STRATEGIC RESPONSES TO CHANGING BUSINESS ENVIRONMENT BY GA INSURANCE LIMITED IN KENYA

BY:

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DECLARATION

This research project is my original work and has not been submitted for examination in any university.

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

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DEDICATION

This research project is dedicated to my wife Ruth Muthoni and my son Alastair Mwaura for accepting and understanding my absences while undertaking my research project.

For this I say thank you and God bless.

ABSTRACT

Companies require strategic thinking and only by evolving good business strategies can they become strategically competitive (Ansoff and McDonnell 2009). Thomas and Wheelen (2002) stressed that strategy management is applied for the purposes of moulding, directing and relating an organization effectively to its environment. Organizations face significant constraints and contingencies from their external environment and their competitiveness depends on their ability to monitor the environments and adapt their strategies accordingly. Despite the level of knowledge generated regarding the structure and dynamics of organizations, there remains little appreciation about how managers perceive their competitive environment and the impact of managerial cognitions on industry dynamics. Organizations require guidance on the most effective functional areas in which to invest in order to improve and sustain environmental performance. Organizations large and small are environment-dependent. No organization can exist without the environment. They depend on the environment for their survival and they have to scan the environment in an effort to spot budding trends and conditions that could eventually affect the industry and adapt to them (Thompson and Strickland, 2003). Failure to do this will lead to serious strategic problem characterized by the maladjustment of the organization's performance growth (Ansoff and McDonnell, 2000). The insurance industry has been under intense pressure to change for the last few years. In addition, insurers have been troubled by an extensive crisis of confidence regarding financial markets since financial crisis in 2008. The industry had to deal with noticeable changes in client behavior. Thus, the changing framework conditions confront insurers with increasing strategic challenges and require a conceptual strength of strategy. The research objective of this study was to establish the strategic response to changing business environment by GA insurance limited in Kenya. This research was conducted through a case study. The study used secondary data. Primary data was collected using an interview guide which was administered to 10 Managers at GA Insurance Limited as the respondents who includes the human resource, finance, reinsurance and facultative, business development, legal, medical, risk and compliance, internal audit claims and ICT. The qualitative data collected was analyzed using content analysis technique. From the findings, there has been a lot of competition amongst industry players and the dynamic business environment means that for a company to do well financially, they had to outdo their rivals. From the findings, there is evidence of an existing management committee which reviews response strategies on monthly basis. From the findings, GA Insurance Limited considers competition from other players in the industry while formulating business strategies. In line with the findings the following conclusions are drawn; Financial implications is a major consideration while formulating and implementing the choice of strategies adopted by GA Insurance Limited while financial resources are determinant in implementation of response strategies. The study also recommends that all the stakeholders in the insurance industry should incorporate the findings of this study, especially on strategic response to changing business environment.

TABLE OF CONTENTS

CHAPTER ONE:

INTRODUCTION

1.1 Background of the study

Organizations are facing exciting and dynamic challenges in the 21st century. In the globalized business, companies require strategic thinking and only by evolving good business strategies can they become strategically competitive (Ansoff and McDonnell 2000). As a result of this trend the business environment is becoming more competitive, particularly in terms of prices. Pearlson and Saunders (2006) define a business strategy as a "well-articulated vision of where a business seeks to go and how it expects to get there. In an organizational setting, the term strategy covers more than just intended or planned strategy, it also includes the "sequence of decisions" that exhibit a "posteriori consistencies in decisional behavior (Mintzberg, 2008). Business of all sizes practice some form of strategic management. Businesses use strategy to formulate as well as implement strategy in order to compete successfully, Thomas and Wheelen (2002) stressed that strategy management is applied for the purposes of moulding, directing and relating an organization effectively to its environment. Strategic decision making is at the heart of the organization- environment – co-alignment process so heavily emphasized in both the business policy and organization theory.

It is often stressed that because the environment is always changing, this has to be a continuous process (Pfeiffer, 2003). Pearce and Robison (1997) state that in order for organizations to achieve their goals and objectives, it is necessary for them to adjust to their environment. This means that organizations should constantly change their strategies in order to remain competitive. It also requires that organizations should continuously learn, adapt and re-orient themselves to the changing environment. The process has to be deliberate and coordinated leading to gradual or radical systematic realignments between the environment that result in improvements in performance and effectiveness. Where an organization fails to effectively adapt to its environment, it leads to a strategic problem (Ansoff and McDonnell, 2000). It is therefore through strategic response that a firm will be able to relate itself to the environment to ensure its success. Further resources can be obtained by means of exchange with the environment across the boundaries of the organization. In the supposedly competitive and "non–controllable" environment, the effectiveness or exchange potential of an organization will depend on its relative efficiency in combining its internal resources. Internal resources can be reallocated in order to adapt to environmental conditions, thus enhancing effectiveness (Pennings, 2002).

The large number and wide variety of business strategy decisions required to strategize and deliver a service are made at several levels in the organization, from the strategic level to the operational and service encounter levels. A major challenge for service organizations is ensuring that decisions at each of these levels are made consistently, focused on delivering the correct service to targeted customers (Boone, 2000). Businesses of all sizes practice some form of strategic management. Businesses use strategy to formulate as well as implement strategy in order to compete successfully. Chandler (2002) stressed that strategy management is applied for the purposes of moulding, directing and relating an organization effectively to its environment. Strategic decision making is at the heart of the organization- environment – co-alignment process so heavily emphasized in both the business policy and organization theory.

