ENTRY STRATEGIES ADOPTED BY KENYAN INSURANCE COMPANIES IN EXPANDING TO COMESA REGION

BY

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DECLARATION

Students Declaration

I hereby declare that this research project is my original work and has not been submitted for presentation or examination for any award of degree in this university or any other university.

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D61/73205/2012

Supervisor's Declaration

This project has been presented for examination with my approval as the University Supervisor.

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In conclusion I am grateful to the almighty God for everything and to all who supported me may God bless you abundantly.

DEDICATION

I dedicate this project to my wife Drusilla a source of constant motivation, my son Gavin and daughter Gaila, my source of joy and inspiration.

My parents, Mishael and Sarah Osoro for their love for my education and upbringing. Thank You.

ABSTRACT

International expansion strategy is becoming the norm in many firms' corporate strategy due to globalization pressures and increased regional integration among emerging regional blocs in the Africa continent. Increase of business opportunities among regional member states due to relaxation of trade barriers and more investments especially in the mining, agricultural and industrial sectors have increased investing firms' risk profile that need to be insured. The purpose of this study was to identify entry strategies adopted by Kenyan insurance firms in the expansion process within COMESA region, the influence behind choice of strategy and challenges experienced in their internationalization process. The researcher undertook a study of 11 insurance firms using a census survey method. Data was collected with the aid of a questionnaire to respondents, analyzed using descriptive statistics and presented using tables. The study findings reveal that many Kenyan Insurance firms prefer entry strategies that enable them retain ownership and control of the expansion process of which the predominantly used Greenfield strategy favors. The study findings also reveal more than one entry strategy can be used by a firm depending on firm specific competencies and new unpredictable opportunities encountered during internationalization process. The most challenging factors in their expansion process were the political environment and country regulations firms encounter across the region. Insurance firm associations, government agencies and other policy makers need to formulate favorable policies and oversight regulations to the insurance sector. Kenyan insurance firms should be prepared to adopt innovative entry strategies to keep up with ever changing external environment dynamics, conduct continuous market research to create products that fit varied consumer needs across the region and replicate home competencies in foreign markets.

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ABBREVIATIONS AND ACRONYMS

AKI	Association of Kenya Insurers
APA	Apollo Pan African
BRITAM	British American
CEO	Chief Executive Officer
CIC	Cooperative Insurance Company
COMESA	Common Market of Eastern Southern Africa
FTA	Free Trade Agreements
GA	General Accident
GDP	Gross Domestic Product
ICEA	Insurance Company of East Africa
IRA	Insurance Regulatory Authority
PTA	Preferential Trade Area
UAP	Union and Provincial insurance company
ZEP-RE	COMESA Re-insurance Company.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Organizations are faced with globalization pressures and increased competition in their home country markets by entry of new players and changing consumer preferences due to rapid increase in global interactions. More importantly firms are under motivational pressure to expand abroad so as to satisfy foreign market orders for their products and services. Firms that have expanded their footprint in this part of the region to the wider East Africa market and COMESA region have used various strategic entry modes which are most relevant and suitable to circumstances encountered.

Entry strategy guides a firm's expansion process and Driscoll (1993) identified 3 modes to enter a foreign market, namely, export entry modes, contractual entry mode and investment modes. According to Dunning (1988), "multinational companies depend crucially upon the configuration of 3 elements to guide their entry strategies and these are, firm specific advantages or ownership specific advantages, country specific or location advantages and the firm's internalization of relative benefits associated with different modes of entry".

This study will be guided by the following theories to rationally understand various entry strategies and review existing literature on the same. These are the Own, Localize and Internalize model (OLI) theory, the transaction cost theory, resource based view theory and the knowledge based view. Firms have to expand to foreign markets depending on costs, risks anticipated or incurred and the level of control they would wield or risk losing depending on the benefits accruing.

The benefit of a thriving insurance industry to any country's economy is a real growth engine driver of a country's savings levels. The industry contributes heavily in cushioning present and future risks that affect the well-being of citizenry, all sectors of the economy and relieves the burden of financing the needs of the sick and future needs of old age by the government. "The deepening of insurance markets makes a positive contribution to economic growth" Brainard (2008).

The insurance industry in Kenya has been characterized in the past by intense competition, mergers, acquisitions, price under cutting and weak regulations IRA (2013). The Insurance industry has grown rapidly in the last five years unlike the period before due to many new innovative products that have evolved using current ICT technology, improved regulation and a number of insurance companies have partnered with mobile service companies, giant retail supermarket chains and banks to roll out their products AKI (2012).

A quarter of the industry players are engaged in expansion initiatives to the East Africa and COMESA markets. The Kenyan insurance industry is the biggest in size in East and Central Africa and can be a dominant player with the beckoning opportunities accompanying the fast integration of member states in COMESA. Cases of fraud and companies being placed under receivership with investors' savings are on the decline and the sector looks up to better times.

1.1.1 Concept of foreign entry strategy

Foreign entry strategy involves choice of an entry mode dependent on the firm's strategic expansion intent. Root (1984) defines entry mode as "the institutional arrangement that enables a firm to enter a market with its products, technology, human-skills, management

and other resources”. Foreign entry strategy is employed by many firms to expand sales and profits, grow market share and expand into new markets. Saturation of the local market and declining domestic demand may force firms to look for new markets outside home country borders. “Foreign market entry may allow a company to follow existing customers abroad, attack competitors in their home markets and acquire technology or ingenuity” Partners (2010).

Once management makes a decision to expand, it then identifies the target market and choice of entry. Agarwal and Ramaswami (1992), state that "entry mode is a very important, if not a critical strategic decision.” Strategic objectives are an integral part of entry mode decisions and firms would be motivated to enter markets for purely strategic reasons. Entry strategy is part of the firm’s corporate strategy and requires effective strategic management for its success. Aosa (1992) states that strategic management helps organizations provide long term direction hence entry strategy should be managed in view of long term implications for probable success. Entry strategy mode has a large and lasting impact on the success of a firm’s international operations Anderson & Coughlan (1987).

1.1.2 The Insurance Industry in Kenya

Insurance is an arrangement by which a company or state undertakes to provide a guarantee of compensation for specified loss, damage, illness or death in return for a payment of a premium (Oxford dictionaries online, 2013). The concept of insurance was practiced in Africa long before introduction of commercial insurance. “It addressed socio-economic problems in society and members of a community pooled together resources to create a social insurance fund. The premiums ranged from material to moral support or other

payments in kind. From the fund, drawings were made out to support the few unfortunate members exposed to perils" (Azevedo, 1993, as cited in Rand, 2004).

The history of commercial insurance in Kenya can be traced from the beginning to mid-twentieth century with the establishment of British and Indian multinationals firms in East Africa. Majority of these firms started operations in Mombasa because of marine business opportunities at port of entry before relocating to Nairobi. The predecessors to firms under study had foreign ownership with subsidiaries in East Africa which were later sold to local partners/shareholders after independence. Some of them still have foreign shareholders and directors as minority shareholders according to their respective annual report publications.

"With the conquest of Kenya as a British colony complete, settlers initiated various economic activities, particularly farming, and extraction of agricultural products" (Huxley, 1990 as cited in Rand, 2004). "These substantial investments needed some form of protection against various risk exposures. British insurers saw an opportunity in this, and established agency offices to service the colony's insurance needs. By independence in 1963 most branches had been transformed to fully-fledged insurance companies" (Maxon, 1963, as cited in Rand, 2004).

