DYNAMIC CAPABILITIES AND COMPETITIVE ADVANTAGE OF INSURANCE COMPANIES IN KENYA

BY

AYIRO CAROLYNE ACHIENG

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DECLARATION

This research project is my original work that has not been presented for award of a degree in any other University.

Signature:____________________________ Date:______________________________

Ayiro Carolyne Achieng

D61/81238/2015

The research project has been submitted for examination with my approval as University Supervisor.

Signature:____________________________ Date:______________________________

Prof. Zachary B. Awino

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

I reserve research piece to my family with a special mention of my son Trevour Manuel Oduor. To my mother Fransiscah Adhiambo for believing in me and for her relentless support and inspirational encouragement. Your prayers brought me this far. Amen.

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My special thanks go to Heavenly Father for keeping me in good health through this study period. Sincere thanks to my friend Catherine Wanjiku Kanui whose emotional and financial support is undoubtedly critical to this study. The whole process of conducting this examination required enough preparation and thus need shared responsibility of many people. I owe my facilitator, Prof. Awino, profound appreciation for his persistence, professional advice, and guidance. Without his support, this research project could not be in the product it is now.

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ABBREVIATIONS AND ACRONYMS

DC	Dynamic Capability
DCT	Dynamic Capability Theory
IRA	Insurance Regulatory Authority
RBV	Resource Based View
SCA	Sustained Competitive Advantage
SPSS	Statistical Package of Social Science
VRIN	Valuable Rare Inimitable Non-Substitutable

ABSTRACT

The project aimed at determining the effect of dynamic capabilities as the basis for competitive edge among Kenyan insurance companies; and to determine the influence of dynamic capabilities and the competitive advantage of insurance companies in Kenya. The piece utilized a cross-sectional descriptive design. Target population comprised of fifty one Insurance firms in Kenya. Semi-structured research feedback form was employed to gather first-hand information. The obtained data was scrutinized via descriptive statistics used included mean scores, ratios and percentages. The study found out that dynamic capabilities positively enhance the competitive advantages for Insurance companies in Kenya. The predictor parameters that were under consideration contribute significantly to competitive advantage. An implication for this is that the predictor components contribute significantly to the competitive advantages while random variations and other factors not considered in this research explain other variables that contribute to competitive advantage of insurance industry. The study recommends that organizations should seek to acquire competitive advantages so as to improve organizational performance through increasing customer base, asset quality, quality of service and increased market share. The study recommends that organizations should focus on adopting organizational dynamic capabilities so as to improve organizational performance. The study results also indicated that a firm is expected to analyze the dynamics of each strategy to be able to quickly respond to changes in environment during the formulation of its competitive strategies. This entails the construction and retention of capabilities and resources needed to prosper and compete well. A rival firm is expected to assess and determine the company's functional area that contributes greatly in guaranteeing a company's competitive edge.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Firms operating in varying corporate atmosphere need to forecast to likely changes and be proactive in handling them on a continuous basis. The firm's capacity to systematically react to waving business atmosphere is termed as dynamic capability according to (Teece et al., 2007) with purpose to describe a firm's competitive edge gradually. A firm's dynamic capability has the capacity of acquiring wealth and developing the acquired wealth to increase their economic value. Peppard(2016) assert that firms with greater ability to foresee and explore new ventures and also reconstruct available capabilities and resources as per environmental changes as well as recognize that opportunities can generate and maintain competitive advantage over other market players.

Further, the average period required by firms to maintain competitive advantage from a product has reduced due to a shortened lifecycle, the potential of a firm to maintain its competitive advantage has become a critical concern to management. Consequently, as Inan (2015) assert, firms that are proficient to maintain competitive advantage for a long time in diverse environments have the capacity to maximize the shareholder wealth, both short-term and long-term period.

