RESPONSE STRATEGIES ADOPTED BY CO-OPERATIVE INSURANCE COMPANY (CIC) GROUP LIMITED TO CHANGES IN THE EXTERNAL ENVIRONMENT

KENNEDY ODHIAMBO NDOLLOH

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DECLARATION

This research project is my original work and has not been reproduced or submitted for examination in any other university.

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KENNEDY ODHIAMBO NDOLLOH

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

Signature: ………………………… Date: ……………………..

Mr. Alex Jaleha,
Lecturer,
Department of Business Administration
School of Business,
University of Nairobi.

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DEDICATION

I dedicate this publication to my wonderful daughter Ashley. May this publication serve as evidence that our hard work paid and an inspiration to you to always get the best out of life.

TABLE OF CONTENT

ABSTRACT

The environment in which businesses operate is constantly changing with different factors affecting firms operation. The insurance industry has had its fair share of volatile, unpredictable and competitive environment and has grown over the years. Environmental factors if not contained can affect the profitability of an organization and the dynamic environmental factors has driven businesses within the insurance industry to continuously innovate and come up with prudent response strategies to deal with the environmental changes. The study is anchored upon dynamic capability theory, open systems theory and the contingency theory. The objective of the study was to identify the response strategies adopted by CIC Insurance Group Limited to changes in the external environment. The research design was a case study of CIC and the primary data was collected through interviewing two top level managers who are considered to be owners of the strategic information while the secondary data was collected from CIC's management reports, financial reports and the strategic plans. The study found that the technological changes, economic occurrences, socio-cultural changes, political and legislative factors affected the operations of CIC Insurance. The study found that CIC responded to environmental changes through cost leadership, focus marketing, differentiation, diversification, collaboration, product development and market development strategies. The issues arising from implementing some of the strategies include duplication of products by competitors and rigid pricing policies by the regulator. The limitations of this study were confidentiality of the respondents in answering some of the questions and the nature of the research design being a case study meant that the findings cannot be used as a representation of companies in the insurance industry. The researcher recommends that the management continuously focus on strategies that will deliver a better competitive position for the firm. The industry regulator should rationalize ICT policies that will enable growth within the insurance industry. The researcher also recommends that CIC management conduct an integrity appraisal amongst its employees to eliminate fraud issues.

ACRONYMS AND ABBREVIATIONS

AKI	:	Association of Kenya Insurers
CIC	:	Co-operative Insurance Company
CIS	:	Co-operative Insurance Services Limited
CSF	:	Critical Success Factors
IIK	:	Insurance Institute of Kenya
IRA	:	Insurance Regulatory Authority
KNFC	:	Kenya National Federation Co-operatives
MIPS	:	Medical Indemnity Protection Society
NSE	:	Nairobi Stock Exchange

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

All firms are eager to search for a competitive advantage in the fast changing and competitive environment. To sustain competitive advantage in the uncertain and competitive market, firm strategies and activities must be changed to adapt and match intensive competition and industry development. Studies on response strategies have revealed that there is no prescribed best mix of strategies since organizations face different environmental changes hence they adopt different strategies to respond to such environmental changes. The uniqueness of each organizational situation calls for response strategies predicted on actions, business approaches and competitive moves aimed at appealing to buyers in ways that sets a firm apart from rivals and carving out its own market position (Thompson, Gamble and Strickland, 2007).

This study will be anchored on the open system, contingency and dynamic capabilities theories. Ansoff and McDonnel (1990) opine that the open system theory is an axiom of choice because it is based on the understanding that firms are open systems and are affected by changes in the environment. Environmental factors impact the organization and in turn the organization seeks to influence the environment with its functions. Open systems theory identifies the organization as an open social system which must continuously interact with the environment in order to survive (Katz and Kahn, 1966). Contingency theory on the other hand involves complementing of a leader's behaviors with the environmental factors surrounding him at any particular time. The theory rides on the belief that there is no one best way of responding to environmental changes (Carlisle, 1976).The theory seeks to bring out the best traits that leaders should have to steer the firm to a desirable competitive edge. Dynamic capability theory tries to underscore the potentiality of a firm in relation to its resources (Teece, 1997).

The Kenyan business environment has undergone changes over time including implementation of economic reforms, globalization and liberalization of the economy, increased international competition and privatization and commercialization of the public sector (Aosa, 1998). Increase in number of insurance firms offering homogenous products, technological advancements in e-markets, growth in knowledge based economy where product development and segmentation is required, need for strong financial presence and continuous development of a reward system for customers are some of the contemporary changes in business operational environment (World Bank Report, 2015). According to PwC Report (2013), CIC being a composite insurance company has faced more challenges in the insurance industry given the nature of products it offers and the operation in different East African economies. In such changing environment, CIC has had to constantly adapt its activities and internal configurations to reflect the new external realities.

1.1.1 Concept of Response Strategies

Porter (1980), states that strategy is the means by which an organization tries to gain competitive advantage in an industry. According to Ansoff and Mc Donnel (1990), response strategy can be defined as a tactical action a firm takes to counter the effects of a competitor's competitive action. Response strategies are coined to take the offensive or defensive position in order to create a dependable competitive position for a firm. A response strategy is a multidimensional approach and includes: Responses relating to changes in the environment, economic efficiency and cost effectiveness. These responses may reflect the financial direction the firm wants to take, technological and economic aspects of the environmental changes, sustainable growth prospects of the firm and the general investors prospects. Every firm competing in an industry has a competitive strategy, whether implicit or explicit (Porter, 1980). Explicit strategy is developed from a carefully structured planning process while implicit strategy evolves from the functions of the firm. The essence of coming up with response strategies is coping with competition (Mintzberg, 1999).

Response strategies require organizations to continuously change their strategies to match their environments (Grant, 2011). The degrees to which specific response strategies are viable vary considerably depending on the industry in which a firm operates and the implications of such actions will also depend on the extent of the competitors move (Grant, 2011). According to Bett (1995), response strategy is crucial because it takes into consideration fundamental environment changes thus making firms proactive. Competitive battles should be seen as dynamic multi-round game of moves and countermoves (Gupta, 2003).

1.1.2 The External Environment

The external environment in which firms operate is both complex and dynamic (Pulendan et al., 2000). A firm's external environment is characterized by turbulence associated with globalization, deregulation of markets, changing customer and investor demands and increased competition. According to Pearce and Robinson (2013) external environment consists of remote environment, industrial environment and operating environment. Dess, Lumpkin and Taylor (2012) on the other hand state that a firm's external environment is classified into the general environment and competitive environment.

According to Thompson, Strickland and Gamble (2010), the external environment is divided into macro environment and competitive environment while Julieta, Ojeda and Gomez (2007), divides external environment into macro and micro environment which both affect performance of firms. Macro environment factors include socio-cultural, political, technological, demographic and economic factors while micro environment consists of suppliers, customers, intermediary agents, government institutions and competitors.

Technology generally refers to the practical application of knowledge in a particular area. The impact of new technology on future opportunities and threats is evident in many industries. The impact of technological innovations is felt by firms as new opportunities are continuously realized by the advancing technologies (Pollack, 1991). To existing products, technological developments can also affect the way business is done (Ozley, 1991).Demographic factors refer to the statistical characteristic of a population such as age, income and gender. Demographics is the best known and the most misinterpreted component of the external environment (Mookler, 1993). Many trends arise from changing demographics, social values and attributes. These trends can strongly be attributed to family formations, environmental concerns, rising crime rates amidst others. Anticipation of these changing trends is often difficult since they present both threats and opportunities and firms have to read the signs appropriately (Porter, 1980).