Kenya's insurance industry by end of 2012 had 47 insurance companies with 3 re-insurers IRA (2013). The Insurance industry is regulated by IRA (Insurance regulatory authority) a state corporation whose mandate is also to supervise and develop the industry as outlined in the insurance act, cap 487, laws of Kenya. The industry is composed of both locally owned companies and foreign owned companies.

The penetration levels are 3.06% of GDP which is the 4th highest in Africa after S. Africa (14.16%), Namibia (8.00%) and Mauritius (5.94%) according to IRA (2012). The industry in 2012 recorded a gross premium growth of 21.9% from the previous year 2011 and has an asset base of Ksh. 311.22 billion which is among the biggest in the COMESA region. According to IRA 2012 annual report, non-life business generated revenues worth 66.2% of GDP and life business generated revenues worth 33.8% of GDP. The statistics indicate that non-life or general insurance business generates approximately two thirds of the entire industry earnings and overall the industry registered a double digit percentage growth.

The main business categories in the industry are the life business, non-life or general business and health insurance. Majority of Kenyan firms draw more revenue from non-life business segment according to IRA and individual firm reports'. Non-life business segment has been experiencing heavy compensation claim payouts and losses. A few firms are dominant in life business and others are specialized in health insurance business.

1.1.3 Kenyan Insurance companies operating in the COMESA region

"The Common Market for Eastern and Southern Africa is a free trade area with nineteen member states stretching from Libya to Zimbabwe. COMESA was formed in December 1994, replacing a Preferential Trade Area agreement which had existed since 1981. Nine of the member states formed a free trade area (FTA) in 2000 (Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe), with Rwanda and Burundi joining the FTA in 2004, the Comoros and Libya in 2006, and Seychelles in 2009. COMESA is one of the pillars of the African Economic Community" (COMESA, 2013).

In 2008, COMESA agreed to an expanded free-trade zone including members of two other African trade blocs, the East African Community (EAC) and the Southern Africa Development Community (SADC). COMESA is also considering a common visa scheme to boost tourism. COMESA forms a major market place for both internal and external trading Comesa.int (2013).

There has been growth in the agricultural, manufacturing, telecommunication and mining sectors within COMESA states. These developments coupled with increase of foreign direct investments into the region have been matched with increased risk exposure of business players in all economic sectors within the region. The member states facilitated ZEP-RE a re-insurer that mitigates insurance firms risk exposure Comesa.int (2013). These developments provide a viable environment for Kenyan insurance firms' internationalization process.

The context of the study covered 11 Kenyan owned insurance companies that operate in COMESA region. The rest were not included in the study since they are foreign owned with parent company headquarters located outside Kenya while others have confined their operations locally. The ones that have ventured out of Kenya have dissimilar expansion patterns, some are in Mozambique, Mauritius, Malawi, Zambia, Zimbabwe and Botswana with no presence in neighboring East Africa countries while others have ventured out into neighboring East Africa countries first, before expanding further into distant COMESA countries.

The motivation and purpose guiding the study was to understand the strategies Kenyan owned companies have adopted in expanding their presence throughout the region and the

advantages realized as well as challenges experienced. It would be interesting to notice any similar patterns of entry mode experienced within the industry, and the motivation behind choice of entry strategy. The companies surveyed were JUBILEE insurance, UAP Insurance, BRITAM, Heritage (K) Ltd, PHOENIX insurance, KENINDIA, APA Insurance, MAYFAIR Insurance, FIRST ASSURANCE Ltd, REAL Insurance and ICEA.

1.2 The Research problem

Insurance companies in Kenya have been operating in an environment characterized with stiff competition, low differentiation of products and weak regulation from IRA the state regulator. Sustaining competitiveness requires looking for new markets. This can be achieved by expanding to where opportunities exist in new frontiers outside the country's borders using various entry strategies referred to as the beginning of internationalization process.

Internationalization process can realize increased revenues and market share which will enable a firm to build capacity, internal resources, improve competencies and acquire knowledge in what scholars refer to as internalization. According to Rugman & Verbeke, (1992), "internalization refers to the relative benefits associated with different modes of entry when serving foreign markets". The biggest challenge facing firms in the entry strategy process is delivering the right mix of strategies to effectively manage the process within a varying challenging external environment.

Studies have been done on foreign market penetration by Kenyan firms to the East African region. Otim (1974) studied critical analysis of Kenya's exports to neighboring countries,

Keire (1993) studied “Constraints that face Kenyan firms exporting to the P.T.A.” the current COMESA region. Waudo (2005) studied “Factors influencing internationalization process of Kenyan firms in the plastic industry, a case study of firms in Nairobi” a study whose focus was not in the insurance sector, Asubwa (2011) examined “Strategies used by Equity Bank Ltd in International Expansion” which primarily dwelt on the banking sector alone and Tumbo (2011) studied Strategic responses by Jubilee insurance towards changing environmental conditions. None of these studies addressed internationalization of Kenya’s insurance companies. This provides a knowledge gap that forms the basis for this study on entry strategies adopted by insurance companies based in Kenya in expanding to the COMESA region.

The study seeks to answer the following research question, how do Kenyan insurance firms manage their entry strategy process in expansion initiatives within the COMESA region?

1.3 The Research Objectives

This study had three objectives:

i. To determine entry strategies adopted by Kenyan insurance companies.
ii. To establish what influences their choice of entry strategy.
iii. To find out the challenges Kenyan insurance companies encounter in their internationalization process.

1.4 The Value of the study

The findings and results of this study will provide useful insights to Insurance companies on the various strategy modes to use in expanding to the COMESA region and challenges faced, it will also benefit firms that have had a strategic intent but have not had an opportunity to venture out of the Kenyan market. Likewise policy makers, regulatory bodies and government agencies will understand their oversight roles better in facilitation of the growth of this important sector.

Improvement of the sector by access to wider markets and consequent improved revenues will build the capacities of the companies to become bigger regional players and enhance internationalization process of smaller players. Scholarly studies on internationalization theories can be further interrogated and critiqued in relation to experiential findings uncovered by this study. Scholars will benefit by observing testing of theory by practices used by firms and the linkage thereof and open way for further studies to enrich scholarly knowledge.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter highlights the major theories and concepts pertaining to the internationalizing process and entry strategies used by Kenyan insurance companies. The literature review gives an outline of theories about the subject and their relevance, shortcomings, and insights that will heavily contribute to our study.

2.2 Theoretical Underpinning of the study

Theories are important since they provide the guiding framework which provides the basis for any study to be undertaken. This study is based on the following theories namely: The own localize internalize (OLI) model referred to as the Dunning eclectic paradigm, the transaction cost analysis theory, the resource based view theory, the knowledge based view theory and the Uppsala model of internationalization. There are also many internationalization theories that have been enumerated upon by various scholars relating to both developed economies environment and emerging economies environment but we will limit ourselves to the above mentioned ones which will provide anchorage to the scope and content of our study.

Own localize and internalize model (OLI) Dunning Eclectic paradigm is one such theory propounded by Dunning (1993) who argued that ownership has advantages where an organization holds assets that they use specifically for their operations. Assets may include different resource types both intangible and tangible assets that firms use to provide sustainable competitive advantages needed for internalization. Dunning’s model is based

on three propositions related to ownership advantage, location specific advantage and internalization advantages. Choice of foreign market entry is influenced by these 3 variables.

