix of East Africa Assurance Company
36. Pioneer Life Assurance Company
37. Real Insurance Company
38. Standard Assurance Company
39. Tausi Assurance Company
40. Trident Insurance Company
41. Trinity Life Assurance Company
42. UAP Provincial Insurance Company

Source: Association of Kenya Insurers. 2008