The simplistic understanding of political and legal factors is that these are factors that relates to the requirements and regulations set for the operations of businesses within the boundaries of a given country (Coyne, 2009). It is advisable for management to keep abreast of potential policy changes since such may have very serious implications to businesses when not adhered to. Issues to be taken under consideration with regards to the economy by businesses include potential changes in inflation rates, taxes, interest rates, exchange rates, trade regulations and excise duties (Johnson and Scholes, 2002). Organizations seek to create strategies that can be modified to fit changes in every economic situation and in particular the financial aspects of the macro-economic situation (Porter, 1980). Issues surrounding environmental protection have become increasingly important in recent years as the implications of un-regulated economic activity are seen today. This has made firms that do not adhere to the set regulations incurring heavy penalties (Opondo, 2009). Other environmental factors are those that relate to weather, climate and geographical changes.

The external environment generally provides for both opportunities and threats to firms. According to Specht (1993), firms experience hostility munificence in social, political and economic markets. Wan and Hakinson (2003), observes that an ideal external environment is characterized by availability of crucial factors: Natural resources, physical infrastructure and education quality of institutions: Fiscal policy, judiciary system efficiency and civic norms of cooperation. Eldestein (1992), mentions that a hostile environment is one in which changes in the external environment of the firm are perceived as unfavorable to the mission of the firm. The operating environment of the larger external environment can be manipulated to some extent (Pearce and Robinson, 1991). Customer relationship can be cultivated with a successful supply chain. Remote environment on the other hand are impossible to manipulate and can only be handled through compromise. Economic forces influence inflation rates, forex, disposable income which a firm must contend with. Political factors may influence labor laws, taxation and laws governing firms (Pearce and Robinson, 2011).

1.1.3 The Insurance Industry in Kenya

The first insurance firm to set foot in Kenya was London and Lancashire Insurance Company in 1904 followed by Royal Exchange Assurance and Commercial Union in 1922. The foreign owned organizations dominated the Kenyan market until 1978 when the Kenyan parliament came to a realization that the domestic industries needed to run the industry. This instigated the enactment of the Insurance Act, CAP 487 in 1984 changed the operational landscape of the insurance industry from foreign dominated to a more locally based sector. As the demand for insurance grew, competition for market share increased following the local incorporation of insurance firms. The insurance industry in Kenya has 47 insurance companies, a growth that has over the years been escalated by existence of a liberalized economy. Other key players within the insurance industry are 3 Reinsurance companies, 198 Insurance brokers, 4 Reinsurance brokers, 29 Medical insurance providers, 133 Insurance investigators, 108 Motor assessors, 5155 Insurance Agents, 24 Insurance surveyors, 25 Loss adjusters, 2 claims settling agents and 8 Risk managers (IRA Report, 2015).

The insurance regulatory authority (IRA) is the body mandated to regulate, supervise and develop the insurance industry in Kenya and is established under the Insurance Act 2006, CAP 487 of the laws of Kenya. The insurance institute of Kenya (IIK) on the other hand is a professional insurance body mandated to train, register and monitor insurance professionals in Kenya. With such bodies in place, the sector still was in need of a self-regulatory body for purposes of oversight. This brought forth the establishment of Association of Kenyan Insurers (AKI). AKI operates as an independent non-profit making body whose key mandates are being a consultative and advisory body to the insurance industry in its entirety (IRA report, August 2013). Competition within the insurance industry has seen some of the firms knocked off the business arena. This is evident in the collapse and declaration of insolvency of the once major players in insurance sector. Casualties to the turbulence in the industry are United Assurance Limited, Standard Assurance, Blue Shield Insurance, Concord Insurance Company and Invesco Assurance, which has since been revived (Waitathu, 2013). Although not directly linked to competition, the common factor behind the collapse of the giant insurance companies was inability to meet their obligations which included payment of claims, creditors and levies as prescribed in the Insurance Act, 2006 (Gituma, 2012).

1.1.4 Co-operative Insurance Company (CIC) Group Limited

CIC Insurance Group limited has three subsidiaries operating in Kenya: CIC Life Assurance Limited, CIC General Insurance Limited and CIC Asset Management Limited. The group is largely owned by Co-operative Insurance Society Limited; A collection of up to 26 co-operative societies, with a 74.32% shareholding. The other 25.68% ownership of the company is shared amongst individual shareholders (CIC Annual Report, 2015).CIC through its three subsidiaries is licensed by Insurance Regulatory Authority to underwrite life insurance and general insurance risks.

In 1968, as a department within the Kenya National Federation of Co-operatives (KNFC), CIC was solely licensed to write all classes of businesses. The insurance agency grew fast and steadily due to existence of many co-operative movements who were their target customers. With such immense growth, a change of name was necessary to reflect its capability and product. Co-operative Insurance Services Limited (CIS) was the new name adopted for the insurance in 1978. In 1999, the company changed to Co-operative Insurance Company of Kenya (CIC) and finally in 2010 to CIC Insurance group Limited. The change of names at the company has been attributed to competitive positioning in making it the preferred insurer in the country. The change of name from CIS to CIC Kenya formed part of the company's repositioning strategy while the change to CIC Insurance group limited was done to leverage the company performance in both its key result areas and its general businesses. This is what brought into life the three subsidiaries that currently exist at the insurance group (CIC Annual report, 2015). CIC offers a wide range of products including General insurance, life assurance, pension, medical and asset management services (CIC Report, 2015).

CIC Insurance posted profit before tax of 269.284 million in 2015 versus the 2014 results of 154.360 million. The total income for financial year 2015 was 6.88507 billion versus 6.49122 billion for year ended 2014. The total assets for CIC is 23.69038 billion compared to 2014 declared assets of 17.088 billion (CIC Information Memorandum, 2014). Expansion to the other East African countries has seen the firm set foot in South Sudan, Uganda and Malawi being the latest insurance market. The firm commenced trading in the Nairobi Securities Exchange on 18th July 2012. The listing and subsequent trading of 2.1 billion shares at a market price of 3.50 per share was aimed at providing a complementary source of long term capital to the group (CIC Information Memorandum, July 2012).

1.2 Research Problem

The dynamism and complexity of the environment within which firms operate implies that organizations have to constantly redesign their strategies in order to achieve and sustain competitive advantage (Ansoff and Mc Donnel, 1990). Constant scanning of the environment is needed for a firm to appropriate the best response to market changes. A strategy is considered effective if it is appropriate for an organization's resources, environmental circumstances and its core objectives. According to Pearce and Robinson (2003), the only way firms can avoid strategic failure is through matching competencies of the firm to market conditions. With the current business environment getting more and more turbulent and competitive, prudent response strategies are constantly needed to counter changes in environment elements.

CIC Insurance group limited is the leading micro-insurance and cooperative insurance provider in Kenya. The company operates through three General Insurance, Long term insurance and other non-insurance related businesses. CIC insurance group operates in Kenya Uganda, South Sudan, Malawi and Mauritius. The company faces a range of challenges in its operations including low penetration necessitated by a low saving culture, low disposable incomes and inadequate tax incentives. With a potential 16 million insurance target market, CIC Insurance is seeking to tap into the blue ocean markets to remain afloat and successful amidst the stiff competition in the insurance industry. The company must therefore adopt strategies that will ensure superior performance and earn the firm competitive advantage.

