

**STRATEGY AND PERFORMANCE OF BRITISH AMERICAN
INSURANCE COMPANY KENYA LIMITED**

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FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF
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DECLARATION

I declare that this project is my original work and has not been submitted to any other university for award of a degree.

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DEDICATION

I am deeply indebted and therefore pass my special dedication to my beloved husband Hudson Ahmed Liyai who has been a source of great inspiration for achieving my goals, for encouragement, patience, understanding during the whole MBA programme and giving a forte of boundless sponsorship. To our children Katrina, Arnold and Francis for their moral support, to my Mother and in memory of my dad who have made me understand the love of reading and respect for education. Thank you all very much.

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ABBREVIATIONS AND ACRONYMS

AKI:	Association of Kenya Insurers
BRITAM:	British American Insurance Company Limited
BN:	Billion
GCEO:	Group Chief Executive Officer
ICT:	Information Communication Technology
ILO:	International Labour Organization
IRA:	Insurance Regulatory Authority
IT:	Information Technology
KES:	Kenya Shillings
KTDA:	Kenya Tea Development Authority
NSE:	Nairobi Stock Exchange
RBV:	Resource-Based View
SWOT:	Strength, Weaknesses, Opportunities and Threats

ABSTRACT

As at the time of study there are 51 Insurance Companies Registered and licensed by the Insurance Regulatory Authority. With the current and recurrent environmental uncertainty, chaos and turbulence with which every organization has to interact with for survival, many Insurance companies have found it hard to survive on the basis of their historical strength that worked for them in the previous stable environment. Studies carried out all over the world indicate that both the private and public sectors are increasingly resorting to strategy formality to cope with the increasing environmental changes and to exploit opportunities presented by the environment to realize improved performance. Strategy being the link between the organizations and the environment within which they operate. British American Insurance Company Kenya Limited just like any other organization is affected by the turbulence in the environment as it too has to interact with the environment for survival. To this end, Britam has adopted specific strategies to achieve targeted performance. The study examined the relationship between strategies adopted and performance at Britam .Primary data was collect through use of Interview Guides and secondary data was extracted from existing published and unpublished records such as The Association of Kenya Insurers and Insurance Regulatory Authority Annual Publications, Articles, related Journals, Electronic data and the company's audited Financial Statements. The data collected was analyzed through the Content Analysis Technique. The implication of the study on the policy is that the Government through the Insurance Regulatory Authority should be able to formulate policies and regulations that will enhance uptake of insurance covers in Kenyan market. The Government bodies should also be able to monitor and supervise Insurance Companies and brokers to ensure consumer protection as provided by the bill of rights in the current constitution. The results confirm to the findings of other empirical studies on the relationship between strategies adopted and effectively implemented and organization performance. The study will benefit both academia and practitioners as both will have informed insight of strategies that have paid off for the company, future reference on research work and will also form the basis of further study.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Many organizations around the world make frequent and significant changes in their strategies in order to align, adopt and address prevailing internal and external factors to the organization due to the volatility of the contemporary markets in which they operate. Strategy is the link between the organization and the environment and hence a very essential element in achieving desired objectives. Thompson & Strickland (2003) describes strategy as “The game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance”. A firm needs to match its strategy and supporting capability with the environment to optimize its competitiveness and profitability. Performance comprising actual results as measured against intended objectives. According to Richard et al. (2009) organizational performance encompasses three specific areas of outcomes which are financial performance, product market performance and shareholder return.

The resource-based theory indicates that the competitive advantage of a firm lies primarily in the application of a bundle of resources at the firm’s disposal. Mwailu & Mercer (1983). This theory emphasizes on the internal capabilities of the organization in formulating strategy to achieve a sustainable competitive advantage and superior performance in its markets and industries. The dynamic capabilities theory on the other hand attempts to deal with two key questions. One on how senior managers of successful companies changing their existing mental models and paradigms to adapt to radical discontinuous change in the environment within which they are operating.

And two how companies can maintain threshold capability standards and ensure competitive survival. The emphasis being on the dynamic fit between resources and the environment. Itami& Roehl (1987).

The insurance industry in Kenya comprises of 51 Insurance companies licensed and registered by the Insurance Regulatory Authority to provide Financial and Risks services to customers. British American Insurance Company limited is one among the 51 operating as a composite company. Part 1 Section 2(1) of Insurance Act, Cap.487 of the laws of Kenya defines Insurance as business of undertaking liability by way of insurance including Reinsurance in respect of loss of life, and personal injury and any loss or damage, including liability to pay damage or compensation, contingent upon happening of a specified event. Insurance is seen as a provision of distribution of risks, which is in form of a financial provision against loss from unavoidable disasters. As a business Insurance is usually recognized as a form of securing a promise of indemnity by the payment of a premium and the fulfilment of certain other stipulations. Insurance is therefore a mechanism for transferring risk from those exposed to uncertain loss producing events to Insurers. In a bid to manage such risks Insurance companies do resort to creating large pools of similar and homogeneous risks in addition to seeking further protection by way of reinsurance. Olotch, (1999).

Until 1980 the Insurance Companies in Kenya operated in a rather stable environment. However, following the issuance of the directive by the Government in 1978 requiring all foreign owned companies to be incorporated in Kenya by 1980 and the introduction of the Insurance Act Cap 487 of the Laws of Kenya, the industry has since experienced tremendous challenges and turbulence .with a number of the

companies collapsing and many others springing up from 15 in 1978 to the current 51. The increased numbers have led to intensified competition in the industry causing the players to plunge into unprecedented unethical practices of premium rate undercutting and imitation of competitors actions, payment of unauthenticated claims just to retain customers and market share. This has compromised service delivery.

Insurance continues to play an important role in the development of the economy hence the survival of the industry should not be left to chance. According to Irukwu (1977), insurance plays two vital roles in the economy. One as an economic device which is vital to the survival of other businesses by accepting to bear the financial loss of the Insured (s) and providing stability to both individuals, industrial and commercial undertakings. And two Insurance as financial institutions accumulate funds which they invest in the economy, in government and in privately owned industrial projects. The penetration of insurance in Kenya is 3.16% as at December 2012 attributed to initiatives such as regulatory framework, innovative products, adoption of alternative distribution channels, enhanced public education and use of technology. AKI Annual report (2013).

1.1.1 The Concept of Strategy

The word “strategy” has been used since Sun Tzu wrote the Art of War in the fourth Century B.C, Sun Tsu (1971) on military strategy. Mintzberg and Quinn (1996) defined strategy as the pattern or plan that integrates an organization’s major goals, policies, and action sequences into a cohesive whole.

A well formulated strategy helps marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents.

Porter (1980) sees strategy as a broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals. The essence of strategy being to choose a unique and valuable position rooted in systems of activities that are much more difficult to match. Porter (1996). Strategy is the game plan that companies utilize to achieve results. It is thus key in the overall performance of the organization. Strategy is the link between the organization and the environment and therefore an organization cannot operate without a strategy as it is operating to deliver service to the environment.

Strategy can either be informal-not documented or formal which is well structured, very clear and well documented. According to Kenichi (1982) the job of a strategist is to achieve superior performance, relative to competition, in the key factors for success. Skinner (1969) defines strategy as a set of plans and policies by which a company aims to gain advantages over its competitors. Anderson et al. (1989) address for issues as a strategic versus a tactical view of operations, the synergies between integrating business and operations strategic issues, how operations decisions demonstrate strategic opportunities and how conceptual structures define operations strategy.

Thompson et al., (2007) observed that strategy is a long term plan of action designed to achieve a particular goal, most often “winning”. Strategy is essential as there is no one ideal position in the market, operational effectiveness would be enough for a company to succeed but even operational effectiveness is not enough for the company to survive when it reaches a certain point. A company therefore needs a strategy that leads to sustainable advantage in order to differentiate itself otherwise there will be the risk of being copied. The authors agree to a large extent with Skinner that operations strategy should be an integrated and vital part of business strategy yet often is “the missing link”.

Strategy is a multi-dimensional concept viewed as: a means of establishing the organizational purpose in terms of its long-term objectives, action programs, and resource allocation; a definition of the competitive domain of the firm; a response to external opportunities and threats, and internal strengths and weaknesses, in order to achieve a sustainable competitive advantage; a way to define managerial tasks with corporate, business, and functional perspective. Strategy is analyzing the present situation and changing it if necessary. Incorporated in this definition is finding out what one's resources are or what they should be.

According to Chandler Strategy is the determination of an organization’s long-term goals, then adopting courses of action and allocating resources necessary to achieve the goals. Mintzberg, (1994) views strategy in various forms, as a plan, pattern, position, ploy and perspective. As a plan, it is a means of getting from hereto there. In other words, it is a "how". As a pattern, it is a pattern in actions over time. Thus, a company that regularly markets cheap, mass produced products is using a “Low end”

strategy. As a ploy strategy is designed to deceive or to manipulate for gain. As a position, strategy reflects decisions to offer particular products or services in particular markets. Lastly, as a perspective, that is, vision and direction. Based on all the above definitions of strategy, strategies can be seen as forward looking actions on fundamental issues that lead to goal accomplishment.

1.1.2 Performance of Organizations

Continuous performance is the objective of any organization because only through performance, organizations are able to grow and progress. Knowing the determinants of organizational performance is important especially in the context of the current economic crises because it enables the identification of those factors that should be treated with an increased interest in order to improve the organizational performance. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs or goals and objectives through strategies adopted by firms. Evidence suggests that large organizations use both financial and non-financial performance measures, but favour financial measures. Malina & Selto (2004).

