ADOPTION OF GROWTH STRATEGIES BY AFRICAN MERCHANT ASSURANCE COMPANY KENYA LIMITED

BY

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DECLARATION

I declare that this project is my own original work and has not been presented for award of any degree in any university.

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

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DEDICATION

This project is dedicated to my wife Lorna and my cousins: Dominic, Martin and Felix. I could not have done it without their support and encouragement.

ABSTRACT

Growth means change and proactive change is essential in a dynamic business environment. The growth of a business firm is similar to that of a human being who passes through the stages of infancy, childhood, adulthood and maturity. Growth Strategy refers to a strategic plan formulated and implemented for expanding firm's business. For smaller businesses, growth plans are especially important because these businesses get easily affected even by smallest changes in the market place in that case well established insurance companies develops some barriers and create unfavorable competitive strategies as a barrier to entry by new or small companies. The research objectives were to find out the extent to which African Merchant Assurance Company had adopted growth strategies and how they are dealing with the challenges. This study was modeled on a case study design. The research targeted the top management who are the strategy formulators and implementers in the institution. The research instrument was an interview guide consisting of open ended questions. The guides were administered to five top managers of African Merchant Assurance Company Limited in who were deliberately chosen to ensure that only those at the strategy development and implementation level were selected as they had the information required. The primary data collected was analyzed using content analysis. The research findings from the organization were that they used market development, product development, market penetration and market positioning strategies in their operations as the main growth strategies. The insurance's main challenge while adopting growth strategies was generating sufficient running capital to counter environmental challenges. The researcher further realized through the study findings that not all growth strategies that an organization pursue is profitable or yields success .Sometimes it becomes a big burden to organization. The study recommended that African Merchant Assurance Company Limited make intensive but strategic use of the three Ansoff' growth opportunities of market penetration, market development and product development. It was possible for the firm to increase its market presence in Kenya through market penetration that may entail increasing market coverage in growth areas locally.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Growth means change and proactive change is essential in a dynamic business environment .African Merchant Assurance Company Limited has tremendously grown since its inception in the year 2000. Business growth is a natural process of adaptation and development that occurs under favourable conditions within an economy. The growth of a business firm is similar to that of a human being who passes through the stages of infancy, childhood, adulthood and maturity. This project gives a general introduction to the study of insurance companies and brokers with specific reference to African Merchant Assurance Company (AMACO Ltd).

Cole (2004) cited that growth Strategy' as a strategic plan formulated and implemented for expanding firm's business. For smaller businesses, growth plans are especially important because these businesses get easily affected even by smallest changes in the marketplace in that case well established insurance companies develops some barriers and create unfavorable competitive strategies as a barrier to entry by new or small companies. Cole (2004) further indicated that changes in customers, new moves by competitor or fluctuations in the overall business environment can negatively impact their cash flow in a very short time frame. Negative impact on cash flow, if not properly projected and adjusted for, can force them to shut down. That is why they need to do a comprehensive plan for their future. Small entrepreneurs generally feel that strategic planning is for large business houses; but it is very necessary for small and medium enterprises too. Strategic Planning gives a formal direction to the business growth. Strategic planning is necessary to take care of the additional efforts and resources required for faster growth.

As the insurance industry emerges from recession, Farris (2010) alluded that it faces a sea of challenges. The economic slowdown has intensified price competition, hitting margins at a time when market turmoil has depressed revenue streams from many insurance holdings. Similar difficulties in adjacent financial sectors have brought new competitors for instance, joint ventures between banks and financial advisers into the insurers' traditional terrain. Structural changes continue to shift global revenue pools to emerging markets, while customer behaviour is shifting as more transactions move online.

Farris (2010) further discussed that in this environment, the industry must not only focus its strategic attention on areas from better financial and risk-pool management to monitoring and evaluation but also develop innovative, growth-oriented products that can secure the loyalty of existing customers and attract new ones. Across a number of industries, rapidly changing technologies have been changing the post recession competitive dynamic. Growth strategies are spurring ways of creating products and reaching customers, as well as opening doors to more efficient and effective ways of delivering products and services. Insurance industry has become very competitive with insurance companies coming up with various strategies to grow and to overcome the competition due to the turbulent environmental factors.

1.1.1 Concept of Strategy

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations Johnson et al (2005), view strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and to fulfil stakeholders' expectations. For any strategy to be successful there ought to be an objective appraisal of the resources and organization is able to assemble which involves understanding the strengths and exploiting the weaknesses.

Indeed, a good strategy should be able to identify opportunities in the environment and exploit them as well as identify the threats and guard the organization against them.

Strategies decisions are about determining the long term direction of an organization, the scope of the organizations activities, gaining advantage over competitors and addressing changes in the business environment. Strategies can be employed at different levels in a business.