1.1.1 Strategic Responses to Environmental Changes

Strategic management literature suggests that a successful firm's strategy must be favourably aligned with the external environment. The relationships between business-level strategy and environment have been widely discussed in the extant literature. (Hambrick, 1983; Kim and Lim, 1988, Miller, 1998) Organizations face significant constraints and contingencies from their external environment and their competitiveness depends on their ability to monitor the environments and adapt their strategies accordingly (Pennings, 2002). In the field of strategic management, the majority of studies analyze competitive environments from an economic standpoint, based on the implicit notion that business environments are formal and objective. As such, the human element is assumed and the role that managers play in creating and changing competitive environments is neglected. However, given that people take business decisions and drives organizations; to ignore such an important dimension of the competitive landscape is a considerable limitation to developing more holistic understanding about competitive landscapes (Pennings, 2002).

Despite the level of knowledge generated regarding the structure and dynamics of organizations, there remains little appreciation about how managers perceive their competitive environment and the impact of managerial cognitions on industry dynamics.

Given that managerial cognitions influence decision-making and therefore competitive strategies, the cognitive aspect of management is integral to understanding how competitive structures develop or respond to the environment. Through their competitive activities, managers create and after the dynamics of an organization (Bukszar, 1999).

Organizations require guidance on the most effective functional areas in which to invest in order to improve and sustain environmental performance. As managerial practices progress from concerns with compliance towards practices seeking competitive advantage, more theory is needed regarding the manner in which business strategy, organizational structure and operational practices influence competitive environmental performance of business strategy processes (Ward and Duray, 2000). Organizations large and small are environment-dependent. No organization can exist without the environment. They depend on the environment for their survival and they have to scan the environment in an effort to spot budding trends and conditions that could eventually affect the industry and adapt to them (Thompson and Strickland, 2003). Failure to do this will lead to serious strategic problem characterized by the maladjustment of the organization’s performance growth (Ansoff and McDonnell, 2000).

When a firm operates in a stable domestic environment, the primary focus of management attention is on competitive and technological factors which determine success in the market place. When such a firm moves abroad, its management expects to encounter new competitive dynamics. But beyond the competitive variables, success in the new market may equally be determined by a number of other factors which remain in the background (and are taken for granted) so long as the firm confines its attention to domestic markets (Mintzberg, 2008).

1.1.2 Insurance Industry in Kenya

The insurance industry is governed by the Insurance Act and regulated by the Insurance Regulatory Authority. In 2007, there were 43 insurance companies and 2 locally incorporated reinsurance companies licensed to operate in Kenya. Of the licensed insurance companies, 20 were general insurers, 7 long term insurers and 15 were composite (both life and general) insurers. Kenyan insurance companies generally report high loss ratios. Between 2004 and 2007, the loss ratios for the industry as a whole ranged between 56% and 60%. There are several legislative and taxation changes made in recent years that have had an impact on the Kenyan insurance industry. These include increase in the minimum capital requirements for insurers, increase in the solvency margin for long term insurers, introduction of 'cash and carry' rules which will require that insurers shall assume risk upon receipt of the premium, relaxation of investment limits for general insurers, introduction of penalties on late settled claims, change in the rules on taxation of long term insurance business and taxation of dividend income earned by a financial institution. Currently there are 46 registered insurance companies in Kenya underwriting both general and medical insurance. In addition there are 23 life assurance companies in Kenya.

1.1.3 GA Insurance Limited

GA Insurance is one of the oldest insurance companies operating in Kenya, underwriting all classes of general insurance, medical and travel insurance. The company was formerly known as General Accident Insurance Company of Kenya Limited, having its parentage from General Accident Insurance UK; it was incorporated as a Kenyan insurance company in 2009. In 2005, General Accident Insurance Company was acquired by the renowned I&M Bank Group in Kenya. The group has operations in Kenya, Tanzania, Rwanda and Mauritius with interests in banking, insurance, manufacturing and real estate. This acquisition brought with it a major transformation with complete restructuring of the company and change in management. Continuing with General Accident legacy of a stable and steady company, it has now evolved into a stronger and potential player in the market. A consistent profitable growth since 2006 has placed the company among the major players in the industry.

The company was re-branded in September 2009 taking in a new logo, new business colours and a new short name GA Insurance Limited. GA Insurance limited combines the integrity and financial strength that has earned it the pre-eminent position in the insurance industry. Currently the company has 2 branches in Kenya with prospects of opening a regional branch in Tanzania before the end of year 2013.

1.2 Research Problem

Organizations are facing exciting and dynamic challenges in the 21st century. In the globalized business, companies require strategic thinking and only by evolving good business strategies can they become strategically competitive (Ansoff and McDonnell 2000). As a result of this trend the business environment is becoming more competitive, particularly in terms of prices. Management constructs this plan in response to market forces, customer demands, and organizational capabilities.

The insurance industry has been under intense pressure to change for the last few years. In addition, insurers have been troubled by an extensive crisis of confidence regarding financial markets since financial crisis in 2008. Furthermore, the industry had to deal with noticeable changes in client behavior – which has not only started with the triumphal procession of the internet as medium of information. Thus, the changing framework conditions confront insurers with increasing strategic challenges and require a conceptual strength of strategy. Successful insurers find answers to the current strategic issues in order to make their business fit for the future and above all to differentiate it from competitors.

Competitive environment in the Kenya insurance industry is changing rapidly to the extent that GA Insurance must change by crafting strategies to move the insurance business forward or face the consequences of inability to fit in the turbulent environment. Recent studies carried out in Kenya concentrated on business strategies in commercial banks and the petroleum industry. Kiptugen (2003) undertook a study on business strategies to the changing environment in Kenya Commercial Bank and established that changes in the environment has led to intense competition in the banking industry through availability of substitute products. He established that the bank has responded adequately to changes in the environment through re-organizing its organizational structure, improving its service delivery, developing new products and cultural transformation. Mwaura (2004) addressed environment as moderator of the relationship between business strategy and performance a case of Small and Medium Enterprises in Kenya. Ndungu (2002) undertook a study on an investigation of the relationship between human resources systems, business strategy implementation and performance.