Measuring the performance of an organization is a representation of quantification of results of various activities within the organization over a period of time-up to 5 years in case of adopted strategies. For Measurements to be undertaken, the link between objectives, strategies, performance measurements and organizational results and the relevance of performance matrices must be known. In recent years, many contemporary organizations have attempted to manage organizational performance using the Balanced Score Card methodology where performance is tracked and

measured in four perspectives of financial performance; customer service; Internal processes and Learning & Growth perspectives. The Balanced Score Card is a tool developed and introduced by Kaplan and Norton Professors of Harvard University in the early 1990s. The main aim of the Balanced Score Card is to give an organization a chance to translate its corporate strategy into action. Maria, et al (2002).

Another method of measuring performance of an organization is by use of the Deming model that stresses on the identification of variations in quality in process and fixing them. A third method is through the use of BALDRIGE Model that suggests that the standards used to measure the performance of an organization be derived from business strategy and must have the ability to relevant information. Maria, et al. (2002).

1.1.3 Strategy and performance of Organizations

Strategy forms part of firm's environment that is very critical in enhancing financial performance of organizations. The performance of an organization largely depends on the choice and effective implementation of strategy. There is a very high degree of interdependence between strategy choice, implementation and the performance of Insurance companies in an economy. The main reason behind this interdependence results from the fact that strategy is the main agent of policy implementation within any company or economy. It is conceptualized that firms that have effectively embraced and employed strategic planning, record better performance as compared to those that have not.

Hofer and Schendel (1978), Miller and Cardinal (1994) argue that firms record improved performance once they effectively embrace strategic planning. Carrying out the various steps in the strategic planning process is expected to facilitate the realization of organizational effectiveness. By defining a company's purpose and goals, strategic planning provides direction to the organization and enhances coordination and control of organization activities. Prescott (1986) examined the relationship between an organization's strategy and its performance. This study used a database that included 1,500 firms between the years 1978-1981. According to this study, business strategy significantly influenced performance, external environment having the role to mitigate the effects of strategy on performance. Caeldries and VanDierdonck (1988) following a survey of 82 Belgian Business firms reported a link between strategy and performance. They noted that strategy enables firms to strengthen its competitive position, facilitates integration and coordination of members' behaviour.

Pealtie (1993) observed that the main reason for the introduction of formalized strategic planning is to improve company performance through the development and implementation of better strategies. Pealtie noted that managing a large business without a plan is like trying to organize a car rally without a map, not impossible but difficult. Fubara (1986) did a survey in Nigeria and observed that companies that engage in formal planning experienced growth in profits. Performance is therefore dependent on strategy adopted and implemented.

1.1.4 Insurance Industry in Kenya

The Insurance Industry in Kenya consists of a number of players namely: Insurance and Reinsurance companies, Intermediaries and other Service providers. All these players contribute to the ultimate performance of the sector. Table 1.1 shows the numbers of Licensed and registered Insurance Players per category for the year 2013.

Table 1.1: Number of licensed Insurance Industry Players

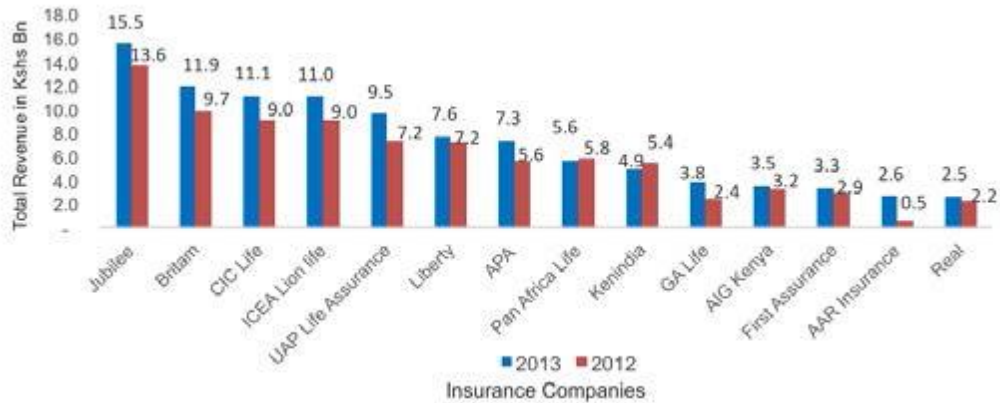
No.	Regulated Entity	Number Licensed
1	Insurance Companies	51
2	Reinsurance Companies	3
3	Insurance Brokers	187
4	Medical Insurance Providers	29
5	Insurance Investigators	134
6	Motor Assessors	105
7	Insurance Agents	4,631
8	Insurance Surveyors	27
9	Loss Adjusters	22
10	Claims Settling Agents	2
11	Risk Managers	8

Source: IRA (July 2014)

According to IRA Report 2013, the Insurance Industry involves 51 registered and licensed insurance companies providing Financial and Risk services to customers. 14 are composite Insurance companies (those that underwrite both the Life and General businesses), 25 General Insurance companies and 12 Life insurance companies.

Britam is one of the composite companies. Liberalization, increased emphasis on globalization, regionalization, regulation, competition, changing customer needs and preferences has led to a tremendous increase in the number of players' in spite of the dwindling economy and low per capita. The number of Insurance companies has increased from 15 in 1978 to 51 today. AKI December (2014). With insurance playing a significant role in the country's economic development, survival of insurance companies cannot be left to chance. Wanjohi (2002).

The Insurance industry in Kenya is regulated by the Insurance Regulatory Authority (IRA) a semi-autonomous regulator, set up in 2008. IRA is given the legal authority to improve regulation and stability of the industry and to ensure liquidity of the insurance companies. Its main objective is to promote prudent business practices, create awareness among the public and accelerate the growth of Insurance business in Kenya. IRA was also given powers to manage assets of insurance companies in the public interest and take any other action in this regard. The industry faces challenges such as political uncertainty, insecurity & money Laundering, Insurance perception, competition, cost of compliance, deregulation of certain industries and technological trends. Figure 1.1 shows the Top 10 Insurance Companies by total revenue as of December 2013.



Source: Britam estimates, AKI Insurance Industry Statistics 2013

Figure 1.1: Top 10 Insurance Companies by Total Revenue as at December 2013

1.1.5 British American Insurance Company Limited

British-American Insurance (Kenya) Britam is a subsidiary of British-American Investment (Kenya). Britam traces its origins to the Nassau Bahamas in 1920 as the British-American Insurance Company. A branch was established in Kenya in 1965 before becoming incorporated in 1979 with a local shareholding of 33 percent. In 1996, the company became a composite underwriter underwriting both the General and Life insurance covers/policies.

The company effectively diversified into other financial services in 2004 leading to the establishment of the parent company and an asset management company, British-American Asset Managers. The parent company was successfully listed in 2011 on the Nairobi Stock Exchange (NSE) as part of a strategy to broaden local ownership of its acclaimed brand. As a diversified financial services group, Britam has primary interests in Insurance, Asset management, banking, property and Private Equity. It is the overall market leader in the competitive Kenyan life insurance market of 23 underwriters.

As a dominant life insurance company, Britam's vision and strategic direction has been crafted through the rigour of regular board and management retreats and a strategic planning discipline that commenced in 1989. The retreats are facilitated by expert consultants with the board composed of outstanding entrepreneurs, public service officers and executives. For the last six years, Britam has been declared the Association of Kenya Insurers (AKI) Company of the year Individual Life Business' for performance of its Life Assurance Agents. An Award that recognises the volume and quality of business sold measured in terms of annualised premium income, number of policies sold and persistency. In 2012 the company was recognised as the 'most improved company' an achievement attributed to disciplined recruitment and successful training programmes.

Britam has become synonymous with a countrywide network of professional financial advisors. The financial advisory establishment today numbering 1, 500, twice the size of its nearest competitor. The company's competence in channel management extends beyond financial advisory services to over 140 independent incorporated Insurance Brokers licensed to operate in the Kenyan market. While the market is crowded and fragmented, Britam has engaged over 100 partners in the most profitable segments of the market, various banks including Equity Bank to establish a banc assurance Channel that was the first to record volumes of over KES 500 million in Credit Life Insurance. Through Majani Insurance Brokers, as an exclusive Channel, the company has bundled Life Insurance cover into Micro-Insurance solutions that has helped transform the lives of 100,000 families in the Tea Sector (KTDA)-Kenya Tea Development Authority and brings in KES 14 million per month for the company.

The group now offers a wide range of products to individuals, Small businesses, Corporations and Government entities. The range of products include Life insurance, Health and General Insurance through its insurance arm of the business, while financial solutions include Unit Trusts and Investment planning, Wealth Management, Off-Shore investments, Retirement planning, Discretionary portfolio management, property development Private Equity. The company has also developed strong partnerships with international and local companies. This includes: Franklin Templeton Investment, General International, Royal Skandia, Friends Provident, Equity Bank Limited, Housing Finance Limited among others to diversify their services as a one stop financial Services Provider.

Recording total Gross premium of KES. 4.3 billion, Total Assets KES. 25.4 billion and Investment income of over KES. 4.7 billion as at the end of December 2010. Human resource has also grown from 29 employees and 50 Agents in 1980 to 300 employees and 1000 Agents in 2010. A profit before tax of Kshs. 3.2 billion was recorded for the full year ending 31st December, 2013, a 12 per cent increase from the Kshs. 2.8 billion posted in 2012. Group total income grew to Kshs. 15 billion from Kshs. 11.7 billion, while investment income grew to Kshs. 6.3 billion in 2013 compared to Kshs. 5.0 billion in 2012. Total revenues for the group grew by 31 per cent to reach Kshs. 9.5 billion from Kshs. 7.2 billion in 2012, buoyed by the positive performance of its life, general and asset management businesses.

Britam's local and regional expansion strategy continues to bear fruit with the recent proposed acquisition of a 99% stake in Real Insurance Company ("REAL"). The satisfactory completion of this transaction will enable Britam to implement its

strategy of expanding its general insurance business and diversifying its presence into key geographical areas that include some of the most promising growth frontier markets in Africa-Tanzania, Malawi and Mozambique.