Corporate Strategy is concerned with the overall purpose and scope of the business to meet stakeholder's expectations. This is very crucial level since it is heavily influenced by investors in the business and acts to guide strategies decision making throughout the business. Business unit strategy is concerned more with how businesses compete successfully in a particular market. If concerns the strategic decisions about meeting the customer's needs, gaining competitive advantage in the market and creating new opportunities. Operations strategy is mainly concerned with how each part of the business is organized to deliver both the corporate and business unit level strategic directions. It therefore focuses on issues of resources and processes in the organization. Strategic management processes have three main components: strategic choice, strategic analysis and strategic implementation.

1.1.2 Growth Strategies

According to Cole (2004) the growth strategies taken by businesses vary between sectors and by size of business. A company may consider increasing market share as the most important growth strategy, followed by the formation of alliances and/or mergers and acquisitions. Alliances and/or mergers and acquisitions is regarded as the second most important growth strategy in the manufacturing and construction sectors, whereas it is adding value to existing products or services for the services sectors. These results are likely to reflect the higher need to exploit economies of scale in manufacturing and construction businesses in order to improve cost competitiveness.

Insurance companies with strong technology enabled innovation strategy are more likely to secure competitive advantage and a wider and superior shareholder value; a good technology innovation strategy should barricade external factors and give a blue print of a company being successful. For an insurer to grow, the insurer must either explore new markets or attract new customers in existing markets. However, such new business generally produces both higher loss and expense ratios, and increases the overall operational risk of the company. Therefore it leaves a big question on which growth strategy could these insurance company pursue which will test of time, competitors and makes profit.

Product Development as a growth Strategy, Barney (2007) indicated that developing new products and improved services or modifying existing products so they appear new, and offering those products to current or new markets is the definition of product development strategy. There is nothing simple about the process. It requires keen attention to competitors and customer needs now and in the future, the ability to finance prototypes and manufacturing processes, and a creative marketing and communications plan. There are several subsets of product development strategy.

On product modification, Barney (2007) expounded that there are strategies are generally aimed at existing markets, although a side benefit may be the capturing of new users for the new product. An example of this strategy is introducing insurance cover that covers damages caused by riots and natural calamities. This cover aimed at targeting customers by introducing a service that many industry players does not offer.

1.1.3 Insurance Industry in Kenya

There are forty five (45) registered insurance companies in Kenya with hundreds of its brokers and a number of agents across the country. The industry is regulated by the Insurance Regulatory Association (IRA) which was started in 2008. Insurance Regulatory Association is a semi-autonomous regulator which was set to oversee the stability of the insurance industry. Their mandates include registration of new companies and protecting them from extreme competition, Insurance Regulatory Association also investigates companies of any misconduct and frauds in accordance to the regulations and policies governing the industry under Insurance Act (1984) and companies Act cap 486.

The insurance companies works under the umbrella body of Association of Kenya Insurers (AKI) which was established in 1987 from the initial Insurance Association of Eastern Africa. The major aim of Association of Kenya Insurers is to promote prudent business practices and create awareness among the public and accelerate the growth of insurance companies in Kenya. The level of penetration of insurance cover in the market is predominantly low since there are issues that hinder the spread like other markets. A general lack of saving culture among Kenyans due to low disposable income discourages them to purchase life and product insurance. Legislative and taxation also has an impact on the industry as far as minimum capital requirement and taxation levels are concern.

1.1.4 African Merchant Assurance company Ltd

African Merchant Assurance Company Ltd was licensed and began its full operations in the year 2000. It was incorporated and licensed to transact general insurance business with the vision of being the insurance choice on Africa. African Merchant Assurance Company Ltd through their mission statement are determined to provide innovative insurance solutions that guarantee financial and social security to all the stake holders on the motto ‘service beyond the obvious’. African Merchant Assurance Company Ltd has their core values with the acronym PIIT; that means, professionalism, integrity, innovation and team spirit.

African Merchant Assurance Company Ltd takes cognizance of the fact that its success is dependent on the environment and the communities in which it operates. The Company policy ensures that its activities meet and exceed economic, social and environmental expectations of its stakeholders.. The company encourages employees and officers to raise concerns about ethical conduct and violations of the code of conduct.

The company's operations at all levels are guided by the principles of best practice in corporate governance. All directors of the company are encouraged to attend training sessions in corporate governance to assist them in determining the company's direction and strategy, monitoring the achievement of business objectives and ensuring that the company meets its responsibilities to all the stakeholders. Training and development of staff is key to its operations.

Intense and unfavorable competition, legislative amendments and rate undercutting are the main challenges the industry faced as evidenced by the 2011 financial year, challenges of cash and carry regulations also affected the profitability of the company as the insurance is corporate and broker dominated. African Merchant Assurance Company Ltd offers insurance cover on the following fields, product and services: fire and perils, consequential loss, burglary insurance, professional indemnity, contractors all risks, public liability, product liability, insurance on goods on transit, group personal accidents, fidelity guarantee, domestic package insurance, personal accident and motor vehicle insurance .

