STRATEGIC RESPONSES TO CHANGES IN THE EXTERNAL ENVIRONMENT BY INSURANCE COMPANIES IN KENYA

BY

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

2010

DECLARATION

This project is my original work and has not been presented for a degree in any other University.

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This research project has been submitted with my approval as University Supervisor.

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DEDICATION

To my parents Gabriel and Mary for their continuous belief in the power of education and to my siblings for their continuous support and inspiration.

ACKNOWLEDGEMENT

My special thanks go to my Supervisor Dr. J.M Munyoki for his invaluable support and insightful guidance throughout out the project and insistence on quality work.

I acknowledge all the lecturers of the School of Business for enabling me to come this far and my MBA colleagues for the encouragement during my time of study. My appreciation to the University of Nairobi for awarding me the opportunity to undertake the challenging MBA course.

A special thank you to my cousin Fred for your support. God bless you.

Most importantly, I am grateful to the Almighty God for giving me the resources, patience and enabling me to pursue this journey to the very end.

ABSTRACT

The insurance industry in Kenya has undergone a lot of changes over the last decade. Changes in the operating environment of organizations are unavoidable. Changes can occur as a result of improvements in technology, realignment of government policies and strategies, increase in competition, globalization, liberalization and changes in the political environment among others. Organizations respond to these changes by crafting strategies which guarantee sustainable competitive advantage in spite of the ever changing external environment. This study evaluates the strategic responses being adopted by insurance companies in Kenya in order to stay competitive despite the constant changes in the external environment.

The objective of the study was to determine the strategic responses to changes in the external environment by insurance companies in Kenya. The study population consisted of all the insurance companies in Kenya. Data was collected through structured questionnaires Chief Executive Officers and senior managers of the insurance companies. Analysis of data was done using descriptive statistical methods and means, frequencies and percentages computed. These statistics were then presented in frequency distribution tables.

The findings indicated that political, economic, socio-cultural and technological factors influence operation of the insurance industry in Kenya. As such, majority of firms adopted strategic responses such as new product development, differentiation and cost advantage. The firms similarly adopt different means of sustaining their competitive strategies. The strongest challenges to the strategic responses were competitor reaction and change management. Based on the findings of the study, various conclusions, recommendations for policy and practice as well as further study have been made.

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CHAPTER ONE

INTRODUCTION

1.1Background of the study

1.1.1 The Concept of Strategic responses

The dynamism of the environment posses challenges to organizations which as open systems open systems have to respond through appropriate strategies (Ngaluma, 2008). There must be a match between strategic choices and the challenges in environment. The appropriate strategy is necessary in order to remain competitive and sustainable (Haniel and Prahalad, 1993). Strategic responses can be seen as the matching of the activities of an organization to the environment in which it operates. Strategic responses affect the long term direction of an organization and require large amounts of resources. It is aimed at achieving advantage for the organization and as such it is concerned with the scope of the entire organization's activities (Johnson and Scholes, 1999).

One of the major effects of liberalization and globalization has been the opening up of markets to competitive forces. For any organization to succeed, it is important for managers to appreciate where the greatest opportunities and threats lie at any time and focus on those areas which are currently affecting the organization and which require strategic attention. To succeed in the long term, organizations must compete effectively and out-perform their rivals in a dynamic environment. To accomplish this, they must find suitable ways for creating and adding value for their customers. The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000). Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2005). Rapid technological changes have created a new business environment where innovation has become a top competitive strategy (Kamau, 2007).

Strategic management is a highly important element of organizational success. The need to know what the business is about, what it is trying to achieve and which way it is headed, is a very basic requirement determining the effectiveness of every member's contribution. Every successful organization has this business self-awareness and every successful business seems to have this clarity of vision, even though it does not arise from a formal planning process (Pearson, 1990).

1.1.2 The External Environment of an Organization

The external environment of the organization comprises of all the entities that exist outside its boundary, but have significant influence on its growth and survival. An organization has no control over its environment but needs to constantly monitor and adapt to these external changes, a proactive or reactive response leads to significantly different outcome. The external environment provides an organization with threats and opportunities. The external environmental factors include political, economic socio-cultural, technological and legal factors.

The external environment is very important to organizations. An organization is directly affected by events happening in the environment that it is supposed to be functioning in. Organizations that easily adapt to the environment essentially survive and the ones that do not are the ones that are eliminated in the competition. Organizations have to continuously adapt their operations in order to survive the environmental challenges. In today's business environment, organizations have found themselves in a position where they not only have to address environmental changes but actually anticipate them.

External environment of a firm are the conditions and forces that define its strategic options and competitive situation. It consists of three interactive segments, which are remote, industry and operating environment. Pearce and Robinson (2007) argue that remote environment consist of factors that are beyond the control of a firm and these include economic, social, political, technological and ecological factors. These factors provide an organization with opportunities and threats. They define the industry

environment as the general conditions for competition that influence all business offering similar products and services. On operating environment, they postulate it consists of factors that give an organization success through positioning, composition of its customers, its reputation and ability to attract the best employees.

Environment has been characterized as complex as complex, dynamic, multi-facet and having far reaching impact (Kazmi, 2002). The environment is composed of various factors, events, conditions and influence, which interact with each other to create an entirely new set of influences leading to constant environmental change in its shape and character. When selecting the response strategy to be used by the organization, management usually undergoes the following processes: analyzing the competitive environment which includes competitors' strategic moves and market signals, analyzing the industry by looking at discreet market segments, changes in industry structure, which strategic group to compete in and selecting a generic competitive strategy based on identified target market segments, strategic options and SWOT analysis (Porter, 1998).

The business environment in Kenya has been undergoing drastic changes for some time now. Some of the changes include accelerated implementation of economic reforms, the globalization and liberalization of the economy, discontinuation of price controls, privatization and commercialization of the public sector and increase in competition. In this changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities. Failure to do this may put the future success of the organization in jeopardy (Aosa, 1998).

1.1.3 The Insurance Industry in Kenya

Insurance business is defined as a business of undertaking liability by way of insurance (including Reinsurance) in respect of any loss of life and personal injury and any loss or damage, including liability to pay damage or compensation, contingent upon the happening of a specified event (Insurance Act Cap. 487). Over the years, Kenya's insurance industry has continued to endear itself to the existing and potential customers

through new products and a significant improvement on its service delivery platforms, guaranteeing consumers of world-class services delivery. Market players in the Insurance Companies are highly fragmented with about forty registered insurance companies writing long and short-term business. In 2003, two leading companies accounted for 20% of the short-term premium income, eight had shares ranging between 3.7% and 6.3% adding to 37%, while the rest of the companies, controlled 43% of the market. There were twenty-one companies actively writing long-term business. The top five dominated the market with a share of 68% of the gross premium income. The life insurance sector is driven by two main lines of business; ordinary life and superannuation, which includes group life assurance and deposit administration.