A number of studies have been done locally on response strategies adopted by firms towards the changing business environment. Njoroge (2015) in his research on response strategies adopted by Sarova Hotels Kenya to changes in the environment, found that the Hotel employed competitive, outsourcing, product innovation and diversification strategies,Gathigia (2013) studied strategies employed by CIC Group for Competitive advantage in the micro-insurance industry in Kenya and established that diversification and marketing strategies were the response strategies used. Abdirahman (2014) focus on response strategies by oil marketing companies in Kenya revealed that focus market, cost leadership, strategic alliances and corporate social responsibility were the response strategies adopted while Thuranira (2012) study on response strategies adopted by commercial banks in Kenya to changes in economic environment revealed that portfolio, growth, business and financing strategies were the major response strategies. Internationally, Bufton (2011) research on response strategies by property development firms to survive in an economic downturn in New Zealand established that growth, focus and diversification strategies were employed. Sharma (2015), study on response strategies by firms in India to deregulation found that low cost, differentiation, focus and unfocused strategies were used. These studies revealed that different organizations respond to changes in environment in various ways and that there is no one best mix of response strategies prescribed for all organizations. Due to contextual and conceptual differences in these organizations, responses adopted are different.

Against the backdrop of all the studies done on the insurance industry, none has been documented on response strategies adopted by CIC Insurance Group Limited to changes in the external environment. The context in which this study will be conducted will be different and the response strategies adopted by firms tend to change with time. In its uniqueness, the study will seek to bridge the research gap by establishing the various response strategies adopted by CIC Insurance group Limited to changes in the external environment. The study therefore undertakes to answer the following question; what response strategies are adopted by CIC insurance Group Limited in response to changes in the external environment?

1.3 Objective of the Study

The objective of the study was to establish the response strategies adopted by CIC insurance Group Limited to the changes in the external environment.

1.4 Value of the Study

The study will help fill the existing research gap on response strategies at CIC Insurance group Limited. The study will in addition add substantial value to the existing framework of response strategies thus forming the basis for guiding further studies especially on the insurance industry in the face of the ever changing environment. The study will attempt to highlight the different environmental changes and the corresponding effective response strategies hence contributing to the existing body of knowledge and theory building for researchers and scholars.

The findings of this study will highlight the critical and effective strategies that other insurance industries companies can apply in related environmental circumstances. Practitioners will benefit by knowing the response strategies that are both effective and efficient for profitable growth of their companies. The findings of this study will add on to the best practices that organizations can share for successful preventive and curative interventions. The study will inform the formulation of policies by concerned shareholders to ensure seamless operations in the insurance industry. Furthermore, the government through the Insurance Regulator will be better placed to formulate and institute appropriate policy guidelines that will help industry players grow within the industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a critical and in-depth evaluation of previous studies related to the research problem. It will involve examination of theoretical and empirical postulations by various scholars and authors. This chapter covers theoretical foundations, response strategies and the macro environment.

2.2 Theoretical Foundation of the Study

The study will be anchored on Dynamic Capability, Open Systems and Contingency theories respectively. The three theories attempt to explain why firms choose various strategies and the extent companies engage various courses of actions.

2.2.1 Dynamic Capability Theory

Dynamic capability is defined as the firm's ability to integrate, build and reconfigure internal and external competence in an attempt to address the rapidly changing environment (Leonard-Barton, 1992). Teece, Pisano, and Shuen, (1997) observe that the dynamic capability theory focuses more on the organization's ability to appropriately adapt, integrate and reconfigure its internal and external skills and resources and matching them to the requirements of a changing environment.

The dynamic capability concept as highlighted by Erickson, (2013) is multidimensional since the theory's components exist in a dynamic business environment which brings with it opportunities and threats. Firms with dynamic capabilities sense and seize sustainable development opportunities so as to achieve a competitive advantage and improved performance through transformational activities on both resources and capabilities. Lo'pez, (2005) states that dynamic capability theory allows firms to compete by adapting to their external environment changes. Capability development is time dependent and does not necessarily produce immediate performance effects. Firms should therefore enforce a thorough capacity checks to ensure the deliverables of capability development are matched with results over time (Wang and Ahmed, 2007).

Managers should ensure that the competencies and firm's capabilities are constantly reviewed when crafting strategies to ensure congruence of the capabilities and resources to the set results and the changing environmental occurrences (Thompson et al, 2005). In coming up with effective and efficient strategies, dynamic capability must not be examined in isolation but should involve simultaneous assessment of external environmental changes, strengths and weaknesses and product market positioning to enable the firm channel its resources towards capability development (Wang and Ahmed, 2007).

2.2.2 Open Systems Theory

Katz and Kahn, (1966), state that the open systems theory identifies the organization as an open social system which must continuously interact with the environment in order to survive. Given that firms operate in dynamic environments which dictate the operations of the firms, the open systems approach relates the existence of the firm to a symbiotic relationship with the environment. Bertalanffy, (1951), attempts to show how the interaction between the environment and the firm takes place. Systems receive resources from the environment, then process the resources internally and release outputs to the environment. The open systems approach is viewed as an external standard that measures effectiveness based the impact of the output and long term growth (Buckley, 1967).

Ansoff and McDonnell (1990) states that successful environment serving organizations are open systems since the continued organizational survival depends on the firm's ability to secure rewards from its environment which replenishes the resources consumed in the change process. According to the systems theory, effective and efficient organizations adapt to their environments. Bertalanffy (1951) concludes that, the key to dealing with the constant uncertainty in any open system is the collection of information –be it negative or positive- to build the competitive edge and respond to environmental changes.

2.2.3 Contingency Theory

Each firm faces its unique opportunities and threats in relation to its strengths and weaknesses. Daft, (2010) observes that organizations can never have similar designs even though scientific management as much as scientific management principles attempt to design all organizations alike. Failure to recognize individual firms as unique entities may lead to wrong choice of strategies and strategic failure. This therefore forms the basis for contingency theory.

Contingency theory uses the approach that organizations need to effectively match the general organization's strategies and the external environmental conditions. The theory rides on the belief that there is no one best way to respond to changes in the external environment. Almost all organizations operate in highly uncertain environments thus they are involved in a significant period of transaction where actions of firms need to be contingent to the environmental change occurrence (Carlisle, 1976).

2.3 Response Strategies

According to Ansoff (1990), strategy is designed to change a firm's from a the present undesirable position to a more promising and competitive position that will maximize the use of firm's resources and deliver good rewards economically and socially. Response strategy can be defined as a tactical action a firm takes to counter the effects of a competitor's competitive move. According to Ndungu, Machuki and Murerwa, (2014), crafting prudent response strategies for organizations therefore requires a paradigm shift from the usual reactionary moves to competition, to a conscious environmental scanning process that matches the environmental situation to the response strategies. Some of the response strategies adopted by firms include market penetration, product development, human resource, culture change, technological, marketing, restructuring and diversification strategies.

The Ansoff matrix suggests four possible sequential strategies: Market penetration, market development, product development and diversification strategies (Cadle, Paul and Turne, 2010). Market penetration strategy involves a firm focusing on selling its known products in the usual markets to increase the firm's market share. The strategy involves selling more to current customers and new customers who can be easily convinced within the same market place (Kottler et al., 2009). Market penetration is a low risk strategy and is characterized by a detailed market and competitor intelligence, well researched market, financial and operational data and risks of alienating current customer base (McDonald and Wilson, 2011). This strategy can be achieved through new geographical markets, new product dimensions, new distribution channels and new market segmentation through pricing (Kotler et al., 2009).