As observed from the above, the studies conducted have focused attention more in business strategies in other sectors and there has been no study done specifically on strategic response to changing business environment in insurance industry in Kenya. What are the strategic responses to changing business environment by GA insurance limited in Kenya?

1.3 Research Objective

The research objective of this study was to establish the strategic response to changing business environment by GA insurance limited in Kenya.

1.4 Value of the study

In a nutshell this study will assist in addressing issues relating to business strategy in response to changes in the business environment in which firms operate in, particularly in the following areas:

Policy makers at various levels of management will gain value added information on adapting business strategies in response to changing competitive environment. For instance, the managers responsible for strategy may use the findings to formulate effective monitoring and control systems to mitigate against the challenges while formulating and adopting business strategies.

Academics and business researchers will be able to borrow from the findings of this research to support literary citations as well as develop themes for further research. Specifically, the study hopes to make theoretical, practical and methodological contributions. The findings will contribute to professional extension of existing knowledge in business strategy management by helping to understand the current challenges for adopting strategy and their effects on environmental response in various organizations in general. The findings will also enable the business people to understand how business strategy and structure relationship contributes to a firm's performance in a changing environment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section draws on literature in the area of strategic response to changing business environment. Secondary material such as books, journals, and articles which carry previous research work on the study topic are analyzed. The material is of importance to this study as it forms a basis for observations which will be made during the study in line with the aims and objective of the study.

2.2 Theoretical Foundation

The study will be based on the systems theory. This is a concept that originated from biology, economics, and engineering, which explores principles and laws that can be generalized across various systems (Yoon and Kuchinke, 2005; Alter, 2007). A system is a set of two or more elements where: the behavior of each element has an effect on the behavior of the whole; the behavior of the elements and their effects on the whole are interdependent; and while subgroups of the elements all have an effect on the behavior of the whole, none has an independent effect on it (Skyttner, 1996). In other words, a system comprises of subsystems whose interrelationships and interdependence move toward equilibrium within the larger system (Martinelli, 2001; Steele, 2003).

The concept of general systems theory (GST) is primarily concerned with how systems operate, and integrates a broad range of systems by naming and identifying patterns and processes common to all of them (Bausch, 2002). An important aspect of GST is the distinction between open and closed systems. All conventional models and theories of organizations typically embraced the closed systems approach to the study of organizations by assuming that the main features of an organization are its internal elements. While closed systems approach consider the external environment and the organization's interaction with it, to be for the most part inconsequential, open systems approach views the organizations' interaction with the external environment as vital for organizational survival and success. In open systems, any change in any elements of the system causes changes in other elements (Wang, 2004). The lack of coordination between the organization and its external environment in closed systems inhibit the organization's capacity to import sufficient energy from its environment for sustenance.

Daniel Katz, (1954) and Robert, (1966, 1978) collaboratively viewed organizations as comprising of patterns of behavioral events. These patterns are interdependent, cyclical, and consistent over time, and must be understood in terms of their interaction with each other, and with the external environment. Indeed, Katz and Kahn summarize the idea of systems theory as a knowledge framework that focuses on structures, relationships, and interdependence between elements (Katz and Kahn, 1978). Since systems theory considers the input-throughput-output component and their interactions both within themselves and with the external environment, the elements of purpose, people, structure, techniques and information must be coordinated and integrated by the managerial system, in order to maximize value for the organization (Montouri, 2000).

In open systems, the goal of transformation is to improve horizontal and vertical fit of the subsystems with each other, and within the organization. There must also be a fit between the organization and its external environment.

Therefore, the ability of organizations to change rapidly in response to intra and inter relationships is at the heart of an adaptive organization and the external environment is generally beyond the control of any organization and comprises of the competition, the economy, social-cultural-demographic factors, political legal- governmental aspects, technology, and the natural environment. Since organizations are complex systems, an implication is that the organization is able to learn from its environment and change its internal structure and its functioning over time, thus changing the behavior of individual elements (Sherif, 2006). These changes in environmental factors can lead to turbulence in the organization in response to rapid, unexpected change in the environmental (Sherif, 2006). Growth in environmental turbulence can be the result of a reduction of orderly competition, an increasing need for information, innovation, quicker cycles of development, and more difficulty in predicting customer, product and service requirements (Beeson and Davis, 2000).

2.3 Concept of Strategy

Strategic management literature emphasizes on the important role of business strategy in both large and small firms (David, 2004). Firms use business strategy to outline the fundamental steps that they plan to follow in order to accomplish their objectives. The literature indicates that organizations can have a single strategy or many strategies, and that these strategies are likely to exist at three levels; business level strategies (such as grand or master strategies); business level strategies (competitive strategies); and functional level strategies. Although the literature suggests that strategies are developed at the three different levels, theoretical and empirical studies of the relationship between strategy and organizational performance have mainly emphasized on business strategy (Lee, 2003).

The role of strategy is to match external environment with the firm's internal capabilities. Organizations exist in the context of complex commercial, economic, technological, cultural and social world. An understanding of the historical and environmental effects, as well as opportunities and other well exact threats to the organization is critical. Strategy crafting is therefore largely influenced by top manager's perception of their organization's environment. Every organization has a unique environment, even organization within the same industry have environments unique to them (Mintzberg and Quinn, 2008). Thompson and Strickland (2003) pointed out that an organization's strategy consists of moves and approaches devised by management to produce successful organizational performance. That strategy is a management's game plan for the business. Without a strategy, there is no established course to floe, no roadmap to manage by and no cohesive action plan to produce the intended results. The 2000s were characterized by discontinuous and unpredictable business environment. This, of essence, calls on an organization to restructure itself to meet the new activities and to adequately respond to external environment.