The study was anchored on Dynamic Capabilities Theory (Teese & Pissano, 1997) and Resource Based Theory (Barney, 1991). As per the RBT, a company is a combination of resources as well as how these resources are aligned would sway the company's performance and competitive advantage. One of these resources is the way it is strategically oriented.

The dynamic capability theory highlights that a company need to build, incorporate and reconfigure both the inward and outward competitiveness in order to survive in the dynamic atmosphere. This is because the competence of a firm is dependent on efficient and effective integration of external and internal resources. Consequently, as Porrini (2004) suggest, a firm's manager should consider the competitive environment and the external environment selecting an operational strategy for pulling together the internal and external resources. The capacity of a firm to establish, for example, appropriate alliance capabilities and inter-organizational learning creates necessary competitive advantage in an environment that is characterized by intense competition.

The study is motivated by the realization that the insurance industry in Kenya has witnessed increased level of competition in the last decade and with a low insurance penetration rate of around 3% (IRA, 2016); it has become imperative that firms establish new sources of competitiveness. The insurance firms need to change and align itself to the changing business environment and identify appropriate dynamic capabilities, from both internal and external environment that is a source of competitiveness. Hence the capacity to determine how a firms' dynamic capabilities influence its level of competitive advantage facilitates streamlining of its operations.

Kenyan insurance firms have attained competitive advantage via diverse potential. This includes: speed in claims settlement and issuance of insurance policy, broad branch network and unique customer service. The advantage has however been temporary as competitors have been quick to imitate or substitute these capabilities. Reputable insurance firms have been observed to focus more on their internal environment through having inimitable dynamic capabilities such as innovative products, hiring the best skills, and developing effective and efficient structures and systems (Chang, 2013).

1.1.1 Dynamic Capabilities

A number of authors have postulated what dynamic capabilities (DC) is. Cepeda and Vera (2007) describe dynamic capabilities as the higher notch potential which affect growth of the operational competence of the firm that is a combination of simpler competences as well as activities associated with them (Eisenhardt & Martin, 2000). On their part, Helfat et al (2007) opine that dynamic capabilities is the firm's potential to tenaciously modify, build, or extend its resource bases to cope with the dynamic condiions. However, Pisano et al (1997) described dynamic capabilities as the ability of the firm to create, reconfigure, and integrate both external and internal competencies. Dynamic capabilities therefore are the potential of a company to execute a particular task and meet the least expected level of performance at the same time.

According to Helfat and Winter (2011), there is need for a business unit to differentiate dynamic from non-dynamic capabilities because the non-dynamic capabilities is concerned with ''ordinary' or operational' activities (Winter, 2003), which are tailored towards maintaining the status quo in quest. Contrary to this, dynamic capabilities are structured in a manner that alters the methods through which a firm generates revenue by adjusting the old routines. A job and its undertakings determine the potential to execute the activity. Calling a capability into use enables a firm to execute a task, which produces a result. The capabilities determine the activities' outcome in these cycles. Just like other capabilities, exercise is the only means of maintaining dynamic capabilities (winter, 2003). The dynamic capabilities may also not always be exercised as expected just like other capabilities.

Zollo and Winter (2012) highlight that dynamic capabilities by implication are run within timeframe and grow with time and are presumed to incorporate both managerial and company's processes that seek to identify needs and prospects for change at pursuing that change. Therefore, process comprise the aspects of DC with product development and network resources as mentioned to be some of these processes that an organization can pursue. The traditional view of dynamic capabilities was that they were unique and hence difficult to imitate, but a previous argument assumes commonalities among organizations, this means that only capability and resource configurations created by DCs can be unique resources (Martin & Eisenhardt, 2000).

1.1.2 Competitive Advantage

Competitive advantages are defined as the state that enables a firm or a country to generate services or goods at an affordable price and one that meets the preferences and desires of the customers (Wagner, 2014). Through this, a productive entity is able to outshine its competitors by making more sales and attaining superior margins. A firms competitive advantage is associated with many factors, this include the customer support, intellectual property, cost structure, distribution network, quality, and brand.