The insurance industry is governed by the Insurance Act Cap 487 and is regulated by the Insurance Regulatory Authority. The role of the Authority is among others to formulate and enforce standards in the conduct of the business of insurance with which a member of the insurance industry must comply. They basically set the agenda in the industry to ensure that the businesses are run professionally. The creation of the Insurance Regulatory Authority (IRA) to replace the office of the Commissioner of Insurance under the Ministry of Finance has not only instilled a sense of confidence in the regulatory framework in the industry but has also injected new approaches to ethics, management and growth of the insurance investments in Kenya.

Another player in the industry is the Association of Kenya Insurers**.** Membership of the Association is open to any insurance company registered and licensed under the Insurance Act Cap 487 to transact business in Kenya. AKI was established as a trade association to advocate for its members interests. It also looks into the members interests by protecting, promoting and advancing the common interests of members against other bodies and the Government. AKI also lobbies for its members to ensure that their businesses run smoothly with as little interference as possible. Gathering and collection of information and market-wide statistics from members for the purpose of determining market trends that are economically viable is also done by AKI. There are several legislative and taxation changes made in recent years that have had an impact on the Kenyan insurance industry. These include increase in the minimum capital requirements

for insurers, increase in the solvency margin for long term insurers, introduction of 'cash and carry' rules which will require that insurers shall assume risk upon receipt of the premium, relaxation of investment limits for general insurers, introduction of penalties on late settled claims, change in the rules on taxation of long term insurance business and taxation of dividend income earned by a financial institution.

1.2 Statement of the problem

The Insurance Industry in Kenya has witnessed various changes in recent years. Key among these changes has been the various changes in the legal environment such the increase in minimum capital requirements, the law barring Composite Insurance Companies and Ownership of Insurance Companies is being limited to no more than 25% of the shareholding for any individual shareholder. The levels of competition have also increased tremendously due to the entry of new entrants and the increased levels of customer awareness. The ever changing technology has also had major effects on the industry.

Various studies have been done to document strategic responses by various organizations to changes in the environment. For instance, Kiptugen (2003) found out that as a result of the economy's progressive decline and liberalization, legislative changes and technological advances, Kenya Commercial Bank had responded by restructuring its operations through closure of branches, disposal of non core assets, development of new marketing strategies, acquisition of a flexible information technology system to provide better quality customer service and culture change. However, the study failed to address what other players in the industry were doing to respond to the changes. On the other hand, Mwarania (2003) established that as a result of the phasing out of the mandatory cessions which had hitherto guaranteed business, Kenya Reinsurance Corporation responded by engaging in an aggressive local and international marketing programme, organizational restructuring, investments in real estate and information technology. These responses resulted in increased profitability despite reduction in gross premiums. This study, however, failed to establish what actions other players in the insurance industry were doing to respond or take advantage of these changes. Mkamunduli (2005) carried out a study on strategic issue management in the insurance companies in Kenya and

concluded that the business environmental changes have become more complex and novel and hence the failure to address strategic issues could adversely affect performance. The study however failed to determine the specific approaches that can be used to address the strategic issues facing the insurance industry.

This study, therefore, seeks to determine the strategic responses adopted by insurance companies in Kenya to deal with environmental changes, the focus being on political, economical, social and technological aspects of the external environment. It will be guided by the following study question: What are the strategic responses to changes in the external environment by insurance companies in Kenya.

1.3 Objective of the study

The objective of the study was to determine the strategic responses to changes in the external environment by insurance companies in Kenya.

1.4 Significance of the study

The findings of this study will be of importance to a number of groups and individuals. They include the following:

The study will give managers and staff an insight on issues of organizational responses which they must take cognizance of since the survival of the organization in the changing environment depends on how well it is able to adopt to the changes.

The study will provide reference to further empirical studies into little known organizational responses to the changing environment in insurance industry. This will assist other researchers in their work.

The policy makers will obtain knowledge of the dynamics in the insurance sector and the responses that are appropriate. They will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter consists of review of existing literature on the topic of study. It focuses on strategic responses that organizations take so as to remain competitive in the industries they are operating and the environmental factors and challenges they experience. For a firm to control its growth, change and development, it must seek to control the forces which provide the opportunities for growth and change and those which pose threats and demand response, (Thompson, 1997). Thompson further states that managers must be aware of environmental forces and environmental change and must manage the organizations resources to take advantage of opportunities and counter threats.

Paradigm concerning what will work to bring about success in a particular industry or competitive environment will be created and maintained. However, this paradigm may shift or change as the environmental and competitive forces change.In a turbulent environment, the organization must change its strategies and possibly its beliefs so as to maintain environment-values-resources (E-V-R) congruence, (Thompson,1997). On the other hand Duncan (1972) argues that the more the environment is uncertain the more complex or dynamic it is. Dynamism may be caused by rapid technological change involving either, products, processes or user. The environment is complex where the forces and the changes involving them are difficult to understand. Often complexity and dynamism occur together.

2.2 Strategic Responses

Strategic responses according to Pearce and Robinson (1991) are the set of decisions and actions that result in the formation and implementation of plans designed to achieve a firm’s objectives. Strategic responses are part of competitive strategies that organizations develop in defining goal and policies. They are reactions to what is happening in the

environment of the organization. Porter (1980) observes that the knowledge of the underlying sources of competitive pressure provides the groundwork for strategic agenda in action. When organizations are faced with unfamiliar changes they should revise their strategies to match their turbulence levels (Ansoff and MacDonnell, 1990). New technologies, new competition, new dimensions of social control and above all an unprecedented questioning of the organization role in the society define the unfamiliar world. Organizations must adapt their strategies to new environment (Ansoff, 1999). Changes in the external environment will require new strategies which will in turn call for reformed organization capability.

Pearce and Robinson (1997) assert that the degree of competitiveness is manifested not only in other players but rather other competitive forces exist that go well beyond the established combatants in a particular industry. Porter (1980) identifies five forces that affect rules embodied in the entry of new competitors, the threat of substitutes, the burgaining power of suppliers, burgaining power of buyers and the rivalry among the existing competitors. Organizations are environment dependent, no organization can exist without the environment for survival and they have to scan the environment in an effort of budding trends and conditions that would eventually affect the industry and adopt to them. Such scanning involves studying and interpreting social, political, economic and technological events so as to identify trends that could affect the industry. Environmental scanning enables the manager to become aware of developments that pose new opportunities and threats to the organization (Thompson and Strickland, 1993). Failure to do this leads to serious strategic problem characterized by mal-adjustment of the organization output and demands of the external environment (Ansoff, 1984).

