STRATEGIC BUSINESS NETWORKING AND COMPETITIVE ADVANTAGE IN LARGE INSURANCE FIRMS IN KENYA

BY

EVELYN ATIENO OLALO

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTER OF BUSINESS ADMINISTRATION DEGREE, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2013

DECLARATION

This research project is my original work and has not been presented for the award of a degree in any other university or institution of learning.

____________________________ ____________________

Signature Date

Evelyn Atieno Olalo
Reg. No. D61/62639/2010

The research project has been submitted for examination with my approval as the University Supervisor

____________________________ ____________________

Signature Date

Prof. Martin Ogutu, PHD
Associate Professor
Department of Business Administration
School of Business
University of Nairobi

ACKNOWLEDGEMENTS

I wish to thank my supervisor, Prof. Martin Ogutu for his stewardship, insights, patience and invaluable support at different stages of this research project. I am truly grateful and ever indebted. I also thank my employer, Cannon Assurance for encouraging me to pursue this course and further my education and consistently supporting my numerous requests to take time off work to complete this course. A very special thanks to all my lecturers and professors at the University who imparted to me the life changing knowledge I have gained throughout this course and challenged me to think beyond what I thought was my capacity. I am now beginning my life's journey towards knowledge – more knowledge. To my family and friends, thank you for your support and for believing in me.

DEDICATION

I dedicate this research project to my late parents, Kamillus and Jennifer Apiyo Olalo for all their sacrifices for me. I wish they were here to share this moment, but I know somewhere, they celebrate this achievement with me. Dad, I hope that you are proud of all my achievements.

ABSTRACT

New technologies, new products and new distribution chains have altered the competitive space within which firms compete to survive. Competitive advantage is the ability of the firm to occupy a superior position in an industry and outperform its rivals on the primary performance goal - profitability (Winer, 2004). Porter (1985) suggests that a firm can achieve a higher rate of profit over a rival either by supplying identical product or service at a lower cost, or supply a product or service that is differentiated in such a way that the customer is able to pay a premium price. On the other hand, the resources based view of strategy proposes that competitive advantage resides in a company's possession and application of resources which are value creating, rare and not easily accessed, not easily imitable and not substitutable so that it is possible for them to be a source of a sustainable competitive advantage (Grant, 2001). This drives firms to seek partnerships with other firms who can complement and strengthen their access to such resources. Strategic networks are intentionally created, developed, maintained and managed to enable members of the network to draw from each other's resources and capabilities to achieve either lower costs or differentiation advantage. This study focuses on the insurance industry in Kenya which offers largely homogenous products and services in a highly controlled environment that is bedeviled with cut throat competition. This has led to an increased need for firms to form partnerships and leverage each other's resources so as to stay in the competition and where possible excel above the competition. Through a cross sectional survey of large insurance firms operating in Kenya, the study sought to answer the question: "To what extent does strategic business networking relate to the extent of competitive advantage enjoyed by large insurance firms' in Kenya?" The objectives of the study were to (i) determine the extent to which large insurance firms in Kenya engage in strategic business networking and (ii) determine whether the extent of a firm's strategic business networking is related to the extent of competitive advantage enjoyed. The study adopted a cross sectional survey of insurance firms operating in Kenya focusing on the large companies which total 11. The researcher was able to secure a 100% response rate albeit some resistance from some of the respondents to provide the information sought. On analysis of data collected from the firms under study, it was found that over 90% of large insurance companies in Kenya engage with more than 5 strategic business partners. The study further confirmed that there is a 0.95 correlation between the extent of Strategic Business Networking of the firms and the extent of competitive advantage enjoyed by the firms. This study established unequivocally that large insurance companies in Kenya are highly engaged with strategic business networks and that these networks greatly contribute to their competitive advantage. This study will open up a debate for managers in the industry to explore further how firms can leverage from pooling of resources and partnering with complementary companies so as to reduce costs, reach wider markets and offer differentiated products and services to the insuring

public of Kenya. Further, this study has echoed the findings of other researchers who have found that in other industries such as the aviation and hospitality industries, there is a great correlation between establishing networks with other business groups and gain in competitive advantage. Other researchers on the other hand may be interested in expanding this study to all the insurance companies on Kenya or expand the study beyond Kenya's boarders to determine if the same factors apply across the east African countries. In conclusion, this study had also provided findings that are in tandem with the resource based view of strategy and has confirmed the sentiments of Moss (1994, p.96) when he declared that "Strategic business networking is a must in today's business strategy and are a matter of survival".

TABLE OF CONTENTS

LIST OF TABLES

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

With the ever growing economic globalization, technical revolution and the open international market, firms have come to realize that it is not possible to competitively develop new markets and achieve dominance in those markets, as well as their current ones, with their own resources and techniques alone. Thompson (2006) has advanced that, in view of this, firms are forced to establish strategic cooperation and partnerships with other firms so as to gain new channels through their joint market contracts and gain competitive advantage. Zineldin (2002) and Bardin, (2004) have separately argued that, if a company is to survive and maintain growth and dominance in a competitive and dynamic environment, they must create strategic partners who can complement their own respective resources and capabilities. With the rise of networking technologies businesses no longer need to innovate, manufacture, market, or sell single handedly.

The resources based view of strategy proposes that competitive advantage resides in a company's possession and application of resources which are value creating, rare and not easily accessed, not easily imitable and not substitutable so that it is possible for them to be a source of a sustainable competitive advantage (Grant, 2001). This drives firms to seek partnerships with other firms who can complement and strengthen their access to such resources. The transaction costs theory also proposes that firms seek partnerships for the purpose of deriving reduced costs, while the game theory explores the famous prisoner's dilemma to demonstrate that cooperation leads to better results as opposed to individual action. Porter (1990) further proposes that competitive advantage depends not only on internal resources but also on innovation and a firm's capability to upgrade its products and services in a competitive market. A pool of resources from two firms inevitably strengthens the position of both the firms.

The insurance industry in Kenya offers largely homogenous products and services in a highly controlled environment. This control is largely imposed by government legislature and government organs such as the Insurance Regulatory Authority and self-regulatory bodies such as the Association of Kenya Insurers. The industry is also bedeviled with cut throat competition, leading to an increased need for firms to form partnerships and leverage each other's resources so as to stay in the competition and where possible excel above the competition. Out of forty seven registered insurance companies, large insurance companies in Kenya who command premiums of over 2 billion annually and total eleven in number, have come out on top and scooped over 50% of the market share leaving the other thirty six to scramble for the rest of the 50% of the total market. It is thought that their ability to work together with like-minded firms and complimenting firms to achieve superior service and cost reductions have enabled them to capture and sustain their superior position in the market. This is the subject matter for this study.

1.1.1 Competitive Advantage

Competitive advantage is the ability of the firm to occupy a superior position in an industry and outperform its rivals on the primary performance goal - profitability (Winer, 2004). Firms strive to survive and succeed in competition by pursuing strategies that enable them to perform better than their competitors. When two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns or has the potential to earn a persistently higher rate of profit (Hill *et. al*, 2001).

Winer (2004) states first that competitive advantage must be able to generate customer value. Customer value can be defined by the customer in terms of lower price, speedy delivery, convenience, or some other characteristic. Second, the enhanced value of the product or service must be perceived by the customer. Regardless whether the product could be considered superior to competitor's products might not be as important as whether the customer perceives the product to actually be superior. Finally, effective competitiveness requires that the business tactic used should be difficult for business competitors to copy.