The entry mode of Kenyan insurance companies expanding to the COMESA market has been through acquisition in countries where the markets seem to be competitive due to ownership, networks, and unique resource competencies possessed by the host companies. For some under-developed markets, companies that have ventured there have used wholly owned subsidiaries or Greenfield mode of entry strategy.

OLI model has been criticized for not having a causal link between variables that describe it. According to William (1997) internationalization was enough to cover ownership advantages and it was also possible to come with testable hypothesis based on eclectic theory. Johanson and Vahlne (1990), for instance, have criticized this aspect of the eclectic paradigm; they stressed its underlying assumption is that the decision makers are rational and well informed which is not always the case.

“The Transaction Cost Analysis theory (TCA) which originated from Ronald Coase’s work assumes that markets are competitive. Because of opportunism, suppliers are forced to perform efficiently. He argues that transaction costs, are costs provided for a good or service through the market rather than from the firm. These costs are the search and information costs, bargaining and decision costs and inspection, policing and enforcing costs” (Watkins, n.d). These are costs firms encounter in their expansion processes and to a varying degree depending on the external environments specific to particular country foreign markets. This theory is also useful in explaining the vertical integration decision of organizations. Furthermore it shows, how firms evaluate whether or not to establish a

subsidiary in a market abroad. The limitation of TCA theory is that the view of a transaction process is from a cost perspective only without considering other interacting dynamic variables.

"The resource based view theory views the firm as a bundle of linked resources combined with resource conversion activities" Rumelt (1984). Similarly, Wernarfelt (1984) observes firms from a resource perspective instead of looking at their products, positing that the firm's optimal growth is a balancing act between the exploitation of existing firm's resources and developing new resources. "A firm's resources are both specific and intangible. Such resources may include trade secrets, imbedded technological knowledge, managerial skills, marketing and production skills which are valuable and difficult to imitate providing the sustainable competitive advantage needed for internationalization" Dollinger (1995).

"Recently the RBV(Resource Based View) theory has been criticized since much literature takes resources stock as given and pays little attention to the process of resource development and is therefore static in nature and lacking dynamic element" Kylaheiko (1998).Consequently a knowledge based view of the firm has emerged as an extension to the resource based view. "A major barrier in many small firms internationalization is lack of knowledge. Knowledge based view pays more attention to the process, a path by which specific capabilities evolve and develop overtime adding a more dynamic element" Kuivalainen (2003).

"A firm with a strong core competence usually could apply its core competence accumulated in the domestic market to international markets. Applying core competences to the international market will not reduce but enhance their value to the learning effects"

Prahalad and Hamel (1990). Firms that were early movers to the East African market and the wider COMESA region have repositories of knowledge and practices that are valuable and difficult to imitate, hence they are able to strengthen their international competitive advantage.

Miller and Shamsie (1996) also observe that "in an increasing turbulent environment, knowledge based resources and capabilities contribute most to a firm's performance". Therefore knowledge based view takes an evolutionary view of internationalization and the emphasis is not on the resource per se but on dynamically evolving internationally acquired routines through which a web of coordinating relationships or networks connecting firms specific resources are replicated Kuivalainnen (2003).

2.3 Concept of internationalization

"Internationalization is the outward movement in an individual firm's or larger groupings international operations" (Weich & Luostarinen, 1988). According to Stier (2002) "internationalization is an on-going and continuing process of making something international, a process of exchange and mutual influence, where the actors are presumably 'nations' and notes that internationalization is commonly conceptualized as an ideology of some sort". The Uppsala model explains the process to be evolutionary and sequential build-up of foreign commitments over time, a concept of incremental internationalization, whereby a business proceeds along the internationalization path in the form of logical steps, based on gradual acquisition and use of intelligence from foreign markets and operations and consequent reduction of perceived distance that is cultural, psychic or geographic (Johanson & Vahlne, 1997 as cited in Gachenge & Ngugi 2013).

“According to Ellis and Williams (1995) there are three possibilities that might stimulate firms to go abroad. It can either be a strong pull, push or a combination of both factors. Pull factors entice companies away from their existing markets, caused by international market attractiveness. In contrast push factors arise out of perceived difficulties in a company’s existing markets, and the opportunities to overcome these by moving into cross-border markets” Feldhusen et al (2006).

“Therefore one can say that companies and countries to an increasing degree are affected by circumstances and behavior outside the local domestic context. Some authors connect the home market saturation with the decision to go abroad. In fact two schools of thought have emerged in this regard. The first assumes that saturation is the primary goal behind internationalization, while the other explains internationalization as fundamentally a response to the opportunities in a global market” (Alexander and Doherty, 2009).

“Choosing the Right Market, (Where), is critical in foreign entry strategy decisions by firms. According to Hollensen (2004), factors affecting this decision are: Internal factors, External factors, desired mode characteristics and Transaction specific behavior. However, the main focus is on the internal factors in terms of resource based considerations on firm specific assets and external factors in terms of Industry-based considerations on the degree of competiveness and institution based considerations on country risk” Ovcina (2010).

“Cavusgil et al. (2002) mentions among others factors, the history of country risk, the GDP growth rate, and the attraction of gaining a competitive advantage from a developed country company perspective. Furthermore, Alexander and Doherty (2009; 235) give an overview of an assessment criteria that can be used for this decision. These criteria are similar to criteria given by Dawson et al. (2006) which include (1) geographic distance, (2)

cultural proximity, (3) maturity of the distribution system, and (4) economic and political stability. Another important decision in the internationalization process is to decide the timing of the market entry. Companies often prefer to be the first to enter the markets and enjoy the first mover advantages. However, first movers might also encounter disadvantages, which become late mover advantages for their competitors (Peng, 2006), quite a number of respective authors only explain how to enter the market, but do not focus on the dynamic process after the pre entry strategy" (Ovcina, 2010).

Ovcina (2010) explains in "dynamics of market entry strategy in emerging markets paper":

> The entire entry strategy process is dynamic and not static in a firm's expansion process, it can assume the following phases, pre-entry stage, entry stage, growth stage and maturity stage where a firm can re-position itself. After pre-entry, the second phase (entry phase) commences and is characterized by the company becoming established in the new market. This is a critical phase where an evaluation of the entry needs to be undertaken (Dawson et al 2006). Based on the market reaction, implementation of the entry mode and other issues being important for the company, a decision whether to withdraw or continue on a large scale is to be made (Dawson et al, 2006). In the growth phase (also referred to as sequencing phase by Porter (1985)), the company is establishing its position on the market and is most likely to experience growth. Finally, in the last phase the company will experience maturity where market share will be lost and it needs to evaluate how to reposition itself successfully (Dawson et al, 2006).

In summary firms are motivated to internationalize so as to expand a company's operations for profits and responding to intense competition and market saturation in home country.

"Seeking to gain access to better value factors of production and lower cost, investing in a potentially rewarding relationship with a foreign partner, confronting international partners more effectively or thwarting the growth of competition at home are reasons that firms have for seeking internationalization strategy" (Cavusgil, Knight and Riesenberger, 2008). Increase of expansion commitment with market and cultural similarity is an important motivating factor. "There is a basic tendency for companies particularly in the early stages of internationalization to approach markets which appear simpler and more familiar and less costly to penetrate and these most commonly are closest in physical and cultural terms" (Luosterinnen & Welch, 1988).