Britam controlled 4.4% of the market in terms of gross written premium as at the end of December 2012 while Real Insurance controlled 3.1% according to the Association of Kenya Insurers (AKI). 2010 .Marked Britam's regional expansion commenced with the group venturing into Uganda with the incorporation of Britam Insurance Company (Uganda) Limited that was later licensed by the Uganda Insurance Commission commencing business on November 24, 2010. Britam local expansion has seen its presents and footprints in the 18 counties in Kenya.

1.2 Research Problem

The types of strategies adopted by the different insurance companies are a major determinant on the achievement of their objectives and the ultimate performance in the industry. Strategy has the potential to trigger or inhibit profitable activities and practices. The management has to select strategies (strategy) that are most appropriate to remain competitive in the turbulent environment. Awino et al (2011). This can only be achieved after a careful and informed analysis of the environment and identification of the primary factors that could affect the organizations operations.

The strategy should be carefully aligned to the objectives, organizational structure, systems, capabilities and resources. Strategy links the organization to the environment and strategy chosen in turn has an effect on the performance of an organization and that the performance may vary from one strategy to another depending on the measure of performance used.

Britam has become the dominant Life Insurance Company in a competitive market of 23 underwriters. The life insurance market in Kenya is segmented into four, with Britam as the overall market leader. The company has been declared the Association of Kenya Insurers Company of the year for the last 6 years, Individual life business for the performance of its Life Insurance Agents. This award recognises the volume and quality of the business sold measured in terms of annualised premium income, number of policies sold and persistency. In 2012, Britam was recognised as the “most improved company”.

The company has become synonymous with a countrywide network of professional financial advisors with the financial advisory establishment today numbering 1,5000-twice the size of its nearest competitor, over 140 independent incorporated Insurance Brokers licensed to operate in the Kenyan Market. While the market is crowded and fragmented Britam has engaged over 100 partners in most profitable segments of the market. The company has realised exponential growth across the business on adopted policies, a variety of new and differentiated products and services.

The company has evolved over the years from a home service Life Insurance branch to a leading Insurance brand in East Africa offering life, health, property and casualty insurance products and pension plans. Today the company is one of the largest underwriters of combined Life business (group Life, Ordinary Life, Unit-linked Life & deposit administration). The general Insurance business has grown significantly achieving a net premium income of Kshs. 3.1 billion in 2013. Structural reorganization has also been undertaken to support and serve the regional expansion focus adequately. It is against this background that the study seeks to understand the effect of strategy on Britam’s organizational performance both financial and non-financial.

Studies on strategy and organization performance indicate different results on the existing relationship. For instance Caeldries and VanDierdonck (1988) following a survey of 82 Belgian Business firms noted that strategy enables firms to strengthen its competitive position, facilitates integration and coordination of members' behaviour. Pealtie (1993) observed that the main reason for the introduction of formalized strategic planning is to improve company performance through the development and implementation of better strategies.

Fubara (1986) did a survey in Nigeria and observed that companies that engage in formal planning experienced growth in profits. Hofer and Schendel (1978) a study on 97 manufacturing firms that averaged \$20 million in annual sales yielded a strong positive correlation between the degree of planning formality and firm performance.

Awino at el (2011) carried out a study on effect of strategy on firm performance. The findings confirmed that Firm level factors, Firm strategy, Business environment had an effect on firm's performance. Asiabugwa & Munyoki (2012) also carried out a study on E-commerce strategy and performance in commercial banks in Kenya. The study established that the performance of any bank is affected by different strategies that the banks adopt. It further established that for the banks to be effective, efficient, relevant and financially viable, then strategies like e-commerce are inevitable in adopting in the banking industry. The banks which have adopted the e-commerce strategy have realised improved performance while those that have not adopted the e-commerce strategy are struggling in their performance.

Arasa and K'obonyo (2012) conducted a study on the relation between strategic planning and both financial and non-financial performance indicators. The findings of the study are that companies record improved performance once they effectively embrace strategic planning. Aosa et al (2012) carried out a study on the implications of Strategy and resource configurations on performance of non-governmental organizations. The study established that strategy –intangible resources were significant with other domains on performance.

Despite the above mentioned studies, no known study has been conducted to establish the effect of strategy on performance for Britam. Britam varies her strategies frequently and there is need to find out the effect of these variations on Britam's performance. The research therefore seeks to establish the effect of strategy on performance by answering the question, what is the relationship between strategies employed and performance of British American Insurance Company Limited?.

1.3 Research Objective(s)

The objective of this study is to determine the effect of strategy and performance of British American Insurance Company Limited.

1.4 Value of the Study

The findings of this study provide an insight into the relationship of adopted and properly implemented strategies on performance in the Insurance Industry in Kenya. Hence is significant to policy makers as a guide to them when making policies regarding the Insurance Sector.

The Insurance Regulatory Authority (IRA) are able to understand the effect of different strategies on the performance by individual Insurance companies and how it affects the economic growth and development of the insurance industry and the country's economy on the whole.

The findings of the study are significant to management and other industry players in that they get to understand the best strategies to employ and their implication/effect on organizational performance. Management are able to understand and select strategies effectively, carefully aligned with the organization environment, objectives, targets, operational structure and systems to achieve superior and favourable financial performance.

Academicians and researchers may use the findings from the study as a source of reference. Besides, the study is a basis for further research. The findings from this study also provide more literature to support existing theoretical propositions on the effect of strategy on performance of organizations. It is a significant source of literature on strategy and performance of Britam for future researchers or those in academic field.

The findings of this study are also significant to the private investors as they are able to evaluate returns based on strategies adopted and therefore enable identification of those strategies that will offer maximum returns on investment. And on theory the findings confirm the findings of other researchers on the positive relationship between strategy and performance of organizations.

Part of what determines a company's insurance financial rating is their ability to pay policy related claims. The higher the financial rating, the greater the chance that the company will be able to support claims that are made on your policy. An Insurance Company has to be financially stable in order to support million dollar life insurance claims and the like. The findings of this study will therefore assist clients to make informed choices on their Life Insurance Policies provider in the market.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains the review of various studies that are relevant to Strategy and organizational performance. It presents a review of the relevant theories that explain Strategy and organizational performance; literature on empirical studies conducted on Strategy and Organizational performance.

2.2 Theoretical Foundations

The Theories that have been used to explain the Strategy and organizational performance relationship in this study are The Resource-Based Theory also referred to as The Resource-Based View (RBV) and The Dynamic Capabilities Theory.

2.2.1 Resource-Based Theory

The Resource-Based Theory (RBV) was named by Birger Wernerfelt in 1984. However the origins of the theory can be traced to the works by Selznick (1975), Penrose (1959), Stigler (1961), Chandler (1962) and Williamson (1975) where they put emphasis on the importance of resources and its implication on firm performance. The theory is based on the concept of economic rent and the view of the company as a collection of capabilities highlighting the need for a fit between the external market context in which a company operates and its internal capabilities. Economic rent being what companies earn over and above the cost of the capital employed in their business. It is the measure of competitive advantage, and competitive advantage is the only means by which companies in competitive markets can earn economic rent.

The basis of the resource –based view is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature. Teece et al (1991). Thus the essence of strategy is or should be defined by the firm’s unique resources and capabilities, Rumelt, (1984). Furthermore according to Conner, (1991) the value creating potential of strategy, that is the firm’s ability to establish and sustain a profitable market position, critically depends on the rent generating capacity of the underlying resources and capabilities. The theory suggests that a firm’s unique resources and capability provide the basis for strategy. The business strategy chosen should then allow the firm to best exploit its core competencies relative to opportunities in the external environment.

According to Barney (1991) RBV explains that a firm’s sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific goals. Barner further argues that the underlying logic holds that the sustainability of effects of a competitive position rests primarily on the cost of resources and capabilities utilized for implementing the strategy pursued. These authors hold that a firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare.

Lobez (2005), Helfat and Peteraf (2003) hold the view that not all resources of a firm may contribute to a firm’s sustainable competitive advantage as varying performance between firms may be as a result of heterogeneity of assets.

The resources are inputs into a firm's production process such as capital, equipment, the skills of individual employees, Patents, finance and talented managers. They may thus be either tangible or intangible. It is through the synergistic combination and integration of sets of resources that competitive advantages are formed as individual resources may not create competitive advantage.

Some critics however argue that RBV may be tautological or self-verifying. That the definition of a competitive advantage as a value creating strategy based on resource by Barney (1991) among other characteristics as valuable is a circular reasoning and therefore operationally invalid. According to Priem & Butler (2001a) Barney's perspective does not constitute a theory of the firm as the conditions of law like generalizations of empirical content; nomic necessity and generalization conditions are not met.

There is the assumption that a firm can be profitable in a highly competitive market as long as it can exploit advantageous resources, but this may not be necessarily the case. It ignores the external factors concerning the industry as a whole. A firm should also consider Porter's Industry structure analysis of the five forces. Lippman & Rumelt (1982) argued that a prominent source of sustainable competitive advantage is causal ambiguity as a firm may not be able to manage a resource it does not know exists. The concept of rarity is obsolete. Hoopes, et al (2003) argue that the concept that resources need to be rare to be able to function as a possible source of a sustained competitive advantage is unnecessary.

2.2.2 Dynamic Capabilities Theory

Teece (2007) originated the theory to explain how companies fulfill seemingly contradictory imperatives. The First is they must be both stable enough to continue to deliver value in their own distinctive way. And the second is to be resilient and adaptive enough to shift on time when circumstances demand it. Teece defines capability as a set of learned processes and activities that enable a company to produce a particular outcome. Ordinary capabilities being like the best practices that typically start in one or two companies spreading to the entire industry whereas dynamic capabilities are unique to each company and are rooted in the company's history.