Strategic managers are often put to task in determining what responses to take towards different environmental changes. These responses can either be operational or strategic or both. Strategic decisions are likely to affect operational decisions. An organization strategy cannot succeed if the operation aspects of the organization are not in line with the strategy. Organizations that have successfully managed change have been able to link

strategic change and every aspect of organization in relation to the dynamic external environment.

Kotler (1998) observed that marketing plays a critical role in the company's strategic planning process and that is the most significant contributor to this process. Marketing plays a role in defining the business mission, analyzing the environment, competitive and business situations. Porter (1980) asserts that to achieve cost leadership in the industry, a firm can adopt functional policies and resort to aggressiveness construction of scale facilities. This is possible by sourcing inputs from cheaper suppliers or by putting up state of the art equipment, which can reduce costs of customer service delays and minimize the cost of errors. He further notes that a firm can adopt a strategy of differentiating its products or services as a way of creating something that is considered unique industry wide. On focus strategy, Porter (1980) argues that firms have to focus on a particular buyer group, segmentations of the product line of geographical market. This assertion is based on the realization that in a competitive environment, firms should trim their operations and target specific markets so as to develop a competitive edge.

Ansoff (1999) discusses the role of general management into organization strategic responses. He states that for an organization to implement a strategic response, three components are essential. These are the right climate (will to respond), competence (ability to respond) and capacity (volume of responses). The general management should therefore that the organization engages in behavior which optimizes the attainment of long term goals. Climate setting determines the organization culture and involves mentality and power positions of the managers. Competence determines the organization structures, systems, and shared knowledge and involves the talents, skills, and knowledge of management. It also involves capacity to accommodate various management challenges that may arise over time.

According to Ansoff and MacDonnell (1990), strategy is a powerful tool for coping with the conditions of change that surround organizations today. Strategic responses may either be done at a strategic level or at an entrepreneurial level, Situma (2006). At the

strategic level, there is product market refocusing market share increase, going into un-insured sections of the economy, revising tariffs in line with competitors, downsizing, mergers and disposal of some fixed assets. At the entrepreneurial level strategies include increased advertising and marketing for instance by sponsoring more programs to get media coverage. In changing environments, firms should cope with the change by adopting various strategies such as differentiation, focus, marketing mix variables, segmentation. Positioning strategic alliances, improvement in the quality of products and services among others (Wairimu, 2008)

2.3 The External Environment and challenges experienced

Organizations have to continually interact with the environment as it is the resource of its input and depository of its output creating harmony in the strategy of the organization, (Sababu, 2007). Porter (1998), states that the essence of formulating competitive strategy is relaxing a company to its essence of formulating competitive strategy is relaxing a company to its environment is very good, encompassing social as well as economic forces, the key aspect of the firm's environment is the industry or industries in which it completes. The external environment of the organization is influenced by political, economic, socio-cultural, ecological and legal factors.

2.3.1 Political Factors

The activities of the state through its legislature and law enforcement agencies impinge considerably on the organizations; businesses, public – and charities are all affected by government fiscal and economic policies, and all have to operate within the law of the land (Cole, 1997). At both national and local levels, the government affects organizations activities, on daily basis through its policies and authority and its strategic decisions by creating opportunities and threats arising from the structure of the industry. This is through the imposed taxes, monopoly and restricted trade practice. The government is a large supplier of fiscal and trade benefits and at the same time a larger customer and can therefore affect running of business (Sababu, 2007). It can also protect

local business entities from foreign competition by enacting competition legislations. Utterances by key politicians in a country can also affect the business environment in a country.

2.3.2 Economic Factors

Economic variables affect organizations in every part of their activities. They have a direct impact on the potential attractiveness of various organizational strategies. Economic conditions affect how easy or difficult it is to be successful and profitable at any time because they affect both capital availability and cost, and demand (Thompson, 2002). If demand is buyout, for example, and the cost of capital is low, it will be attractive for firms to invest and grow with expectations of being profitable. In opposite circumstances firms might find that profitability throughout the industry is low. The timing and relative success of particular strategies can be influenced by economic conditions. When the economy, as a whole or certain or certain sectors of the economy are growing, demand may exist for a product or service which would not be in more depressed circumstances. Similarly, the opportunity to exploit a particular strategy successfully may depend on demand which exists in growth conditions and does not in recession. Although a depressed economy will generally be a treat which results in a number of organizations going out of business, it can provide opportunities for some (Robinson et al., 1978; Thompson, 2002). Key economic variables which include; inflation of deflation and their effects, the economic policy of the country that are operating in, the taxation policy on profits, employee, and goods sold, the stage of the trade cycle and the economic mode of the country affecting its investments (Sababu, 2007.)

Economic conditions are influenced by political and government policy, being a major influence affecting government decisions. At any one time either exported or imported goods can seem expensive or inexpensive, dependent upon currency exchange rates. There are many other ways, however, in which government decisions will affect organizations both directly and indirectly, as they provide both opportunities and threats.

While economic conditions and government policy are closely related, they both influence a number other environmental forces that can affect organizations. Capital markets determine the conditions for alternative types of funding for organizations. They tend to be a subject to government controls, and they will be guided by the prevailing economic conditions. The rate of interest charged for loans will be affected by inflation and by international economics and, although the determining rate may be fixed by central bank that will also be influenced by the stated government priorities. According to Thompson (2002), government can increase the money supply and make capital markets more buoyant.

2.3.3 Socio-cultural Factors

According to Pearce and Robinson (1991) social culture variables which affect an organization involve belief, values, attitudes, opinion, activities and lifestyle of persons in the organizations external environment as developed from cultural ecological, demographic, religions, educational and ethical conditions. These factors tend to change and dictate individual wants and needs. Changes in these variables shape the way people live, work, produce and consume commodities and therefore an organization must aim at providing services or products that will meet these needs.

The socio-cultural environment encapsulates demand and tastes, which vary with fashion, disposable income and the changes can provide both opportunities and threats for particular companies (Thompson, 2002; Pearce Robinson, 2005). Over-time most products change from being a novelty to a situation of market saturation, and as this happens pricing and promotion strategies have to change. Demographic variables are human attributes of a given community. This may include one's age, gender, family life, life cycle experience, income, education, occupation, religion, ethnic groups and nationality (Sababu, 2007). These factors guide organizations in selecting the kind of products or services that should be offered to a particular population at a given point in time. Insurance firms, for example, have come up with products that are favorable to Muslim community, students, children, women, high and low income earners.

2.3.4 Technological Factors

Technology variables also affect the running of the organization. Rapid developments in technology can exert a powerful influence on all organization has adopted the concept of information and communication Technology (ICT) to ensure its operations are efficient. A firm should take note of technological changes affecting its industry to avoid obsolescence and instead promote innovation. Creative technology helps in coming up with new products and at the same time improving on the existing products or manufacturing and marketing techniques. Technology helps in increasing job effectiveness and efficiency.