2.4 Foreign Market entry modes

Foreign market entry modes refer to the methods business organizations employ to enter international markets for purposes of undertaking value creating activities. These refer to both initial entry into a foreign market and also subsequent development in that market, a more accurate term is international market entry and development Young (1989). Bradley (2005) observes that "internationalization scholars have stressed that mode of internationalization is one of the most important decisions that has to be made by companies. The choice of mode determines how the firm deals with its foreign buyers and partners, its ability to control the nature and the process of its international business, and the resources that it commits to the foreign market".

The nature and magnitude of small firms' internationalization process is limited. Many of the Kenyan insurance firms are small compared to multinational firms both in asset base size and extent of operations in international locations. Firms prefer an entry mode that

takes into account firm's specific advantages, location decision implications and aligned to corporate strategic objectives. According to Young et al (2009) "the establishment of an entry mode is an important part of the process of internationalization. It signifies the formal organization arrangements of business practices that involve cross borders". He further states that "the entry mode has legal, accounting, organizational and strategic implementations".

"Entry mode is an arrangement for an organization that is organizing and conducting business in foreign countries, examples include contractual transfers, joint ventures and wholly owned operations" (Anderson, 1997). There are two major types of foreign market entry strategies; these are the equity and non-equity modes. The equity mode includes strategies like wholly owned subsidiaries and joint ventures. The other category non-equity includes exports (direct and indirect) and contractual agreements like licensing, franchising and other contract arrangements involving intermediaries Peng (2008).

In the first category, direct exporting is the selling of goods and services to another country. Exporting involves a company selling its physical products manufactured outside the target country to the target country. According to (Tallman & Shenkar, 1994), "it is the most basic entry mode and requires a firm to have economies of scale in producing in home country and be able to have distribution control in host country. Indirect exporting involves the use of agents whereby the firm does not possess ownership control of distribution over its products or services in foreign target market". Licensing and franchising are non-equity associations between an international company and a party in the host country in which technology or management systems are transferred to the host party (Shane 1994). The host

party business (franchisees) pay royalty payments to a franchisor in return for identity, trade mark rights and selling rights to use the franchisors business models.

In a wholly owned subsidiary, the firm owns 100 percent of the stock. Establishing a wholly owned subsidiary in a foreign market can be done in two ways namely, a Greenfield investment venture or acquire an established host firm referred to as an acquisition strategy. Greenfield is quite costly, requires high capital resource requirements and a long time duration. It however provides above average returns in the long-term. Firms establish Greenfield ventures because it gives a firm greater ability to build an organizational culture from scratch Brouthers and Brouthers (1993).

Compared to Greenfield, acquisitions have three major points in their favor. First they are quick to execute, second firms preempt their competitors and become first movers into certain markets and thirdly firms that use these strategy to buy a set of assets that are producing known revenue and profit stream Hill (2011). Acquisition is normally used by firms to buy competitors, suppliers or distributors in highly related industries where there are big competitors.

Acquisitions normally fail for the following reasons, acquiring firms over-pay for host firm assets due to several bidders or false optimism over value to be created, clash between cultures of acquiring and acquired firm, differences in management philosophies and bureaucracies and finally poor pre-acquisition screening due to undue haste from fears of competitors preempting the purchase Hill (2011).

Anderson and Gatignon (1986) argue that in weighing foreign market entry alternatives, a central consideration is the level of control the firm will have over the operation. According

to Meyer & Estrin (2001) "choosing an entry mode to a foreign country is a critical strategic decision to an organization's plans for an international business since many firms have to choose between entry modes that allow for ownership control or joint ventures with local partners for ease of access. In new and emerging markets, restructuring can be so intense that it resembles a Greenfield entry mode". Such an investment is referred to as Brownfield.

Finally, joint venture an equity strategy mode is used with an objective of sharing risks, rewards, technology, joint product development and conforming to host government regulations. Secondly benefiting from a local partner's knowledge of host country's competitive conditions, culture, language, political systems, business systems and access to distribution channels. The disadvantages it has, are giving control of technology to a partner, no tight control over subsidiaries to experience learning curve and potential future conflicts between partners for control if goals and objectives change Kogut (1985).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the type of research design that was used, population of the study and sample size involved, the data collection methods and data analysis techniques the researcher used.

3.2 Research Design

A research design is a blue print used to accomplish the objectives of the study and answer research questions (Cooper and Schindler, 2003). The study was conducted through a census survey study of Kenyan insurance companies that have internationalized within the COMESA region and were studied in entirety as the population of interest. The use of survey research design was appropriate since the unit of study wasn't a single organization but eleven of them. Zikmund (2003) defined survey method as a data collecting technique in which information is gathered from a sample of respondents through questionnaires.

Surveys are considered efficient in that many variables can be measured without substantially increasing the time or cost and versatile since a researcher can study a variety of topics and acquire a broad understanding of all of them Sage pub.com (2013). Glesne and Alan (1992) observed that survey research is probably the best method available to social scientists in collecting data for purposes of describing a population that is too large to observe. The researcher used descriptive analysis technique that involved both quantitative and qualitative data. Descriptive is a type of research that is used to describe the nature or condition and the degree in details of a present situation.

3.3 Population of Study

Cooper and Schindler (2006) consider a population as the total collection of elements a researcher would wish to make inferences. The population of interest was the Kenyan insurance companies that have ventured into the COMESA region. These firms deal with all classes and types of risk management categories and investments portfolio. They are 11 in number and were identified from individual firm websites and the IRA (2013) registered insurance companies' list website. These companies are all registered players by the IRA (Insurance Regulatory Authority) and are members of the Association of Kenya Insurers. The research study was conducted on the entire population through census survey method.

3.4 Data Collection

According to Mugenda and Mugenda (2003), data is either primary or secondary. Primary data is collected directly from respondents through questionnaires or interviews while secondary data is sourced from documents such as published records, electronic media etc. The primary data collection was done by questionnaire method. The secondary data was sourced from industry publications, reports and corporate electronic media sites. The study used self-administered questions in the questionnaire as the main data gathering instrument for this study.

Self-administered questions have the advantage of reducing bias errors arising from interviewer/interviewee interaction, less costly to administer and provide for anonymity with more revealing responses Nachmias and Nachmias (1996).The questionnaire assumed the design of a semi-structured and structured manner. The questionnaire had both close-

ended and open-ended questions in order to obtain accurate and in-depth answers from the respondents.

Matrix questions were also utilized. These questions presented the respondents with a range of questions to be responded to, based on a pre-determined scale. The particular one used was the likert scale which measures perfection, attitude, values and behavior, Cooper and Schindler (2003). Prior appointments were planned for in advance and secured by the researcher in line with the respondents' convenient schedules both in dropping and picking already filled questionnaires.

The respondents of the study were drawn from top management levels, they included Chief executive officers, Business development managers, Marketing Managers, Chief operating officers, Finance & strategy managers, and regional group managers. The study targeted 3 managers from each firm and obtained 28 questionnaire responses in total, 5 never responded out of the targeted 33 respondents. The data collection was administered by questionnaire drop and pick method. Mugenda and Mugenda (2003) suggest thirty observations or at least 10% of the total population are sufficient to represent respondents from a large population and according to the study 85% of the targeted population responded.