Dynamic capabilities are captured not just in routines but in business models that go back decades and are difficult to imitate. Lynda Gratton and the late Sumantra Ghoshal called them "Signature Processes". According to Teece, these Signature processes are based on things that the company has done in the past, going back to its origins. As the business niche changes, the capability changes accordingly. Companies adapt in a process much like evolutionary fitness, Teece et al (1977). Teece suggests that three types of managerial activities can make a capability dynamic.

The first is sensing meaning identification and assessment of opportunities outside the company. The second activity is seizing by mobilizing a company's resources to capture value from those opportunities. The third activity is transforming into continuous renewal. This framework according to Teece explains how to get the future right, how to position today's resources properly for tomorrow. Teece, (2007).

Teece defines a capability as a set of learned processes and activities that enable a company to produce a particular outcome. The Term "Dynamic" refers to capacity to renew competences so as to adapt to the changing business environment and the term "capabilities" emphasizes the key role of strategic management in appropriately adapting, integrating and reconfiguring internal and external organizational Skills, Resources and functional competences to match the requirements of changing environment. According to Eisenhardt & Martin, (2000), Dynamic Capabilities refer to the firm's ability to alter the resources base by creating, integrating, re-combing and releasing resources.

The dynamic capabilities approach other than an inward-looking view of the organization and its strategy also has a central focus on the degree of "fit" over time between the organization's changing environment and its changing portfolio of activities and capabilities.

Porter, (1996). Leonard-Barton (1992) defines dynamic capabilities as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Where dynamic capabilities reflect an organization's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions. Dynamic capabilities are the antecedent organizational and strategic routines by which managers alter their resource base, acquire and shed resources, integrate them together, and combine them to generate new value creating strategies. Grant (1996); Teece and Pisano (1994).

Dynamic capabilities are however criticized for being described in vague terms such as “routines to learn routines” hence are tautological, endlessly recursive, and nonoperational. The mechanisms by which dynamic capabilities influence firm performance are not well understood .Zott, (2003).

2.3 Strategy and Performance of Organizations

In more than three decades, strategic planning advocates, researchers and management practitioners have argued for its legitimacy as a tool of effective strategic management. Arguments based on a presumed positive relationship between strategic planning and organizational performance. Specifically they link strategic planning with improved financial performance, effective organizational mission definition, competitive advantage and organization-environment alignment critical to creating and sustaining superior competitive advantage. Miller (1998), Mintzberg et al (1998).

Robinson and Pearce (1988) suggested that planning should be studied as an exogenous variable influencing the relationship between the concept of strategy and organizational performance. According to Rhyne (1986), organizations whose planning processes follow the prescription of strategic management theory tend to perform better than other organizations.

Strategic planning applies a system approach by looking at a company as a system composed of subsystems. It permits managers to look at the organization as a whole and the interrelationships of parts, rather than deal with each separate part alone without reference to others. Therefore, it provides a framework for improved coordination and control of an organization’s activities. Strategic planning provides a

basis for other management functions. Steiner (1979) observes that strategic planning is inextricably interwoven into the entire fabric of management. It provides a framework for decision-making throughout the company and forces the setting of objectives, which provides a basis for measuring performance. Managers are able to spend time, efforts and resources in activities that pay off. Setting of goals and targets on the other hand facilitate evaluation of organization performance. Individuals in an organization will strive to achieve clear objectives that are set.

Kotter (1996) argues that the strategic planning process can be used as a means of repositioning and transforming the organization. Thompson, et al (2007) postulate that the essence of good strategy making is to build a market position strong enough and an organization capable enough to produce successful performance despite unforeseeable events, potent competition, and internal difficulties. Quinn (1980) explains that well-formulated strategies helps marshal and allocate an organization's resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents. From Stainer's point of view, a wrong strategy or a wrongly formulated strategy may not translate into the anticipated value of the organization. Stainer (1978).

Strategy as a field of enquiry developed from a practical need to understand reasons for success and failure among organizations. This led to the overall performance and on the top management. The works of Chandler (1962) and Andrews (1971) created a view that strategy is made at the top and executed at the bottom, further reinforcing the fields focus on the top management while implementation was seen as secondary

Floyd and Woolridge (1996). These two underlined the importance on the involvement of line managers in the process in order to make strategic plans effective.

Mankins and Steele (2005) observed that companies typically realize only about 60 percent of their strategies potential value because of defects and breakdowns in planning and execution. Hofer and Schendel (1978) argue that strategy is important and therefore its formulation should be managed and not left to chance. Therefore, each of the stages in the strategic planning process cannot be taken for granted.

Porter (1980) argues that a firm can achieve a higher level of performance over a rival or competition in more than one way. This he says can be achieved through either provision of a product or service at a lower cost hence possess cost advantage and become a cost leader or provide a product or service that is differentiated in such a way that the customer is willing to pay a price premium that exceeds the additional cost of the differentiation and possess a differentiated advantage.

2.4 Previous Studies and Knowledge gaps

Various empirical studies have been done to establish the relationship between strategic planning and firm performance with varied conclusions. The initial studies include that done by Thune and House (1970). Thune and House studied 36 companies employing the approach of examining the performance of each company both before and after formal strategic planning was initiated. This covered both informal and formal planners. The comparison showed that formal planners outperformed the informal planners on all the performance measures that were used. Herold (1972) in an attempt to cross-validate Thune and House (1970) study, surveyed 10 companies, comparing performance of formal and informal planners over

a 7-year period. Based on the survey results, he concluded that formal planners outperform informal planners and hence, supporting the results of Thune and House (1970). Gershefski (1970) in his survey compared the growth of sales in companies over a 5-year period before strategic planning was introduced, and over a period of 5 years after planning was introduced. The results of the comparison led Gershefski to conclude that companies with formal strategic planning outperformed companies with little planning.

Ansoff et al (1970) conducted a study on the relationship between formal strategic planning and organizational performance. The study featured a sample of manufacturing firms that had acquired other firms. The objective of the study was to determine the impact of strategic planning on successful acquisitions. The companies were grouped into planners and non-planners and performance of each group evaluated with twenty-one financial measures. The results showed that companies that practiced strategic planning outperformed those that did not. Another study was carried out by Thune and House (1970) on thirty-six companies in six industries. The main aim was to determine how the adoption of formal, long-range planning has effects on a firm's economic measures. The second part of the study that dealt with industry –by-industry analysis showed that firms with formal strategic planning in drugs, chemicals and machinery clearly outperformed those without.

Many of the studies on the relationship between strategic planning and firm performance were done between 1970s and early 1990s, in the developed economies. These studies focused on the direct relationship between strategic planning and firm performance. Although the studies within the African context by Woodburn (1984),

Adegbite (1986) and Fubara (1986) noted that firms that practiced strategic planning recorded better performance compared to non-planners, their focus, however, was on the formality of planning rather than the link between planning and firm performance.

Imoisili (1978), studying indigenous and multinational companies in Nigeria, concluded that the more effective companies are found among organizations which maintain consistency between environmental perception and management practices, do long-term planning, use more flexible control systems and have smaller spans of control and this is achieved through the strategy link.

In their seminal contribution, Teece et al. (1997) argue that dynamic capabilities enable organizations to integrate, build, and reconfigure their resources and competencies and, therefore, maintain performance in the face of changing business environments. The notion of dynamic capabilities was subsequently refined and expanded by Eisenhardt and Martin, (2000); Zollo and Winter (2002); Teece, (2007); Helfat et al., (2007) among others. However, a concise and comprehensive definition of dynamic capabilities has not been reached yet. Empirical testing concerning the influence of dynamic capabilities on firm performance has been hampered by difficulties regarding their description, operationalization and measurement and by their assumed tautological relationship with firm performance.

However, there is increasing evidence that a firm's dynamic capabilities significantly affect firm performance. For example, Henderson and Cockburn (1994) confirm that a firm's ability to integrate knowledge from external sources is positively related to its research productivity, measured by patent counts.

Zollo and Singh (1998) in their study of post-acquisition integration processes in the banking sector, provide evidence that acquirers who invested more effort in codifying their integration processes achieve superior profitability performance compared to competitors. Despite the ongoing progress made in the empirical inquiry of the differential effects of specific dynamic capabilities, it seems that few studies have provided a comprehensive account of their precise impact on firm performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, the data collection procedures and techniques that were used to generate, measure and analyse the data and the target group. This was against the background of the research objective of determining the effect of strategy and performance of Britam.

3.2 Research Design

The research design involved a descriptive case study. The unit of study was British American Insurance Company Limited. Rajendra (2008) has defined a research design as the linkage and organization of conditions for collection and analysis of data in a manner that aims at combining relevance to the research purpose with economy in the procedure.

The purpose of a case study is to understand situations or phenomenon by obtaining in-depth details or information and not a generalization. It also allows establishment of relationship between variables. This kind of study also focuses on collecting information which are based on current status of the phenomenon which explains what occurs in relation to various variables in a situation.

3.3 Data Collection

Both secondary and primary data was sourced and utilized for purposes of addressing the research objective. The secondary data was extracted from existing published and unpublished records such as the Association of Kenya Insurers (AKI) and Insurance Regulatory Authority (IRA), Annual Publication Articles, related journals, electronic data and the audited financial statements. Primary data was collected through administering interviews with the use of interview guides consisting of open ended questions that allowed the interviewees to answer in their own words and also the researcher to probe for further information.

The Top management (MD/GCEO, General and Line Managers were the study key target respondents. The researcher managed to have a one on one interview with the General Manager-Insurance Services at his place of work for purposes of convenience for him and also to ensure collection of sufficient data and a telephone interview with a Senior Manager Sales and marketing. The data collected was for a duration of five years from 2009-2013. The period was considered appropriate since most strategies spread over periods of four to five years.