1.2 Research problem

Different types of growth strategies are available each having advantage and disadvantage of its own. A firm can adopt different strategies at different points of time. Every firm has to develop its own growth strategy according to its own characteristics and environment which has positive impacts on its growth parameters. D'Arcy (2004) cited that insurance markets in which new business are entering usually generates a much higher loss ratio than existing businesses.

The Insurance Regulatory Authority of Kenya plays a crucial role in ensuring that the players comply with the provisions of the insurance Act CAP 487. Amongst its supervisory functions is ensuring that the insurers have adequate capital at all times and also inspect, investigate, analyze their accounts and returns, intervention and withdrawal of licenses as a disciplinary measure. In this context, the insurers ensure that they employ strategies that enable them to be viable in the business and be profitable in the market. Therefore there is need for Insurance companies in Kenya to have well planned growth strategies.

Previous academic research carried out in Kenya on adoption of growth strategies mainly focused on the Ansoff intensive growth strategies of market penetration, market development and product development as applied in different industries .Such research include: Midwa (2008) on intensive growth strategies adopted by Total Kenya Ltd;

Machuki (2013) on relationships between internal growth strategies and performance of banks in Kenya and Mwakubo (2007) on strategies for securing energy supply in Kenya.

These studies were case specific and did not tackle the adoption of growth strategies by African Merchant Assurance Company Limited. It is against this background that there was need to carry out a research in this area. This study therefore sought to address the question : To what extent has African Merchant Assurance Company Limited (AMACO) adopted growth strategies in its operations?

1.3 Research objectives

The objectives of the study were:

i) To establish growth strategies adopted by Africa Merchant Assurance Company Limited (AMACO).

ii) To establish the challenges relating to the strategy and how the organization is addressing them.

1.4 Value of the study

The current business world faces numerous strategic management challenges ranging from strategic formulation, implementation and also making a review of strategies. This study therefore will act as a guide to strategic managers on making strategic decisions relating to growth of their organizations as it will guide on decision making on growth strategies to pursue .

Secondly the study will also benefit other stakeholders in insurance industry in judging whether growth strategy is of benefit to their organization . African Merchant Assurance company (AMACO) will benefit from the study through adopting of growth best practices and identifying the challenges relating to these strategies.

Thirdly the research will be crucial to policy makers and government agencies in using the study findings to enhance strategic success of their institutions. Researchers and academicians can also use the findings of the study to broaden their knowledge and identifying further research gaps on growth strategies adopted by various industries.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review with respect to the study. It examines issues on organizational growth strategies .Specific conditions in the firm's environment are favorable to the concentrated growth strategies. Markets with competitive gaps leave the firm with alternatives for growth other than taking market share away from competitors.

Growth is favorable when the firm's product markets are sufficiently distinctive to dissuade competitors in adjacent product markets .The pursuit of concentrated growth is also favored by a stable market thus a market without seasonal or cyclical swings that would encourage a firm to diversify.

2.2 Growth strategies theories

The study of growth strategies adopted by various institutions has been carried out by various scholars. Ansoff viewed strategy as a rationally planned and implemented strategy .This has remained in much of the practice and theory of strategic management. Mintzbeg viewed strategy as an incremental or an emergent process giving rise to unpredictable patterns of activity. However this could be argued that the complexity of addressing pluralistic problems contexts has not been fully addressed within the theory.

Confronted by increasingly turbulent and complex environments, general managers have become more interested in understanding the conditions and forces that enable or disable successful changes in growth strategies. Yet, largely because of their tendency to use fuzzy definitions and inadequate methodologies, empirical studies of changes in strategy have not provided practitioners with a set of well-tested theories. To provide a basis for circumscribing, evaluating, and directing future research, this project began by developing a framework for assessing growth strategic best practices. DuBrin (2006) explained that intensive growth strategy or expansion involves raising the market share, sales revenue and profit of the present product or services. The firm slowly increases its production and so it is called internal growth strategy. It is a good strategy for firms with a smaller share of the market. Three alternative strategies are available in this regard.

2.2.1 Market Penetration

This strategy according to DuBrin (2006) aims at increasing the sale of present product in the presented market through aggressive promotion. The firm penetrates deeper into the market to capture a larger share of the market. Market penetration focuses on increasing market share of the firm by increasing the use of existing products in the present markets.

2.2.2 Market Development

Market development allows firms to leverage some of their traditional strengths by identifying new uses for existing products and new demographically, psychographic ally, or geographically defined markets. DuBrin (2006) believed that it implies increasing sales by selling present products in the new markets. He gives the examples, selling of electronic goods in rural areas, sale of chocolate to middle-aged and old persons among others. Market development leads to increase in sale of existing products in unexplained markets.