3.5 Data Analysis

Descriptive statistics was used to analyze the data collected using measures of central tendency and tables. Zikund (2003) defined descriptive analysis as the transformation of raw data into a form that will make it easy to understand, interpret and draw conclusions

out of it. Qualitative analysis was employed to identify specific qualitative attributes and trends by data coding. Microsoft excel and SPSS software were used to analyze data.

The returned questionnaires and the data therein was validated to check for possible errors in data capture, transcription, transmission and processing. This was done by checking for consistency, cleaning and coding. The study ensured data accuracy, reliability and consistency was faithfully followed.

3.6 Ethical Consideration

The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities Cooper and Schindler (2003).The researcher complied with respect to approval, confidentiality and anonymity of the respondents. The researcher sought approval and permission of individuals/institutions to be involved in the research. The participants were notified of the aim and anticipated use of the results.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the empirical results of the research through analysis of collected data and interpretation by using descriptive statistics and presentation through tables. According to Mugenda and Mugenda (2003), data analysis consists of examining, categorizing, tabulation or putting together the evidence to address the initial objectives of the study. The survey was carried out among 11 Kenyan insurance firms that have expanded into the COMESA region.

The researcher used a descriptive survey research design and technique for the study. It entailed the researcher undertaking a survey of the population of interest by collecting data and profiling using questionnaires. The data was then analyzed using descriptive statistics through Microsoft excel and SPSS. The descriptive statistics provided frequency, percentages and totals of the responses, while the mean indicated level of relationship that existed between selected variables.

4.2 Summary statistics

This section outlines the summary statistics of the respondents and firms that were surveyed to get a clearer view of the data results. The following tables show the response rate of respondents surveyed and the data indicates the success level of the survey. The data about firm information obtained from respondents is also presented in tabular form.

4.2.1 Response rate

Table 4. 1: Response rate of participants

Category	Response Rate		% response
Successful response	28		85%
No response	5		15%
Total	33		100%

Source: Survey data (2013)

According to table 4.1, out of 33 questionnaires given out, 28 were returned representing a response rate of 85%, which according to Babbie (1986), is acceptable because it exceeds 70% response rate recommended for a survey. According to Mugenda and Mugenda (2003), a response rate of 50% is acceptable and sufficient to commence data analysis.

The respondents drawn from the surveyed Kenyan Insurance firms were managers of different job designations. They were of top management level and involved in planning and designing company strategy. The study targeted 3 managers from each firm to obtain credible responses and of varying opinion rather than targeting a single respondent from each firm, a situation that would have resulted in obtaining limited variety of insights, opinions and historical knowledge on the study subject.

4.2.2 Length of employment

Table 4. 2: Length of Employment

No. of years worked	Frequency	Percent
More than 10	7	25%
5 Years or Less than 10	10	36%
Less than 5	11	39%
Total	28	100

Source: Survey data (2013)

Table 4.2 above shows that 36% of the respondents have either worked for 5 years or less 10 years while 39% less than 5 years and 25% more than 10 years. This is important to identify whether the respondents were working before or after particular entry strategy adoption. Table 4.3 below indicates that 39% of the managers have worked out of Kenya which may influence some companies' initiatives to expand due to managerial urge from exposure to having worked in foreign markets.

Table 4. 3: Work experience outside Kenya

Worked outside Kenya	Frequency	Percent
Yes	11	39%
No	17	61%
Total	28	100

Source: Survey data (2013)

4.2.3 Respondents involvement in foreign entry strategy.

Table 4.4 indicates 36% of the respondents have been involved in foreign entry strategy planning or implementation, while 64% have never been involved.

Table 4. 4: Foreign Entry Strategy Involvement

Response	Frequency	Percent
Yes	18	64%
No	10	36%
Total	28	100

Source: Survey data (2013)

4.2.4 Firm information

Table 4.5 below shows that the annual turnover realized from COMESA region as a percentage of the firm's annual overall sales had a mean score of 17.58%. The mean score of the number of years the firms have operated in COMESA was 7.9 years. From the findings, majority of the 11 firms have operated between 7-8 years in COMESA countries.

Table 4.5: COMESA descriptive statistics

Firm information	Mean	Std. Deviation
Annual turnover COMESA region %	17.58	2.56
Operation in COMESA region in Years	7.90	1.60

Source: Survey data (2013)

Table 4.6 shows that 57% of the firms surveyed do recruit foreign host nationals into managerial positions which makes it easier in the expansion strategy, 36% of the firms surveyed grant their subsidiaries autonomy in recruitment, finance and operational decisions.

Table 4. 6: Recruitment and branch autonomy statistics

Firm management operations	Yes	No
Recruitment of Foreign host Nationals to management positions	57%	43%
Branches independence in Management	36%	64%

Source: Survey data (2013)

4.3 Entry Strategies

The questions in sections B, C and D of the questionnaire were treated as interval data measuring the degree of significance of a theme by respondents indicating the extent or no extent of its effect, influence or importance to the firms' expansion strategy. The 5 point likert scale was used to interpret the total responses of all respondents for every survey question by computing the weighted mean.

Table 4.7. Scales of Interpretation (5 Point Likert Scale)

Range	Scale	Interpretation
4.01 – 5.00	To a very great extent	5
3.01 – 4.00	To a great extent	4
2.01 – 3.00	To a moderate extent	3
1.01 – 2.00	To a little extent	2
0.00 – 1.00	To no extent	1

4.3.1 Entry strategies adopted by Kenyan insurance firms

Table 4.8: Entry Strategies

Entry Strategy	Mean	Std. Deviation
Joint venture with Local partners	2.30	1.27
Wholly owned subsidiary(Greenfield Strategy)	4.00	1.63
Licensing and franchising	1.30	0.48
Merger with majority ownership	3.60	1.84
Acquisition of foreign firm	2.80	1.60
Strategic Alliances/Partnership	3.40	0.97
Local agents for export services	1.00	0.00
International agents for selling and distribution	1.90	0.24
Piggy backing on an International firm	1.80	1.69
Grand Mean	2.46	

Source: Survey data (2013)

The results in table 4.8 above show the extent to which various entry strategies have been adopted by various insurance firms. The grand mean of 2.46 which isn't very high up the Likert scale, shows many respondents indicate their firms use frequently not more than four common entry strategies, secondly a single firm approaches a foreign market with more than one entry strategy. The most common strategy according to respondents' ratings is the Greenfield strategy with a mean score of 4.00 out of a high of 5.00 on the Likert scale. The most rated strategies commonly used are merger with majority ownership with a mean of 3.60, strategic partnerships with mean of 3.40 and acquisitions with a mean of 2.80 that are above the grand mean of 2.46. Licensing and franchising is used to a little extent with mean of 1.30 but no firm uses local agents for exporting services with a mean

of 1.00. Many firms prefer entry strategies that enable ownership control of the expansion process according to the findings.

4.4 Choice of Market Entry Strategy

4.4.1 Stakeholders influence on Entry strategy choice

The table below shows the respondents ratings of stakeholder influence on type and direction of entry strategy to be adopted.