3.4 Data Analysis

The primary data collected during the interviews was largely qualitative in nature. The secondary data had both qualitative and quantitative aspects. The researcher therefore found Content Analysis to be the most appropriate technique for analyzing the data.

Berelson (1952) has defined Content analysis as a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding. Mugenda and Mugenda (1999) observes that content analysis involves observations and detailed description of objects, items or things that comprise the study. Content analysis is useful in obtaining new ideas in even what is thought to be unknown.

Content analysis enables researchers to sift through large volumes of data with relative ease in a systematic fashion GAO, (1996). Weber (1990) postulates that content analysis can be a useful technique for allowing us to discover and describe the focus of individual, group, institutional, or social attention.

The interview guides were unified to allow for determination of reliability and variability in the answers given by the respondents for the same questions. It was possible to identify areas of emphasis, interest, and confidentiality from the respondents both choice of words and hesitation in answering the relative questions.

The identification of these patterns enabled the researcher to evaluate and analyze the data and determine the effectiveness of the information in answering the research questions, What is the relationship between strategies employed and performance of British American Insurance Company Limited?

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, results, and discussion of the findings. The overall objective of the study was to examine the relationship between strategies adopted and performance of British American Insurance Company Limited for the period 2009-2013.

4.2 Data Analysis

The study sought to collect and analyze data from secondary sources such as audited financial statements of Britam, published and unpublished records of AKI, IRA Annual Publication Articles and related journal electronic data . Primary data was collected through interviews. One General Manager in charge of the General Insurance business and one Senior manager-sales department were interviewed. Both have served in the company for periods of over five years in the senior positions and hence were considered objective and well equipped to give the most reliable answers to the questions asked.

The strategies examined were: property development, expansion, product innovation and Information technology. The study sought to investigate the relationship between organizational performance between the independent variables within a period of five years (2009-2013) to establish whether the strategies adopted by the company had a significant effect on the organizational performance.

The company's vision is to be the most trusted Financial partner with the main objective of being the market leader. Britam offers a wide range of products and services namely: Life Insurance, Health and General Insurance, Unit Trusts and Investment Planning, Wealth Management, Off-Shore Investments, Retirement Planning, Discretionary Portfolio Management, Property Development and Private Equity. Serving customers that include Individuals, Small businesses, Corporations and Government entities.

The ownership of the company drawing attention to shareholders and central local ownership was given as follows: The shares of the British-American Investments Company are traded on the Nairobi Stock Exchange, under the symbol: "**BRIT**". After the conclusion of the Real Insurance acquisition, the shareholding in the group's stock was as depicted in the Table 4.1.

Table 4.1 British-American Investments Company Stock Ownership

Rank	Name of Owner	Percentage Ownership
1	British American (Kenya) Holdings Ltd	23.28
2	Equity Holdings Limited	20.84
3	Jinnah M. Mbaru	11.28
4	Benson I. Wairegi	5.16
5	Kenya Commercial Bank Nominee A/C 915	4.70
6	Peter K. Munga	3.86
7	James Mwangi	3.86
8	Co-op Bank Custody A/C 4012	3.09
9	Filimbi Limited	3.01
10	Royal Ngao Holdings Ltd	2.67
11	Others Local and International Investors	18.25
	Total	100.00

Source: Britam Audited accounts 2013

The group's headquarters are located at Britam Centre in Upperhill Nairobi, Kenya with subsidiaries in Kenya, Uganda, South Sudan, Rwanda, Tanzania, Malawi and Mozambique. The flagship company of the British-American Insurance Company (Kenya) Limited commonly referred to by its brand name "Britam".

The board of Britam comprises of two executives and six non-executive directors with responsibilities clearly spelt out in both the Articles of Association of the company and the Board Charter. The Board has delegated the authority for day-to-day management of the company to Regional Directors but retains overall responsibility for the company financial performance, compliance with laws and regulations, and monitoring of its operations as well as ensuring competent management of the business. The board's maintenance of effective control over strategic, financial operations and policy issues ensures commitment to the highest standards of corporate governance and business ethics ultimately determining the company's strategic objectives, values and key policies in accordance with best practice.

Recognizing that good governance is key to the enhancement of business performance, the board of directors discharges its duties and responsibilities in the best interest of the company, its shareholders, customers, business partners and the wider community. The focus is on the fact that the company's corporate values and ethics are entrenched in their strategic objectives focused on transforming and accelerating growth in value for the benefit of all stakeholders.



Source: Britam annual report & financial statements (2013)

Figure 4.1: Function of Board of Directors

As had been anticipated, Britam just like other Insurance companies in Kenya embrace and practice the concept of strategic planning .At the introductory stage of the interview, it was revealed that the company had carried out a SWOT analysis and established their internal strength and weaknesses, their external opportunities to take advantage of and threats to be minimized and or eliminated. The analysis revealed what is in Table 4.2.

Table 4.2: SWOT Analysis

Strength	Weaknesses
<ul style="list-style-type: none"> -Strong Balance Sheet-debt free -Regional presence -Product innovation-new medical Insurance cover 	<ul style="list-style-type: none"> -Not diversified -Overexposure to equities thus earnings tend to fluctuate with the stock market -Few and Costly delivery channels

Table continues on page 38

Opportunities	Threats
<ul style="list-style-type: none"> -Operates in a growing sector-Insurance penetration still low in East Africa -Cross selling opportunities -Banc assurance- Through Equity Bank and Housing Finance’s vast branch networks across the region -New delivery channels-mobile telephone 	<ul style="list-style-type: none"> -High claims-mostly fraudulent -High Morbidity rates mostly due to life style diseases -Political risk -Competition-The Kenyan Insurance sector has too many players. Price undercutting is a common norm.

Source: Britam website (2012)

It was against this background that the management embarked on strategic planning program. The strategic planning process adopted by Britam from the early 1980s-85 has been very central to their success. This was adopted in a 4-5 year cycle and it marked the beginning of their success. From the late 1980s and early 1990s, they have been able to achieve their targets within the first three years of the strategy cycle. Strategic planning has been the source of their marked progress where they have established a clear vision and mission statement.

The vision is drawn from the vacuum created by the mistrust of the lack of trust of the market of the would be customers and hence sought to occupy the mistrust in order to build trust. For the period under study-2009 to 2013 the company adopted a number of distinct strategies as highlighted below in an effort to achieve their objectives and desired performance. The company also changed its name from Britak to Britam in order to harmonize its brand identity across its regional markets.

4.2.1. The growth of the Group’s market share through Local Expansion

To ensure that their business in Kenya continues to grow, Britam increased their distribution network and channels by opening 18 new branches in various counties, use of Brokers, sales force was increased to 1,500 from 1,085, appointed new franchises and independent agents and increased Banc assurance partners.

These multiple distribution channels, when combined with core financial advisory network of close to 2,000 financial advisors, were expected to bring more business and grow the company’s market share. The Table 4.3 shows Britam’s insurance performance in the Kenya sector.

Table 4.3 Britam Insurance Kenya Sector Performance

Variables	Rank	Market Share
Overall Life Insurance business (based on gross premium)	1 st	18.1%
Ordinary Life (based on gross premium)	1 st	24.0%
Group Life (based on gross premium)	3 rd	12.0%
General Insurance (based on gross premium)	6 th	4.0%
Britam Asset Management Sector Performance	Rank	Market Share
Unit Trust Funds Market (based on Assets under mgt)	1 st	36.0%

Source: IRA Report 2013

British American Investments recorded 25 per cent rise in half year profits for 2013 to realize Kshs. 2.3 billion profit before tax buoyed by benefits from revenue diversification and increased local and regional presence. The remarkable growth has been supported by growth of various business Units locally and across the region due to the continued focus on product innovation and geographical (local and regional) expansion.

4.2.2 Regional Expansion Strategy

Expansion into the region was started in 2010 when Britam Insurance Company (Uganda) Limited opened its doors for business. The Ugandan subsidiary is fully operational licensed to underwrite all classes of life and non-life insurance risks. Britam Uganda revenues grew by 105 percent attributable to new market entry.

In 2012, Britam Insurance Company Limited (South Sudan) licensed to underwrite all classes of life and non-life insurance was opened. It commenced operations in November 2012 . South Sudan revenues grew from I million in 2012 to Kshs. 114 million in 2013. While a 3rd regional office was opened in Rwanda in 2013 as Britam Insurance Company Limited (Rwanda). It was incorporated in 2013 and licensed to underwrite all classes of life and non-life insurance. The completion of acquisition of 99 percent in Real Insurance Company limited accords the company foreign-regional expansion and Greenfield operations to Tanzania, Malawi and Mozambique.

To attain the regional growth strategy Britam;s Group CEO appointed heads to steers regional growth. Regional Director in charge of Insurance business in Kenya, Uganda, South Sudan and Rwanda. He recognized that implementation of this ambitious

strategy required a new structure hence the necessity to expand the roles of key senior departmental heads, to represent regional affairs. The team was well equipped to fully exploit the growth opportunities available in the region while providing consumers with high quality products and service.

4.2.3. Property Development Strategy

Property development and investment is one of the company's key strategic initiatives aimed at enhancing shareholder value as well as diversifying their investment portfolio. Towards this end Britam acquired Bramer Property Limited, a subsidiary of the Britam Group that was fully incorporated in November 2012 and started operations in 2013 with the aim of becoming the leading property development company in Eastern Africa. This led to exponential growth across the business with 45% contribution on revenue.

The Company was formed to focus on development of master planned communities, shopping malls, commercial mixed use development, commercial offices, affordable and modular housing and budget hotels. To increase Britam's capacity to undertake large scale property developments and launch new and innovative products in the real estate sector the company acquired a 25 percent stake in Acorn Group, a project management and property development group. Through Acorn Britam will deliver property development, property investment and real estate backed investment products in one package.