Technology is widely recognized by various literatures on strategic management (Capron and Glazer, 1987; Johnson and Scholes, 1993), as part of the organization and the industry part of the model as it is used for the creation of competitive advantage. However, technology external to the industry can also be captured and used, and this again can be influenced by government support and encouragement. Technological breakthroughs can create new industries which might prove a threat to existing organizations whose products or services might be rendered redundant, and those firms which might be affected in this way should be alert to the possibility. Equally, new technology could provide a useful input, in both manufacturing and service industries, but in turn its purchase will require funding possibly employee training before it can be used.

2.4 Strategic Responses and the Environmental challenges Experienced

2.4.1 Ansoff Growth strategies: Product/Market Matrix

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets- there are four possible market

combinations. This matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies:

The company first considers whether it could gain more market share in its current market, market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions. The second strategy is product development (existing markets, new products) where a firm with a market for its current products might embark on a strategy of developing other products catering the same market. Frequently when a firm creates new products, it can gain new customers for these products. Hence new product development can be a crucial business development strategy for a firm to stay competitive.

Another strategy is market development (New markets, existing products) where an established product in the market place can be targeted to a different customer segment, as a strategy to earn more revenue for the firm. The last strategy here is diversification, here, a company enters new markets where it had no presence before. It usually requires new skills, new techniques and new facilities. As a result it almost invariably leads to physical and organizational changes in the structure of the business which represent a distinct break from the past business experience. The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities- the existing product and the existing market.

Thus product development (requiring in effect, a new product) and market extension (a new market) typically involves a greater risk than 'penetration' (existing product and existing market) and diversification (new product and new market). For this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff matrix, despite its fame, is usually of limited value-although it does always offer a useful reminder of the options which are open.

2.4.2 Grand Strategies

Firms may respond to increased competition by entering new markets with similar products. These could be markets they are currently not serving, or new geographical markets. Market entry strategies may include acquisitions, strategic alliances and joint ventures. Related diversification may also take the form of vertical or horizontal integration. In the face of increased competition this has the benefit of cost reduction, defensive market power and offensive market power. Backward integration takes a firm closer to suppliers while forward integration moves it to closer to customers. Forward integration may involve acquisitions of business not within the current product and market scope (Pearce and Robinson, 1997).

Bernard (1938) and Simon (1957) recognized that firms on their on cannot create resources and capabilities needed to prosper and grow; they identified collaboration as a viable way of combining resources in business opportunities. Such collaborations take the form strategic alliances, mergers and acquisitions, licensing, franchising among others. Schollei (1999) argues that in order to solidify a firm's position against predators from abroad, it is important to collaborate. Collaboration also reduces the cost of differention and enhances competitive advantage (Morrison & Lee, 1990). As agreed by Harrigan (1985), strategic alliances are more likely to succeed when players possesses complementary assets and thus a firm will seek knowledge it considers lacking but vital for fulfillment of its strategic objectives. A firm will furthermore need to posses knowledge base in the same area, since only such similarity will allow an understanding of the intricacies of the new knowledge as well as of its applicability to the firm's unique circumstances (Coher & Levintal, 1990).

Wodruff (1997) sees the next major source of competitive advantage coming from a more outward orientation, specifically towards customers. He suggests a customer value hierarchy in which firms should strive their core competencies with customers' desired value from the product or service. Slatter (1997) aids Woodruffs call by suggesting a new theory of the firm that is customer-value based. Under this theory, the reason that the firm exists is to satisfy the customer; the focus on providing customers with value forces firms

to learn their customers, rather than simply from their customers. With respect to performance differences, this theory suggests that those firms that provide superior customer value will be rewarded with superior performance as well as sustainable competitive advantage. Therefore the idea of customer value extends the resource based theory of the firm to take a more outward perspective (a market orientation) as one way in which competitive advantage can be achieved (Hoffman, 2000).

2.4.3 Porter's Generic Model

The fundamental basis of good performance of the organization in the long run is sustainable competitive advantage. Porter (1985) identified two basic types of competitive advantage a firm can posses: low cost or differentiation. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. The significance of any strength or weakness a firm possesses is ultimately a function of its impact on relative cost or differentiation. Cost advantage and differentiation in turn stem from industry structure. They result from a firm's ability to cope with the fine forces better than its rivals.

The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation and focus. Each of the generic strategies involves a fundamentally different route to competitive advantage, combining a choice about the competitive advantage sought with the scope of the strategic target in which competitive advantage is to be achieved. The cost leadership and differentiation strategies seek competitive advantage in a broad range of industry segments, while focus strategies aim at cost advantage (cost focus) or differentiation (differentiation focus) in a narrow segment.

According Porter (1998), this is perhaps the clearest of the three generic strategies. In it a firm sets out to become the low-cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include pursuit of economies of scale, technological know how, preferential access to raw materials etc. A low-cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above-average performer in its industry provided it can command prices at or near the industry average. At equivalent or lower prices than its rivals, a cost leader's position translates into higher returns. A cost leader, however, cannot ignore the bases of differentiation. If its product is not perceived as comparable or acceptable by buyers, a cost leader will be forced to discount prices well below competitors' prices to gain sales. This may nullify the benefits of its favorable cost position. The strategic logic of cost leadership usually requires that a firm be the cost leader, not one of the several firms vying for this position. When there is more than one aspiring cost leader, rivalry among them is usually fierce because every point of market share is viewed as crucial.

Porter (1998) suggests that in a differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price. The means for differentiation are peculiar to each industry. Differentiation can be based on the product itself, the delivery system by which it is sold, and the marketing approach. A firm that achieve and sustain differentiation will be an above-average performer in its industry if its price premium exceeds the extra cost incurred in being unique.

The third generic strategy is focus. This strategy is quite different from the others because it rests on the choice of a narrow competitive scope within an industry (Porter, 1998). The focuser selects a segment of group segments in the industry and tailors its strategy to serving them to the exclusion of others. By optimizing its strategy for the target segments, the focuser seeks to achieve competitive advantage in its target segments even though it does not possess a competitive advantage overall. It is most suitable for

relatively small firms but can be used by any company (Otieno, 2008). Otieno (2008) further suggests that focus strategy may be used to select targets that are less vulnerable to substitutes or where competition is weakest to earn above-average return on investments.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The study adopted a descriptive design to carry out the research. This enabled the researcher to get a comprehensive view of the situation in detail. The descriptive design provides an in-depth understanding of the variables under study while providing an opportunity to probe the variables at length.

3.2 Population

The population of the study comprised all insurance companies in Kenya. According to the Association of Kenya Insurers list (2010) there were 44 registered insurance companies in Kenya. The researcher carried out a census survey.