2.2.3 Expansion and market growth

Increasing sales in an existing market is one of the easiest ways to grow your business (Henderson & Venkatraman ,1996). You already have a head start with this growth strategy as once your business is established, it has regular customers and like all businesses, you’ve collected all kinds of information about them. The key to successfully increasing your sales in an existing market is to know your customers’ buying histories, both generally and individually. The goal, of course, according to Laermer (2007) is to get your existing customers to buy more. The data about what your customers buy, when and how often will help you make savvy decisions about stocking and marketing. Cold drinks a hot seller in the summer in this case offers a bulk buy discount.Use your hot sellers to move other items that aren’t doing as well. When they buy the hot item, give them the opportunity to buy another related item at a reduced price.

Sellers looking for a shortcut for implementing this growth strategy institute a frequent buyer’s reward program. Such a program doesn’t need to be complicated. Bulk buys, purchase incentives, and frequent buyer reward programs according to David (1991) are all examples of business growth strategies for increasing sales in existing markets based on the general buying histories of your customers. Business growth strategies based on individual customer buying histories can be even more powerful. An individual customer's buying history gives you insight into her preferences and attitudes and allows you to customize your sales and marketing efforts.

2.3 Diversification strategy

Growth strategies in business also include diversification, where a small company will sell new products to new markets. A small company will need to plan carefully when using a diversification growth strategy. Marketing research is essential because a company will need to determine if consumers in the new market will potentially like the new products. Typically, this strategy is utilized only after all other growth strategies within current markets have been exhausted as diversification can be very risky. The first three growth strategies can normally be pursued with existing core competencies. However, diversification requires organizations to acquire new skills, technologies and facilities

David (1991) further alluded that businesses diversify for a number of reasons. Perhaps the most basic of these is survival. By definition, a company that focuses on a narrow range of products will only have access to a finite number of customers. That's fine if the market as it stands is big enough to support several competing businesses, but if the pool of customers is small, the cost of running the company may outstrip the potential for revenue. In these circumstances, diversification into new product lines may be essential to the long-term viability of the company.

In the case of cyclical business, diversification can help the business man regulate cash flow throughout the year. For instance, a business that supplies heating equipment is likely to sell the bulk of its products through autumn and winter, as demand falls away with the approach of summer. If the company remains focused on heating it will need to sell enough during the high period to make up for the dip in revenue during the fallow months. An alternative is to diversify into a product that will balance sales across the seasons; air conditioning, perhaps. But diversification is not just about survival. It's a tried and trusted growth strategy. New products or business lines will enable you to make more sales to existing and new customers and (depending on how you diversify) expand into markets that would otherwise have been closed to you, (David, F.R , 1991).

Mintzberg (1994) cited that there are many ways in which to diversify. The most straightforward of these is to provide a natural extension of the goods or services that you already offer to customers. Mintzberg (1994) gave the an example of bigger stage, the Coca-Cola company is best known for Coke, but popular as that drink is, it certainly isn't to everyone's taste. To maximize market share the company offers a broad range of soft drinks, from orange through to diet versions of Coke itself. A variation of this theme is the addition of complementary services. Diversification according to Mintzberg (1994) can also take the form of brand extension across an apparently unconnected range of products or companies. For instance, the Virgin brand has been stretched across transport (trains, planes, and holidays), music (record retail and recording), telecommunications (TV and mobile phones) and financial services. This kind of diversification has worked because of the strength of the Virgin brand. It is seen as youthful, buccaneering and often providing better value than established players in the market. The allure of the Virgin brand has been instrumental in driving expansion.

2.4 Product Development as a growth Strategy

Product development involves the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels. Barney (2007) indicated that developing new products or modifying existing products so they appear new, and offering those products to current or new markets is the definition of product development strategy. There is nothing simple about the process. It requires keen attention to competitors and customer needs now and in the future, the ability to finance prototypes and manufacturing processes, and a creative marketing and communications plan. There are several subsets of product development strategy.

2.4.1 Product Modification Strategy

On product modification Barney (2007) expounded that these are strategies are generally aimed at existing markets, although a side benefit may be the capturing of new users for the new product. An example of this strategy is toothpaste. Toothpastes that promote whitening ability or anti-cavity attributes are built on existing plain toothpastes that only promise clean teeth.

2.4.2 Revolutionary Product Development

Revolutionary products are those for which there was no real prior need. Computers and cell phones are good examples. Before these products appeared on the market, consumers did not know they needed them. But, the germ of an idea on how to better communicate resulted in products that have changed the world and have drastically changed the competitive landscape, (Barney, J. B, 2007).