The unrivaled partnership provides the market with end-to-end solutions that were previously not available to land owners, investors, financial institutions, pension funds and asset managers. Britam also holds strategic investments in Equity Bank- 10.1% and 21.4% stake in housing Finance company limited.

On real Estate Investment strategy the company looks at extending its real estate investment across the different property divides in Kenya. This has been necessitated by the property market that continues to grow and key sectors of the market have provided strong capital appreciation and yields in the recent past. Britam's interest in the property development is attributed to the high returns offered by the segments and stability of the housing market, where demand outstrips supply especially in the residential segment.

4.2.4 Product Innovation Strategy

Britam's continued focus on innovation and its use of cutting edge technology to deliver products and services to customers across all social and economic situations has received both local and international recognition. Britam won the World Class Innovation Award at the ICT Excellence Awards a proof that Kenya can take on the world in Technology innovation. This award recognizes an outstanding example of home grown technology which has made a mark on the global market.

Through this strategy, Britam has adopted Banc assurance schemes as a strategy to win back the trust from the market as customers trust their Banks and hence prefer using them as opposed to Insurers or Agents. They also have products like Linder Jamii that target the lower end of the market.

Linda Jamii product has been tailor made to ease the medical burden particularly for people working in the informal sector. The product enables this particular category of people access medical care in more than 600 hospitals countrywide. The product adopted a micro-saving model that uses M-PESA as the premium collection platform where premium is paid in installments and have access to partial benefits on accumulating KES 6,000 in contributions. The Linda Jamii policy provides cover for persons from age 18 to 75 years, as well as their children. Statistics indicate that only 3 percent of the Kenyan population has health insurance which is mainly employer based policy, meaning about 38.8 million Kenyans have no health insurance.

The company is a leader in Micro-insurance having issued over 2 million insurance covers and attracted an ILO Micro-insurance grant in 2009 which has registered tremendous growth in the short term segment. Insurance growth drivers on new product development strategy registered high value. The micro insurance line of business grew by 41 per cent from Kshs. 132 million to Kshs. 187 million. General insurance conventional line of business grew by 34 per cent, Ordinary Life Revenues grew by 33 per cent while Credit Life grew by 29 per cent from Kshs. 605 million to Kshs. 782 million.

Britam's Half year results for 2013 were a significant improvement over 2012 on all key measures, with excellent growth in profitability, driven by a strong growth in written premium, investment income and a material uplift in new business growth. Premiums have continued to grow due to new business underwritten, introduction of new products and enhancement business relationships with brokers and Agents. Coupled with a good track record of claims settlement, policy holders have continued to give them more business.

Revenues from the Asset Management business grew by 62 per cent in 2013. The growth was driven by innovation in the business that has led to increased number of products being offered by the business which was targeting a more diverse market. The new products which are largely alternative Asset management products, contributed 34 percent of the total revenues while traditional products like Unit Trusts and Private Funds contributed 64 per cent of the total revenue for the year ending 31st December 2013. Britam has identified the asset management as a critical part of its growth strategy using it to deploy cash raised from clients and the Insurance operations.

4.2.5 Information Technology Strategy

Britam recognizes the critical role of ICT in supporting the business growth and provision of excellent services to their clients and stakeholders. This IT program when fully completed by 2016 will provide a single view of the customer, technology driven service delivery channels, product and service differentiation and cost efficient business processes. This has provided the company with Technological transformation and capacity management.

Currently, Britam is able through this IT system to advise their clients and make payments on Life business a month before the maturity dates, Make payments on general claims with monies forwarded to clients within a time period of 5 days no matter the amounts involved among other benefits. This strategy is to enable Britam to be an intelligent organization optimally by 2016.

4.3 Discussion

This section shows how the findings of the study are linked to the adopted theories. The section also makes citations of what other authors/researchers have said and found from studies carried out. Measures put in place by Britam to counter certain challenges are also highlighted.

The results show that strategy has a direct influence to the performance of an organization. The findings of this study conform to the theory that strategy is a game plan that companies utilize to achieve results. It is thus key in the overall performance of the organization. As pointed out by Kenichi (1982) the job of a strategist is to achieve superior performance relative to competition, in the key factors of success. Strategies that are well aligned to the environment within which the organization operates enable realization of the desired performance. Strategy being the link between the organization and the environment and therefore an organization cannot operate without a strategy as it is operating to deliver service to the environment.

A company has to put measures in place that will keep them ahead of their competitors. Skinner (1996) defines strategy as a set of plans and policies by which a company aims to gain advantages over their competitor. Anderson et al (1989) looks at issues as a strategic versus a tactical view of operations, the synergies between integrating business and operations decisions demonstrates strategic opportunities and how conceptual structures define operations strategy.

To attain the regional growth strategy, Britam's management restructured their operations structures, operational responsibilities and redefined managerial roles to take account of both the local and regional expansions. The Management recognized that implementation of this ambitious strategy required a new structure hence necessity to expand the roles of key senior departmental heads, to represent regional affairs. The team was well equipped to fully exploit the growth opportunities available in the region while providing consumers with high quality products and services.

Various studies have been carried out by Awino et al (2011) on effect of strategy on firm performance. The study confirmed that Firm levels factors; Firm strategy and business environment had an effect on firm's performance. Fubara (1986) did a survey in Nigeria on formal planning and performance and observed that companies that engaged in formal planning experienced growth in profits. Aosa et al (2012) carried out a study on the implication of strategy and resources configuration on performance of non-governmental organizations. The study established that strategy-intangible resources were significant with other domains on performance. All the study's findings are in line with the findings of my study.

General challenges faced by Insurance firms in Kenya are significant but these challenges help to differentiate and accentuate the standing of successful players. Britam too experiences the challenges and has developed mechanism of countering the challenges to ensure that it stays afloat. This reaction is in line with the dynamic capabilities theory.

Leonard-Barton (1992) defines dynamic capabilities as the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments. Where dynamic capabilities reflect an organization's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions.

Education of the public with regard to the use of Insurance products is virtually non-existent thereby contributing to under-utilization and low uptake by ordinary Kenyans and SMEs. This shortcoming is felt especially on Life Insurance which is not regarded by households as an important channel for long-term savings and/or provision against adverse events as witnessed by the low penetration which according to the 2012 AKI annual report is slightly above 1.0%. These challenges are being systematically addressed by the IRA which was established in 2008 with the mandate to promote the insurance industry as well as regulate it.

The crisis of lack of confidence in the insurance industry. The public has no trust in the insurance companies as they (insurance companies) are seen to collect premiums from the customers but do not pay claims as they come up with various excuses to avoid arising claims. A good number of Insurance companies have collapsed leaving their unprotected clients to lose their property through auctions. Bad press has not helped the situation. Britam has countered this challenge by using banks through Banc-assurance to access clients as clients always have more trust in their banks than Agents. This has been enabled by partnerships with Equity Bank.

Distribution channels are vital for any business. In the insurance industry, the choice is to systematically build a tied agency network and /or use the licensed intermediaries of the industry. Intermediaries have a very strong position with respect to access to the customers and timely onward payment of premiums to the insurance companies. An amendment to the insurance Act ensured that insurance risks are underwritten on cash and carry business thereby limiting the power of intermediaries and ending a regime in which collection of premium was a serious challenge.

The industry is also afflicted by high distribution costs due to low adoption of technology. Britam has countered this challenge increasing their distribution network and building strong relationships with brokers, use of multiple channels such as franchise and partnerships to expand reach to all segments of the market, use of independent Agents, opened branch outlets (28) in all the counties.

The company's competences in channel management extends beyond financial advisory services with over 140 independent incorporated insurance brokers licensed to operate in the Kenya market. Britam has also partnered with various banks including Equity Bank, to establish a banc-assurance channel that was the first to record business volumes of over KES 500 million in Credit Life Insurance Cover. Furthermore the company has bundled Life insurance cover into Micro-Insurance solutions. This has helped transform the lives of 100,000 families in the Tea sector through the exclusive channel of Majani Insurance Brokers. This conform to Porter (1980) argument that a firm can achieve a higher level of performance over rival through either provision of a product or service that is differentiated.

The presence of a large number of players and similar products with no switching costs for most corporate businesses has resulted in price (premium) undercutting as market players compete with each other for business. The issue is exacerbated by the presence of over 174 Insurance Brokers in the market. This has resulted in the commoditisation of many generation insurance and group life products. Efforts are being made by IRA to arrest and reverse this trend and for insurance companies to present sustainable value propositions to customers through strategic and marketing plans.

While the market is crowded and fragmented, Britam has engaged over 100 partners in the most profitable segments of the market and also acquiring 99% stake in REAL Insurance Company Limited. This agrees with Zollo and Singh (1998) findings that acquirers achieve superior profitability performance compared to competitors.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings as discussed in chapter four, and also it gives the conclusions and recommendations based on the objective of the study. It also gives implications of the study on policy, theory and practice suggestions for further study and limitations encountered during the time of study.

5.2 Summary of the Findings

The study sought to examine the relationship between employed strategies-Property Development, Expansion (local & regional), Product innovation and IT on British American Insurance Company Limited's organizational performance.

From the findings of this study, it is evident that Britam has invested in property development as a strategy to increase organizational performance and profitability of the company. The organization has also diversified its portfolio of assets to mitigate risks of losses. The tremendous property development of the organization is attributable to some of its acquisitions like the acquisition of 25% stake in Acorn. This diversification into property development has led to the exponential growth across the business and a 45 per cent contribution on revenue.

Property development is a pre-requisite for the unrivaled partnerships that provide the market with end-to-end solutions for land owners, investors, financial institutions, pension funds and asset managers. This has improved organizational performance

since the organization has been able to provide a wide variety of consumer products. It is also evident that product innovation and product differentiation has led to an increase in penetration and consumption of consumer products since most customers have a wide collection of products to choose based on need and affordability. For example the organization has introduction micro insurance targeting farmers and small income earners. This product has attracted attention since it's cost effective and it's also enables the farmer to save through a common pool making it possible for them to afford and enjoy other products.