Competitive strategy, in contrast with generic strategy focuses on the differences among firms rather than their common missions. In most firms comprehensive strategy evaluation is infrequent and, if it occurs is normally triggered by a change in leadership or financial performance. The fact that comprehensive strategy evaluation is neither a regular event nor part of a formal system tends to be deplored by some theorists, but there are several good reasons for this state of affairs (Ward and Duray, 2000).

2.4 Strategy and Environment

An elaboration of the concepts of strategy and environment into its objectives and perceived states, and by subdividing strategy according to content (outcomes) or process. The objective environment can be further categorized into “task” and “general”. An alternative subdivision of strategy is primary (domain selection) and secondary (competitive approach). The concepts of strategy and environment are integrated in that primary strategy concerns opportunities in the general environment and secondary strategy involves navigating within a task environment (Bourgeois, 2000). Until recently, the field of business strategy has been characterized by two types of literature. Normative works of several writers (Ansoff, 2000; Andrews, 2007; Ansoff, 2003; Katz, 2001) have typically instructed managers on how to formulate strategy by scanning the firm’s environment to seek opportunities that could be matched with the firm’s capabilities.

This instruction was typically followed by a primer on organization design and on the selection of “competitive weapons” and allocation of resources. Strategy content and environment have been joined empirically, but there has not been much work that joins the strategy formulation process and environment. One of the few examples of work that does so was a study by Khandwalla (2006), who found that when managers perceived the environments of their firms as “rich in contingencies”, as when they are dynamic and uncertain, their strategies are likely to be more comprehensive or multifaceted. These results agree with those of Miles and Snow (2005) and Paine and Anderson (2004), which indicate that strategic managers in more uncertain environments tend to be more proactive and innovative and they tend to assume a higher degree of risk.

According to Porter (2002), dealing with the environment is difficult because of three factors. First is the diversity of the different influences that affect a business. Identifying the environmental influences may be possible but it may not be of much use because no overall picture emerges of the really important influences on the organization. The second difficulty is the speed of change. Managers typically feel that the pace of technological change and the speed of global communications mean more and faster changes than ever before.

Third is the problem of complexity. Managers are no different from other individuals in the way they cope with complexities; they try to simplify what is happening by focusing on those few aspects of the environment which have been important historically. It is important to avoid these tendencies whilst achieving an understanding of the environment which is both usable and oriented towards the future.

Ansoff (2003) asserts that when a firm fails to respond to a threat, the losses that results continue to accumulate. The strategic response process is initiated once the rational trigger point is reached. This is the point at which accumulated data shows that there is serious decline in performance which cannot be reversed and that special counter measures are required. Reactive management occurs if the start of the response is delayed past the trigger point. The start of response is delayed past the rational trigger point due to four factors; systems delay, verification delay, political delay and unfamiliarity delay (Ansoff and McDonnell, 2000).Systems delay typically occurs in large firms due, in part, to the time consumed in observing, interpreting, collating and transmitting information to responsible managers. In another part, it due to the time consumed by these managers in communicating with one another and establishing a common understanding as well as the time necessary for processing the decisions among the responsible groups and decision levels. A verification delay may be invoked because some managers will argue that, even though the level of impact has reached unacceptable proportions, there is never an ironclad assurance that the threat is real and that the impact is permanent. They will opt for waiting a little longer to see if the threat will 'blow itself out.'

To survive in a dynamic and highly competitive business environment, different organizations have had to engage various strategies to survive. One such strategy is the business turnaround strategy. A turnaround situation is one of pointing out to a new direction. It is a complete change in strategic direction of a firm after it has faced a business distress. Such a situation can easily lead to collapse of a company unless a plan of business survival and renewal is devised successfully executed. The starting point is identification of the root cause or causes of the crisis. Turnaround strategies are used when a business worth resuming goes into business crisis (Pearce and Robinson1997). Bourgeois (2000) argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength. Critical success factors are crucial to an organization because they take into consideration fundamental changes in the environment thus making firms proactive rather than reactive (Bukszar, 1999).

Ohmae (2002) states that strategy has an important role in helping businesses position themselves in an industry. Effective strategy may enable a business to influence the environment in its favour and even defend itself against competition (Ansoff, 2003). Ansoff (2003) also adds that given the current focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths. Hofer and Schendel (2005) say that to adapt to environmental changes, firms require effective leadership. He further states that, while leadership is crucial, most organizations are over managed and others under-led. In this regard therefore it is necessary to examine what impacts leadership and strategic management have on an organization in relation to its external environment.

2.5 Strategic responses

According to Michael Porter in his five forces model of strategic competition, Porter (1980) highlights strategic competition to be based on the threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat from substitute products or services and rivalry among existing firms. Porter notes that an analysis of the firm to identify any of the five forces guides the firm towards its determination of its competitive position in the industry. This enables the firm to choose the strategies to apply so as to enhance its competitive advantage in the industry. Organizations respond to changing business environment by adopting different possible corporate strategies, among them; market penetration, product development, market development and diversification by way of growing the business via existing and/or new products, in existing and/or new markets.

Diversification usually requires a company to acquire new skills, new techniques and new facilities. Therefore, diversification is the riskiest of the four strategies to pursue for a firm. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry in which the business is already in. At the corporate level, it is generally entering a promising business outside of the scope of the existing business unit, (Ansoff 2003). According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of the stakeholders and value addition to the organization. Porter recommends three generic competitive strategies. These are Cost leadership which aims at being efficient in production and operations to reduce costs by having controls in place, Differentiation which means targeting different market segments and catering for each individually to gain maximum value, and thirdly focus which involves concentrating on one particular market niche to position oneself in the market.

Companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. Even though strategies may be focused on a given function, more often than not they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer satisfaction.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the methodology to be employed in the study. It discusses the research design, data collection and analysis and why they are the most preferred for the study.

3.2 Research Design

This research was conducted through a case study. A case study was preferred because it enables the researcher to have an in-depth understanding of the single instance, GA Insurance Limited. According to Cooper and Schindler, (2006) case studies place more emphasis on a full contextual analysis of fewer events or condition, and their inter relations. According to Kothari (2000) research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. This research was conducted through a case study.

The study used secondary data. Secondary data refers to already published data that had been collected for other use other than the current one. Secondary data is mainly collected from periodicals, publications, economic reviews, annual company accounts and commercial sources (Kothari, 2000). Secondary data was collected from other insurance companies' published accounts, insurance regulatory authority, insurance institute of Kenya and association of Kenya insurers. The data was collected for each year as at 31 December for the period of 2009 to 2012.

3.3 Data collection

Primary data was collected using an interview guide which was administered to 10 Managers at GA Insurance Limited as the respondents who includes the human resource, finance, reinsurance and facultative, business development, legal, medical, risk and compliance, internal audit claims and ICT. An interview guide was used as it enables oral administration of questions in a face-to-face encounter therefore allowing collection of in depth data.

This involved in-depth discussion through individual meetings with the 10 senior managers. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back (Copper and Schindler, 2006).

3.4 Data Analysis

The qualitative data collected was analyzed using content analysis technique. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. According to Kothari (2000), content analysis uses a set of categorization for making valid and replicable inferences from data to their context.

The responses from different respondents were compared and summarized according to the objectives of the study. Content analysis was the best method of analyzing the open-ended questions because of its flexibility and allows for objective, systematic and quantitative description of the content of communication (Cooper and Schindler, 2006).

CHAPTER FOUR:

DATA ANALYSIS RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and discussions. The study objective was to establish the strategic response to changing business environment by GA insurance limited in Kenya. Primary data was collected through in-depth interviews of 10 senior managers at GA Insurance Limited from the following departments; human resource, finance, reinsurance and facultative, business development, legal, medical, risk and compliance, internal audit, claims and information technology. The data was thereafter analyzed based on the objectives of the study and the findings are as presented as per the different classes underlined below.

4.2 Competition and response

4.2.1Competitive environment

The study asked the interviewees how they viewed a competitive environment and obtained various responses. The interviewees' responded by explaining that a competitive environment of a business is the part of a company's external environment that consists of other firms trying to win customers in the same market. It is the segment of the industry that includes all immediate rivals. This was meant to indicate their level of understanding of the issues that are fundamental in the functioning of the organization. The competitive environment, also known as the market structure, is the dynamic system in which the business competes.

4.2.2 Business environment in the last five years in insurance industry

There has been a lot of competition amongst industry players and the dynamic business environment means that for a company to do well financially, they had to outdo their rivals. The interviewees confirmed that in the insurance industry, competitive environment has been based on the following elements. Premiums generation, accessibility, talent and competence head hunting and products development, the recent products being on medical, agriculture, and travel insurance; the study also established their being competition for scarce competence and qualified staff; small clientele base with the insurance penetration estimated at 3.16% (Insurance industry annual survey report 2012); Claims settlement where settlement of huge claims of over Ksh 250M has earned corporates a very good reputation in the industry and customer service has become key to retention of business.

4.2.3 Competitive environment in GA Insurance Limited

The interviewees were asked to describe the competitive environment in GA Insurance Limited. The respondents indicated that the organization main competitive edge has been based on a huge Asian clientele base support as well as the company's strong financial base and good reputation in the financial sector due to the affiliation with the I&M Bank. The respondents also indicated that the high and consistent customer service which promotes customer retention and business referrals serves as an indicator of competitiveness of GA Insurance Limited in the industry. Equally the study established that the high staff retention and continuous capacity building through trainings of staff is an indicator of the company's competitiveness as an employer of choice in the industry.

7 out of the 10 interviewees described competitive environment in the organization as being high, 3 out of 10 respondents described the competitive environment as being very high. This indicates that the respondents are aware and informed of the magnitude of the competition and hence they would provide very important information in regard to the factors and the challenges influencing business strategies in response to competitive environment at GA Insurance Limited.

4.2.4 Competition from other players and business strategies

The study established that to a large extent GA Insurance Limited considers competition from other players in the industry while formulating business strategies. While some respondents felt that GA Insurance Limited considered competition from other players in the industry to a moderate extent.

4.3 Business strategies and GA Insurance Limited

4.3.1 Factors influencing the adoption and implementation of business strategies

The study aimed to establish the factors influencing the adoption and implementation of business strategies in GA Insurance Limited. The respondents indicated that organization's exists in the context of complex commercial, economic, technological, cultural and social world. The study established the following factors: The overall economic performance and industry growth, insurance penetration in the market, company market share, products premiums generation and profitability, available skills and competencies, organization financial position to facilitate handling of its liabilities. The study also established that understanding of the historical and environmental effects, as well as opportunities and other well exact threats to the organization is real and cannot be assumed or ignored. Strategy crafting is therefore largely influenced by top manager's perception of their organization's environment.

4.3.2 Management to implement the business strategies

The study aimed to establish whether GA Insurance Limited had the appropriate and adequate management to implement the business strategies. The study established that all the necessary departments in the organization are managed by a team of highly competent, experienced and knowledgeable managers who meets the regulator's requirements.