Competitive advantage typically results in higher profits, but these profits attract competition and competition limits the duration of competitive advantage in most cases and as such, most competitive advantage is temporary (Barney, 2008). On the other hand, some competitive advantages are sustainable if competitors are unable to imitate the source of the advantage or if no other business is able to conceive a better offering. Competitive advantage therefore must reside in a firm's value chain. Porter (1985) suggests that a firm can achieve a higher rate of profit (or potential profit) over a rival in one of two ways: either it supplies an identical product or service at a lower cost, in which case the firm possesses a cost advantage; or it can supply a product or service that is differentiated in such a way that the customer is being able to pay a price premium that exceeds the additional cost of the differentiation advantage.

1.1.2 Strategic Business Networking

A strategic business network is an intentionally developed and managed inter-organizational cooperation between three or more organizations for the pursuit of mutually beneficial strategic business goals (Moller *et al.*, 2005). Such a strategic network is defined by its intentionality. Strategic networks are intentionally created, developed, maintained and managed for the benefit of those belonging to the network. The existence of these networks is motivated by the pursuit of strategic business goals and benefits.

A strategic network is defined by clear boundaries. Without a clear understanding of the organizations that belong and do not belong to the network, it is difficult for network members to agree on shared goals. A strategic network often has one or more hub organizations that develop and manage the network as well as other players that have a less visible or less powerful role. The success of a strategic network is influenced by its strategic cohesiveness, which is the degree of mutual understanding and acceptance of a future vision and game plan as well as the degree of framing issues and strategies similarly. If a network is strategically cohesive, then it is more likely to succeed in achieving its strategic goals and vice versa (Anderson *et al.,* 2004).

Jarillo (2008) has maintained that competitive strength of strategic networks is based on sound economic foundation by not only allowing firms to reap economies of scale, but also benefits of internal focus, plus the flexibility to switch suppliers whenever technological or market developments occur. The entire set of existing and potential relationships among firms in a particular industry can be called a "network organization". The network organization allows a company to concentrate on its distinctive competencies, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise and thus can term them as a "modular corporations" made up of multiple specialist companies as their key building blocks. Effective networking is especially important for the organization since it helps overcome the financial and human resource limitations that prevent them from accessing new technologies that are required for new product innovations (Anderson *et al.,* 2004). The strategic network allows a company to concentrate on its distinctive competencies in terms of resources and processed, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise so that each side can benefit from each of the partner's strengths.

1.1.3 Large Insurance Firms in Kenya

In Kenya, insurance companies are generally ranked on the basis of gross premiums underwritten and as a consequence, the market share they command. This data is compiled annually by the Association of Kenya Insurers an independent non-profit making consultative and advisory body to which all insurance companies in Kenya subscribe. For the purpose of this research, we shall be looking at the top large insurance companies and will generally comprise of those companies which underwrote over 2 billion Kenya Shillings in gross premiums in the year 2011.

According to the Insurance Industry Annual Report 2011, the following companies were among those at the top and which will form the population of this research; Jubilee Insurance, Britam, APA Insurance CIC Insurance, ICEA-Lion Insurance Company, First Assurance Company, UAP Insurance, CFC-Heritage Insurance Company, Chartis Insurance Company, Kenindia Assurance Company and Pan African Life Assurance as outlined in Appendix III. These companies alone were able to capture over 50% of the entire market, leaving the other thirty six insurance companies to scramble for the remaining market. This alone demonstrates the level of dominance that these firms enjoy in the insurance industry and in the market in general.

1.2 Research Problem

In today's environment, creating sustainable value for customers and shareholders requires creating effective business networks. Increasingly, with rapid wealth growth of emerging global economies, the basis of competitive advantage is changing from internal capacities to network capabilities. Nadkarni and Narayanan (2007) have put forth that what matters is not the hard assets owed by a firm but rather, its ability to fully utilize them to capture worldwide business opportunities. Strategic alliances, business collaborations and networks are becoming popular among firms due to the competitive advantage generated by such collaborations and the opportunities generated to share resources and capabilities with other firms. Thus organizations choose to establish strategic business networks in order to gain clear channels through their joint market contracts. By doing so doing, organizations achieve market or scale economy and strengthen their domestic or international competitive advantage (Thompson, 2006).

The insurance industry in Kenya has witnessed increased aggressive competition in the recent past and this has forced insurance firms to go back to the drawing board to seek new ways of expanding their businesses and reach new markets more exhaustively. A solution to this challenge would be accessing more knowledge and competence through networks with other firms. By forging inter-organizational relationships, insurance firms could strengthen their offerings and become more attractive in the market. To ensure success, the firms are dependent on external actors and competencies that are outside their own core competencies. If these firms engaged in strategic networking, they would be in a position to negotiate more favorable terms with consumers as well as suppliers and this move would help in eliminating unnecessary competition. As such, there is need for strategic business networking among insurance firms, to move beyond corporate borders and to leverage the collective competencies in people, processes and information.

Various studies that have been done on business networking. Nyaga (2010) researched on the business benefits of social networking in gaining leverage among media houses in Kenya. He established that it helps media houses to build social capital and enable them to obtain the critical resources in the form of information, knowledge acquisition and exploitation, financial capital, human capital, and marketing and technological opportunities. Velez (2006) studied strategic business networking as a source of competitive advantage in the airline cargo business an evaluation of Sky team cargo and Wow alliance. The findings were that strategic partnerships resulted in increased competitive position, expanding their networks and increasing levels of market share for members of the alliances. Thrikawala (2011) studied on the Impact of Strategic Networks for the Success of SMEs in Sri Lanka and found out that there was a strong impact of network relationships for the success of SMEs in Sri Lanka. The findings on the studies undertaken above indicate that there is no study that has been undertaken locally on strategic business networking and competitive advantage among insurance firms and thus the study will seek to answer the question: "To what extent does strategic business networking relate to the extent of competitive advantage enjoyed by large insurance firms' in Kenya?"

1.3 Research Objectives

(i) To determine the extent to which large insurance firms in Kenya engage in strategic business networking.

(ii) To determine whether the extent of a firm's strategic business networking is related to the extent of competitive advantage enjoyed.

1.4 Value of the Study

This study which focuses on large insurance companies in Kenya, which is a unique industry whose offerings are largely homogeneous and whose operations are highly controlled by both government organs and self-regulatory bodies, is a first of its kind. The study will seek to establish the extent to which strategic business networking is a source of competitive advantage in large insurance companies in Kenya. With respect to theory, this study will seek to demonstrate that the theories underpinning this research, which include the transaction costs theory, the resource based theory of strategic management, the theory of comparative advantage cut across all industries and specifically in this instance, the insurance industry in Kenya. While other researchers have explored the applicability of these theories in various other industries, this study isolates the insurance industry and will form a start point for future researches seeking to explore applicability of these theories in this industry specifically.

This novel study will assist management teams of large insurance firms to establish the extent to which their competitors engage in strategic business networks as a source of competitive advantage. Such knowledge will assist them to know how much more intensely they should set up formidable alliances with other companies as a response to multiple challenges that are present in this highly competitive industry. The need for competitive advantage as individual organizations and as a group of companies involved in a strategic business network is a key element for their future success and survival and such each must pay keen attention to the external environment, more so, what the competition is doing so as to formulate strategies on how to outdo their competition. The findings of the study will also be useful to other insurance firms operating in the country as they will understand the importance of strategic business networking to the firms' competitive advantage.

The study will also create a monograph which could be replicated in other sectors which are facing high competition. Policy makers will obtain knowledge of the insurance industry dynamics and the appropriate strategies. They will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector. Future scholars may use the results of this study as a source of reference. The findings of this study can be compared with strategic business networking in other sectors to draw conclusions on various ways an institution can respond to competitive forces in the environment. It will also benefit consultants who endeavor to provide assistance to successful running of organizations in developing and sustaining a competitive edge in their environment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is concerned with the review of literature related to the study at hand. An overview of theoretical foundations underpinning the study will be explored along with an in-depth overview of strategic business networking and competitive advantage. Herein will also be discussed the relation between strategic business networking and competitive advantage.