3.3 Data Collection

The study used both primary and secondary data. For primary data, a questionnaire containing both open-ended and closed ended questions was used. The items in the instrument were developed from the literature review. The questionnaires were administered using the drop and pick later method, which is a modification of mail questionnaire. The respondents in the study were Chief Executive Officers (CEOs) and senior managers in the insurance companies. This is because it is the CEOs and senior managers who are familiar with and are involved in formulating strategic responses to various issues in their companies.

3.4 Data Analysis

The study used descriptive statistics in analyzing data. This involved the use of frequency tables, percentages and other statistical measures. Both quantitative and qualitative data was collected. Quantitative data required the establishment of mean and percentages to get a comparison of responses. The qualitative data was analyzed by establishing the frequency of a given response to the given specific question. The frequencies were then tabulated and conclusions drawn.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the results and findings of the study whose general objective was to determine the strategic responses the to changes in the external environment by insurance companies in Kenya. The study covered 44 insurance companies that are registered members of the Association of Kenya Insurers as at June 2010. Out of the 44 questionnaires sent out, 25 were returned completed, giving a 57% response rate.

4.2 Background Information

This section sought to establish the duration that the respondents had been in their various current positions. The findings were as presented in Table 4.1.

Table 4.1 Respondents' duration of years in the current position

Duration of years in the current position	Frequency	Percentage
Less than 1 year	3	12
Between 1 and 5 years	8	32
Between 5 and 10 years	8	32
More than10 years	3	12
No Response	3	12
Total	**25**	**100**

The majority of the respondents, 32%, each, either stated that they had been in their current positions for between one and five years or between five and ten years. The minority of the respondents, 12%, each, either had been in their current positions for less than a year or more than ten years.

The respondents were asked to specify the years of operation their companies had been into in Kenya. The response was as illustrated in Table 4.2

Table 4.2: Company years of operation in Kenya

Years of Operation in Kenya	**Frequency**	**Percent**
Between 1 and 5 years	3	12
More than10 years	22	88
Total	**25**	**100**

The majority of the respondents, 88% stated that their company had been in operation in Kenya for a longer duration of more than ten years. Only 12% of the respondents indicated that their company had been in operation in Kenya for a period of between one and five years.

The respondents were asked to indicate the nature of the insurance business their companies were involved in. The response was as illustrated in Table 4.3.

Table 4.3 Type of Insurance Business

Type of Insurance	**Frequency**	**Percent**
General Business	4	16
Life Business	2	8
General and Life Business	19	76
Total	**25**	**100**

As shown in Table 4.3, majority of the companies (76%) were composite insurance, i.e. operated both life and non-life business. This was followed by a proportion of 16% whose nature of operation was general insurance. The remaining 8% operated life assurance business.

This section sought to establish the companies' turnover in terms of annual underwriting premiums. The findings were as presented in Table 4.4.

Table 4.4 Turnover in terms of Annual Underwriting Premiums

Annual Underwriting Premiums	**Frequency**	**Percent**
Less than 100 Million	2	8
Between Ksh100 Million and Ksh500 Million	5	20
Between Ksh500 Million and Ksh 1Billion	4	16
More than Ksh 1Billion	14	56
Total	**25**	**100**

From Table 4.4, it was found out that most insurance firms, 56%, had a huge annual underwriting premium of more than Ksh 1 billion. Meanwhile, 20% of the respondents indicated that their companies had an annual underwriting premium of between Ksh 100 million and Ksh 500 million. There were insurance companies that had very low turnover in terms annual underwriting premium of less than Ksh 100 million. This constituted the minority, 8%.

4.3 Changes in the External Environment

The respondents were asked to indicate the extent to which external environmental factors had contributed to the Company success in the last five years. The response was as illustrated in Table 4.5.

Table 4.5: Factors that contributed to the Company success in the last five years

	To Least Extent		To Less Extent		To Moderate Extent		To Great Extent		To Very Great Extent	
	N	%	N	%	N	%	N	%	N	%
Product innovation	1	4	5	20	4	16	10	40	5	20
Market development	1	4	3	12	7	28	9	36	5	20
Improvement in technology	1	4	1	4	6	24	12	48	5	20
Aggressive marketing	0	0	1	4	4	16	12	48	8	32
Good customer service	1	4	1	4	4	16	5	20	14	56
Good will	1	4	3	12	7	28	12	48	4	16

From Table 4.5, 40% of the respondents rated product innovation to have led to company success to a great extent. However, 20%, each were of the opinion that product innovation had either led to the success of the company to a less extent or very great extent. Market development contributed to company success to a great extent, and also to a moderate extent, as revealed by 36% and 28% respectively. 48% percent stated that improvement in technology contributed to company success to a great extent, and 24% indicated that it did but to a moderate extent. Aggressive marketing led to company success to a great extent, and to a very great extent, represented by 48% and 32% respectively. A proportion of 56% were of the opinion that good customer service contributed to company success to a very great extent. To a great extent, 20%, it was considered as a success factor. Still, good will contributed to company success to a great extent, and moderate extent as indicated by the majority, 48% and 28% correspondingly.

Good customer service was the most important strategic response that insurance companies adopted to the changes in the external environment.

The respondents were asked to indicate the extent to which the changes that had taken place in the external environment in Kenyan Insurance industry in the last 10 years affected their companies. The findings were as presented in Table 4.6.

Table 4.6: Effects of Changes in the external environment in Kenyan Insurance industry in the last 10 years

	To Least Extent		**To Less Extent**		**To Moderate Extent**		**To Great Extent**		**To Very Great Extent**	
	N	%	N	%	N	%	N	%	N	%
Globalization/regionalization	2	8	7	28	4	16	7	28	5	20
Removal of trade barriers	1	4	10	40	4	16	7	28	3	12
Technological advancements	1	4	1	4	5	20	9	36	9	36
Improved customer awareness	1	4	3	12	6	24	12	48	3	12
Government deregulation	1	4	3	12	5	20	11	44	5	20
Privatization	1	4	6	24	7	28	8	32	3	12
Growth of service chains	1	4	5	20	5	20	9	36	5	20

From Table 4.6, it was found out that most companies, 28%, each were either affected by globalization/regionalization to a less extent or great extent. Removal of trade barriers on the other hand affected the companies to a less extent, 36% but to a great extent, 28%. Thirty six percent of the respondents, each, either admitted that technological advancements had an effect on companies to a great extent or very great extent. Improved customer awareness affected insurance companies to a great extent and to a moderate extent, as represented by 44% and 24% respectively.