Table 4.9: Stakeholders influence on Entry Strategy Choice

Stakeholder	Mean	Std. Deviation
Majority Shareholder	3.40	1.71
Company CEO	2.75	1.91
Firms Strategic Partner	3.20	1.93
Board of directors	4.80	0.42
Company's Top Management	3.40	1.43
Grand Mean	3.51	

Source: Survey data (2013)

Table 4.9 above shows the various stakeholders influence or perceived role they play in influencing choice of an entry strategy. A grand mean of 3.51 which would fall under the category "to great extent" on the likert scale, signifies stakeholders influence is a highly rated theme by respondents. The most influential according to the respondents are the board of directors with a mean score of 4.80 out of the maximum 5 on the 5-point likert scale, least influential is the company CEO with at a mean score of 2.75 which is below the grand mean of 3.51. From the findings it appears every firm's entry strategy is influenced to a very great extent by the board of directors more than any other stakeholder internal or

external to the firm, but each stakeholders influence has an important place in every firms' strategy.

4.4.2 Economic factors influence on foreign market entry

Table 4.10: Economic Factors

Economic Factor	Mean	Std. Deviation
Country Population	2.00	0.94
Income & GDP	4.40	0.84
Consumption Patterns	3.80	1.03
Country's Geographical Proximity	3.20	1.03
Grand Mean	3.35	

Source: Survey data (2013)

Table 4.10 shows economic factors generally with a grand mean of 3.35 highly influence a firms' foreign expansion strategy. Respondents rated income and GDP at a mean of 4.40, with a standard deviation of 0.84. Consumption patterns follows in terms of rating significance with mean score of 3.80. The least significant rated factor is the country population with a mean of 2.00 below the grand mean 3.35. Income and GDP is a very significant factor while Country population is not significant in deciding which country to expand to.

4.4.3 Political/Regulatory Factors influencing market entry

Table 4.11: Political/ Regulatory Factors

	Mean	Std. Deviation
Political Environment	4.40	0.52
Country's Regulations	3.80	1.23
COMESA/EAC trade policies	3.80	1.03
Grand Mean	4.00	

Source: Survey data (2013)

Table 4.11 shows comparatively, political and regulatory factors rated by the respondents at a grand mean of 4.00, highly influence entry strategy to a very great extent. The political environment, stability and development of a country is highly regarded as a risk or beneficial factor to consider before expanding with a mean score of 4.40. Country's regulations and COMESA trade policies tie at a mean score of 3.80 indicating their very significant influence to firms' investment location decisions.

4.4.4 Proactive motivation for market entry

Table 4. 12: Proactive Motivation for Market Entry

	Mean	Std. Deviation
Economies of Scale	3.60	1.84
Firms Unique products/services	4.20	1.23
Technological & innovation advantage	3.80	1.55
Success in other Countries	3.80	1.69
Tax Benefits	3.00	1.33
Profit advantage	3.60	0.84
Grand Mean	3.67	

Source: Survey data (2013)

According to table 4.12, a firm's unique products/services was a highly rated pro-active factor by respondents with a mean score of 4.20 well above the grand mean of 3.67. Technological innovations and success in other countries were the other pro-active motivational factors rated highly by respondents at mean score of 3.80. Tax benefits was rated at 3.00 the border line between "moderate extent" and "influence to great extent" (Likert scale table 4.7) and it was the least rated factor among the six proactive factors. Generally from the findings, proactive factors with a grand mean of 3.67 were the second highly rated after political/regulatory factors that had a grand mean of 4.00 in terms of significance.

4.4.5 Reactive motivation for market entry strategy

Table 4.13: Reactive Motivation for Market Strategy

	Mean	Std. Deviation
Competitive pressures	3.40	1.43
Declining Domestic sales	2.60	0.84
Excess Capacity of Resources	2.20	1.03
Saturated Domestic Markets	3.60	0.52
Following clients foreign expansion	2.20	1.23
Grand Mean	2.80	

Source: Survey data (2013)

Table 4.13 above shows respondents ratings indicate reactive factors moderately motivate firms to expand with a grand mean of 2.80. Saturated domestic markets is a highly significant reactive motivational factor for expanding with a mean rating of 3.60 closely followed by competitive pressures with 3.40 mean score. Excess capacity of resources and

following clients foreign expansion influence to a little extent each with a mean of 2.20. From the findings.

4.5 Internationalization Process Challenges

Table 4.14 shows challenges firms face in the internationalization process with a grand mean rating of 2.58 implying not all factors are significant apart from three challenges that have high ratings generally agreed upon by respondents. Many respondents rated the host country regulatory policy as quite the most significant challenge with a mean rating of 4.20 which is closer to 5 on the Likert scale. Other significant challenges insurance firms experience are the host country manpower skill levels and political factors with mean ratings of 3.20 each. The financial capacity of the firm and geographical distance from home country pose the least challenge with mean ratings of 1.20 and 1.80 respectively.

Table 4.14: Internationalization Process Challenges

Challenge	Mean	Std. Deviation
Host Country Regulatory Policy	4.20	0.79
Firms Financial Capacity and Assets base	1.20	0.42
Geographical Distance	1.80	0.79
Competitor strategies	2.60	0.84
Country GDP/ Purchasing power	2.20	1.55
Host Country interest rate	2.80	1.03
Host Country Man power skill levels	3.20	1.69
Host Country political factors	3.20	0.79
Host Country Currency fluctuation levels and profits repatriation policy	2.60	0.52
Host Country management and work ethic culture	2.00	0.94
Grand Mean	2.58	

Source: Survey data (2013)

4.6 Discussions of findings

The first objective of the study was to establish the foreign entry strategies adopted by Kenyan insurance firms and the findings reveal the Greenfield entry strategy is commonly used with respondents rating it at a mean score of 4.00 followed by mergers at 3.60 and strategic alliances/partnership at 3.40.with reference to the Likert scale with 5 being maximum in extent of usage and 1 the least. Greenfield entry strategy affords full ownership control though quite costly and takes a long time to build a wholly owned subsidiary. However it provides above average returns in the long-term.

These findings are in conformance with the OLI model (Own, localize and internalize) also referred to as the Dunning eclectic paradigm. According to Dunning (1993), ownership has advantages where a firm holds assets of different resource types to provide sustainable competitive advantage for a firms' internalization. The findings further conform to literature by Peng (2006) who argues that companies prefer Greenfield investment since it gives a company full control over all activities and operations, avoids challenges experienced in joint ventures, makes quicker decisions and is protected against other companies copying their know-how.

Mergers and strategic alliances/partnerships were rated at a mean of 3.60 and 3.40 way above the grand mean of 2.46 for entry strategies. This implies many expanding firms have a preference for these two strategies. The findings support literature by Hamel and Prahad (1994) that organizations access resources possessed by other firms to build and strengthen their capacity. Mergers and strategic alliances/partnerships are used to access capabilities

more quickly than in-house development, share risks, diminish uncertainty and benefit from reversibility Balakrishnan and Wernerfelt (1986).

Acquisitions is a quicker mode to access the market but was rated at a mean of 2.80 just above the grand mean of 2.46. Thus has not been as preferred as the other three modes of entry which supports the assertion by Hennart (1988) that acquisitions can be costly, face legal constraints to the necessity of leveraging capabilities. According to Chi (1994) an acquirer can find it difficult to assess the value of the acquired resources and may experience a performance down turn of the acquired personnel.

The second objective was to establish influences on choice of entry strategy. The findings reveal that board of directors influence entry strategy to a very great extent with a mean score rating of 4.00 out of 5.00. The other significant stakeholders of influence are the majority shareholders and company top management with mean ratings of 3.80 each. According to Meyer and Estrin (2001) choosing an entry mode is a critical strategic decision for a firm's international business. Board of directors and top management must be risk averse since they bear the greatest responsibility for any decisions made.