Product development strategy is a growth strategy that requires constant changes in a firm's operating landscape in delivering differentiated products in the markets, a function of the research and development department (McDonald and Wilson, 2011). Product development is a risky venture hence most organizations choose to outsource product development by simply buying in an existing product from another manufacturer and putting their own name on the packaging. Cadle et al. (2010) opines that the success of this strategy is achieved when the product is closely associated with current products; the products match customers purchasing habits or reinvent the existing product.

Diversification strategy achieves growth by developing new products for completely new markets. Diversification is risky and requires substantial investment since the firm has little or no experience in the new market and the new skill set needed in operations and marketing of the product is huge (Johnson et al., 2009). Full diversification involves engaging in a totally new product to a new market with the aim of increasing sales volume of a firm. Backward diversification on the other hand involves offering a product that relates to the preceding stage of the current product while forward diversification involves moving into products that relate to the later stages that follow the current product offering. Through collaborative strategies, firms are able to gain control over resources, operational risks, overall costs reduction and increased visibility in the market(Farinda et al., 2009). They go further to mention that carefully crafted mix of collaborative strategies has a positive impact on business growth, significant revenue growth and customer base expansion.

A marketing strategy refers to a set of deliberate moves employed by a firm towards achieving its marketing objectives in the short and long run periods (Slater and Olson, 2001). Kottler (2000) observes that the basic trust of marketing strategy is to increase the penetration of products to their existing customers through more effective and cost-cutting efforts. According to Crawford and Di Benedetto (2008), a firm should consider marketing strategy as a strategic launch decision which refers to the strategic platform and action decisions that define to whom a firm is to sell while tactical launch decision refers to the marketing mix decisions that set how strategic decisions will be implemented.

Human resource strategy is defined as a pattern of human capital deployments and activities adopted to enable a firm achieve its goals (Wright and McMahan, 1992). Human resource strategy revolves around three basic principles which are; recruiting and retaining high quality personnel with innovative skills and a good track record in innovation, developing strategic capability and encouragement facilities for enhancing intellectual capital and providing financial incentives and recognition for successful innovations (Ployhart and Moliterno, 2011). Human resource strategies must support the strategic direction of the organization. The performance and cost of those employed are fundamental to the firm's future success (Opondo, 2009).Retrenchment strategies involve approaches such as divestment of company's assets through selling or spinning off a company or turnaround management (Mookler, 1993). Retrenchment strategy is an approach that a firm uses in an attempt to cut costs and divest its non-core assets to enable them continue operating in the competitive business landscape. Given the harsh economic downturns that may be experienced by a firm at one time or another, retrenchment strategy offers immediate solution to such problems in the short run. Retrenchment strategy is a knee-jerk reaction to adverse market conditions rather than a proactive strategic repositioning of the firm and one that weakens the capacity of the firm to respond when conditions improve (Ndungu et al, 2014).

Organization culture and structure change strategies remain the lowly sought after strategies in firms. Firms choose to remotely pursue other strategies because cultural and structural change is often deemed impossible since they are ingrained within the organization (Gold, 2002). Organization structure refers to the formal roles and responsibility of people within an organization. Marketers generally use cultural diversity to change client perceptions of different organizations products to increase the share of the product market. Culture change is a learning process and can either be gradual or revolutionary depending on the nature and circumstances facing an organization. A change in both the structure and culture in firms have always been described as paradigmatic (Hammer, 1996).

Stability strategies concentrate on maintaining and improving present products and market positions (Mookler, 1993). Stability strategy is commonly referred to as defensive approach and the basic principle guiding the approach is maintaining the present course. This approach can be implemented when the company is comfortably satisfied with its current performance and there is no significant environment threat. Stability strategies offer scope for safe business and is always implemented by firms when, the company has passed through turbulent environment, the cost of changing strategy is very high and if the change of strategy will bring a minimal effect. Porter (1985) observes that technological change is an important component that can alter the rules of competition. McFarlan (1983) opines that information technology offers a scope for product differentiation which enables a firm to effectively service the needs of its market niche. Information technology is used to automate processes and augment the skills of organization’s staff. Gilbert (1995), notes that firms which continuously seek the right information and act on the feedback effectively ahead of their rivals, remain successful. The use of real-time systems and efficient telecommunication systems generally influences the firm’s response to competition.

2.4 The External Environment

Firms are faced with constant dynamic, complex and unpredictable business environments in which technology, globalization, lack of resources, frequent fluctuations in business cycles, changes in social values, competition, customers, suppliers and other dynamic forces affect the overall business performance (Bojan and Jonatan, 2014). External environment is generally characterized by turbulence, dynamism and hostility. Turbulent environments are characterized by high change rates and unpredictability of the business environments (Roger, 2006). Environment hostility is characterized by intense competition, regulatory restrictions, relative lack of exploitable opportunities and negative demographic trends (Bojan and Jonatan, 2014). According to Wiklund and Shepherd (2005), environmental dynamism is the extent of change predictability in the environment. Bojan and Jonatan (2014), note that globalization, technological advancement and socio political turbulence generally impact firms by transforming their structures and strategic processes. Baak and Boggs (2008), contends that an organizations environment is of the greatest importance to its existence and there is a close relationship between organization's environmental attributes on one hand and managerial choices on the other. The external environment generally affects the firm's ability to create or discover new opportunities.

Environmental munificence facilitates the ability of firms to exploit resources, acquire resources and identify opportunities to create comparative advantage (Hitt et al., 2011). Munificence according to Hodge et al., (2003), is the ability of the environment to support sustained growth of an organization and the degree of resource abundance including potential market demand, market receptivity to the products and the size of market opportunity. Rajagapalan et al. (1993) argues that organizations in ideal munificent environments are less likely to be penalized for poor decisions than those in hostile environments. Boseman and Phatak (1989), state that for a firm to remain vibrant and successful, it must conduct an impact assessment of the external environment. According to Recklies (2006), PESTLE analysis is a tool used to identify changes in the external environment affecting businesses. It involves examination of political, economic, socio-cultural, technological, legislative and ecological aspects of the wider environment. Porter (1980), notes that for a successful and efficient analysis of the external environment to be done, it is important to include external factors which a firm cannot influence by itself.

Li et al., (2006), observes that as the level of uncertainty raises the level of preparedness and strategic activity within firms. The uncertainty within the external environment increases the firm's exposure to risks hence requiring it to connect its activities with other industry players for constant situational sharing. Ogundele (2005), states that the economic environment goes a long way in defining and determining organization's opportunities. This is because an expanding economy provides operational scope for the organizations existence as well as establishment of new ones. Periods of recession can bring about failures and liquidation to organizations. Olarewaju (2012), opines that management must recognize the real and prospective constraints and seek advice from business advisors.

2.5 Relationship between Response Strategy and the External Environment

Firms that efficiently relate their business environments to the strategies they adopt have a higher performance level (Sharma, 2015). The understandings of environment-strategy relationship enables firms attain competitive advantage through well crafted operation plans. Given that the business environment is constantly changing, response strategies need not be static to match the environmental conditions. The convergence of response strategy and the external environment reveals that there are different types of operational environments and the strategies accompanying them. Emery and Trist (1965) describe the four environments as predictable and immutable, unpredictable and immutable, predictable and reactive and unpredictable and turbulent environments. In such environments Reeves (2012), proposes classical, adaptive-experimental, visionary and shaping strategies. Firms need to understand the response strategy style it deploys and the style most suited to its environmental condition to unlock their real potential.