2.4.3 Benchmarking the growth Process

According to Barney (2007) whatever strategy is employed, the new product development process must be carefully thought through. It also requires a series of benchmarks along the way. These evaluate whether the process should be continued as new product development is usually expensive and time consuming. For example, if a company is in the process of developing a new product and a competitor beats that company to market with a similar new product, the company must make a decision about its own product development options.

2.5 Growth through Strategic Alliances

Strategic alliances are contractual partnerships because companies involved do not take an equity position in one another. Penrose (1959) suggests two possible growth paths for a firm: to build new plants and to create new markets for itself or to acquire plants and markets of already existing firms. Simply stated, the first option can be defined as internal growth and the second, as external growth. Moreover, external growth is not limited to mergers or acquisitions, but can be extended to other kinds of alliances. In general terms, Teece (1992) defined strategic alliances as a process in which two or more partners share the commitment of reaching a common objective, combining their resources and capabilities in coordinated activities, which may or not involve stock sharing. Specifically, strategic alliances may be classified in a continuous scale of different governance modes with the market at one extreme and the hierarchy at the other.

2.6 Growth through joint Ventures

Joint ventures are a grand strategy in which companies create a co-owned business that operates for their mutual benefit. This according to Coffman, et al (2002) strategy is particularly effective for smaller firms with limited resources. Such partnerships can help small business secure the resources they need to grapple with rapid changes in demand, supply, competition, and other factors. Forming joint ventures or alliances gives all companies involved the flexibility to move on to different projects upon completion of the first, or restructure agreements to continue working together. Subcontracting allows firms to concentrate on those aspects of their business that they do best, is sometimes defined as a type of alliance arrangement. Joint ventures and other business alliances can inject partners with new ideas, access to new technologies, new approaches, and new markets, all of which can help the involved businesses to grow. Indeed, establishing joint ventures with overseas firms has been hailed as one of the most potentially rewarding ways for companies to expand their operations.

2.7 Problems encountered with organizational growth

Baker (2008) posited that organizational growth has obvious upsides. It spurs job creation. It creates a stimulating and exciting environment within a firm. It creates opportunities for the business founder and others in the company to become wealthy. Organizational growth also has downsides. When growth is too rapid, chaos can prevail.

In such a situation a company may see increased sales but a drop in profits. A business may outgrow the skills of its leader, its employees, and its advisers. All those involved are likely to become stressed out trying to keep up with the demands of expansion.

Organizational growth, however, brings with it an inevitable dilution of that "hands-on" capability, while the complexity of various organizational tasks simultaneously increases. As small organizations grow, so do the complexities of managing the organizations. There are ways of reducing the complexity by delegating responsibility and installing better date systems but there is no way of avoiding it altogether (Roberts, John 2004).

Roberts (2004) further indicated that most entrepreneurs who are fortunate enough to experience growth soon discover that success as a business owner doesn't mean you have arrived and can now sleep at night. Expanding a company doesn't just mean grappling with the same problems on a larger scale. It means understanding, adjusting to and managing a whole new set of challenges. It often means building and managing a very different sort of business. Organizational growth almost always produces a company that's much more complex one that needs a much more sophisticated management team, and one that may well need a new infrastructure.

2.8 Growth related challenges

The growth of an insurance company is generally constrained by internal and external conditions such as surplus, stock market valuation, shareholder demands, and insurance market conditions. This implies that companies facing different constraints will have different growth strategies. Baker (2008) discusses that the availability of surplus constrains the growth of an insurance company. Baker (2003) show that firms follow stock market signals to adjust their business strategies. Roberts and John (2004) demonstrate that profitable growth is difficult to achieve in a soft market, and cycle management is a crucial consideration for an insurance company when determining its growth strategy. Past studies have shown that surplus capacity can constrain the growth of an insurance company and that changes in insurance surplus affect the industry’s capacity for bearing to support growth, regulators and rating agencies require the insurance company to hold additional capital to maintain its financial rating.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a detailed description of the selected research design. It describes the research design and methodology that is, what was done and how it was done. The chapter comprises the research design, data collection instruments, procedures and data analysis

3.2 Research Design

Given the nature of the research problem in question and purpose of the study, the research design which the study employed was a case study research design. A case study is a form of qualitative analysis that involves a careful and complete observation of a social unit. This is because the study involved a study of a single entity in depth. A research design refers to an arrangement of condition for collection, analysis and interpretation of data in a manner that aims to combine relevance to the purpose of the research with economy in procedure. The study was intensive and covered a holistic analysis of Africa Merchant Assurance Company Limited (AMACO) as a single entity.