According to Meihami, and Meihami (2014), organizations that have a sustainable competitive advantage consistently produce products or services that carry the qualities that match the major buying criteria for most of the consumers in the market. It involves achieving superior performance and economic value over a prolonged period in the market. Moreover, it entails continual adjustment to environmental changes and ability to withstand all efforts to replicate a firm's advantages by its competitors. Firms should always be a step ahead by having the ability to predict their rivals' next move and ensuring they match their resources to the current gaps in the industry.

Many scholars have concluded that some forms of competitive advantage cannot be easily imitated which enables the firm to reap long-lasting benefits. This perception has contributed to the growth of the competitive advantage concept from resourced based perspective and the industrial organizations (IO) in the previous years which led to the advancement of the sustained competitive advantage (SCA).

Porter (1985) asserts that SCA contributes to better performance in the end. Therefore, competitive advantage is said to constitute two elements: The first is, the above average performance notion, as a relational measure within an industry and the second is the durability notion. Despite the fact that an industry's above average performance can be measured justifiably as the returns in comparison to the average of the industry, the notion of durability is not clear. According to Wiggins and Ruefli (2015), this durability cab is ascertained within a minimum of a five-year period.

1.1.3 Dynamic Capabilities and Competitive Advantage

Eisenhardt and Martin (2000) define dynamic capabilities as the organizational procedures that influence a change in the firm’s current resource base. The effect of dynamic potential of the firm's competitive advantage makes it a subject of discussion. A firm that enjoys greater benefits in the market compared to its current and potential competitors in the industry is said to have competitive advantage (Barney & Peteraf, 2003). To survive in the dynamic industry atmosphere t, the firm must consolidate or transform both internal and external resources.

In addition, a firm must also come up with processes that are more cost effective than those of the competitors so as to transform and reconfigure their resources. Consequently, reconfiguration potential is a key dynamic potential used to monitor trends in technology and market, as well as opportune reaction via change of resources.

Newbert (2015) assert that the reconfiguration potential and acquisition of firm's resource are vital in new the formation process of a firm. Further, a firm's dynamic attribute that relates to strategic flexibility emphasizes the reconfiguration and flexible use of resources as well as reinforces the positive impact of technological capability thus resulting in improved company performance (Zhou & Wu, 2010).

The capability of an organization to develop a new product is determined by the innovative capacity and processes of the organization. According to Lawson and Samson (2010), the organizational routines that encourage innovation lead to the development of new products which generates a firm's competitive edge. The magnitude of this positive effect is however not constant and depends on the volatility of the environment. Coincidentally, it has been argued that the capability to develop new goods usually requires sustainable commitment of funds to support state- of-the-art equipment, specialized facilities, skilled personnel and specialized skills.

1.1.4 Insurance Companies in Kenya

In Kenya, Iinsurance sector is considered highly competitive in global terms. It is served by 13 life insurers, 27 non-life insurers and 10 composite insurers and three reinsurers,(IRA, 2016). The Insurance Act No. 487 of 1984 lastly revised in 2013, controls, and governs the Kenya insurance industry. It oversees matters to do with; registration, licensing, assets valuation, liabilities, inspection, rates, claims evaluation, brokers, solvency and investments, reinsurance among others. Further, IRA helps regulate the industry. The most recent survey done in 2013 indicates the number of Kenyans who have access to insurance products has improved from 9% in 2011 to 16 % (IRA, 2015).

The motor insurance cover is reported to dominate the general insurance sector due to the mandatory requirement that all vehicles should have a third-party policy, hence it accounts for 35% of the gross premium income. However, despite its high uptake in the market the motor insurance industry is reported to have made losses of nearly KSh 2.08 trillion in the first three months of 2016 on private motor cover, despite its KSh 744 million profits on commercial motor (IRA, 2016).