The matching of the external environment to the response strategies adopted enables a firm avoid strategic failure and discern strategies suited to unpredictable environments that cannot be controlled and those that can be capitalized on to shape to the firms' advantage. The external environment being the source of both opportunities and threats presents a multidimensional approach to crafting of response strategies. The external environment therefore gifts firms with different opportunities but it depends on the organizational strategic direction to unveil the environmental opportunities. The extent of environmental gifting to firms which make prudent strategies is similar to the threats presented to the firms which are not proactive enough to come up with strategies that address the environmental occurrences (Emery and Trist, 1965).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology used to carry out the study. It is a blueprint of the research design, the target population, data collection methods, data collection methods, data analysis, interpretation and presentation methods.

3.2 Research Design

Research design is a logical task undertaken to ensure that evidence collected enables one to answer questions as unambiguously as possible (De Vaus, 2001)The research design was a case study. A case study allows the researcher to collect in-depth information with the intention of understanding situations (Mugenda and Mugenda, 2003).

Case study was deemed appropriate since the study involved a single unit and using case study gave a detailed in-depth analysis of the insights to the phenomena. A case study was chosen since it was the most appropriate technique for examining processes by which events in the study unfold as well as providing a holistic understanding of the study. According to Kothari (2011), the advantages of using a case study are; easier access to facts, the results of the study may be real for all firms within the industry because of the status of the organization being studied and case studies have efficiencies and effectiveness over surveys.

3.3 Data Collection

Primary data was collected through an interview guide. An interview guide is a set of questions that an interviewer asks during an interview (Cooper and Shindler, 2008). The respondents interviewed were the operations manager and strategy and development manager at CIC Insurance Group Limited. The interviewees gave a dependable basis for understanding the numerous actions that the firm undertakes since they are considered the owners of such strategic information. The interview guide consisted of open ended questions to be able to exhaustively collect the required information and get in depth information on the subject matter. The open ended formats of the interview guide also enabled the interviewer omit or add new and useful questions whenever the situation permitted.

The secondary data was gathered from the various CIC corporate publications whose reliability was guaranteed including strategic plan, planning minutes and newsletters. Such secondary data sources were also used to validate the information provided by interviewees.

3.4 Data Analysis

The data obtained from the interview were analyzed using content analysis. The qualitative data obtained from the managers at CIC was subjected to content analysis since it allowed for in depth analysis of the respondent’s answers. Comparisons of the answers yielded from the interview against the theoretical approaches cited in the literature review were also made possible by using content analysis.

All the information collected was organized in a format that allowed the researcher to make conclusions on the data collected. The veracity of the information collected through the interviews was confirmed through the various publications of the firm and the industry outlook performance of the firm. The systematic organization of the data collected allowed the researcher to narrow down to the specific response strategies that are adopted by CIC Insurance Group Limited to the changes in the external environment.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings data analysis and interpretation of the findings. The research objective was to determine the response strategies adopted by CIC Insurance Group Limited to the changes in the external environment. The primary data was collected through interview of the top management team who included the Company Group Accountant and the Operations Manager. Interviews were carried out in the offices of the respective managers and the data analyzed based response to the interview guide questions. The secondary data was collected was collected from existing audited financial reports, annual CIC management journals and the company strategic plan. The management newsletters provided a basis for comparing various management models and strategies initiated by the firm to grow its competitive edge. The strategic plan provided a road map of the company's strategic intentions and the roll out plan in the foreseeable future while the audited financial report gave the financial implications of adoption of various strategies and their return on investment. These documents were able to clearly outline the response strategies adopted by CIC, the successes and shortfalls of the strategies and recommendations for future strategic success.

4.2 Background Information of the Respondents

The study sought to obtain information on the respondents background with regard to the number of years they have worked for CIC and the position they held in the organization. The background information was necessary for testing appropriateness of the respondent in answering questions regarding response strategies. The first interviewee indicated that he is generally tasked with advising management on financial implications of various projects, availing new revenue sources, reconciliation of the financial performance with the projected outlay and preparation of the group's financial statements and presenting the same to the board. The second interviewee indicated that he is tasked with ensuring a seamless flow of activities within the various departments of the company and also chairs the research and development team meetings.

The study sought to know the products offered by CIC Insurance Limited. CIC has different product categories for different market segments. The company's group accountant stated that;

> "CIC products in the market include bundled General Insurance products, customized products, medical insurance, life assurance products, individual life products and scheme fund."

Unbundled general insurance products include industrial fire, burglary, professional indemnity, marine, travel insurance and motor insurance. Unbundled customized insurance products include CIC motor commercial plus, Biashara Salama, combined insurance, Jilinde personal accident policy and school bus insurance. Unbundled medical insurance products include family health insurance, CIC Medisure and Outpatient self-funded scheme. Unbundled life assurance products include loan guard, MEPIP, group life assurance, group mortgage and group funeral expense. Individual life products include board members insurance plan, academia policy, investment plan policy, save plan policy, universal endowment plan and family protector policy. Scheme fund products include equity fund, balanced fund fixed income fund and money market fund. The operations manager noted that;

> "Bundled and unbundled products in the market are meant to create broader product lines that suit different market segments at different price ranges. Furthermore, life assurance and medical insurance policies are always flexed to the customers' needs and are the most sought after products after motor vehicle insurance."

4.3 External Environment

The study sought to know the preparedness of the group towards the changes in the external environment. The first interviewee indicated that the firm was adequately prepared for changes in the external environment.

> "The preparedness has been enabled through constant environment assessment and product testing to suit the market conditions. Furthermore a robust customer interaction model has been initiated to help understand the market needs."

The second interviewee indicated that,

> "For purposes of sustainability of various market assessment models, the company has put in place a reserve account that specifically is designed for investment in objective pilot programs to test efficiency and effectiveness of products."

The first interviewee opined that CIC operates in a highly competitive environment with an expanding consumer demographic. Both the interviewees observed that the insurance regulator had put in place policies with an aim of streamlining competition within the insurance industry by removing barriers that were discriminatory to other insurance firms.

The first interviewee indicated that

> "The responsibility of environmental scanning squarely lies on the research and development department. The mode of operation of the R&D department is clearly laid out within the company's performance management system. The department

> continuously does checks and improvements on products and comes up with new tools that meet the demographic trends at the lowest possible cost while providing highest value to customers.”

The second interviewee noted that;

> “The R&D department is tasked with raising red flags whenever a strategy is excessively eating up the financial resources of the firm without tangible results. The budget line financing for R&D department is solely approved by the board and they report directly to the board.”

The study sought to find out the various external environment issues that CIC faces. The first interviewee indicated that the main external environment factors affecting CIC’s operations are the expanding economy, expanding consumer demographics, political factors and legislative factors.

The first interviewee said,

> “CIC has experienced low insurance penetration within the different market segments. This is due to low consumer education on the insurance concept.”

The second interviewee noted;

> “Distribution of insurance products still remains a challenge to CIC. This is because the inexpensive traditional methods that have continuously been used are becoming inefficient creating the need for non-traditional methods that are efficient but capital intensive and requires a rationalized structure.”

Insurance product pricing is at times hindered by the insurance regulator cost controls which introduces specific caps for management expenses and commissions. The first interviewee said,

> “The insurance regulator cost control has made CIC to price its products with very low profit margins that have somehow inhibited the growth of the firm.”