3.3 Data collection

The researcher targeted the top management of Africa Merchant Assurance Company Limited , which comprises of eleven members of the management team. They included the managing director, risk manager, marketing manager, human resource manager, financial manager, claims manager, internal audit manager, chief accountant, agency manager, underwriting manager, ICT manager. The major reason behind targeting the management team as opposed to other personnel is because in every organization regardless of type and size, strategic formulation is always their task. This study targeted the managing director, general manager marketing manager, human resource manager and the agency manager as the respondents.

Both primary and secondary data were collected in this study. Primary data was collected through interviews of selected senior management team using interview guide consisting of open ended questions. The guides were administered to five top managers. Secondary data was collected from company financial statements, annual reports, performance reports, brochures and their website.

3.4 Data analysis

Since the data collected were qualitative in nature due to the responses sought as per the interview guide, content analysis was used. This type of analysis was appropriate in that it does not limit respondents on answers and have the potential of generating more information with much detail.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis, findings and discussion of the study. The main objective was to investigate the growth strategies adopted by African Merchant Assurance Company Limited.

To achieve the objective; the research was conducted using an interview guide which was used to obtain the required information.

4.2 Response rate

The researcher carried out the study at African Merchant Assurance Company Limited.

The study targeted five members of the management team .The respondents were; The Managing Director, General Manager, Marketing manager, Human Resource Manager and The Agency Manager . The researcher managed to interview four out of the five respondents.The General Manager was not available for the interview since at the period of the study she was attending other duties abroad. The response rate was therefore four out of five respondents representing 80% .This was achieved after the researcher made frantic effort of booking appointments with the respondents.

4.3.Growth strategies adopted by African Merchant Assurance Company Ltd

4.3.1 Market penetration

Market penetration mainly focuses on increasing market share of the firm by increasing the use of existing products in the present markets . African Merchant Assurance Company Ltd during its inception was entering a market full of competent players and therefore there was need to strategize its entry into the market. This strategy was achieved by encouraging existing customers to buy more products mainly through advertising and giving price incentives for increased usage of their products.

The researcher discussed some of the ways under market penetration that African Merchant Assurance Company Ltd uses, the respondents cited that in the current competitive economic environment, insurers has to be careful and selective about which markets to enter or exit, addressing both geographies and the advantages of the niche. The respondents further indicated that they adopted market penetration by identifying and promoting use of alternative products in the existing markets. African Merchant Assurance Company Ltd has been advertising through the media about its products in the market. For instance the current advert on the new traveler's insurance cover which is advertised through the leading television stations in Kenya.

4.3.2 Market development

This marketing strategy was also discussed at length by the respondents. It was established that by adopting this strategy , the organization declares to provide a strategic direction for the organization to go to market programs which includes sales strategy, marketing communication and product modification strategy. Under sales strategy, the respondents cited that they encouraged marketing communication using paid for advertisements through T.Vs and radios indicating the presence of their wide range of products. The best example cited by the respondents is the livestock cover which African Merchant Assurance Company Ltd advertises through a local vernacular radio station citing that the listeners are livestock farmers thus they communicate their product to intended persons. The component under development strategy discussed was product strategy; the respondents cited that they have developed their product market in many ways. First they have come up with different products for different markets. For example they have an insurance cover for travelling people which they have further modified to ease payment whereby the customers willing to take this policy can either pay through online or mobile money transfer . Through this the respondents cited that it has made the travel cover a preferred product as it is convenient even if the intended customer has no cash. Secondly they have also developed their markets covering what most insurance companies don't for example the electronic equipment insurance. This insurance policy according to the respondents covers material damage for many types of low and medium electrical equipment like:-electrical data processing equipment which includes computers of all types, external data media e.g. Punched cards and tapes. The respondents further indicated that other insurance companies ignore such covers which stand as a potential market like in the radio and television stations who use various electronic devices.

4.3.3 Product modification

Under product modification, the respondents discussed that the organization employs this strategy by changing the characteristics of their policies through ensuring quality, and adding features, and style to attract new users and to inspire more usage. The best example of this strategy is the organizations work injury benefits act which was called employer's liability and common law policies the organization modified the cover. This covers the insureds' liability should any insured employee in his/her immediate service sustain bodily injury by accident or disease arising out of or in the course of employment by the Insured in the Business.

4.3.4 Market positioning

Asked whether the organization have used various positioning strategies to position their services in different market segments, the respondents indicated that the company has put their huge presence mainly along the Rift valley and western Kenya as a positioning strategy. They further cited that they figured out that they had a point of difference in their policy, for example the livestock policy which they set them apart from their competitors thus they concentrated their livestock cover largely in Rift Valley. Their huge presence in Western Kenya and Rift Valley also was justified by the respondents that it was a strategic move to position the organizations product so as to slot their brand into a market which it was not already taken by competitor, they indicated that they saw other areas as a flooded market where the organizations policies which are cash cows could be converted into dogs.