Kenya insurance industry is reported to face various challenges (IRA, 2015). For instance, insurance brokers face threats from Bank assurance and direct selling done through the internet and mobile services. Additionally, 20% of motor insurance claims are noted to be fraudulent due to collusion of clients with loss assessors (Kiragu, 2014). Hospitals are also reported to be giving documents with false claims of major surgeries and overpricing some treatment. Lack of awareness and understanding of insurance products stills remains a hurdle. According to a report done by Deloitte (2015) aggressive educational campaigns by insures, as opposed to passive brand marketing through media is an effective measure in tackling the issue of awareness.

1.2 Research Problem

A key issue that has occupied the minds of business scholars is the ability to determine drivers of long-term endurance of a firm. Existence of effective dynamic capabilities is proposed as a contributor to the long-term success of a business unit (Kellermanns and Eddleston, 2006). Further, though firms may fail on important resources, they frequently conduct meaningful practices to acquire resources and establish the acquired resources before utilizing them. To adapt and survive in these ever-changing environments, conscious organizations need to effectively understand their dynamic capability systems for enhancing and leveraging of their intellectual asset base.

The insurance industry in Kenya has witnessed increased level of competition over the last decade as a result of the business atmosphere attributed to globalization of business, more demanding customer base and increased demands from the regulator (IRA, 2016). Different local insurance firms have had to employ different strategies to cope with the increased competitive level. Mobile technology for instance, has been merged with innovation to provide insurance services. In addition, increased mergers have been undertaken through mergers and acquisitions such as REAL Insurance Company acquisition by British-American Investments Company Limited. One other strategy that can be explored by the insurance firms is employing the firm's diverse capabilities to enhance competitiveness.

Several studies have been carried out in response to the benefits of dynamic capabilities on firm competitiveness. Lidija and Breznik (2016) conducted a study to establish the contribution of the dynamic capabilities perspective among flower export firms in Netherlands in today's changing environment. The study adopted a descriptive survey design and found that failing to consider deployment of a single dynamic capability negatively influences other dynamic capabilities' deployment as they are interwoven and correlated. This study dealt with export firms unlike the insurance firms which the current study delved into.

Another study was carried out by Schilke (2014) on the importance of depending on dynamic capabilities to gain competitive edge among the US hoteliers. Interview guides were employed in the study and the findings indicated that there is a direct correlation amid competitive advantage dynamic capabilities in moderately dynamic atmosphere as opposed to highly dynamic or stable atmosphere.

Yini and Wu (2014) investigated the contribution of performance of the firm according to the RBV framework in the Chinese manufacturing firms. The findings of the study identified dynamic capabilities come in three forms. The major effective factor in mediating the impact of VRIN resources on a firm's performance is the dynamic learning capability. The researcher adopted a descriptive research design.

Similarly, a study by Ogunkoya Olufemi, Hassan Banjo and Shobayo (2014) to examine the association amid competitive advantage and dynamic capabilities of companies listed at Lagos Securities Exchange and the results was that no strong association exists amid dynamic capabilities and the performance of the organization. The researchers used panel data from the published accounts. Locally, Kanake (2015) evaluated dynamic capabilities as a dynamic tool in Kenya Broadcasting Corporation as a case study. The findings were that the top management should support the process of capitalizing on dynamic capabilities.

Similarly, Ngugi (2016) conducted a research on dynamic capabilities at Commercial Bank of Africa and similarly employed a case study approach and the findings were that any organization's success entails aligning the dynamic capabilities of the organisation and available resources to meet market needs and these needs must be well defined in order to generate competitiveness.

Muhura (2012) examined the application of organization capabilities at Airtel with the aim of attaining competitive advantage. The study results showed that the mechanisms that can be used to safeguard capabilities include; issuing a confidentiality agreement to the staff and partners. These studies adopted case study research design and this brings the gap in that the present study adopted a descriptive study involving firms in an entire industry.