Unfair competitive practices by other insurance firms are also environmental factors faced by CIC. The second interviewee added,

> “The product development initiatives implemented by CIC are duplicated by other insurance firms for the same markets that CIC intends to reach. The regulator has little control over duplication of the products in the insurance industry given the homogeneity of the products. Such unfair competitive moves towards product development initiatives are costly and kill competitiveness of CIC products in the market.”

The group accountant noted,

> "The product development costs for micro insurance are prohibitive and there are no proper guidelines put in place for upscale and distribution of the products."

The insurance regulatory policies were noted as the environment factors that affects CIC operations. The first interviewee said,

> "Failure by the regulator to operationalize flexible micro insurance terms has seen CIC lose a good number of micro insurance clients. The current policies if made flexible will make most of the insurance products accessible to clients with low disposable income. Furthermore, the licensing and investment restrictions and rigid distribution channels continuously limit the ability of the provider to offer insurance in a non- discriminatory manner."

Constant technological changes in the distribution channels, branding, marketing and human capital development have also been identified as a challenge given that technological innovation is capital intensive venture.

The second interviewee added,

> "Apart from the documented environmental factors, CIC is exposed to financial risks through its financial assets, investment contracts and insurance liabilities. The key financial risk is the uncertainty that the proceeds from its financial assets may not be sufficient to fund obligations arising from its insurance and investment contracts. Other risks include market risks arising from foreign exchange risks in policies that CIC has underwritten in foreign currencies. Price risks associated with investment in securities of other companies, liquidity risks associated with uncertainty to meet its payment obligations as they fall due and to replace funds when they are withdrawn. Political and economic risks are factors that hinder full utilization of the company resources."

4.4 Strategic Episodes and Response Strategies Adopted by CIC Insurance

The study sought to know who was responsible for formulation and implementation of response strategy. The first interviewee said,

> "Strategy formulation was done by top level management with a clear implementation road map cascaded to the middle level management. The response strategies are coined by departmental heads and discussed with the R&D department for improvement and delivery. The strategies adopted are communicated to the human resource for dissemination purposes to the employees."

The second interviewee further noted,

> "The strategies proposed are often adopted depending on the feasibility done on their effectiveness in achieving set objectives and the availability of financing. The frequency of adoption of the strategies may therefore be reactionary to external environment occurrences or at times be an attempt to seek product leadership within the competitive insurance industry."

4.4.1 CIC Strategic Episodes

As a department of KNFC the company changed its name to CIS in 1978 for purposes of strategic market positioning to its target market who were the cooperative movements. Subsequent change of name to CIC in 1999 was a market repositioning strategy of completely that transformed CIC from the small company targeting the cooperative movement only to a respected insurer in the country. The change to CIC Insurance Group limited in 2010 was a move made in preparation for the demerger of its general business operations to CIC Life Assurance, CIC General insurance and CIC Asset management. The demerger in 2011 saw the company revise its organization structure to accommodate the new strategic business units (CIC Industry Report, 2015). The rationalized organization structure was developed to ensure a seamless integration of the subsidiaries created to a one strong brand conspicuously present in major Kenyan towns.

In 2015 the change of the company's color brand was aimed to differentiate the company from its competitor. This strategic move was aimed at differentiating the company's products through visual orientation and marketing purposes. The increase of the share capital to 150 million shillings by the creation of 7 million ordinary shares of 20 shillings each in September 2011 was a corporate reorganization strategy aimed at increase the capital layout of the firm (CIC Financial Report, 2013).

4.4.2 Response Strategies Adopted by CIC

The study sought to know the response strategies adopted by CIC insurance limited. The respondents indicated that the main response strategies adopted by CIC were diversification, product development, market development, differentiation and collaboration strategies. The first interviewee noted,

> "CIC boasts of an efficient diversification strategy that has resulted in economy of scale and scope, increased market power and a leveraged distinctive competency that has transferred value across its business segments. Diversification to real estate investment has seen CIC increase its market presence to grow its revenue."

Differentiation strategy has been implemented by CIC to create a competitive edge and increase its market share (CIC Information Memorandum, 2012).

The second interviewee noted,

> "Product differentiation has largely been enabled by a competitive R&D department that seeks to deliver enhanced product mix to an expanding consumer market. The products delivered by CIC are customized to different market segments with different payment modes and different insurance cover models. Cost leadership strategy at CIC has been enabled by enhanced differentiation of products by R&D department that ensures customized products are released to the market at lower costs with highest efficiencies".

Cost leadership strategy is implemented to help CIC achieve a greater competitive edge in the crowded homogeneous insurance industry. Bundled and unbundled products that are custom designed with flexible payment plans are typical CIC products whose costs are low and enables the company attach lower prices.

CIC has implemented a concrete marketing strategy aimed at increasing their market share and enhance its competitive edge (CIC Financial Report, 2015). Marketing strategies adopted include market segmentation, marketing communication and customer retention strategies. Market segmentation is used by CIC given the diverse product presence in the competitive industry. The first interviewee said,

> "A customer retention strategy has been adopted by CIC due to the skewed purchase patterns of insurance products. Customer retention is chosen because continuous payment of selected premiums cannot be sustained by some clients hence the company uses the strategy for purposes of follow up on defaulted obligations by clients."

The second interviewee also noted;

> "CIC is engaging digital marketing strategies for purposes of improving their sales volume. The digital marketing strategy has been enhanced through creation of a digital marketing platform that entails online advertising, a vibrant social media interface, development of mobile application, display advertising, e-mail marketing and a website design that is easy to use. Marketing communication strategy has enabled CIC improve constant interaction with its clients and avail the services needed at the touch of a button wherever they are."

The digital marketing strategy has delivered improved product information, improved price information, service availability, reduced costs of communication, online technical support and increased efficiency (CIC Information Memorandum, 2012). CIC is currently implementing collaboration strategies through partnering with other companies to sell the company's products. The first interviewee said

> "CIC has partnered with Uganda Cooperative Savings and Credit Union and Cooperative bank in Kenya to increase the operational efficiency due to the economy of scale and scope, risk sharing and synergic complementarity. Collaboration with the Uganda Cooperative Union and partnership with Takaful Insurance of Africa has given the company access to external knowledge and skills that have helped it mitigate hostile political factors and restrictive domestic legislation."

4.4.3 Issues in Response Strategies Implementation

The study sought to know the issues arising in adopting the various response strategies. The first interviewee indicated that,

> "CIC's micro insurance blueprint for the expansive east market unveiled in 2012, the business segments in South Sudan, Malawi and Uganda have failed to impress because of the low penetration index and low disposable incomes of the target market." The group accountant said, "CIC entered multiple foreign markets which cut its profitability due to high capital investment in operationalizing the firm's products in foreign markets. Management communication flows have been less efficient since the demerger to a group of company. The knowledge gaps brought on by adopting a new strategy every other time by the management has at times cost CIC a budget run-off."

The second interviewee noted further that,

> "The liability of foreignness in adopting new strategies has made CIC incur costs that would otherwise have been avoided. Product duplication by competitors is a competition challenge that is costing the company a product value drain. The impact of such value drain is notable in CIC budget line in the constant funding of differential product lines but low revenues drawn from the different products in the market."

The study sought to know the various strategies that the respondents considered effective and that they would readily engage to push the company's products. The first interviewee said,

> "Operationalizing a customer reward system that would assure product loyalty and a higher customer retention would be my first priority. Free road rescues, free medical checkups and money back on no claims within a period of two years were the best action plans for market penetration and customer retention. Technologically, CIC should integrate ICT in customer service and product information dissemination."