4.3.5 Product diversification

The organization uses product diversification as a growth strategy this was according to the respondents. Further asked to elaborate on it, they cited that their travel cover is a good example where they adopted concentric diversification, under this they indicated that they aimed at fully utilizing the potential of the existing technologies that is paying for premiums through electronic and mobile money transfer. The organization also adopts heterogeneous diversification a good example is plate glass policy which covers against accidental breakage, destruction or damage to all fixed glass which includes windows, door glazing, fun lights, show cases, fixed mirrored glass and glazed partitions. The policy also extends cover to reimbursement of costs for the necessary boarding up following damage, pending glass replacement. This policy has no technological or commercial relation with current insurance policies which other organizations offer but it is appealing to customers

4.4 Challenges relating to growth in African Merchant Assurance Company Ltd

When asked about the challenges they faced while implementing growth strategies , the respondents cites the main challenge as external environmental challenge. The respondents unanimously stated that the insurance market is so volatile that the organization should be vigilant at all times .For instance the competition for customers who need similar products offered by the competitors posed a great challenge . The availability of adequate working capital, for example when the company adopted market penetration strategy into the market they used numerous advertisements for their products which the organization found it to be costly. Another example cited by the respondents was when carrying out product modification the organization launches a new product it poses a great challenge to communicate it out to the public if the organization doesn't have enough budgets to roll out advertisements.

The presence of numerous insurance companies and diversification of their products is a great challenge to African Merchant Assurance Company Ltd. Competitors have employed similar strategies in pursuit of the having their way in the market share .Agency insurance and insurance brokerage has been a great challenge to the insurance company.

4.5 Responses to challenges

On the ways in which the organization overcome the challenges, the insurance company cited that in most cases they streamline their budget for every year to pursue growth strategies putting in consideration environmental factors that may affect their strategies for growth. Secondly they do forecasting through market research which will help predict the future of environmental factors which affects their strategies.

African Merchant Assurance Company Ltd has also formed a strategy and operations committee that comprises of the company's top management whose mandate is to advise the board on matters relating to corporate governance .The committee also reviews quarterly its marketing and sales strategies, tactics and programs, market positioning strategies and response to the competition in the market. The recommendations therefore are forwarded to the board to evaluate the challenges and possible responses to counter them.

4.6 Discussion of the findings

The research findings had significant comparison with the theory of growth. Growth means change and proactive change is essential in a dynamic business environment. According to Pearce and Robinson (1997) growth strategies are comprehensive approaches guiding major actions designed to achieve long term objectives.

According to the findings of the study institution that want to survive in today's market are adopting growth strategies to ensure they support their sustainability in the market. Managers employ growth strategies to improve both strategic and financial performance of a business by strengthening and expanding the company's markets position growth strategies to improve their results (Miano, 2011).

From the study, it was noted that there are major strategies that any organization wishing to grow must implement, these include Market penetration for new companies, market development, product development, market positioning and product diversification. African Merchant Assurance Company Ltd has realized that in order to implement successful growth strategies it requires management to communicate the importance of growth and strengthen the creation and circulation of ideas to the new employees. African

Merchant Assurance Company Ltd has adopted most of the above discussed strategies and the results can be seen from the growth it has experienced since its inception.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, conclusions, recommendations and suggestion for further studies. The chapter is guided by the findings of the preceding chapter, objectives of the study and the questions that were to be answered by the study. The study was aimed at finding out the growth strategies adopted by African Merchant Assurance Company Ltd and challenges relating to its growth.

5.2 Summary of the findings

The study intended to ascertain the growth strategies adopted by African Merchant Assurance Company Ltd and the challenges in relation to the strategy .According to the findings of this study, all the respondents were unanimous that their organization uses market development, product development, market penetration and market positioning strategies. The findings indicated that African Merchant Assurance Company Ltd used market penetration strategy during the period they were entering insurance industry, a market full of competent players and therefore there was need to strategize its entry into the market. This strategy was achieved by encouraging existing customers to buy more products mainly through advertising and giving price incentives for increased usage.

The study also indicated that marketing strategy was also key in their market development programs, it was established that by adopting this the organization declares to provide a strategic direction for the organization to go to market programs which included sales strategy, marketing communication and product strategy. The best example cited by the respondents is the livestock cover which they advertise through a local vernacular radio station, Kass Fm Radio Station, citing that the listeners are livestock farmers thus they communicate their product to intended persons. The uniqueness of this cover in the market also helped the insurance to market this product in the market. The researcher also established that the environment in which the organisation operates poses challenges depending of the industry life cycle and industry structure but market growth does not necessarily lead to organizations growth.

The findings also indicated that African Merchant Assurance Company Ltd has encountered several challenges that in pursuing market development strategy. The insurance's main challenge while adopting growth is capital that is the strategies adopted may eat up the organizations working capital, for example when adopting market penetration the numerous advertisements which the organization uses is costly.