Income and GDP of a country play the most significant influence in deciding a firm's market entry choice with a mean rating by respondents of 4.40. Consumption patterns follow with a mean of 3.8 and Geographical proximity comes third with mean of 3.2.The findings imply countries with this advantages are preferred for entry. This concurs with Cavusgil et al (2002) who mentions that GDP growth rate and history of country risk provides an attraction of gaining competitive advantage.

Pro-active factors that drive firms to seek foreign markets are unique products and services at a mean of 4.2, followed by technological advantage and success in other countries each rated at mean score of 3.80. Reactive motivational pressures according to the findings are saturated domestic markets with a mean score of 3.60 and competitive pressures with a mean score of 3.40.This findings confirms literature by Ellis and Williams (1995) that there are 3 possibilities that stimulate a firm to go abroad, strong pull, push or a combination of both factors, according to Alexander & Doherty (2009), some scholars connect home market saturation with the decision to go abroad, which is supported by the study findings.

The findings reveal that the pull factors are more predominant than push factors. The proactive motivational factors grand mean rate is 3.67 while reactive factors grand mean rate is 2.80. Kenyan insurance firms' specific advantages are unique products and technological capacities. A firm with strong core competencies could deploy competencies accumulated in the domestic market to international markets. The findings agree with Prahalad and Hamel (1990) who argue that firms applying core competencies to international market will not reduce but enhance their value due to the learning effects

Overall, political/regulatory factors had a grand mean of 4.00, income and GDP together with Political environment were rated at a mean of 4.40 while consumption patterns and country/regional regulations at 3.80.These conforms to Root (1994) who argues that a country's political, socio-cultural and economic character can have a decisive influence to a firm's entry mode and most noteworthy are the government policies and regulations with regard to international business.

The third objective of the study was to find out challenges encountered and restrictive policies (high import tariffs, restrictive foreign ownership, and other barriers) can discourage an export mode in favor for other modes. From the findings incidentally country regulatory challenges in the region are the most significant with a mean of 4.20, followed by political environment and manpower skill levels with mean ratings of 3.20 each, lending credibility to Root's argument.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS.

5.1 Introduction

The purpose of this study was to establish entry strategies Kenyan insurance firms have adopted to expand into the COMESA region, secondly determine the motivations behind choice of entry strategy adopted and thirdly identify challenges encountered in the expansion process. 11 insurance firms were selected out of 47 insurance firms based in Kenya. The 11 firms are Kenyan insurance firms that are already operating outside Kenya within the COMESA region. A survey study was done on the entire 11 Kenyan firms that have internationalized. This chapter discusses research findings obtained from the previous chapter with a view of summarizing, drawing conclusions and giving recommendations.

5.2 Summary of Findings

A self-administered questionnaire was used to collect data and analyzed using descriptive analysis. The response rate was 85%.The majority 75% of the respondents were managers who have worked 10 years and below, while 25% have worked over 10 years. 64% have been involved with foreign entry strategy planning and implementation for their respective firms which was important in obtaining feedback of respondents' experience with expansion strategies. From the findings, 39% of the respondents are managers who have worked in foreign countries.

The study findings reveal Kenyan insurance companies have been involved in expansion initiatives within COMESA for a while, with the average period of international operations

being 7.9 years. Average annual turnover from the COMESA region as a percentage of combined annual turnover was 17.58%. According to the survey responses, Kenyan insurance firms prefer Greenfield strategy to all other strategies. The mean rating respondents gave the strategy was 4.00 on the Likert scale, followed by the strategy of mergers with majority shareholding by home firms rated at 3.6 mean score. Local agents for export services was least preferred with a mean of 1.00.

According to the study, group variable factors influencing choice of market entry in order of importance were, political/regulatory factors with a grand mean of 4.00, proactive motivations grand mean at 3.67, Stakeholder influence grand mean at 3.51, economic factors with a grand mean of 3.35 and reactive motivations grand mean at 2.80. Reactive motivational factors was the least rated group theme in order of priority by the respondents. Among individual variable ratings in terms of theme importance, board of directors as a stakeholder influence, Income & GDP, Political environment and Firm unique products/services all had means higher than 4.00. The highest rated reactive motivation factor was saturated domestic markets followed by competitive pressures.

The most challenging factors from the findings in order of significance were host country regulations/policies governing the industry and foreign investment in general, followed by host country political environment and host manpower skills. According to Stier (2002), internationalization is an on-going and continuing process. Firms must adapt to confront each challenge to ensure subsequent market development.

5.3 Conclusions of the study

The study objective was to establish the entry strategies Kenyan Insurance companies have adopted in their expansion process and how they manage the process. From the findings most firms prefer full ownership advantages in profits, maintaining brand identity and risk management control. Joint ventures/partnerships are also preferred due to individual country policy restrictions and lack of market access advantages. Acquisitions have not been the most preferred strategy due to costs involved, unfavorable country regulations and lack of viable firms to acquire. More than one entry strategy can be used by one firm according to study findings. This implies a firm can change its entry strategy if it encounters changes in external environment of a country it operates in, or emerging opportunities outside its core competencies.

The pattern of location decisions is quite varied and depends on a range of factors of influence and challenges encountered. Members of board of directors have ownership concerns, contacts and networks in the region for some firms, while political, economic, regulatory factors provide some countries with specific advantages and others disadvantages due to barriers, such as high up-front requirement fees and compulsory local ownership shareholding laws. A few Kenyan firms have opened branches far afield in Botswana, Mozambique and Zambia but not in East-Africa partly due to country specific advantages.

The dominant players in Kenya's domestic insurance industry are incidentally dominant in the expansion process. They were first movers into the region and have developed first mover advantages and competencies giving them a competitive edge that they are

sustaining across borders. In conclusion succeeding firms' have sustained competitiveness through specific competencies that enable them make entry choices to countries with specific advantages aligned to their strategic objectives. A case study would have afforded more details in individual firm management of the process to draw more conclusions on unique firms' learning experiences.

5.4 Recommendations of the study

5.4.1 Implication of the study on theory

From the study a number of theories provide the guiding framework in various expansion strategies adopted by Kenyan insurance companies such as the OLI model that is quite applicable especially with the Greenfield strategy where firms prefer full ownership and the knowledge based view is very applicable from the study findings in areas where firms are sustaining competitive edge through learning experiences, use of innovation and technology.

The study findings reveal economies of scale was the fourth significant factor in market entry influence, similarly a firm's assets and financial capacity was the tenth least significant challenge that worries firms. This reveals Resource based view limitations in the study findings. No one theory sufficiently addresses the behavior of Kenyan insurance companies' expansion process and more research in applicable theory build up is needed especially in developing economies which are the new frontiers of emerging international players.

5.4.2 Recommendations for policy and practice

Kenyan companies should be more innovative in adopting a variety of entry strategies to penetrate the COMESA market by embracing joint ventures, acquisitions, strategic partnerships and use of international broker intermediaries. Various firms adopt varied entry modes due to different established competencies, a dominant life insurance company may enter into a joint venture or strategic partnership with a host/regional dominant health insurance company to penetrate market segments in countries it has identified opportunities in health insurance as a strategy of diversification within a foreign expansion strategy.