The second interviewee said,

> "The Company needs to engage in more CSR activities for faster visibility within the target market segments. A robust financing for youth projects, institutionalizing funding schemes for bridging health gaps and undertaking continuous road shows will help market CIC's core business activities. Furthermore the company needs to initiate an employee integrity appraisal system to continually enhance the capacity of its human resource thereby eliminating fraud within the company. The company should also create different business units whenever they diversify into newer areas which are not its core business functions. When such is initiated a seamless operation will be achieved without straining the daily business operations."

4.5 Discussions of Findings

The study noted that CIC is a micro insurance firm which offers an array of products. The study found that CIC has different products designed for different market segments and can be sold as bundled and unbundled products. The products offered include general insurance products, customized products, medical insurance products, life assurance products, individual life products and the scheme fund. With regard to the various environmental factors affecting the operations of CIC, the study found that the expanding economy, expanding consumer demographics, technology, legislative policies and the general political landscape. The factors affecting CIC's operations are similar to the environmental elements mentioned by Hitt et al., (2011) which include demographic, economic, political, legal, socio-cultural, technological and global factors.

The environmental factors affecting CIC therefore share a degree of similarity to other industries. The study found that the company suffers high claims and fraud from its employees who team up with clients to defraud the firm. Furthermore bad competitive practices from other insurance companies who duplicate CIC products within the same market segment the company serves. Low insurance penetration of insurance products on the other hand has been necessitated by rigid micro insurance legislation. Competitive rivalry among firms in the insurance industry has stagnated the growth rate of the insurance industry therefore posing as a hindrance to the growth of CIC. Duplication of CIC products by other competitors has reduced the demand for a particular class of products as customers switch to the alternatives to the extent that the products become obsolete. This is supported by the Cadle et al (2010), postulation that some organizations outsource product development by simply buying in an existing product from another manufacturer and putting their own name on it.

The general occurrences in the external environment affect the operations at CIC since the firm depends on the firm to generate opportunities and threats. The ideology of continuous interaction with the external environment to draw both opportunities and threats in line with the open systems theory which identifies organizations as systems which must continuously interact with the immediate environment in order to survive (Katz and Khan, 1966). Furthermore Ansoff and McDonnell (1990), opine that firms secure rewards from the environment and use the information to gain competitive edge in an industry. The study found that CIC's R&D department does constant environment scanning before developing response strategies. Environmental scanning by CIC is a move designed to know the environmental occurrences and figuring out the best action plans. Environmental scanning is a venture supported by Boseman and Phatak (1989) who opined that for a firm to remain vibrant it must conduct an assessment of the environment.

Strategic episodes documented at CIC Insurance are part of the turn-around strategies adopted to ensure the firm's product lines remain vibrant in the competitive and dynamic insurance industry. The subsequent change of name was to enhance the company's competitiveness and the brand presence of the firm's products while the demerger to three business units was meant to enable the firm compete effectively through segmentation of its distinctive products. Furthermore the demerger was meant to initiate a robust capital resource that could leverage the firm's resources.

With regard to the response strategies adopted, the study found that CIC was using cost leadership, diversification, market development, product development, collaboration and focus marketing. Product innovation and diversification strategies mentioned in the findings, are consistent with the findings of Njoroge, (2015) in his study of the response strategies adopted by Sarova Hotel Kenya. According to Gathigia, (2013), Diversification and marketing strategies were adopted by CIC Group for competitive advantage. The findings of Gathigia's study confirm the findings of this study that CIC uses both diversification and marketing strategies. Abdirahman (2014) study on response strategies adopted by oil firms in Kenya found that focus market and cost leadership were the main strategies adopted. This study found that cost leadership and focus marketing were being used by CIC Insurance. Though there may exist a comparative difference in the adoption and mechanization of some of the response strategies, firms in different industries tend to use similar strategies at times. The first three strategies adopted by CIC: market development, product development and diversification, are as suggested by Cadle, Paul and Tune (2010) in the Ansoff matrix commonly referred to as generic strategies. The generic strategies adopted have overtime been adopted by firms in various industries since they serve as sources of growing the firm's products in the market place and also in increasing the product's market presence.

According to Pearce and Robinson (2007), market development involves selling homogeneous products with only cosmetic modification to customers in a related industry by adding channels of distribution or by changing the content of advertising and promotion. CIC has developed alternative distribution channels by selling micro insurance products designed for low income earners through banc assurance. The company has also chosen to use non-traditional promotional channels like radios and road-shows to strengthen their marketing strategies.

Under product development strategies, CIC has been able to gain a competitive advantage by initiating a product development plan where products are designed to suit a particular market segment needs. Through an introduction of platform that integrates a mobile payment system with the client's savings, CIC can now provide basic life cover to individuals. This is in line with Pearce and Robinson (2007) definition of product development as a substantial modification of existing products and creation of new but related products that can be marketed to current customers through established channels. Furthermore, Mc Donald and Wilson (2011) observe that the growth strategy implemented through product development requires changes in the business operations including research and development that is needed to introduce new products to the existing customer base. Digital marketing strategies have been employed by CIC to reach the tech-savvy clients.

Rafaeli (2010) affirms that digital marketing allows organization a fighting chance for success in the external environment. From the study findings it is observed that CIC implements a varied mix of strategies to changes in the external environment. The response strategies implemented by CIC are specific to each environmental occurrence in various market segments. This has helped CIC retain a huge part of its market share consistent with the contingency theory. Daft (2010) opines that contingency theory revolves around the best fit between an organization structure and the conditions in the external environment. The theory rides on the belief that there is no one best way to respond to changes in the external environment. The various strategies adopted by CIC are made possible by the financial, competitive and strategic capability of the firm. These capabilities give the firm the necessary impetus to enhance its competitiveness using its resources. This idea is supported by the dynamic capability theory as postulated by Leonard-Barton (1992).

The dynamic capability theory generally focuses on CIC’s ability to integrate and reconfigure the firm’s competencies to address the changing environment conditions. The successful integration of the firm’s resources in a dynamic environment has therefore leveraged the company’s performance in the competitive insurance industry. It is therefore worth noting that the unique capabilities of CIC like wider branch network, diverse brand identity, financial capacity and a vibrant marketing department has enabled CIC deliver its strategic vision. Market penetration, focus marketing, cost leadership, product development, market development and growth strategies are covered by Kottler (2009) in core concepts of marketing. The focus marketing strategy adopted by CIC is supported by Kottler (2009) selling concept which holds that consumers if left alone will ordinarily not buy enough of a company’s products. The company therefore has to initiate effective selling promotional tools to stimulate more buying. The product development strategy is supported by societal marketing concept which holds that the organization’s task is to determine the needs and interests of target markets and to deliver products better products than competitors. Product development strategies is supported by Kottler’s product concept which holds that consumers buy products that offer most quality and innovative features and management therefore seek to make superior products and improving them over time. The production concept on the other hand supports the cost leadership strategy since it holds that customers prefer available and inexpensive products. The management therefore, through this concept, seeks to achieve high production efficiency, low costs and mass distribution.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDTATIONS

5.1 Introduction

This chapter provides a summary of the findings in relation to the research problem and objectives.