Government deregulation affected the companies to a great extent, 44%. Still, 20% of the respondents either stated that government deregulation affected companies to a very great extent or to a moderate extent. 32% indicated that privatization affected their companies to a great extent, while 28% stated that it did so to a moderate extent. Moreover, growth of service chains affected the companies to a great extent, 36%. However, 20%, each either indicated that growth of service chains affected their companies to less extent or to a moderate extent or to a very great extent.

The respondents, who admitted that changes in the external environment affected their company, were further asked to state how their organizations had been affected. The findings were as presented in Table 4.7.

Table 4.7: Extent of the Effects of the changes in the external environment on the organization

	To Least Extent		To Less Extent		To Moderate Extent		To Great Extent		To Very Great Extent	
	N	%	N	%	N	%	N	%	N	%
Loss of market share	5	20	3	12	9	36	5	20	3	12
Decline in profits	1	4	3	12	9	36	7	28	5	20
High employee turnover	1	4	5	20	4	12	12	48	3	12
Increase in operating costs	1	4	5	20	8	32	7	28	3	12

From Table 4.7, 36% of the respondents stated that there was loss of market share to a moderate extent due to the changes in the external environment. Still, 20%, each, were of the opinion that loss of market share was either affected to a least extent or a great extent. Meanwhile, profits declined to a moderate extent, 36% and to a great extent, 28%. A majority of 48% indicated that due to the external environment changes, there was high

employee turnover to a great extent, although 20% stated that this was to a less extent. Increase in operating costs was affected by the changes in the external environment to a moderate extent, 32% and to a great extent, 28%.

4.4 The Extent of the Importance of Environmental Factors

The respondents were asked to indicate the extent to which the Political Environmental, Economic, Socio-Cultural and Technological factors were important to their companies. The results are as presented in Table 4.8.

Table 4.8: The Extent of the Importance of Political Environmental Factors

	To Least Extent		**To Less Extent**		**To Moderate Extent**		**To Great Extent**		**To Very Great Extent**	
	N	%	N	%	N	%	N	%	N	%
Political Factors										
System of legislation	1	4	3	12	3	12	9	36	7	28
Utterances by political leaders	6	24	6	24	3	12	7	28	3	12
Government policies	0	0	3	12	0	0	9	36	11	44
Economic Factors										
Inflation rates	1	4	4	16	1	4	10	40	9	36
Bank lending rates	1	4	5	20	6	24	6	24	7	28
Balance of payments	1	4	9	36	5	20	5	20	5	20
Level of economic growth	0	0	4	16	4	16	9	36	8	32
Socio-Cultural Factors										
Customs	4	16	4	16	5	20	9	36	3	12
Attitudes	4	16	0	0	5	20	11	44	5	20

Religion	6	24	4	16	10	40	0	0	5	20
Language	7	28	5	20	9	36	0	0	4	16
Technological Factors										
Availability of technology	1	4	1	4	3	12	14	56	6	24
Technological infrastructure	1	4	1	4	4	16	14	56	6	24
Cost of technology	1	4	4	16	5	20	6	24	10	40

From Table 4.8, it was found out that most companies considered system of legislation as an important factor to a great extent and to very great extent, represented by 36% and 28% in that order. The utterances by political leaders were considered to be important to a great extent, 28%. However, a proportion of 24%, each, either viewed political utterance to be least or less important. On government policies, most respondents, 44% stated that they were important to a very great extent. Also, 36% indicated that government policies were important to a great extent.

Inflation rates were important to a great extent and to very great extent, represented by 40% and 36% in that order. The bank lending rates were viewed to be important to a very great extent, 28%. However, a proportion of 24%, each, either stated that bank lending rates were either important to a great extent or moderate extent. Meanwhile, most respondents, 36% stated that balance of payments was less important, as compared to a segment of 20% who each indicated that it was either important to moderate extent or a great extent or very great extent. The level of economic growth was important to a great extent and also to very great extent, as indicated by 36% and 32% respectively.

Most companies considered customs as an important factor to a great extent and to a moderate extent, represented by 36% and 20% in that order. Attitudes were considered to be important to a great extent, 36%. However, a proportion of 20%, each, either viewed attitudes to be important moderately or very greatly. On religion, most respondents, 36% stated that it was important to a moderate extent. Also, 36% indicated that language was

important to a moderate extent. On technological factors, the availability of technology was seen to be important to a great extent by most respondents, 56%. Similarly, technological infrastructure was viewed to be important to a great extent, 56%. The cost of technology was viewed to be important to very great extent, 40%, followed by great extent, 24%.

4.5 Strategic Responses

This section sought to establish the extent of changes in the companies' objectives. The respondents were asked to indicate to what extent there had been changes in the companies' objectives. The results were as shown in Table 4.9.

Table 4.9 Extent of Change on Companies' Objectives

	To Least Extent		**To Less Extent**		**To Moderate Extent**		**To great extent**		**To Very Great Extent**	
	N	%	N	%	N	%	N	%	N	%
Corporate mission/vision	7	28	6	24	0	0	7	28	4	16
Range of products/services	1	4	4	16	1	5	12	48	7	28
Market segments served	1	4	4	16	7	28	4	20	7	28
Technology	1	4	1	4	5	20	11	44	7	28
Structure	1	4	4	16	9	36	7	28	4	16
Planning	1	4	1	4	4	16	13	52	6	24

As shown in Table 4.9, 28% either indicated that corporate mission/vision had changed to a least extent or to a great extent. The ranges of products or services were viewed to have changed to a great extent, and to a very great extent as represented by 48% and 28% respectively. Twenty eight percent of the respondents either indicated that the market

segments served had either changed to a moderate extent or to very great extent. This means that 48% represented the change that the market segments served to a significant extent. Technology and planning on the other hand were both viewed to have changed to a significant extent, as represented by 72% and 76% respectively. The majority, 36% indicated that the structure of companies had changed to a moderate extent, while 28% viewed the structure to have changed to a great extent.

The respondents were asked to indicate the importance of strategic options in response to the changes in the external environment. The results are as shown in Table 4.10.

Table 4.10 Importance of strategic options in response to the changes in the external environment

	Least Important		**Less Important**		**Neither Important nor Un-Important**		**Moderately Important**		**Very Important**	
	N	%	N	%	N	%	N	%	N	%
Cost leadership	5	20	4	16	1	4	6	24	9	36
Differentiation	4	16	0	0	4	16	13	52	5	20
Market penetration	0	0	4	16	4	16	4	16	13	52
Market development	1	4	3	12	3	12	3	12	15	60
Product development	3	12	4	16	0	0	7	28	11	44
Diversification	4	16	5	20	1	4	4	16	11	44
Merger	15	60	6	24	4	16	0	0	0	0
Joint venture	10	40	6	24	4	16	1	4	4	16
Acquisitions	12	48	4	16	0	0	4	16	4	16

From Table 4.10, 36% of the respondents indicated that cost leadership was a very important strategic option in response to the changes in the external environment, while

24% stated that it was moderately important. Differentiation was viewed to be a moderately important strategic option in response to the changes in the external environment by most respondents, 52%. Market penetration was considered to be a very important strategic option in response to the changes in the external environment, by 52%. Sixty percent admitted that market development was a very important strategic option in response to the changes in the external environment. Still, 44% of the respondents viewed diversification as a very important strategic option in response to the changes in the external environment.