4.3.3 Changes in the external environment and response to business strategies

The study in this area sought to identify the effect of these and several other changes in the external environment on the effectiveness of response to business strategies in the organization. According to the study the respondents indicated that economic changes pose the greatest effect on the effectiveness of the response to business strategies in the organization. The study also established that social and cultural changes also affect the effectiveness of response to business strategies in the organization.

4.3.4 Effects of changes in technology, economic downturn, and consumer behavior

The respondents were also asked the effects of changes in technology, economic downturn, and consumer behavior. The study revealed that technology had revolutionized the way the company operates affecting all the divisions and departments in the organization. More specifically, the study revealed that the accounting division was the most affected one in the company as all the operations in the department have been automated. The study also found out that the ICT department is dogged by several challenges including having to continuously train the staff on the use of modern technology, constantly maintaining systems to meet users' needs and maintaining the network infrastructure and securing it from any external threat

On the effects of economic downturn the study noted that the Company has traditionally thrived more on investment income than core underwriting business. Current global recession and consequent economic crisis has put a lid on this maneuverability. Falling prices in real estate sector and nose-diving stock markets have already depleted shareholders' equity and moved the investment portfolio of insurance company in red zone there by creating manifold problems for the insurance industry and GA Insurance Limited is no exemption.

4.3.5 Financial resources, implementation and implications in choosing strategies

The study asked the respondents whether the company had enough financial resources to implement response strategies. The respondents indicated that the organization had enough financial resources from retained earnings, strong asset base and affiliation to lending institutions to implement the response strategies.

Beyond the competitive variables, success in the new market may equally be determined by a number of other factors which remain in the background (and are taken for granted) so long as the firm confines its attention to domestic markets. The respondents felt that financial implications in terms of revenues and expenses are considered in the choice of the response strategies GA Insurance Limited uses.

4.3.6 Reviewing response strategies

The interviewees were asked to state how often response strategies adopted by GA Insurance Limited are reviewed. They affirmed the existence of a management committee which reviews response strategies on monthly basis through which the progress is reviewed. The cycle of the business review enhances the organizations speed and capability to put in mitigating strategies as well as reviewing the effectiveness of the business employed. This way, the organization is in a position to address any challenges experienced promptly and in a timely manner.

4.4 Business and environmental changes

4.4.1 Financial and marketing problems in GA Insurance Limited

One of the prevailing set-backs to the insurance industry is its lack of formalized marketing activities. The study investigated the marketing and financial problems encountered by GA Insurance limited. It was established that the company have managed to avert any possible financial problems by way of ensuring that there are sufficient revenue and expense budgets and that claims reserves are done in accordance to the existing guidelines.

It was further established that the company is faced by marketing problems emanating from the low insurance penetration and uptake in Kenya. The study reported that economic changes pose the greatest effect on the effectiveness of the response to business strategies in the organization and that social and cultural changes affects the effectiveness of response to business strategies in the organization hence affecting marketing activities.

4.4.2 Effects of lack of management knowledge and skilled workers

In this study the respondents reported that there was adequate skilled manpower to run and manage the affairs of the company. The respondents in this study rated the problem of skilled workers shortages as having a low impact on performance. This may be due to several managers having an advantage in terms of knowledge of their clients and their products, or from created market segmentation. They are thus little affected by lack of management knowledge and lack of skilled workers.

4.4.3 Business Survival and environmental change

The study aimed to establish how the company has been able to survive in rapid business environmental changes. The respondents identified several survival strategies that have enabled the organization to compete more effectively with the changing business environment which are as follows: Focusing completely on satisfying the customers, studying and benchmarking with the success of others, gathering and analyzing management information regularly, sharpening marketing skills, increasing the customer's perception of value and embracing change with a positive attitude.

4.5 Local insurance companies and foreign investors

Foreign investors possess comparative advantages in terms of a sound financial base and a better reputation than local firms. Given their plunging ability to remain competitive, local insurance companies have called on the public sector for assistance. The public sector has creatively sought ways to protect local insurance companies. Besides the relaxation of government policies towards local insurance companies, the provision of assistance for local insurance companies has usually been motivated by economic needs and has focused on improving business performance, by increasing employment and creating conducive work places for employees.

The government has also developed strong regulatory and legislative frame work to protect the local companies from the high capital influx from the foreign investors. According to the respondents, competition is inevitable for existing local insurance companies. Therefore, local insurance companies have to develop new strategies to capture market share and to build their investment capital to catch up with rising competition in the long run.

4.6 Weaknesses, Strength, Opportunities and threats

The study identified the following strengths: GA Insurance limited is part of I&M group of companies which has very highly reputed Directors in the market financial sector. The company has a high patronage of select brokers & clients. Equally the Company has a strong financial base, Assets, Solvency, Reserves, Investments and has over the years perpetuated the culture of accepting & adopting ‘Change’. GA Insurance limited has enjoyed a consistent growth and a functional new software Premia which highly support business processing. The company has a flat organization structure which facilitates fast & timely decision making. The respondents observed main weaknesses within the company to be inconsistency in service delivery, poor quality in document presentation, little business support from big brokers, lack of comprehensive marketing strategy, poor claims management, low publicity and poor compliance with the company internal policies and procedures.

The respondents observed main opportunities being new products development i.e. Micro & Sharia compliant products, mergers and acquisition in view of the industry regulators encouragement and regional expansion to promote accessibility and widening of the market. The respondents observed highly technical qualified staff turnover and Concentration and concentration on a few brokers as the main source of business being a main threat to the company.

4.7 Trade association in Kenya and insurance companies

The chamber of commerce in Kenya was established so as to promote the bargaining power of the local insurance companies. This strategy helps them to air the insurance companies' proposals and grievances to the regulator and other policy makers which will help in streamlining the industry. This according to the respondents will promote inclusion in decision making especially on matters that affects legislation, taxation, competition and industry contribution to the GDP and being able to compete more efficiently with large multinationals.