It’s granted that several researches have sought to determine the role of organizational dynamic capabilities as a means of attaining competitive edge. It is evident that a few researches have looked at the effects of different dynamic capabilities constructs as a determinant of a firm competitive edge. In addition, the dynamic capabilities that are present in one industry are different from another industry, for example the insurance industry, more so in an emergent economy like Kenya. Consequently, this research attempts to fill this research gap by responding to the study question; how do dynamic capabilities affect the competitive edge of Kenyan insurance firms?

1.3 Research Objective

The general research purpose was to determine the effect of dynamic capabilities on competitive edge among Kenyan insurance firms:

i. To establish the dynamic capabilities principles employed by the Kenyan insurance firms ; and

ii. To determine the influence of dynamic capabilities and the competitive advantage of Kenyan insurance firms.

1.4 Value of the Study

The outcomes of this study adds value in the areas of policy development, practice and theory. From the theoretical perspective, the study has enhanced the Resource Based Theory and Dynamics Capability Theory and specifically the dynamic capabilities perspective thus making it more acceptable. The study has enhanced the thinking of most proponents of the DC perspective that in rapidly changing environments resources cannot continue to remain inert and still helpful.

The study relates the theory of resource based perspective and performance, resources and dynamic capabilities, environmental dynamism and dynamic capabilities, dynamic capabilities and organizational performance and provides the relevant contribution to these theories. Hence the study makes a theoretical contribution by rendering an integrative, new perspective on the association amid competitive advantage and dynamic capabilities.

Policy development may involve enhancing resources and capabilities in relation to the environmental turbulences that organizations face. Policy makers such as Insurance Regulatory Authority (IRA) may gain from this research in policy formulation that emphasize the importance of building dynamic capabilities among insurance firms in Kenya.

Government policy makers can also benefit from the findings of the study in guiding them to formulate appropriate policies. For example, coming up with models that are profitable that may see a reduction in expense and loss ratios through increased product innovation and operational efficiency to drive profitability and thus growth of the insurance sector amidst the heightened regulation.

Lastly, in practice, this study is an eye-opener to the leaders of insurance firm in Kenya with regards to management of dynamic capabilities and their importance in creating a sustainable competitive advantage. Additionally, both local and foreign investors are better placed in choosing the best companies to invest in through evaluating dynamic capabilities of the given company. Theoretically, it seeks to expound on the available body of knowledge for the scholars while also providing suggestions on areas that requires future research.

The chapter introduced the research topic in which the influence of dynamic capability as the basis for competitive edge of Kenyan insurance firms are established. The concepts; dynamic capabilities, competitive advantage and the insurance firms' operations in Kenya was discussed. The chapter then discussed the research problem at length with studies clearly stating the conceptual, contextual and the methodological framework which led to the research gaps. The chapter concluded the discussion by problem statement, the study objective and value of the study to researchers, academicians and policy makers. The chapter that follows covers the literature in the research subject area as well as empirical studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This part discusses theoretical foundations that underlies the research. They include: theory of dynamic capability and the RBV. The theories are linked with their capacity to support insurance organizations as the basis for competitive edge. Several pragmatic studies covering the theories are explored as well.

Literature on the dynamic capabilities and its various principles are covered. Specifically, earlier studies on learning, integration, alliance management and new product development capabilities are discussed with how they affect the firm competitiveness. These four angles of a firm dynamic capability have been highlighted by various strategists as the major perspectives of a firm' capabilities.

Lastly, the chapter discusses the various empirical studies undertaken on dynamic capabilities and firm competitiveness. In addition, the conceptual framework relating the principles of dynamic capabilities are discussed. The independent variables are learning capability, integration capability, alliance management capability and new product development capabilities.

2.2 Theoretical Foundation

The arguments relating to the effect of dynamic capability on company performance can be viewed from two theories: theory of dynamic capability and the Resource Based Theory. The rationale behind organizations establishing unique dynamic capability are explained by through these models.