2.2 Theories Underpinning the Study

In the transaction costs theory, the reason for inter organizational cooperation is found in the potential for transaction costs reduction for the firms involved (Frey, 2002). On the other hand, the game theory explores the problems of strategic interdependence of firms and using the famous prisoner's dilemma demonstrates the terms in which cooperation leads to better results compared to individual action. It emphasizes the importance of working with potential competitors so as to achieve a common goal, one that will in the long run benefit the parties involved. This theory also emphasizes trust as an important element upon which cooperative arrangements are based.

In strategic management, firms' networks are seen as potential sources of competitive advantage for the firms involved. As such, they are defined as "long term purposeful agreements among distinct but related for-profit organizations that allow those firms in them to gain or sustain competitive advantages *vis-à-vis* their competitors outside the network" (Jarillo 2008, p 32). Competitive advantage is seen to be founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization, or in other words from the astute management of physical and intellectual resources which form the core capability of the business. Such capabilities or core competences are not built on discrete independent skills but are "the synthesis of a variety of skills, technologies and knowledge streams" (Prahalad and Hamel, 1990).

The resource-based view of strategy regards firms as collections of resources that include tangible assets and capabilities (or intangible assets—usually semi-permanently attached to the firm) and that this collection of resources must be simultaneously valuable, rare, imperfectly imitable, and non-substitutable and is also the firm's source of sustainable competitive advantage (Grant, 2001). Firms will engage in strategic networking when there is a need for additional resources (specifically involving technology) that are expensive and difficult to replicate in a certain time frame and can enhance the value of their existing resources (Nelsen, 2007). From this perspective, firms adopt alliances as a means to extend their collection of value-creating resources, which are otherwise unattainable independently. Jamali (2004) points out that forming alliances with firms possessing different yet complementary resources will enable greater performance compared with alliances formed with firms that have similar resources though; firms may also form alliances to broaden their range of unique resources through learning and knowledge acquisition. Learning and knowledge acquisition through alliances enable firms to internalize their partner's knowledge and combine it with their own in developing their own technological competencies. As such, it may be concluded that firms lacking complementary resources have a higher inclination to form strategic alliances in order to access the resources they desire.

The theory of comparative advantage by Porter (1990) states that a nation's competitive advantage is not dependent on its natural resources alone. It also depends on innovation and the capacity to upgrade its products and services, driven by domestic rivalry and aggressive local suppliers and customers. Strategic business networks are also formed by companies with limited resources in terms of capital. A pool of resources between two firms would make it easier to acquire the necessary machinery and inputs required thus enabling production in large scale and in effect reduction of production costs.

2.3 Strategic Business Networking

The importance of strategic alliances in today's business environment has been a common point of discussion from several scholars. Different sets of reasons have been identified to explain why a company should seek for strategic alliances in order to compete in today’s open, aggressive markets. For some of them, strategic business networking is a ‘must’ in today’s business strategy and are a matter of survival; “Alliances between companies, whether they are from different parts of the world or different ends of the supply chain, are a fact of life in business today” (Moss, 1994, p.96).

Strategic networks are characterized by distinctiveness of its membership such that there is a clear set of members and a distinct boundary. A limited number of participants enable frequent meetings among the members firms, of a formal or informal character. Most activities among the strategic networks thus have a dual purpose. Joint actions, like common participation in trade shows or in training programs, render possible economies of scale. At the same time they constitute arenas for personal interactions that may lay a foundation for relationship development and knowledge exchange (Powel, 2002).

Kleymann and Seristo (2001), present three categories in which benefits from alliances can be classified as being market presence related, resource utilization related and learning of practices. Learning of better practices is, in a way, an indirect source of benefits as it eventually leads to financial benefits either through better utilization of resources or through maximization of revenues. As to market-presence related benefits, alliances have an impact over its members’ revenues allowing them to be present in markets where they would not participate as a single entity. With respect to resource utilization benefits, it differentiates, for instance, labour productivity and benefits of accruing from lower costs of procured goods and services. Most of the cost reduction potential is in labour costs, whether that labour is in marketing, processing or servicing customers. Other sources of cost reduction are in equipment and property costs, capital costs and expenses paid for third party services. Within marketing, payments to the distribution channels offer a potential for cost reduction.

Button *et al.*, (1998) maintain that the possible reasons for networking formation could include cost savings, market penetration, market retention, financial injection, infrastructure constraints, circumventing institutional constraints and market stability. More specifically, they identified four advantages of business networking which include:

access to new markets by tapping into a partner's underutilized capacity, access to distribution channels to widen scope of reach to potential customers, defense of current markets through management+ of respective and shared operations and costs and economies of scale through resource pooling across operational areas or costs centres, such as sales, marketing and purchasing among others.

Van Aken and Weggeman (2000) argue that the exchange of knowledge between lead firms and their suppliers, and between universities and technological companies, are all examples of highly informal innovation networks. Effective networking is especially important for organizations since it helps them to overcome the financial and human resource limitations that prevent them from accessing new technologies that are required for new product innovations. The process of innovation may involve collaborative relationships with different partners, each offering significant resources such as complementary know-how, subsidies, new technologies, research and training (Gemunden et al., 1992).

Jennings and Beaver (2007) propose that a firm and its owner-manager or entrepreneur is engaged in a network of stakeholders with whom the firm must interact in order to secure its future. Within the firm there are employees seeking a variety of benefits from the owner-manager including job security, job satisfaction and career development. Surrounding the firm is a range of other stakeholders including financial institutions, customers, suppliers and the government authorities. The successful entrepreneur can leverage on this network to secure support, finance, and gain market access and market intelligence. Partnering with customers, employees, suppliers, financial institutions and government agencies is a hallmark of successful small firms. A key benefit of networks for the small firm entrepreneurial process is the access to information and advice.

2.4 Competitive Advantage

An organization's competitive advantage is built upon a well-planned and executed strategy that is sustainable. Competitive advantage belongs to those firms that can activate concurrent business processes and core competences that merge infrastructures, share risks and costs, leverage the shortness of today's product life-cycle, reduce time to market, and gain and anticipate new vistas for competitive leadership (Ross, 2008.) In the competitive context, successful organizations either have a productivity advantage or value advantage, or ideally, a combination of these two.

According to Porter (1985), competitive advantage is the ability to earn returns on investment consistently above the average for the industry. This therefore means that competitive advantage can be achieved if the firm implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors. This can be interpreted to mean that sustained competitive advantage results from strategic assets, which are internally controlled and permit the firm to formulate and implement strategies that expand its efficiency and effectiveness. He further argues that sustainable competitive advantage cannot be achieved through operational effectiveness alone. Most of the popular management innovations of the last two decades-total quality, just-in-time, benchmarking, business process reengineering and out sourcing are about operational effectiveness. Operational effectiveness means performing similar activities better than rivals. Each of these is important, but none leads to sustainable competitive advantage, for the simple reason that everyone is doing them. Competitive advantage is therefore dependent not, as traditionally assumed, on such bases as natural resources, technology or economies of scale, since these are increasingly easy to imitate. Rather, competitive advantage is, according to the resource base view, dependent on the valuable, rare, and hard-to-imitate resources that reside within an organization (Stiles and Kulvisaechana, 2004).