5.2 Summary of the Findings

The study established that CIC faces a lot of challenges from the external environment. Competition has become stiffer in the insurance industry forcing some insurance firms to duplicate CIC products thereby reducing the impact of CIC product development initiatives. Low insurance penetration due to socio economic factors was also noted as the challenge CIC faces. The study established that CIC adopts a mix of strategies including cost leadership, focus marketing, market development, product development, collaboration, diversification and digital marketing strategies. The response strategies are drawn from the external environment occurrences and are initiated by an efficient R&D team that seeks to create customized products at lowest and massive demographic reach ability. The study established from the audited financial reports that the response strategies adopted by CIC are effective given the steady revenue stream drawn from the products being offered. The models established within the company are also translating to successful business ventures which have increased the company's revenue streams.

Trends in the business environment call for product development and differentiation for increased market share and profit margins. Moreover collaborations and partnerships enable cost effectiveness in product promotion, service delivery and economies of scale and scope for mutual benefit of organizations involved. The information and knowledge sharing from collaboration and partnership on business development gives a boost to the competitiveness of the firm.

5.3 Conclusion

The study, based on the findings made the conclusion that CIC faces myriad of external factors and risks in the external environment. The main environmental factors are economic expansion, expanding consumer demographics, technology and legislation. The external environment factors affects CIC's operation and are seen in product duplication and low insurance penetration, rigid pricing regulations, punitive taxes and high technological costs. Bertanlanffy (1951), opines that open system organizations interact with various environmental elements including cultural, legal, political and economic. CIC has responded to the external environment through cost leadership, focus marketing, differentiation, collaboration, and diversification strategies. The firm has also embraced new technologies and a positive culture change. The fit between response strategies and the external environment change has been crafted by R&D team and mechanisms to help CIC come up with efficient and effective response strategies put in place.

The fit between the environment and response strategies is enhanced by Ndungu et al., (2014) who state that crafting response strategies requires a shift from the reactionary moves to a conscious environmental scanning process that matches the environmental situation to the response strategies. The results from the study shows that the customer's interest is key in coming up with response strategy and is evident in the various product innovation and retention strategies. According to Kottler, (2009, the interests of an organization's production, marketing and selling functions are carried out under a customer centered philosophy. It is evident from the findings of the study that the constant monitoring of the external environment has enabled CIC to react positively to the external environment conditions leading to less product failures and low product innovation costs. The congruence in response strategies and the external environment is achieved through a thorough analysis of the external environment factors and the need to implement the best mix of strategies throughout the firm's lifetime. A philosophy supported by Carlisle (1976) stating that actions of firms need to be contingent to the environmental change occurrence which is the basis of the contingency theory.

5.4 Recommendations for Policy and Practice

The management should establish a product technology hub for a faster initiation of CIC products to a digital platform. This will ensure that massive outreach of products within a customer interface in the shortest possible time with minimal costs. The study recommends outsourcing of some of the activities that are not the core business of the firm. This will enable the management concentrate on improving the profitability of the firm and product development for customers benefit. The study also recommends that the management at CIC offer regular training to its human capital as brand ambassadors of CIC and even institute bonus remuneration to employees who refer clients to the firm for a particular product. The regular trainings should be accompanied by background and integrity checks of all the staff to reduce customer employee collaborative fraud cases. The study finally recommends that the company institute a customer loyalty reward scheme for clients who have continuously subscribed to CIC products. Such a system will ensure high customer retention and satisfaction.

The policy makers should take cognizance of the dynamics in the competitive insurance industry including ICT in product and market development. ICT in insurance product development is a new area in competition and therefore requires more research and robust policies to monitor the developments within the industry. Technological dynamics highlighted in this study should be a pointer for policy makers on the direction to which the policies ought to be streamlined. If harnessed well, the ICT policies developed will ensure a level ground for the operations of all the firms within the insurance industry.

5.5 Limitations of the Study

The major limitation of the study was confidentiality of the respondents even after assuring them that the information was to be used for academic purposes only. Disclosure of some of the strategy areas that may enhance the value of this study may not have been achieved to the desired levels. The research design being a case study meant that the study findings cannot be extrapolated to other insurance firms given the uniqueness of each firm within the industry. The research findings for a case study may not be the same for all the industry players. Some of the respondents' answers to the interview guide questions may not have been a true reflection of the occurrences in the firm. The researcher therefore sought to deduce the inconsistencies and deliver a univocal account of the occurrences.

5.6 Suggestions for Further Research

This study proposes that having studied the response strategies adopted by CIC Insurance group further research should be done to establish the impact of response strategies adopted by CIC Insurance group to the changes in the external environment. This would give a holistic understanding of the successes and failures associated with the responses adopted by CIC. In overcoming the challenge of confidentiality among the respondents, the researcher recommends that future interviews be conducted after detailed meetings with the respondents first to bring to their attention the need for full disclosure on the information regarding the interview questions. This will help reduce inconsistencies in the answers to specific strategic questions that they may be asked.

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APPENDICES

Appendix 1: Student Introduction Letter

KENNEDY NDOLLOH

UNIVERSITY OF NAIROBI

P.O. BOX 1649-00200

NAIROBI.

Dear Sir/ Madam

RE: REQUEST FOR YOUR PARTICIPATION IN AN MBA RESEARCH PAPER

I am a University of Nairobi student currently pursuing a Master of Business Administration in Strategic Management. As a part of my coursework, I am required to carry out and submit a research paper on the Response Strategies Adopted by CIC Group Limited to changes in the external environment.

To achieve this objective, I kindly request for your assistance in completing the attached interview guide. The information provided will be purely for academic purposes and shall be treated with utmost confidentiality. Should you or your organization be interested in the findings of this research, feel free to access the information through the University of Nairobi library. Thanks in advance and I look forward to your cooperation.

Regards

Kennedy Ndolloh

Appendix 2: Interview Guide

General Information

1. What is your title? What are some of the responsibilities assigned to you in the organization?
2. How many years have you worked in the firm? Which specific departments have you served?
3. What are the general products offered by CIC Insurance group?

External Environment

4. How prepared is CIC insurance Group Limited towards the changes in the external environment? How congruent are the preparedness initiatives of the company to the ever changing business environment?
5. Describe the environment within which the firm operates. Do you consider the business environment competitive enough? What are some of the environmental factors that the firm counteracts with?
6. Given the ever changing business environment, how frequent is the external environment scanning done within your firm? What other tools do you use in getting information about the environment? Who is responsible for the environmental scanning and what are the reporting channels available on such research?
7. Given the information from the environmental scanning, what are some of the environmental issues that have affected the operation in the organization? Do you consider knowledge of the business environment a critical success factor?

Response strategies

8. Who are the persons responsible for strategy formulation and implementation? What is the frequency of adoption and implementation of new strategies?
9. What are some of the strategic episodes that the firm has gone through? Which factors fuelled the necessity for strategic changes experienced?
10. How does the company come up with response strategies? Describe some of the response strategies adopted by the organization.
11. Considering the response strategies adopted by the firm, how successful has these strategies been? Have you had any instance of failure of a response initiative? What are the key result areas that should be adhered to for success

in adoption and implementation of response strategies? How does the response strategies chosen by the firm help position the firm competitively?

12. How has the firm strategically been aligned with regards to future macro environment changes? How do you appraise the usefulness of a response strategy in achieving a competitive advantage for the firm? If given chance in decision making level, which strategies would you come up with that will maintain the competitiveness of the firm?
13. From the strategies developed and implemented, how would you rate the success of the firm taking into account various players within the industry?