Chamber of Commerce has also cooperated in conducting a training program for insurance companies'. In this training program, the guidelines are given to the insurance companies' so as to promote the adaption to the current situations and to improve their efficiency in managing a business, taking into account the demand of customers.

4.8 Impact of government agencies on insurance companies

The respondents mentioned some opportunities during the interviews. They mentioned that government agencies and other involved organizations had provided various business development instruments. Access to quality business development services for insurance companies implies the existence of various business development instruments and channel through which these services can be provided. The respondents confirmed that population and economic growth in Kenya is an opportunity for insurance business to grow. The Ministry of commerce has established a clear policy by enhancing uniform application of the industry regulating rules and regulation on supporting and helping insurance companies by setting up the insurance regulatory authority (IRA).

4.9 Challenges in insurance industry in Kenya

Weak underwriting standards form the highest challenge in management of General Insurance in Kenya. This has precipitated very high level of fraud in the Kenyan General Insurance Industry especially on motor and medical claims. It is clear that claims departments are more likely to find it necessary to investigate a claim when circumstances of accident are unclear and when vehicle is not valued prior to commencement of cover. Claimant advocates and agents/brokers are the ones highly used to perpetrate fraud. Moreover, delay in reporting a claim and high work load of staff were the main factors found to contribute to delay in claim payment.

4.10 Discussion

The study identified several survival strategies that have enabled the organization to compete more effectively with the changing business environment which includes: Focusing completely on satisfying the customers, studying and benchmarking with the success of others, gathering and analyzing management information regularly, sharpening marketing skills, increasing the customer's perception of value and embracing change with a positive attitude. The study findings are in line with Harker (1999) and Gardenne (1998) that every industry has its own unique variation of strategies that result in high performance, as each industry is unique with its own critical or key factors and environmental requirements.

The study found that the problem of skilled workers shortages have a low impact on performance. This was due to several managers having an advantage in terms of knowledge of their clients and their products, or from created market segmentation. The findings are in line with Julien and Thibodeau, (1991), Robertson and Gatignon, (1986) and Treadgol, (1989) that businesses mostly have serious problems with the lack of management knowledge and skilled workers.

The study also found that technology had revolutionized the way the company operates affecting all the divisions and departments in the organization. More specifically, the study revealed that the accounting division was the most affected one in the company as all the operations in the department have been automated. The study findings are in line with Capon, (2008) that technology has an influence on all aspects of business.

The study also found that changes in the external environment affect the effectiveness of response to business strategies in the organization. The findings are in line with Capon, (2008) that Political, economic, social and technological analysis allows a company to identify and understand the broad general external factors impacting upon it, such as legislation and social behavior of current or potential customers.

The study established the following factors influencing the adoption and implementation of business strategies in GA Insurance Limited: - economic performance and industry growth, insurance penetration in the market, company market share, products premiums generation and profitability, available skills and competencies. This was emphasized by Mintzberg and Quinn, (1988) that every organization has a unique environment, even organization within the same industry have environments unique to them.

The study also established that understanding of the historical and environmental effects, as well as opportunities and other well exact threats to the organization is real and cannot be assumed or ignored. Strategy crafting is therefore largely influenced by top manager's perception of their organization's environment. The study findings concurs with Penning (1985), who noted that internal resources can be reallocated in order to adapt to environmental conditions, thus enhancing effectiveness. This was also emphasized by Mintzberg and Quinn, (1988) who noted that every organization has a unique environment, even organization within the same industry have environments unique to them.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary, conclusions and recommendations of the study. This study focused on establishing the strategic response to changing business environment by GA Insurance Limited in Kenya.

5.2 Summary of the findings

From the findings, competitive environment of a business is the part of a company's external environment that consists of other firms trying to win customers in the same market. It is the segment of the industry that includes all immediate rivals. This was meant to indicate their level of understanding of the issues that are fundamental in the functioning of the organization.

From the findings, there has been a lot of competition amongst industry players and the dynamic business environment means that for a company to do well financially, they had to outdo their rivals. The interviewees confirmed that in the insurance industry, competitive environment has been based on the following elements: Premiums generation; customer service, business retention and products development, the recent products being on medical, agriculture, and travel insurance.

From the findings, the organizations main competitive edge has been based on a huge Asian clientele base support as well as the company’s strong financial base and good reputation in the financial sector due to the affiliation with I&M Bank. The study also found a high and consistent customer service which promotes customer retention and business referrals serves as an indicator of competitiveness of GA Insurance Limited in the industry. Finally the study established that there is a high staff retention and continuous capacity building on trainings of staff.

From the findings, there is evidence of an existing management committee which reviews response strategies on monthly basis. The study found that cycle of the business review enhances the organizations speed and capability to put in mitigating strategies as well as reviewing the effectiveness of the business employed. The study also found that financial implications in terms of revenues and expenses are considered in the choice of the response strategies GA Insurance Limited uses. The study as well found out that the organization had enough financial resources from retained earnings, strong asset base and affiliation to lending institutions to implement the response strategies.

From the findings, GA Insurance Limited considers competition from other players in the industry while formulating business strategies. While some respondents felt that GA Insurance Limited considered competition from other players in the industry to a moderate extent. The study also found that organization's exists in the context of complex commercial, economic, technological, cultural and social world. The study established the following factors: The overall economic performance and industry growth, insurance penetration in the market, company market share, products premiums generation and profitability, available skills and competencies, organization financial position to facilitate handling of its liabilities. The study also established that

understanding of the historical and environmental effects, as well as opportunities and other well exact threats to the organization is real and cannot be assumed or ignored.
From the findings, the study established that all the necessary departments in the organization are managed by a team of highly competent, experienced and knowledgeable managers who meets the regulator's requirements. The study also found that economic changes pose the greatest effect on the effectiveness of the response to business strategies in the organization as well as social and cultural changes in the organization.