Achieving long-term competitive advantage involves the design and operationalization of appropriate business strategies that take into account both the mutations registered in the business environment and the development stage of the organization. A firm may have competitive advantages deriving either from carrying out its activity in terms of lower costs or from offering a product different from that of the competitors. In other words, the source of the competitive advantage is the more efficient supply, as compared to the competing companies, of the purchase values (the type of reduced costs) or the conduct of activities at comparable costs, creating however more purchase value by reference to the competitors (Thompson, 2006). Typically, a company cannot hold both types of competitive advantage. It either focuses on cost reduction and will so offer the product at a price more accessible to consumers, or focuses on specific features defining the product and, implicitly, the production costs will be higher. The features of the product, with respect to the customer, refers to quality, distribution network and servicing.

Competitive advantage exists when a firm has a product or service that is perceived by its target market customers as better than that of its competitors. It is an advantage an organization has over its competitors, which is gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices (Kathuria*et al.*, 2007). Real competitive advantage implies the companies are able to satisfy customer needs more effectively than their competitors and it is achieved if and when real value is added for customers. A business must add value if it is to be successful. According to Kathuria*et al.*, 2007, the important elements in adding value by a firm will include understanding and being close to customers; in particular understanding their perception of value, a commitment to quality, a high level of all-round service and speedy reaction to competitive opportunities and threats. Higher capacity utilization can then help to reduce costs.

While it is important to use all resources efficiently and properly, it is also critical to ensure that the potential value of the outputs is maximized by ensuring they fully meet the needs of the customers for whom they are intended. An organization achieves this when it sees its customers´ objectives as its own objectives and enables its customers to easily add more value or, in the case of final consumers, feel they are gaining true value for money (Ross, 2008).

2.5 Strategic Business Networking and Competitive Advantage

Strategic business networks are formed for a variety of reasons. These include entering new markets, reducing manufacturing costs, and developing and diffusing new technologies rapidly. Networking is also used to accelerate product introduction and overcome legal and trade barriers expeditiously. In this period of advanced technology and global markets, implementing strategies quickly is essential. Forming networks is often the fastest, most effective method of achieving objectives (Thompson *et al.,* 1995). Companies must be convinced that the goal of the network is compatible with their existing businesses so that their expertise is transferable to the network. Entering foreign markets further confers benefits such as economies of scale and scope in marketing and distribution (Huggins, 2008). The cost of entering an international market may be beyond the capabilities of a single firm. However, by entering into a strategic alliance with an international firm, it can achieve the benefit of rapid entry while keeping costs down. Choosing a strategic partnership as the entry mode may help in overcoming obstacles which could include entrenched competition and hostile government regulations.

Risk sharing is another common rationale for undertaking a cooperative arrangement (Winer, 2004). When a market has just opened up or when there is much uncertainty and instability in a particular market, sharing risks becomes particularly important given that the competitive nature of business makes it difficult for firms entering a new market or launching a new product. As such, forming a strategic alliance is one way to reduce or control a firm's risks. According to Box and Miller (2011) most firms are competent in some areas and lack expertise in other areas. Forming a strategic alliance can allow ready access to knowledge and expertise in an area that a company lacks. The information, knowledge and expertise that a firm gains can be used not just in the collaborative project but also for other projects and purposes. The expertise and knowledge can range from learning production techniques or how to acquire resources or handle government regulations.

Synergy and competitive advantage is yet another advantage that strategic business networking will yield to the business partners (Timmons, 2004). As compared to entering a market alone, forming a strategic alliance becomes a way to decrease the risk of market entry, international expansion, research and development. Competition becomes more effective when partners leverage off of each other's strengths, bring synergy into the process that would be hard to achieve if attempting to enter a new market or industry alone. Forming strategic alliances with established companies with good reputation can help create favourable brand image and efficient distribution networks. Even established reputable companies need to introduce new brands to market. In most of the times, smaller companies can achieve speed to market quicker than bigger, more established companies (Timmons, 2004).

Doz and Hamel (1998) advance that the need to build critical mass in a specific market is the reason for strategic business networking which in turn can be viewed as the use of strategic business networking to build economies of scale. Moreover, through strategic business networking, a company can adapt itself so as to cope in turbulent environments therefore blocking competition. According to Kale and Singh (2009) business networking are formed as they help firms strengthen their competitive position by enhancing market power, they increase efficiencies, help access new or critical resources and capabilities, and help enter new markets. Dyer and Singh (1998) also explain the sources of competitive advantage through inter organizational relationships such as strategic alliances can be obtained through relation specific assets, knowledge sharing routines, complementary resources and effective governance as firms enter into strategic alliances so they can leverage the resources provided by the partner firm.

Timmons (2004) advance that through effective creation and management of strategic business networking, companies can use the strategic networking as a source of competitive advantage. This is further supported by Shreiner*et al.*, (2009) who argue that strategic networking impact firms' performance and therefore their ability to manage them effectively can be a source of competitive advantage. The strategic integration is an essential prerequisite to the competitiveness of organizations. Gari (2009) showed that complementary business level strategic networking, especially vertical ones, have the greatest probability of creating a sustainable competitive advantage. Knowledge management is crucial for the firms to gain maximum value from this knowledge. To successfully commercialize inventions, firms may therefore choose to cooperate with other organizations and integrate their knowledge and resources (Simonin, 2007).

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter is dedicated to describing the proposed research design and target population. It also outlines sampling design, the proposed data collection instruments and procedures that were implemented in data collection. Finally, it outlines the techniques for that were employed in the data analysis process.

3.2 Research Design

The study adopted a cross sectional survey. The survey was conducted for large insurance firms operating in Kenya. According to Emory (2005), a survey is feasible when the population is small and variable and hence the researcher was able to cover all the elements of the population.

A survey is considered to be more efficient and more economical than observation. In addition, the researcher adopted this research design because the study is concerned about univariate questions in which the researcher ask questions about extent to which the variables were relevant and the impact of the variable on outcomes. This method also facilitated the drawing of inferences. It also helped in maintaining the continuity of the research process.

3.3 Population of the Study

The population of the study consisted of all the large insurance firms operating in Kenya. According to Association of Kenya Insurers (2011) there are 11 insurance firms in Kenya. The selection of the industry players was necessitated by present level of competition being experienced in the sector.

All the eleven firms have their headquarters in Nairobi. This made for easier collection of adequate data by the researcher. Because of the number of the population targeted in the study, the same target population formed the sample size of the study.

3.4 Data Collection

The study made use of primary data which was collected through a self-administered questionnaire. It consisted of structured questions made up of both open ended and closed questions. The questions in the questionnaire were designed to elicit specific responses for qualitative analysis.

The questionnaires were administered in the organizations offices whereby the researcher targeted the Underwriting Managers. This category of managers was selected because they are involved in marketing, business development and claims management. The questionnaire was made up of three sections namely: Demographics and Company Profile, Extent of Strategic Business Networking and Extent of Competitive Advantage.

3.5 Data Analysis

The data was analyzed by the use of descriptive statistics to summarize and relate variables which were obtained from the administered questionnaires. It was then classified, tabulated and summarized using descriptive measures, percentages and frequency distribution tables while tables were used for presentation of the findings.

However, before final analysis was performed, data was verified to eliminate discrepancies. Thereafter, it was classified then tabulated. In accomplishing all analysis details with efficiency and effectiveness, the researcher utilized the Statistical Package for Social Sciences (SPSS) software.