The study cited African Merchant Assurance Company Ltd faces the challenge of achieving a sizable market share due to the presence of numerous insurance companies .Competitors have employed similar strategies in pursuit of having their way in the market share. Agency insurance and insurance brokerage has been a great challenge to the insurance company. The findings indicated that they are responding to these challenges in various ways. The company streamline its budget for every year to pursue growth strategies putting in consideration environmental factors that may affect their strategies for growth

5.3 Conclusions

From the findings the study concluded that African Merchant Assurance Company Ltd has adopted numerous growth strategies which have enabled it to survive the intense competition in insurance sector. The researcher further realized through the study findings that not all growth strategies that an organization pursue is profitable or yields success other become a big burden to organization.

The managers has to be vigilant on the application and implementation of growth strategies for example the Ansoff growth strategies should be well planned and implemented taking into consideration environmental factors. The company should put in place sufficient resources to be able to counter the challenges that they are likely to encounter in their operations. Therefore, managers should have the capacity to anticipate challenges in implementation of the growth strategies.

5.4 Recommendations

The study recommended that African Merchant Assurance Company Ltd make intensive strategic use of the three Ansoff growth opportunities of market penetration, market development and product development. The company should also think of using other growth strategies like mergers that is merging with another insurance company. Merging will provide economies of large-scale operations and help in better utilization of funds which will help to increase profits. It can also take over another insurance firm which will increase its market share and also help to register its presence in where they have not covered. For example it may consider merging or taking over an insurance company operating in Coast province where the presence of African Merchant Assurance Company Ltd is not felt thus getting a market share in coast province.

The researcher also recommends that organizations should consider internal or inorganic growth that is ploughing back large parts of its profit realized for into expansion. This is profits should e ploughed back into human resource training, hiring and retaining of competent staff and also development of new products that is new policies. The organization should also adopt a growth strategy which increases market share, this is only possible if AMACO can take customers from its competitors or attract new customers. Achieving this requires a thorough understanding of both AMACO customer base and that of rival businesses.

The researcher also recommends that organizations should not look so much on adopting growth strategies in the expense budget ,it should not adopt some growth strategies which will consume good amount of working capital. The study also found out that AMACO has a strategy and operations committee that comprises of the company’s top management whose mandate is to advise the board on matters relating to corporate governance who will be of great.

5.5 Limitation of the study

The current study focuses on one insurance company, therefore the findings is limited to AMACO insurance only and one cannot make generalization as organizations growth strategy differs.

During the data collection there was a challenge in getting some information from respondents due to the busy work schedule and the fact that competitors in the industry might use the information to their advantage, however substantial and sufficient information was gathered from the respondents.

5.6 Suggestion for further research

The study has reviewed the adoption of growth strategies and its challenges by Africa Merchant Assurance Company Kenya. However a lot can still be done on same capacity, this study wishes to recommend further research of the critical success factors for implementation of growth strategies in insurance industry or any other industry.

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APPENDICES

Appendix 1: Interview Guide

1. (a)Name of department ……………………………………………………….

 (b) Name of the respondent.

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(c) Management position in the institution.

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 (d) Period (in years) worked in the company.

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 (e) Highest level of education attained and/or area of professional training.

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2.In your own fair opinion, how has your company adopted growth strategies in your operations?

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3.Among the following growth strategies, which ones have you considered critical and adopted for success of your growth ?

(a) Market Penetration strategy

(b) Market Development

(c) Market positioning

(d) Diversification strategy

(e) Product Development as a growth Strategy

(f) Growth through strategic alliances

4. Briefly outline how your institution/department has implemented each of the strategies selected above.

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5) Kindly, which other growth strategies as a company have you considered important and have contributed to your growth apart from the strategies mentioned above?

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6)To what extent do growth strategies positively affect the growth of your organization?

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7) .Do you consider your Organization a leader in implementation of new growth strategies or improvement of existing growth strategies within the insurance industry?

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8).In order of importance what strategies would you consider the most critical that your company adopted to achieve its growth.

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9.Kindly ,What is your reaction to following market penetration strategy statements that relate to the adoption of growth strategies ?

a) The firm penetrated deeper into the market to capture a larger share of the market

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b) The firm increased sales by selling present products in new markets

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c) The firm increased sales in its existing market

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d) The firm sold new products to new markets

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e) The firm developed new products or modifed existing products so they appear new, then offered those products to current or new markets

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f) The firm built new plants and created new markets for itself/ The firm acquired plants and markets of already existing firms

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e) The firm established joint ventures with other firms/ The firm acquires other companies.

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10. What challenges does your company experience in implementing the growth strategies?

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11. How is your organization addressing the above challenges?

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THANK YOU FOR YOUR TIME