On the contrary, 52% of the respondents considered merger as a least important strategic option in response to the changes in the external environment. 40% of the respondents indicated that joint venture was a least important strategic option in response to the changes in the external environment, whereas 24% stated that it was a less important strategic option. Moreover, a majority of 48% admitted that acquisitions were a least important strategic option in response to the changes in the external environment.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings as well as the conclusions gathered from analysis of data. Findings have been summarized alongside the objective of the study; conclusions have been drawn from the study and the recommendations for actions given.

5.2 Summary of the Findings

The study found out that most companies, operated both life and non-life business, unlike those that operated general and life insurance. Further, most insurance firms had a huge annual underwriting premium of more than Ksh 1 billion. Different respondents had divergent views as to the extent to which external environmental factors had contributed to Company success. However, the majority indicated that product innovation, market development, improvement in technology, aggressive marketing and good will led to company success to a great extent. Only good customer service was seen to have contributed to company success to a very great extent.

Further, the degree to which changes that affected companies had taken place in the external environment in Kenyan Insurance industry in the last 10 years was varied. For instance, globalization/regionalization, Removal of trade barriers made an impact to a moderate extent. Technological advancements, improved customer awareness and government deregulation and privatization had an effect on companies to a great extent affected insurance companies to a great extent.

The loss of market share, profits decline, high employee turnover, and increase in operating costs were affected to a moderate extent due to the changes in the external environment. The PEST factors were important to companies in different extents. Political factors such as system of legislation, utterances by political leaders, government policies were considered as an important factor to a great extent. On economic factors,

most companies considered inflation rates, bank lending rates and the level of economic growth important to a great extent. Interestingly, balance of payments was viewed to be less important. Customs and attitudes were important socio-cultural factors to a great extent. Interestingly, religion and language were important only to a moderate extent. On technological factors, the availability of technology, the cost of technology and technological infrastructure were seen to be important to great extents.

Corporate mission/vision, the ranges of products or services, market segments served, technology and planning and the structure of companies were viewed to have changed to a significant extent. The importance of strategic options in response to the changes in the external environment was enumerated. The cost leadership, differentiation, market penetration, market development and diversification were important strategic option in response to the changes in the external environment. On the contrary, merger, joint venture, and acquisitions were considered to be least important strategic option in response to the changes in the external environment.

5.3 Conclusion

The study conclusion on insurance operation in Kenya is that most of these companies had been in place for a longer duration of time, more than ten years, and were running composite insurance business. As such, they had huge annual underwriting premium of more than Ksh 1 billion. The study concludes that there were there were divergent views as to the extent to which strategic responses to external environmental factors had contributed to company success. The majority indicated that product innovation, market development, improvement in technology, aggressive marketing and good will led to company success to a great extent. Only good customer service was seen to have contributed to company success to a very great extent.

The degree to which external environmental changes affected companies in the in Kenyan industry in the last 10 years varied; for instance, globalization/regionalization impact was not much felt, removal of trade barriers affected the companies to a less

extent. Meanwhile, technological advancements, improved customer awareness, privatization, growth of service chains and government deregulation affected insurance companies to great extent. Further, there was loss of market share and decline in profits, increase in operating costs to a moderate extent due to the changes in the external environment. Due to external environment changes, there was also a high employee turnover to a great extent.

This study's conclusion on the Political, Economic, Socio-cultural and Technological factors was that they were important to companies to varied extents. Political factors such as system of legislation, utterances by political leaders and government policies were considered to be important to a great extent. Economic factors such as inflation and bank lending rates, and level of economic growth were important to a great extent. However, the balance of payments was less important. Socio-cultural factors such as customs and attitudes were considered important factors to a great extent. Interestingly, religion and language were important only to a moderate. On technological factors, the availability of technology, the cost of technology and technological infrastructure were seen to be important to great extents.

Due to external environment turbulence, corporate mission/vision, the ranges of products or services, market segments, structure of companies, technology and planning had changed to a significant extent. The importance of strategic options in response to the changes in the external environment was enumerated. Cost leadership, market penetration, market development and diversification were very important strategic option in response to the changes in the external environment. Differentiation was viewed to be a moderately important. On the contrary, merger, joint venture and acquisitions were seen to be least important strategic option in response to the changes in the external environment.

5.5 Recommendations

The following recommendations were made based on findings and conclusions of this research study.

5.5.1 Recommendations for Improvement

Since the study established that government policies were very important to the operation of Insurance companies in Kenya, it is important that there is great collaboration between the various arms of the government and the Insurance industry players when formulating policies that affect the insurance industry.

5.5.2 Recommendations for Further Studies

This study concentrated on the strategic responses to changes in the external environment by insurance companies in Kenya. Further studies should be carried on the impact of organizational strategic responses to changes in the external environment and on the performance of organizations.

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APPENDICES

Appendix I: Questionnaire

STRATEGIC RESPONSES TO CHANGES IN THE EXTERNAL ENVIRONMENT BY INSURANCE COMPANIES IN KENYA

Section A: Details of the Respondent

1) Name of your Organization…………………………………………………………

2) Department…………………………………………………………………………

3) Position/Title of the respondent……………………………………………………

4) Number of years in the current position……………………………………………

(a) Less than 1 year ( )
(b) Between 1 and 5 years ( )
(c) Between 5 and 10 years ( )
(d) More than 10 years ( )

Company Profile

6) How many years has the company operated in Kenya ………………………..

(a) Less than 1 year ( )
(b) Between 1 and 5 years ( )
(c) Between 5 and 10 years ( )
(d) More than 10 years ( )

7) What type of Insurance business is your company engaged in?

(a)General ( ) (b) Life ( ) (c) General + Life ( )

8) Approximately, what is the company turnover in terms of annual underwritten premiums?