CHAPTER FOUR
DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The objectives of the study was to determine the extent to which large insurance firms in Kenya engage in strategic business networking and also to determine whether the extent of a firms' strategic business networking is related to the extent of competitive advantage enjoyed. The research was conducted on sample size of 11 firms out of which 11 respondents completed and returned the questionnaires duly completed, resulting in a response rate of 100%. Mugenda and Mugenda (1999) stated that a response rate of 50% and above is a good for statistical reporting. The study made use of frequencies (absolute and relative) on single response questions. On multiple response questions, the study used the Likert Scale for scoring while analysis of the data from the 5 point scale was used in computing the mean and standard deviations. These were then presented in tables and interpretation of the same provided in prose format.

4.2 Demographic Information

The initial part of the study sought to enquire information on various aspects including the name of the insurance firm, the period of time that the firm had been in operation, ownership of the firm and profits made from the previous financial period. The companies under the study were APA Insurance, Pan African Life Assurance, Kenindia Insurance, Heritage Insurance, CIC Insurance, First Assurance, BRITAM, Chartis Insurance, ICEA Insurance, KENINDIA Insurance and UAP Insurance. The information was sought to test the appropriateness of the respondent in answering the questions regarding the strategic business networking and competitive advantage in insurance firm under study.

4.2.1 Length of Continuous Service with the Firm

The study sought to establish the length of time respondents had been in continuous service in the firm and the findings are as shown in Table 1.

Table 1: Length of Continuous Service with the Firm

YEARS OF SERVICE	FREQUENCY	PER CENT
(0-5) years	4	36.4
(6-10) years	4	36.4
(11-15) years	3	27.2
Total	**11**	**100.0**

Source: Field Data 2013

According to the findings 36% of the respondents had been in continuous service their respective firms for a period between (0-5) years, an equal number had been in continuous service for a period of (6-10) years while the remaining 27.2% had longer periods of continuous service in the firms for between 11-15 years. This reveals that majority of respondents had been in continuous service in these firm for more than 5 years.

4.2.2 No of Years of the Firms' Operation in Kenya

The study sought to also establish the number of years these firms had been in operation in Kenya. The findings are as shown in Table 2.

Table 2: No of Years of Operation in Kenya

NO. OF YEARS OF OPERATION IN KENYA	FREQUENCY	PERCENT
(6-10) years	1	9.1
Over 20 years	10	90.9
Total	11	100.0

Source: Field Data 2013

The findings are that the majority of large insurance companies i.e. 90.9% of the large insurance companies in Kenya have been operation for a period of over 20 years. The remaining 9.1% which is one of the large insurance companies in Kenya have been in operation for 6 – 10 years. This reveals that the majority of large insurance companies in Kenya are seasoned companies who understand the insurance sector and the market which they service, fairly well.

4.2.3 Ownership of the Firm

The study sought to also establish the ownership of the large insurance firms in Kenya to establish if they are locally owned, foreign owned or both foreign and locally owned. The findings are as shown in Table 3.

Table 3: Ownership of the Firm

OWNERSHIP	FREQUENCY	PERCENT
Local	6	54.5
Foreign	1	9.1
Both local & foreign	4	36.4
Total	**11**	**100.0**

Source: Field Data 2013

From the study findings 54% which is the majority of the large insurance companies are locally owned. Both local and foreign ownership constitute 36.4% with a minority of 9.1% with foreign ownership. It is evident therefore that most large insurance companies in Kenya are owned locally.

4.3 The Profits Made in the Last Financial Year

The study sought to find out the financial position of the companies in last financial year the findings is as shown in Table 4.

Table 4: Profits Made by the Companies in the Last Financial Year

PROFITS (KES)	FREQUENCY	PER CENT
0 - 500 Million	4	36.4
501 M - 1 Billion	3	27.3
1.1 - 1.5 Billion	2	18.2
1.6 - 2.0 Billion	1	9.1
2.1 - 2.5 Billion	1	9.1
Total	**11**	**100.0**

Source: Field Data 2013

With regard to the financial position of the firms in last financial year study found that majority of the firms (36.4%), made profits between 0 to 500 million, 27.3% made between 501 million to 1 billion, 18.2% made between 1.1 to 1.5 billion; 9.1% garnered between 1.6 to 2 billion while another 9.1% made profits between Kshs. 2.1 to 2.5 billion. The study therefore reveals ta majority of the large insurance firms in Kenya made profits of over Kshs 500 Million and one firm made profits above Ksh. 2 billion.

4.4 Number of Strategic Networks Engaged

The study sought to find out the number of strategic networks which firms engaged with. The findings are as shown in Table 5.

Table 5: Number of Strategic Networks Engaged

Number of Networks	Frequency	Percent
1 -2	1	9.1
5 and above	10	90.9
Total	**11**	**100**

Source: Field Data 2013

The findings of the study revealed that 90.9 % of the large insurance firms in Kenya engage with more than 5 strategic networks. While 9% engage with between 1 to 2 strategic networks. This reveals that strategic networking is a strategy which is embraced by large insurance companies in Kenya.

4.5 Extent of Firms' Collaborations with Various Networks

In order to further assess the extent to which the large insurance firms collaborate with the various business networks, respondents were requested to indicate their level of engagement and collaboration with various business networks that participate within the insurance industry. The responses were rated on a five point Likert Scale where: 1 reflected "Not at all", 2 indicated "Some extent", 3 indicated "Moderate extent", 4 indicated "Great extent" while 5 indicated "Greatest extent". The mean and standard deviations were generated from SPSS and are as illustrated in Table 6.

Table 6: Extent of Collaboration with Business Groups and Networks

BUSINESS GROUP / NETWORKS	MEAN	STD. DEVIATION
Brokerage Firms	4.818	0.405
Insurance Agencies	4.818	0.405
Tied Agents And Agencies	4.273	1.191
Branded Agents	2.182	1.401
Auto Garages	3.273	1.348
Banks (Bancassurance Partners)	3.091	1.044
Assessors	3.455	1.128
Loss Adjustors	3.455	1.128
Investigative Firms	3.273	1.009
Marketing Firms	2.546	1.128
Hospitals	2.455	1.293

BUSINESS GROUP / NETWORKS	MEAN	STD. DEVIATION
Health And Medical Centres	2.727	1.009
Actuarial Firms	3.182	1.168
Legal Firms	2.818	1.079
Other Insurance Firms	2.909	0.831
Co-operatives and Organised Groups	3.818	1.168

Source: Field Data 2013

The study findings revealed that large companies appear to collborate more widely with brokerage firms and insurance agencies as revaled by the mean score of 4.818. Further, collaboration with tied agents and agencies stood at a mean score of 4.273. Collaborations that revealed lower mean scores were those of health and medical centres (mean=2.727), marketing firms (mean=2.545), hospitals (mean=2.454) and the least extent of collaboration was with branded agents at a mean of 2.181.

4.6 Competitive Advantage Resulting from Networking Relationships

The study assessed the extent to which the large insurance firms were able to gain competitive advantage as a result of their networking relationships with the listed business groups and strategic business networks. Respondents were requested to indicate the level to which these groups gave them a competitive edge over their competitors. The responses were rated on a five point Likert Scale where: 1 reflected “Not at all”, 2 indicated “Some extent”, 3 indicated “Moderate extent”, 4 indicated “Great extent” while 5 indicated “Greatest extent”.. The mean and standard deviations were generated from SPSS and are as illustrated in Table 7.