Firms need to conduct continuous market research in markets they have entered and tailor their products to meet consumer needs and demands according to prevalent GDP levels and consumption patterns. Firms should commit more investment in research and innovation of new products, training programs and skill development for staff with more acculturation programs and rotational deployment of their managers within foreign branches. Introduction of micro-products into low market economies should be enhanced. Governments and other industry policy makers need to lobby COMESA secretariat and regional governments to harmonize regulations and industry standards alongside integration efforts within the COMESA region.

5.5 Limitations of the study

The study focused on senior cadre of managers involved in international strategy planning and implementation and left out middle level to junior staff who implement the strategies by operationalizing them. Their contributions would have enriched the study. Some of the

respondents were not available hence we never obtained their responses while some had a busy schedule to effectively give open ended responses adequately in the questionnaire sections.

Some firms and respondents were unwilling and cautious in giving information due to client confidentiality clauses. This was a survey study and not a case study, the study design could not adequately provide in depth individual firm information.

5.6 Suggestions for further research

Further research should be conducted on relationship between COMESA region country specific advantages and performance of the respective country insurance industry. More research into entry strategy, post entry evaluation and insurance firms' performance within COMESA.

Researchers should study strategies used by early movers into the COMESA region and internationalization experience they have undergone. More studies should be conducted on the internationalization behavior of new expanding firms which don't follow entry strategies of early movers into the COMESA region and whether innovative micro-insurance products are the solution to insurance needs of low-income countries.

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APPENDICES

Appendix: List of Registered Insurance Companies – 2013

1. AAR Insurance Kenya Limited

2. A P A Insurance Limited

3. Africa Merchant Assurance Company Limited

4. Apollo Life Assurance Limited

5. AIG Kenya Insurance Company Limited

6. British-American Insurance Company (Kenya) Limited

7. Cannon Assurance Limited

8. Capex Life Assurance Company Limited

9. CFC Life Assurance Limited

10. CIC General Insurance Limited

11. CIC Life Assurance Limited

12. Continental Reinsurance Limited

13. Corporate Insurance Company Limited

14. Direct-line Assurance Company Limited

15. East Africa Reinsurance Company Limited

16. Fidelity Shield Insurance Company Limited

17. First Assurance Company Limited
18. G A Insurance Limited,
19. Gateway Insurance Company Limited
20. Geminia Insurance Company Limited
21. ICEA LION General Insurance Company Limited
22. ICEA LION Life Assurance Company Limited
23. Intra Africa Assurance Company Limited
24. Invesco Assurance Company Limited
25. Kenindia Assurance Company Limited
26. Kenya Orient Insurance Limited
27. Kenya Reinsurance Corporation Limited
28. Madison Insurance Company Kenya Limited
29. Mayfair Insurance Company Limited
30. Mercantile Insurance Company Limited
31. Metropolitan Life Insurance Kenya Limited
32. Occidental Insurance Company Limited
33. Old Mutual Life Assurance Company Limited
34. Pacis Insurance Company Limited
35. Pan Africa Life Assurance Limited

36. Phoenix of East Africa Assurance Company Limited

37. Pioneer Assurance Company Limited

38. Real Insurance Company Limited

39. Resolution Insurance Company Limited

40. Shield Assurance Company Limited

41. Takaful Insurance of Africa Limited

42. Tausi Assurance Company Limited

43. The Heritage Insurance Company Limited

44. The Jubilee Insurance Company of Kenya Limited

45. The Monarch Insurance Company Limited

46. Trident Insurance Company Limited

47. UAP Insurance Company Limited

48. UAP Life Assurance Limited

49. Xplico Insurance Company Limited

Source: Insurance Regulatory Authority -2013

Appendix: questionaire

Introduction: questionnaire

The questionnaire seeks to collect information about strategies employed by Kenyan insurance companies in expanding to the COMESA region.

Please answer each question completely and clearly as possible as outlined by the questionnaire. (Please tick on the following spaces underlined or boxes)

Section A 1: Profile of the respondent

Kindly fill the details about yourself.

1. Indicate your position in the organization___________________

2. How long have you worked in this insurance company (Please tick)

   a) 10 years and above_____
   b) 5 years to less than 10 years______
   c) Less than 5 years_____

3. Have you worked outside Kenya?

   a).YES____ b). NO _____

4. Have you been involved with foreign entry strategy planning or implementation for this company?

   a). Yes___________ b). NO________

Section A2: Firm Information

5. What is your firm's market share percentage of the Kenya insurance industry? _______

6 What percentage of your annual turnover comes from sales outside Kenya but within COMESA region? __________

7. How long have your firm operated in foreign countries within COMESA region?

____

8. Does your firm recruit host Country nationals in top level management positions?

A).YES __________ B).NO __________

9. Are any of your subsidiaries /Branches autonomous in investment and management decision levels?

Yes ☐ No ☐

If Yes, how many ………………………………………………

SECTION B: Entry strategies

10. Does your firm use any or in combination the following foreign entry strategies? Rate the extent from, 5- To a very great extent 4- To a great extent 3- To a moderate extent 2- To a little extent -1. To no extent (Please Tick)

Entry strategy	1	2	3	4	5
Joint Venture with local partners					
Wholly owned subsidiary (Greenfield strategy)					
Licensing and franchising					

Merger with majority ownership					
Acquisition of foreign firm					
Strategic alliances/Partnerships					
Local agents for export services					
International agents for selling and distribution					
Piggy backing on an international firm.					

Section C: Choice of Entry Strategies

11. Rate the extent to which the following stakeholders influence of choice of entry Strategy. 5- To a very great extent. 4- To a great extent. 3- To a moderate extent. 2- To a little extent. 1- To no extent. (Please tick)

Stakeholder	1	2	3	4	5
Majority Shareholder					
Company CEO					
Firm's Strategic Partner					
Board of Directors					
Company's Top Management					

12. On a scale of 1 – 5, indicate to what extent the following factors influenced the decision of your company to expand out of the Kenya market. Use scale where

5 – To a very great extent, 4- To a great extent, 3 – To a moderate extent, 2 – To a little extent, and 1- To No extent. (Please tick)

Economic Factor	1	2	3	4	5
1. Population					
2. Income & GDP					
3. Consumption Patterns					
4. Infrastructure					
5. Geography					
Political/Regulatory Factors					
1. Political Environment					
2. Country Regulatory Factor					
3.COMESA / EAC trade policies					
Proactive Motivations for Market Entry					
1. Economies of Scale					
2. Unique products					
3. Technological advantage					
4. Success in other countries					
6. Tax benefit					
7. Profit advantage					
Reactive Motivations for Market Entry					
1. Competitive pressures					
2. Declining Domestic sales					
3. Excess Capacity					
4. Saturated Domestic Markets					
5.Corporate client foreign expansion					

SECTION C: Internationalization Process challenges.

13. Using the following likert scale. 5 – To a very great extent, 4- To a great extent, 3 – To a moderate extent, 2 – To a little extent , and 1- To No extent.(please tick) against the following factors

Challenge	1	2	3	4	5
1. Host Country Regulatory Policy					
2.Firms Financial Capacity and assets base					
3.Geographical Distance					
4.Competitor Strategies					
5.Country GDP/purchasing power					
6.Host Country interest Rate					
7.Host country Man power skill levels					
8.Host Country Political Factors					
9.Host Country Currency fluctuation					
10. Host Country management and work ethic culture					

14. Any other challenge your firm experienced not listed above in the table-----------------
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15. How do you mitigate your challenges abroad?

…………………………………………………………………………………………

………………………………………………………………………………