Besides the adopted strategies a number of other factors have contributed to the good performance in Britam. These include a Framework of risk management and good governance practices. The company was the first to have a fully fledged actuarial department. Risk management is a strategic issue and essential element of the company's corporate governance. Through risk management, Britam is able to select quality business to underwrite at commensurate premium rates, manage the claims pipelines for example garages, service providers like hospitals.

The adoption and use of the balanced scorecard by the company has also contributed to the good performance of the organization. The company's strong brand too has a bearing to the performance achieved. Britam's vision is to attain market leadership as the company continues to grow and protect the group's market share through further acquisitions and products innovation.

5.3 Conclusion

From the research carried out it is evident that Britam takes strategic planning as an important aspect of their operations. This understanding has enabled the company to be alert on the environmental changes and has chosen adequate strategies in response and has seen the results of the adopted strategies realizing positive performance in an exponential manner for the period under study. This is in line with the adopted explanatory theory of dynamic capabilities.

The study concludes that strategies are an important tool in countering challenges in a competitive market environment. To achieve a competitive advantage, organizations must develop and implement strategies in order to meet the growing needs of customers through providing quality products at affordable price. From the study findings it is evident that technology is a key ingredient towards achieving efficiency and effectiveness. The strategies adopted by Britam Group of Investments have been successful as a result of use of modern technologies for example: Information Communication Technology.

The study also concludes that innovation is essential element in effective implementation of strategies. Product innovation is one of the strategies used by Britam Group of Investments that have been successfully implemented in countering challenges of competition in the external environment. As a result the organization has been able to compete favorably against its competitors and expand its market share leading to remarkable organizational performance both financial and non financial.

5.4 Limitations of the Study

A number of limitations were encountered in collecting the primary data and these included the following: -Due to the tight schedules of the Group Chief Executive Officer, it was not possible to have an interview with him.

The researcher also encountered difficulties in getting through telephone to book appointments hence delay in collection of data and rescheduling of meeting dates to align with the availability of the interviewees. Information on contribution of strategies employed is always treated with sensitivity. Both interviewees viewed the quantitative data requested as confidential and somehow unreachable especially when it came to the percentage contributions of each strategy to the gross premium revenues.

They were therefore not willing to give absolute percentages on contribution to gross premiums by each strategy only reliable estimates were provided. Finally not all questions asked were answered in detail as required hence limiting the depth of the study findings. It was also difficult to get all the targeted interviewees because of protocol issues.

5.5 Suggestions for Further Research

The study focused only on Britam. Further studies should be carried out across all the Licensed and Registered Insurance companies in the Kenya sector to see whether there are any commonalties or unique factors that can be attributed to the varied performance of the companies.

Given that this study only covered strategy and performance for British American Insurance Company Limited, an Insurance Company in the private sector, studies need to be done on Strategy and performance in the public sector. This could be across a number of Ministries of Corporations in a form of Survey or Case studies on individual entities. This will help compare any commonalities arising or unique outcomes that could be discovered in private versus public entities.

5.6 Implication of the study on Policy, Theory and Practice

This study findings are important to the Government for formulation of policies and regulations that can enhance uptake in the Kenyan market and the economy as a whole through (IRA) Insurance Regulatory Authority and (AKI) Association of Kenya .The governing bodies should monitor and supervise insurance companies and brokers to ensure that consumer protection as provided by the bill of rights in the current constitution is strictly followed. IRA should more vigilant than they are now, punish the wrong doers to manage competition and a stable market by ensuring that adherence to laid down regulations.

The study findings conform to the results carried out by other researchers on the relationship between strategy and organizational performance. Strategy being the link between and organization and the environment within which it operates.

The main reason behind the interdependence between strategy and performance results from the fact that strategy is the main agent of policy implementation within a company or economy. It is conceptualized that firms that have effectively embraced and employed strategic planning record better performance as compared to those that have not. Hofer and Schendel (1978), Miller and Cardinal (1994).

This study findings benefit both the academia and practitioners, as both have an informed insight of the strategies that have paid off for the company and future reference in the research work. The study findings are also beneficial to various stakeholders-both local and foreign investors who will use the findings to evaluate investment portfolios. While the management and employees at Britam will have an informed understanding of their organization's performance in line with their job security and their expected contribution towards achieving the group's vision through the adopted strategies.

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APPENDICES

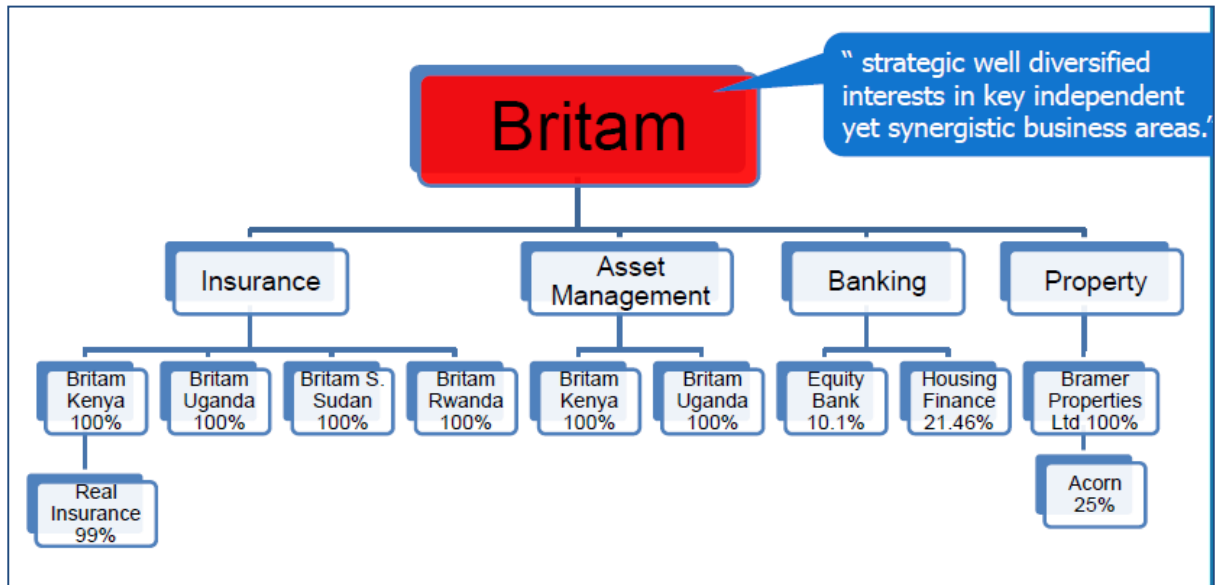
Appendix I: Interview Guide

The following categories were to be interviewed on the undernoted lines through face to face interviews, Phone interviews: -Company Executive Officer, Chief Operations Officer concerned with strategy formulation, implementation, monitoring and Evaluation, and Senior Manager Sales and marketing.

1. What has been the biggest challenge in the Insurance market?
2. What has been the biggest challenge in internal skills development in your view?
3. Does the company have a documented strategic plan? Please explain?
4. The company has employed a number of strategic options what are they and which strategies would you consider to be Key to your growth? Please explain highlighting individual percentage contribution of each strategy on the gross premium/Revenues.
5. Which options have not measured to their targeted levels and what in your opinion would be the possible reason(s) for the strategy (ies) not delivering?
6. Are there other strategies that you think should be considered? What in your opinion would be their target contribution?
7. In your own assessment does Britam possess the necessary capability to adopt aggressive strategies to match the environmental changes? Please explain.
8. What are the main factors that affect implementation of chosen strategies?
9. Besides the employed strategies, what else in your view has contributed to the income growth?

10. Is there anything special that Britam has done to improve its competitiveness?
Please explain.
11. How are staff involved in delivering on the targets and objectives in relation to the employed strategies?
12. To what extent did participation of partnerships advance or hinder implementation and delivery on strategies? Please explain.
13. What are the main indicators of organizational performance at Britam?
14. Which other areas in your opinion have improved in the organization for the last five years (2009-2013)?
15. In your opinion does IRA offer technical guidance in determination of viable Strategies? Please explain.
16. Do you think IRA has enough authority and technical knowhow to adequately evaluate and objectively guide Insurance companies on proposed strategies?
Please explain.
17. What are the main areas you would like to see reviewed by IRA.?
18. Has IRA at any one time disallowed any of your applied for strategies? If yes what were the main reasons for the decision taken by IRA?
19. In your view, do you think all Insurance companies take IRA's evaluation on strategies positively? Please explain.
20. We have in the past experienced situations where a number of Insurance companies have been placed under receiverships. In your opinion do you think the strategies adopted have a bearing to this?. Please explain.