Table 7: Competitive Advantage as a Result of Networking Relationships

BUSINESS NETWORK	MEAN	STD. DEVIATION
Brokerage Firms	4.727	0.467
Insurance Agencies	4.818	0.405
Tied Agents And Agencies	3.182	1.722
Branded Agents	2.364	1.502
Auto Garages	3.636	1.120
Banks (Banc Assurance Partners)	2.909	1.375
Assessors	3.000	1.414
Loss Adjustors	2.818	1.168
Investigative Firms	2.546	1.214
Marketing Firms	2.727	1.104
Hospitals	2.455	1.214
Health And Medical Centres	2.636	1.286
Actuarial Firms	2.909	1.300
Legal Firms	3.455	1.128
Other Insurance Firms	2.818	1.328
Legal Firms	3.000	1.342
Cooperative And Organised Groups	3.091	1.700

Source: Field Data 2013

The study revealed that large insurance firms in Kenya are able to associate competitive advantage with their business networks. The study also reveals that the top three collaborative networks which large insurance firms were able to most highly associate with their increased competitive advantage were insurance agencies (mean=4.818), brokerage firms (mean=4.727) and auto garages (mean=3.636). Conversly the three business networks which the firms were would associate competitive advantage to the least extent included marketing firms (mean=2.727), hospitals (mean=2.454) and branded agents (mean=2.363).

4.7 Extent of Competitive Advantage

The study assessed the extent to which the firms enjoyed competitive advantage over competitors in various classes of business. Respondents were requested to indicate the competitive advantage which their respective firms enjoyed over their competitors in the listed classes of insurance business. The responses were rated on a five point Likert Scale where: 1 reflected “Not at all”, 2 indicated “Some extent”, 3 indicated “Moderate extent”, 4 indicated “Great extent” while 5 indicated “Greatest extent”. The mean and standard deviations were generated from SPSS and are as illustrated in Table 8.

Table 8: Extent of Competitive Advantage in Insurance Business Classes

CLASS OF INSURANCE	MEAN	STD. DEVIATION
Motor Private	3.546	1.864
Motor Commercial	3.000	1.549
Fire Domestic	3.182	1.779
Fire Industrial	2.546	1.695
Engineering	3.091	1.868
Marine	3.091	1.758
Medical Insurance	4.000	2.966
WIBA	2.909	1.868
Aviation	2.909	1.921
Public Liability	3.091	2.023
Personal Accident	3.546	1.572
Theft	4.182	1.250

Source: Field Data 2013

The findings on the competitive advantage enjoyed over competitors in the listed classes of business revealed that a large number agreed strongly that their firms enjoyed acompetitive advantage over their competitors to a great extent from theft insurance (mean=4.181), medical insurance (mean=4.0) and personal accident and motor private insurance classes with a mean of 3.545. On the other hand WIBA (mean = 2.909), Aviation insurance (mean = 2.909) and Fire Industrial insurance (mean = 2.546) only provided competitive advantage to a lesser extent.

4.8 Extent to Which Various Drivers of Competitive Advantage Apply

The study sought to uncover the extent to which the listed statements and drivers of competitive advantage applied to the respondent's insurance firm in relation to strategic business networking and competitive advantage. The responses were rated on a five point Likert Scale where: 1 reflected "Not at all", 2 indicated "Some extent", 3 indicated "Moderate extent", 4 indicated "Great extent" while 5 indicated "Greatest extent". The mean and standard deviations were generated from SPSS and are as illustrated in Table 9.

Table 9: Extent to Which Various Drivers of Competitive Advantage Apply

STATEMENT	MEAN	STD. DEVIATION
Most customers in market prefer our products over our competitors	4.091	1.136
Our profits generally surpass those of our competitors	4.273	0.786
Our firm is generally able to develop and introduce new and competitive products into the market ahead of our competitors	4.455	0.522
Our firm is able fully maximise the use of our internals resources better than our competitors	4.455	0.688
Our firm is easily able to access from other sources, knowledge and expertise in areas where we may lack internally	4.546	0.688
Our customers generally consider our services to be more superior than those of our competitors	4.364	0.674
Our firm actively seeks collaborations with other players in the market so as to achieve cost reduction	4.364	0.674
Our firm has unique culture which is superior to that of our competitors	4.546	0.522

Source: Field Data 2013

The findings on the extent to which various statements relating to competitive advantage enjoyed by the firms under study applied to them respectively revealed that the respective firm's ability to fully maximise the use of internal resources better than competitors, the firms' ease of access from other sources, knowledge and expertise in areas where they lacked internally and the firm's unique culture which is superior to that of competitors scored high means of 4.455, 4.546 and 4.546 respectively. This shows that the three variable are indeed sources of competitive advantage.

4.9 Relation between the Extent of Strategic Business Networking and the Competitive Advantage Enjoyed

Finally, in order to further asses the relation between the extent of strategic business networking and the competitive advantage enjoyed, a comparison of the two variables namely the extent of business networking and the extent of competitive advantage enjoyed were assessed as illustrated in Table 10.

Table 10: Relation between the Extent of Strategic Business Networking and the Competitive Advantage Enjoyed

FRIM	EXTENT OF BUSINESS NETWORKING	EXTENT OF COMPETITIVE ADVANTAGE
APA	2.242	2.083
BRITAM	3.208	3.667
CIC	3.000	3.000
CHARTIS	2.802	2.667
FIRST ASSURANCE	2.677	2.417
HERITAGE	3.729	4.333
ICEA	3.385	3.833
JUBILEE	3.284	3.235
KENINDIA	2.583	1.667
PANAFRICAN	2.292	1.833
UAP	3.338	3.500
PEARSON'S CORRELATION		**0.950396201**

4.10 Discussion

The findings of the study that has been outlined above shows that there is a very strong and direct positive corelation between the extent to which a business is strategically networked to other business and the extent of the competitive advantage which it enjoys. This echoes the Jarillo (2008, p32) who posits that long term purposeful agreements among distinct but related for profit organisations allows those firms to gain competitive advantages over their competitiors who are outside of those networks. Further, the study showed that firms which are able to easily access resources, skills and knowledge from other sources where they lack internally are able to gain competitive advantage over their competitors. These findings further confirm Porter theory on comparative advantage which states that a firm's competitive advantage is not dependents merely on its natural resources alone (Porter, 1990). These findings also are in agreement with the resource based view of strategy which proposes that competitive advantage resides in a company's possession and application of resources which are value creating, rare and not easily accessed, not easily imitable and not substitutable so that it is possible for them to be a source of a sustainable competitive advantage. Grant (2001) has posited on this matter stating that this need for resources drives firms to seek partnerships with other firms who can complement and strengthen their access to such resources. All these findings therefore underpin the words of Moss (1994, p.96) when he declared that "Strategic business networking is a must in today's business strategy and are a matter of survival".

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents a summary of findings, conclusion and recommendations of the study in line with the objectives of the study. The research sought to establish the extent to strategic business networking and the extent to which strategic business networks afford competitive advantages to large insurance firms in Kenya.

5.2 Summary

According to the findings 36% of the respondents had been in continuous service the in the participating firms for period of 0 – 5 years, and equal number had also been in continuous service for a period of (6-10) years, the remaining 27.3% had longer period of continuous service in the firms (11-15) years. The reveals that majority of respondents (53%) had been in continuous service in these firm for than 10 years. The study further revealed that 9.1% of insurance companies in Kenya have been operation for a period of (0-5) years, while the vast majority 90.9% had been in operation in Kenya for over 20 years. This reveals that majority of firms studied had been in operation for over 20 year and were well seasoned in the industry. Large insurance companies which are locally owned were found to constitute 54.5%, those that have both local and foreign ownership constitute 36.4% with minority 9.1% being held under foreign ownership. As such it is clear that majority of the large insurance companies in Kenya are owned locally.

With respect to the extent of business networking engaged by large insurance firms in Kenya, the findings of the study revealed that 90 % of engaged with 5 and above networks. According to the study, most of the firms studies tended to collaborgte more widely with brokerage firms and insurance agencies which scored means of 4.727 and 4.818 respectively. This was followed by collaboration with autogarages at a mean of 3.636, the legal firms at 3.455 the tied agents at 3.182, cooperatives and organised groups at means of 3.091, the assessors and legal firms at means of 3.0.