The study found that technology has an influence on all aspects of business from the very general to the very specific. The study noted that the advent of technology has made it easier for people to communicate with each other, whether they operate in the political, economic, social or general business arena. The study reported that economic changes pose the greatest effect on the effectiveness of the response to business strategies in the organization and that social and cultural changes affects the effectiveness of response to business strategies in the organization hence affecting marketing activities.

From the findings, the respondents identified several survival strategies that have enabled the organization to compete more effectively with the changing business environment which are focusing completely on satisfying the customers, studying the success of others, gathering and analyzing management information regularly, adopting of more effective marketing skills, increasing the customer's perception of value and embracing change with a positive attitude. The study also found that competition is inevitable for existing local insurance companies. As a result, local insurance companies have to develop new strategies to capture market share and to build their investment capital to catch up with rising competition in the long run.

The study also found that the chamber of commerce in Kenya was established so as to try and combine the bargaining power of the local insurance companies. This strategy helps them to air the insurance companies' proposals and grievances to the regulator and other policy makers which will help in streamlining the industry. This according to the respondents will promote inclusion in decision making especially on matters that affects legislation, taxation, competition and industry contribution to the GDP and being able to compete more efficiently with large multinationals.

Finally the study established that weak underwriting standards are among the highest challenge in management of general insurance and medical claims in Kenya. At the same time, there is a high level of fraud in the Kenyan general insurance Industry. It is clear that claims departments are more likely to find it necessary to investigate a claim when circumstances of accident are unclear and when vehicle is not valued prior to commencement of cover.

5.3 Conclusion

This study focused on business strategies in response to competitive environment adopted by GA Insurance Limited. In line with the findings the following conclusions are drawn;

Financial implications is a major consideration while formulating and implementing the choice of strategies adopted by GA Insurance Limited while financial resources are determinant in implementation of response strategies. However other factors like finance, competence, creativity, speed cost implication, sustainability of strategies, human capital, technological advancement customer expectations and internal strength and capacity to implement strategies, all influence the adoption and implementation business strategies to some moderate extent. Challenges in implementation of the business strategies range from involvement of valuable knowledge, supportive implementation instruments, resource constraints, problem with original technique, organization culture, poor monitoring and evaluation of performance, poor management and leadership.

5.4 Recommendations

The study recommends that business strategies in response to changing business environment should involve managers in the formulation of such strategies and give them adequate decision making authority in the implementation of the respective response strategies. The study also recommends that all the stakeholders in the insurance industry should incorporate the findings of this study, especially on strategic response to changing business environment.

Some of the findings in this study call for a review in some of the policies and practices in organizations so as to take advantage of the business strategies as one way of responding to the environment within which organizations operate in. Policy formulation and implementation needs to be reviewed to support business strategies among all other strategies adopted. This may call on organizations to adopt practices that place the various strategies in certain specific departments or managers. The practices adopted should be flexible to accommodate more business strategies in addition to all other strategic plans.

Organizational Policies need to be appraised to recognize and direct review of strategies at specific intervals depending on the business undertaken. In the case of GA Insurance Limited, business strategies should be reviewed on quarterly basis considering that GA Insurance Limited operates in a very dynamic and fast moving environment dictated by both the fast changing customer needs and maneuvers from the competition. Organizations may need to consider coming up with specific budgets to support and carry out both Business and Corporate strategies. In this way, focus will be given to all the strategies without overlooking any.

5.5 Limitations of the study

The limitation of this study was the limit of time and scale of the research, which was done only at GA Insurance Limited Kenya. Therefore, the limit of sampling chose GA Insurance Limited in Nairobi Kenya. Meanwhile, GA Insurance Limited does not represent for the vast majority of insurance companies, thus the findings of this research may not be generalized to other enterprises in the region.

Due to time constraint, just 10 managers were selected from each department. In the event of a more corroborative research work between the academia and industry, the number of managers and department could be increased.

5.6 Suggestion for Further Research

The study proposes that a similar study be undertaken focusing on response strategies adopted by other general insurance companies operating in Kenya and the level of success experienced by the organizations in dealing with changes in their external environment.

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APPENDIX: INTERVIEW SCHEDULE

1. Could you please explain how you view a competitive environment?
2. From your description above, can you describe the business environment in the last five years in insurance industry?
3. How would you describe the competitive environment in your organization?
4. How often do you review response strategies adopted by your organization?
5. Do you consider the financial Implications in choosing strategies?
6. Does your company have enough financial resources to implement the response strategies?
7. Does your company consider the competition from other players in the industry before formulating business strategies?
8. What major factors influence the adoption and implementation of business strategies in your organization?
9. Does your company have appropriate and adequate management to implement the business strategies?
10. What are the changes in the external environment that affect the effectiveness of response to business strategies in the organization?
11. Can you explain how your organization has been affected by the rapid change in the environment such as advances in technology, economic downturn, and changing consumer behaviour?
12. How serious have you experienced financial and marketing problems in your organization?

13. How serious have lack of management knowledge and lack of skilled workers affected your organization?
14. Could you please explain how you have managed to survive during a period of rapid business environmental change?
15. In your opinion, how can local insurance companies compete with foreign investors?
16. What are the weaknesses, Strength, Opportunities and threats in your organization?.
17. Please explain how trade association or a chamber of commerce in Kenya can help insurance companies to survive and succeed?
18. Please explain how government agencies can help insurance companies to survive and succeed?
19. What do you think about the future for insurance in Kenya?
20. What are some of the challenges that insurance industry is currently facing in Kenya?