(a) Less than Kshs. 100,000,0000

(b) Between Kshs. 100,000,000 and 500,000,000

(c) Between Kshs. 500,000,000 and 1,000,000,000

(d) More than Kshs. 1,000,000,000

Section B: Changes in the External Environment and Challenges faced

9) To what extent have the following factors have contributed to your company's success in the last five years? (please indicate as appropriate in the relevant box)

	To least extent	To less extent	To Moderate extent	To a great extent	To a very great extent
Product Innovation	[ ]	[ ]	[ ]	[ ]	[ ]
Market Development	[ ]	[ ]	[ ]	[ ]	[ ]
Improvement in Technology	[ ]	[ ]	[ ]	[ ]	[ ]
Aggressive Marketing	[ ]	[ ]	[ ]	[ ]	[ ]
Good Customer Service	[ ]	[ ]	[ ]	[ ]	[ ]
Good will	[ ]	[ ]	[ ]	[ ]	[ ]

10) Listed below are among the changes that have taken place in the external environment in the last ten years as far as the Insurance industry in Kenya is concerned, please indicate to what extend these changes have affected your company.

	To least extent	To less extent	To Moderate extent	To a great extent	To a very great extent
Globalization/ Regionalization	[ ]	[ ]	[ ]	[ ]	[ ]
Removal of trade Barriers across countries	[ ]	[ ]	[ ]	[ ]	[ ]
Technological Advancement	[ ]	[ ]	[ ]	[ ]	[ ]
Improved Customer Awarenesss	[ ]	[ ]	[ ]	[ ]	[ ]
Government deregulation	[ ]	[ ]	[ ]	[ ]	[ ]
Privatization	[ ]	[ ]	[ ]	[ ]	[ ]
Growth of Service Chains	[ ]	[ ]	[ ]	[ ]	[ ]

11) As a result of the changes in the external environment, to what extent has your organization been affected based on the following parameters?

	To least extent	To less extent	To Moderate extent	To a great extent	To a very great extent
Loss of market share	[ ]	[ ]	[ ]	[ ]	[ ]
Decline in profits	[ ]	[ ]	[ ]	[ ]	[ ]
High Employee Turn over	[ ]	[ ]	[ ]	[ ]	[ ]
Increase in Operating costs	[ ]	[ ]	[ ]	[ ]	[ ]

Any other effects (please specify)…………………………………………………..

12) Please indicate the extent which each of the following factors are important to your company (tick as appropriate in the relevant box)

	To least extent	To less extent	To Moderate extent	To a great extent	To a very great extent
Political Factors					
System of legislation	[ ]	[ ]	[ ]	[ ]	[ ]
Utterances by Political leaders	[ ]	[ ]	[ ]	[ ]	[ ]

Government Policies	[ ]	[ ]	[ ]	[ ]	[ ]

Economic Factors

Inflation rates	[ ]	[ ]	[ ]	[ ]	[ ]
Bank lending rates	[ ]	[ ]	[ ]	[ ]	[ ]
Balance of payments	[ ]	[ ]	[ ]	[ ]	[ ]
Level of Economic growth	[ ]	[ ]	[ ]	[ ]	[ ]

Socio-Cultural Factors

Customs	[ ]	[ ]	[ ]	[ ]	[ ]
Attitudes	[ ]	[ ]	[ ]	[ ]	[ ]
Religion	[ ]	[ ]	[ ]	[ ]	[ ]
Language	[ ]	[ ]	[ ]	[ ]	[ ]

Technological Factors

Availability of Technology	[ ]	[ ]	[ ]	[ ]	[ ]

Technological Infrastructure	[ ]	[ ]	[ ]	[ ]	[ ]
Cost of Technology	[ ]	[ ]	[ ]	[ ]	[ ]

Section C: Strategic Responses and the Challenges Experienced

13) To what extend has there been a change in each of the following company objectives? (Tick as appropriate).

	To least extent	To less extent	To Moderate extent	To a great extent	To a very great extent
Corporate Mission/Vision	[ ]	[ ]	[ ]	[ ]	[ ]
Range of Products/Services	[ ]	[ ]	[ ]	[ ]	[ ]
Market Segments served	[ ]	[ ]	[ ]	[ ]	[ ]
Technology	[ ]	[ ]	[ ]	[ ]	[ ]
Structure	[ ]	[ ]	[ ]	[ ]	[ ]
Planning	[ ]	[ ]	[ ]	[ ]	[ ]

Any other Changes (please specify)…………………………………………….

14) How important has each of the of the following strategic options been to your firm in response to the changes in the external environment (rank them in order of importance, 1 being least and 5 being the most important) –Tick as appropriate

	5 Very Important	4 Moderately Important	3 Neither important nor un-important	2 Less important	1 Least important
Cost leadership	( )	( )	( )	( )	( )
Differentiation	( )	( )	( )	( )	( )
Market Penetration	( )	( )	( )	( )	( )
Market Development	( )	( )	( )	( )	( )
Product Development	( )	( )	( )	( )	( )
Diversification	( )	( )	( )	( )	( )

(Please explain type of diversification)…………………………………………..

Merger	( )	( )	( )	( )	( )

(Please explain)…………………………………………………………………

Joint Venture	( )	( )	( )	( )	( )

(Please explain)…………………………………………………………………

Acquisitions ( ) ( ) ( ) ( ) ( )

(Please explain)…………………………………………………………………

Any other strategic responses (please specify)

……………………………………………………………………………………..

……………………………………………………………………………………..

THANK YOU FOR YOUR CO-OPERATION

Appendix II: Insurance Companies in Kenya

Africa Merchant Assurance Ltd

APA Insurance Company Ltd

Apollo Life Assurance Ltd

Blue Shield Insurance Company

British American Insurance Company Ltd

Cannon Assurance Ltd

Chartis Insurance Company Ltd

CFC Life Assurance Ltd

Concord Insurance Company Ltd

Co-operative Insurance Company Ltd

Corporate Insurance Company Ltd

Direct Assurance Company Ltd

Fidelity Shield Insurance Company Ltd

First Assurance Company Ltd

Gateway Insurance Company Ltd

Geminia Insurance Company Ltd

GA Insurance Company Ltd

Heritage Insurance Company Ltd

Insurance Company of East Africa Ltd

Intra Africa Assurance Company Ltd

Invesco Assurance Company Ltd

Jubilee Insurance Company Ltd

Kenindia Assurance Company Ltd

Kenya Orient Insurance Company Ltd

Kenya Alliance Insurance Company Ltd

Lion of Kenya Insurance Company Ltd

Madison Insurance Company Ltd

Mayfair Insurance Company Ltd

Mercantile Insurance Company Ltd

Metropolitan Life Assurance Company Ltd

Monarch Insurance Company Ltd

Occidental Insurance Company Ltd

Old Mutual Life Assurance Company Ltd

Pacis Insurance Company Ltd

Pan African Life Assurance Ltd

Phoenix of E.A Assurance Company Ltd

Pioneer Life Assurance Company Ltd

Real Insurance Company Ltd

Shield Assurance Company

Tausi Assurance Company Ltd

Trident Insurance Company Ltd

Trinity Life Assurance Company Ltd

UAP Life Assurance Ltd

UAP Insurance Company Ltd

Source: Association Kenya Insurers report (2010)