The study also reveals that the business classes that raked in the highest means included: theft at 4.182, medical insurance at 4.0, motor private and personal accidents each at 3.546, fire domestic at 3.182, engineering, marine and public liability at 3.091, while motor commerial class lagged at a meam of 3.0 for those classes that were identified as providing compeitive advantage. On the other hand WIBA, Aviation and Fire Industrial with means of 2.909, 2.909 and 2.546 provided competitive advantage to a lesser extent.

According to the findings of the study, the level to which paritiicpats felt that the various drivers of competitive advantage applied to their firms revealed the firm's ability to easily access from other sources, knowledge and expertise in areas where they lacked internally and the respective firm's unique culture which was thought by the respondent to be superior to that of their competitors scored the highest means of 4.546 each. This was followed by the firm's ability to fully maximise the use of internal resources better than their competitors and; the respective firm's ability to develop and introduce new and competitive products into the market ahead of their competitors scoring means of 4.455 each.

5.3 Conclusion

The study reveals that majority of the large insurance firms in Kenya have been in operation for over 20 years and are mostly owned locally owned businesses. The study further reveals that strategic business networking is very common in this stratum of insurance companies and that to a very large extent, these businesses derive great competitive advantage through the business partnerships which they have formed with various business groups that in turn complement the services which they offer to the market. In his studies Gari (2009) showed that complementary business level strategic networking, especially vertical ones, have the greatest potential of creating a sustainable competitive advantage.

This study reveals that majority of large insurance companies in Kenya are in very close partnership relationships with brokerage firms and insurance agencies and agent, autogarages and legal firms. In tandem with Gari’s findings, this study reveals that the clases of insurance business which appear to gain them competitive advantage include motor privateinsurance and personal accidents covers, medical insurance and public liability which are classes closely related to the same business partners with which these insurance firms work.

A greater number of respondents affirmed that their firms were able to leverage on their firm’s ability to easily access resources from other sources, knowledge and expertise in areas where they lacked internally and the respective firm’s unique culture which was thought by the respondent to be superior to that of their competitors. They also affirmed that their customers generally considered their services to be more superior than those of their competitors and that their firms actively sought collaborations with other players in the market so as to achieve cost reduction. All these are benefits which firms glean when they engage in strategic business networking as underpinned by the findings of Jamali (2004) and those of Kale and Singh (2009) who proposed that business networks help firms to strengthen their competitive advantage. This study further agree with the advancement of Timmons (2004) that through effective creation and management of strategic business networks, companies can use these networks as a source of competitive advantage.

5.4 Recommendations of the Study

This study has established that the extent to which the extent of strategic business networking impacts on the competitive advantage enjoyed by large insurance companies in Kenya. With respect to theory, this study has demonstrated that transaction costs theory which relates to profits, the resource based theory of strategic management which relates to accessibility of rare resources and the theory of comparative advantage is indeed applicable to the insurance industry.

This novel study therefore suggests to players in the insurance industry that establishment of strong and mutually complementing business partnership has a great potential to the firm achieving competitive advantage. As such managers in this industry would be prudent to seek out and engage in formidable business alliance that can provide complementary business resources so as to strategically position themselves above the competition. Other sectors in the market that are facing high competition in the face of largely homogenous offerings could also learn from the concept of business networking as a source of competitive advantage.

It is also recommended that the policy makers in government should provide enabling environments that would facilitate business partnerships and enable businesses to thrive and in turn allow the economy to grow at a much faster pace by allowing for job creation through greater business capacity enabled by complementing business networks and ultimately reduce the poverty levels in the country as has been outlined in the Vision 2013 strategy. Policies should also be developed and enabling laws passed to regulate the sector so as to limit undercutting and unfair practices that may arise from unscrupulous business networks that may form to unfairly disadvantage others.

5.5 Limitation of the Study

The study was limited to large insurance companies in Kenya and as such only a sample size of 11 companies. Though there was a 100% response rate, most of the managers who participated in the study were not sure of the implication of the research on their firms suspecting competition from the researcher's firm. As such many answered the questionnaire with much caution which invariably has the potential to lead to an exaggeration on responses in a bid to make their respective companies appear better than their competitors who were also participating in the survey.

The other limitation was time constraint as some of the respondents were out of the office due to official engagements within and out of the country or were busy with their routine assignments and thus requiring the researcher to visit the various firms repeatedly over a long period of time before succeeding in obtaining the responses that were required to finalize the study.

5.6 Areas of Further Study

Since this study explored the extent of strategic business networking the extent to which strategic business networking is related to the extent of competitive advantage enjoyed by large insurance firms in Kenya it would be worthwhile for other scholars to explore these variables in the entire industry or to determine if similar strategies are employed by the smaller insurance companies in Kenya. Further, it would be worthwhile if other scholars sought to study the trends in other large insurance companies in East Africa to determine if the strategic Business Networking offers similar competitive advantage across other East African countries.

The study therefore recommends that similar studies may be done in other countries for comparison purposes and to allow for generalization of findings on the strategic business networking and competitive advantage in large insurance firms in Kenya. It also recommends similar studies to be conducted among the smaller insurance companies in Kenya.

REFERENCES

Anderson, J., Hakanson, M., and Johonsson, R., (2004). A theory of quality management underlying the deming method, *Academy of Management Review*, 19 (3), 472–509.

Bardin, J., (2004). *Collaborating to compete: Using strategic alliances and acquisitions in the global marketplace,* New York, NY: Wiley.

Barney, J. B., (2008). *Strategic management and competitive advantage: Concepts and cases.* Upper Saddle River, NJ: Prentice Hall Inc.

Box, G., and Miller K, (2011). Linkages between service sourcing decisions and competitive advantage: A review, propositions, and illustrating cases, *International Journal Production Economics*, 114, 40–55.

Button, K., Haynes, K., and Stough, R., (1998). *Flying into the future:Air transport policy in the European Union,* UK: Cheltenham.

Doz, Y., and Hamel, G. (1998). *Alliance advantage: The art of creating value through partnering.* Boston, MA: Harvard Business School Press.

Dyer, J. H., and Singh, H. (1998). The Relational View: Cooperative Strategy and Sources of Interorganizational Competitive Advantage. *Academy of Management Review,* Vol. 23, No. 4, pp. 660-679.

Frey, M. (2002).Macro and strategic perspectives on interorganizational linkages: A comparative analysis and review with suggestions for reorientation. *Advances in Strategic Management*, Vol. 10B, pp.3-40.

Gari, A. (2000). Strategic networks.*Strategic Management Journal*, Vol. 21, pp.203-15.

Grant, R. M. (2001). The Resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review, 72(4), 12 -14.*

Hill, C. W. L., Rothaermel, F. T., and Jones, G. R. (2001). *Strategic management theory. An integrated approach* (7th ed.). Boston: Houghton Mifflin.

Jarillo, J. C. (2008). On strategic networks, *Strategic Management Journal*, 9, 31-41.

Kale, P., and Singh, H. (2009). Managing strategic alliances: What do we know now and Where Do We Go From Here?,*Academy of Management Perspectives,* Vol. 23, No. 3, pp. 45-62.

Kathuria, R., Joshi, M. P., and Porth, S. J. (2007). Organizational alignment and performance: past, present and future. *Management Decision*, *45* (3). 503 – 517.

Kleymann, B., and Seristo, H. (2001) Levels of airline alliance membership: Balancing risks and benefits. *Journal of Air Transport Management*, 7, pp. 303 – 310.