Appendix II: Group Structure



Source: <http://www.britam.co.ke/site/index.php/who-we-are/2013-11-22-06-17->

59/structure

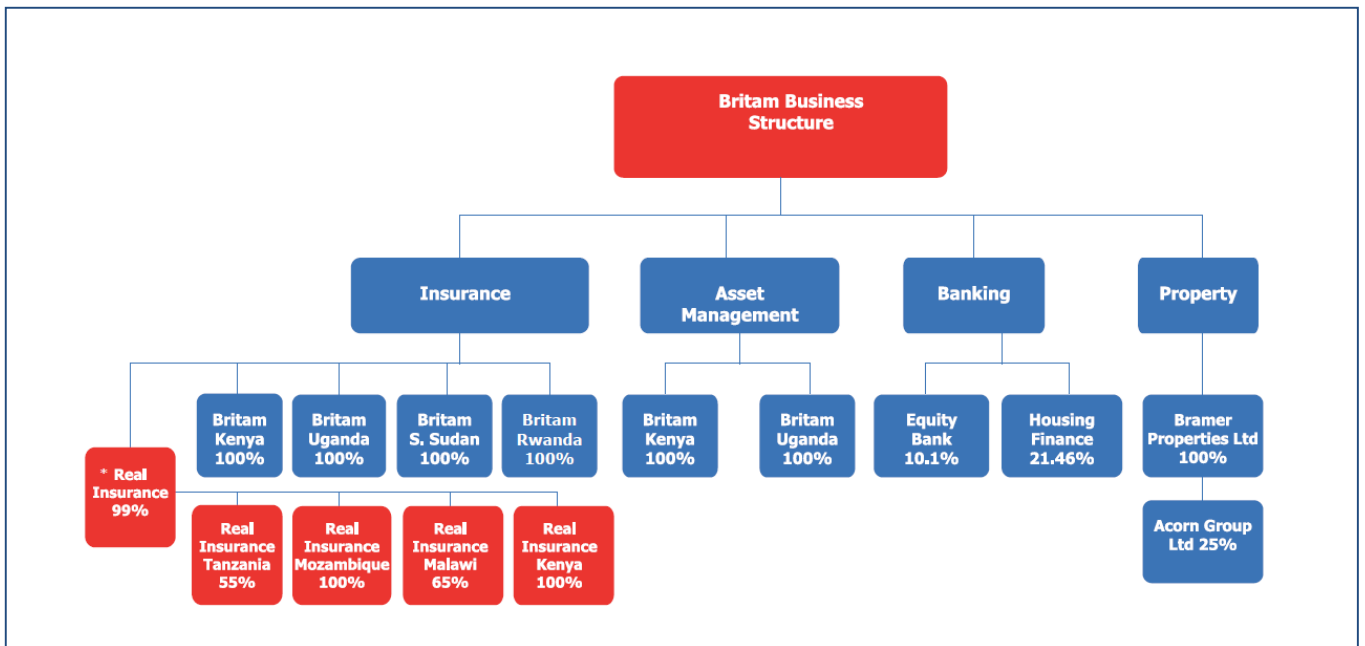
Appendix III: Strategy Focus Areas



Source: <http://www.britam.co.ke/site/index.php/who-we-are/2013-11-22-06-17->

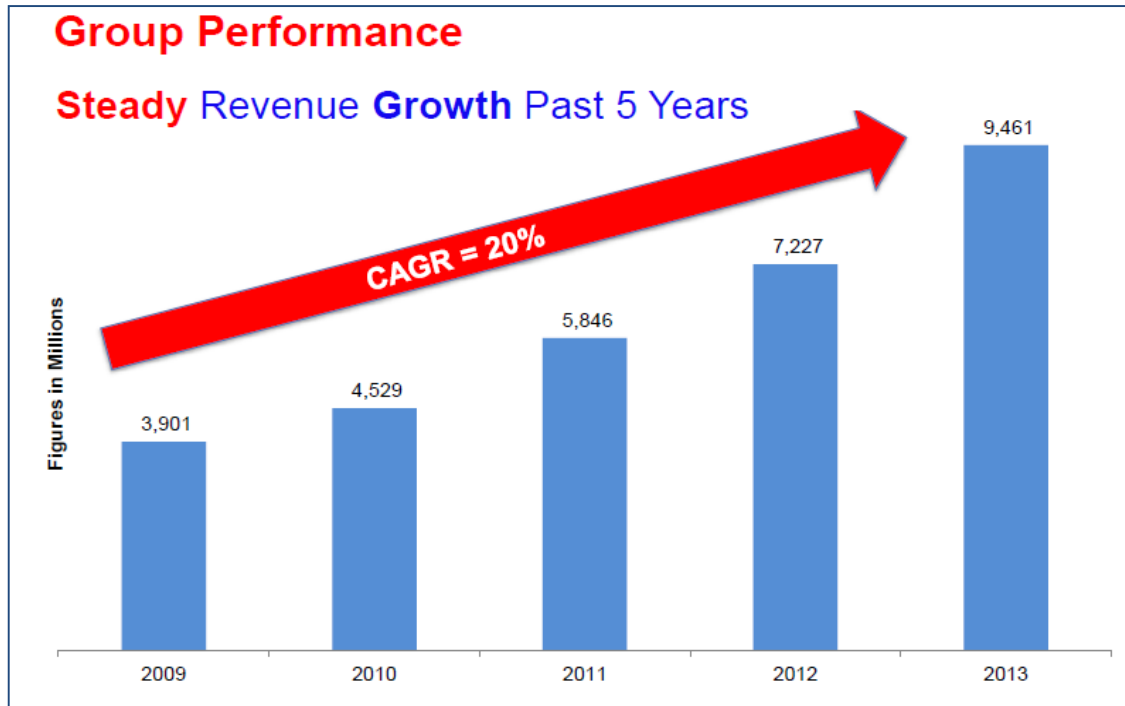
59/strategy

Appendix IV: Company Business Structure



Source: <http://www.britam.co.ke/site/index.php/who-we-are/2013-11-22-06-17-59/businessstructure>

Appendix V: Group Performance



Source : Audited Financial Statements (2013)

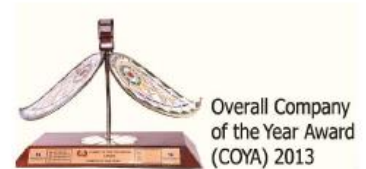
Appendix VI: Company Achievements in 2013



Our Accolades in 2013



- CEO Of the Year 2013 -COYA



Overall Company of the Year Award (COYA) 2013



- Best Life Insurance Company in Kenya 2013- World Finance



Leadership & Management Award (COYA) 2013



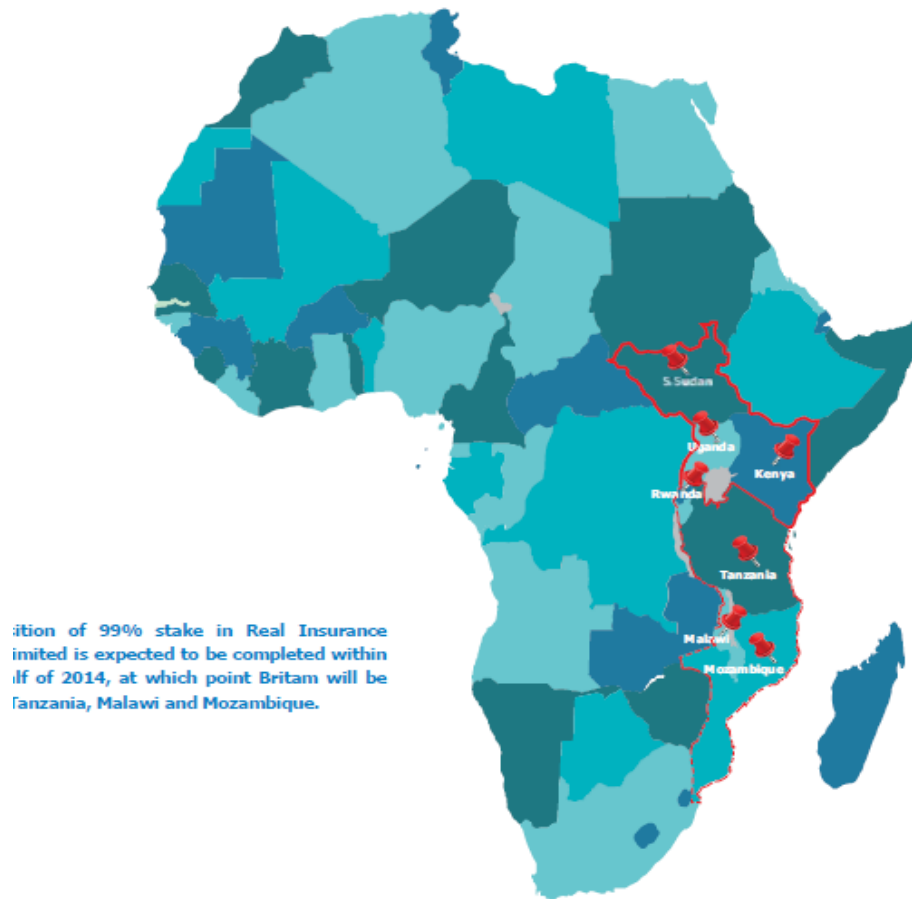
- Fund manager of the year 2013
- Unit trust of the year



Customer Orientation & Marketing Award (COYA) 2013

Source: <http://www.britam.co.ke/site>

Appendix VII: Company Footprint in Africa



Source : Company Annual Report (2013)

Appendix VIII: Letter of Recommendation for Data Collection



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 06/08/2014

TO WHOM IT MAY CONCERN

The bearer of this letter Abigail v. Lujai

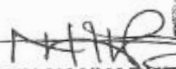
Registration No. DG.164694/2013

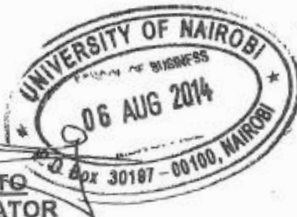
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



Appendix X: Letter confirming collection of data



7th October 2014

British-American Insurance Company (Kenya) Limited

Head Office, Britam Centre
Mara/Ragati Road Junction, Upperhill
P.O. Box 30375-00100, Nairobi
Tel: (020) 2833000/0703 094000
Fax: (020) 2717626/2714927
E-mail: insurance@britam.co.ke
www.britam.co.ke

TO WHOM IT MAY CONCERN

**RE: MBA STUDENT
NAME: ABIGAIL V LIYAI
REG. NO. D61/64694/2013**

This is to confirm that the above named has carried out interviews with us towards collecting data for her research project the results of which will be used solely for academic purposes.

Yours Faithfully

Kennedy Aosa
GENERAL MANAGER
GENERAL INSURANCE