Moss, D. C., (1994). First-mover advantages and path dependence. *International Journal of Industrial Organization*, Vol.15, pp.827-850.

Nadkarni, M., and Narayanan, E. (2007). The resource-based perspective on the dynamic strategy-performance relationship: An empirical examination of the focus and differentiation strategies in entrepreneurial firms. *Journal of Management*, 19, 819-839.

Nyaga, M. (2010).Business benefits of social networking in gaining leverage among Media Houses in Kenya, *Unpublished MBA Project: University of Nairobi*.

Porter, M. E. (1985). *Competitive advantage: Creating and sustaining superior performance*. NewYork, NY: Free Press.

Prahalad, C. K., and Hamel, G., (1990). The core competence of the corporation; Harvard *Business Review Journal*, pp. 79-91.

Ross, D. F. (2008).*Competing through supply chain management.* Creating market-winning strategies through supply. New York, NY: Wiley.

Simonin, C. (2007). The use of networks in cross-border competition, *Long Range Planning*, Vol. 26., No.2, pp. 41-50.

Thrikawala, G. (2011). The role of managers' political networking and functional experience in new venture performance: Evidence from China's transition economy. *Strategic Management Journal*, 28, 791-804.

Thompson, J. L., Hitt, M.A. and Vaidyanath, D. (1995). Alliance Management as a Source of Competitive Advantage, *Journal of Management*, *V*ol. 28, No. 3, pp. 413-446.

Thompson, J. L. (2006). *Strategic management*: *Awareness and change* (3rd ed.), Eagan, MN: Thompson Business Publishers.

Timmons, B. (2004). Ambiguity and the process of knowledge transfer in strategic alliances, *Strategic Management Journal*, Vol. 20, No.7, pp. 595-623.

Velez, R. (2006). The alliance formation process. *International Food and Agribusiness Management Review*, 1 (3), pp. 335 – 357.

Weiner, R. (2004). The dynamics of learning alliances: Competition cooperation and relative scope. *Strategic Management Journal*, 19(3), pp. 193–210.

Zineldin, M. (2002). TRM Total Relationship Management, Student litterateur, Lund

APPENDICES

Appendix I: Letter of Introduction

University of Nairobi

School of Business Studies

Dear Respondent,

I am a postgraduate student in the School of Business Studies, University of Nairobi, conducting a management research paper on strategic business networking as a source of competitive advantage large insurance firms in Kenya.

In order to undertake the research, you have been selected to form part of the study. This letter is therefore to request your assistance giving me information to the attached interview guide. This information will be treated with strict confidence and is purely for academic purposes. A copy of the final report will be availed to you upon request.

Your assistance and co-operation in this exercise will be highly appreciated.

Yours faithfully,

Evelyn A. Olalo	*******
MBA Student	**Supervisor**

Appendix II: Questionnaire

Questionnaire

Please answer the following questions as truthfully as you can. The answers provided will be treated with strictest confidentiality and will be used for research purposes only.

Part A: Demographics and Company Profile

1. Name of the insurance firm…………………………………………

2. Length of continuous service with the insurance firm?
   a) 0 – 5 years ( )
   b) 6-10 years ( )
   c) 11 – 15 years ( )

3. No of years your insurance firm has been in operation in Kenya?
   a) 0 – 5 years ( )
   b) 6 – 10 years ( )
   c) 11 – 15 years ( )
   d) 16 – 20 years ( )
   e) Over 20 years ( )

4. What is the ownership of the firm?
   a) Local ( )
   b) Foreign ( )
   c) Both local & foreign ( )

5. How much profits did the company make in the last financial year?
   a) 0 - 500 million ( )
   b) 501 M – 1Billion ( )
   c) 1.1 – 1. 5 Billion ( )
   d) 1.6 – 2 Billion ( )
   e) 2.1 – 2.5 Billion ( )
   f) 2.6 – 3 Billion ( )
   g) Over 3 Billion ( )

Part B: Extent of Strategic Business Networking

7. How many strategic networks is your company collaborating with?
   a) None ( )
   b) 1 - 2 ( )
   c) 3 - 4 ( )
   d) 5 and over ( )

6. To what extent does your firm collaborate with the following business groups in business networks?

Please Use the Following Legend to Score		
1 - Not at all	2 - Small extent	3 - Moderate extent
4 - Great extent	5 - Very great extent	

Strategic Networks	1	2	3	4	5
Brokerage firms					
Insurance Agencies					
Tied Agents and Agencies					
Branded Agents					
Auto Garages					
Banks (Bancassurance partners)					
Assessors					
Loss Adjustors					
Investigative Firms					
Marketing Firms					
Hospitals					
Health and Medical Centers					
Actuarial firms					
Legal firms					
Other insurance firms					
Co-operatives and organized groups					
Others : Please name if any:					

Part C: Extent of Competitive Advantage Enjoyed

7. To what extent does your firm gain competitive advantage as a result of its networking relationships with the following business groups?

Please Use the following legend to score		
1 - Not at all	2 - Small extent	3 - Moderate extent
4 - Great extent	5 - Very great extent	

Strategic Networks	1	2	3	4	5
Brokerage firms					
Insurance Agencies					
Tied Agents and Agencies					
Branded Agents					
Auto Garages					
Banks (Bancassurance partners)					
Assessors					
Loss Adjustors					
Investigative Firms					
Marketing Firms					
Hospitals					
Health and Medical Centers					
Actuarial firms					
Legal firms					
Other insurance firms					
Legal firms					
Co-operatives and organized groups					
Others : Please name if any:					

8. To what extent does your firm enjoy competitive advantage over your competitors in the following classes of business?

Please Use the Following Legend to Score		
1 - Not at all	2 - Small extent	3 - Moderate extent
4 - Great extent	5 - Very great extent	

Strategic Networks	**1**	**2**	**3**	**4**	**5**
Motor private					
Motor commercial					
Fire domestic					
Fire industrial					
Engineering					
Marine					
Medical Insurance					
WIBA					
Aviation					
Public liability					
Personal Accident					
Theft					

9. To what extent do the following statements apply to your firm?

Please Use the Following Legend to Score		
1 - Not at all	2 - Small extent	3 - Moderate extent
4 - Great extent	5 - Very great extent	

Statement	1	2	3	4	5
Most customers in the market prefer our products over our competitors					
Our profits generally surpass those of our competitors					
Our firm is generally able to develop and introduce new and competitive products into the market ahead of our competitors					
Our firm is able to fully maximize the use of our internal resources, better than our competitors					
Our firm is easily able to access from other sources, knowledge and expertise in areas where we may lack internally					
Our customers generally consider our services to be more superior than those of our competitors					
Our firm actively seeks collaborations with other players in the market so as to achieve cost reductions.					
Our firm has a unique culture which is superior to that of our competitors.					

Thank you for your participation.

Appendix III: List of Large Insurance Companies Gross Written Premium, Percentage Growth and Market Share 2011

Company	Gross Written Premium (Ksh)	Market Share (%)	Percentage Growth (%)
APA Insurance	5,019,780	7.29	8.86
Britam	5,821,403	8.46	31.60
Chartis	2,803,897	4.07	7.32
CIC Insurance	6,608,441	9.60	54.68
First Assurance	2,422,008	3.52	13.42
CFC – Heritage	4,715,584	6.85	31.16
Jubilee Insurance	7,558,802	10.98	41.37
Kenindia	4,036,221	5.86	6.70
UAP Insurance	5,170,607	7.51	21.96
ICEALION	5,262,181	7.64	6.23
Pan Africa Life Assurance	3,648,492	5.30	