The resource based view distinguishes the significance of firms' internal possessions in creating the necessary competitive advantage and why continuous alignment of the resources with external environment demands is important. Many scholars through various empirical studies support the position by the theory.

The dynamic capability theory improved on the resourced based view by recognizing that companies' competitiveness resolute from both internal and external resources that need to keep on changing to the market demands. As Porter puts it, being unique in comparison to competitors in the ever changing and dynamic business environment.

The theory suggests that dynamic capabilities are helpful in integrating historical experiences in previous markets to the current marketing context. Powell (2011) argues that competitor intelligence should be practiced which is merely to keep an eye on our competitors. This gives an insight of benchmarking on performance and a standing of how organizations compete against each other.

2.2.1 Resource Based View

RBV was postulated by Wernerfelt (1984). It was further refined by Barney (1991) which is the most commonly used to explain firm performance. The RBV suggest that the basis of a company's competitiveness is reliant on how it can utilize the available bundle of valuable intangible and material resources. The RBV of a firm assert the position of idiosyncratic resources in a firm which can be manifested in form of assets or capabilities, especially resources that are owned by an organization (Lee et al., 2001). The resources and competence of a firm that are able to differentiate its functions from the competitors are capable of attaining and sustaining competitive advantage.

The RBV theory perceives a company as a bundle of resources that affect the competitive edge and a firm's performance to a large extent. Further, Barney (2001) argues that for a resource to become a cause of competitiveness, it should be valuable, imperfectly tradable, difficult to imitate and scarce. Mahmoud and Yusif (2012) suggest that dynamic capabilities have shown significant influence on company performance by creating necessary action to achieve competitive advantage. Fonseka *et al.* (2013) argue that firms differ as far as financing is concerned due to different capabilities implemented by a firm and business strategies that increase sales volume and profit improves the availability of firm financing.

Earlier empirical studies confirm that a company's dynamic capability is also a key factor that increases a company's level of competitiveness. Fonseka *et al.* (2013) argue that the discrepancies between organizations in respect to financing are as a result of unique dynamic capability incorporated in its operations and hence business strategies that improves the availability of firm financing. This implies that weak dynamic capabilities affects the ability of a company to access funding and its ability to dynamically adjust to the changing business environment is an important strategy.

2.2.2 Dynamic Capability Theory

DCT was advanced by both Pisano and Teece (1994) and further refined by Martin and Eisenhardt (2000); Pisano, Teece, and Shuen (1997). The firm's dynamic capabilities are resources that includes both internal and external resources that make it possible for a company to integrate, learn and reconfigure its assets and process to achieve improved performance. The theory conjectures that firm level differences in capabilities are rooted on their asset positions that include a company's future position to modify its operating condition is determined by their current stock of capabilities.

According to Martin and Eisenhardt (2000), DCT explains the important role of capabilities to reconfigure resources that a firm has at present to manage the highly changing business conditions. Dynamic capabilities are considered a transformer for changing firm’s resources to attain better organizational performance and gain competitive advantage.

The findings of a study by King and Tucci (2012) state that the integration of historical experiences in previous markets, can permit the company to acquire more success in emerging markets, and that the capacity to integrate industry technology during product development is an important dynamic capability for new technology-based companies. The historical experiences provides a better insight in the future strategic decisions in product development.

Amit and Schoemaker (1993) while appreciating the step of re-assembling a firms internal and external resources in a rapidly varying industry surroundings, they also highlight the need to come up with a more cost effective process that supersedes that of the competitors in order to aid resource reconfiguration and transformation. Therefore, for timely responses during resource transformation and reviewing market and technology trends, reconfiguration capability is considered the main dynamic capability.

The strategic flexibility that considers reconfiguration of resources and flexible utilization advances the good implications of high-tech capability and which develop the performance of the firm (Zhou and Wu 2010). Therefore, to adjust to the dynamic business environments, firms are compelled to respond to market changes and competitors rapidly.

2.3 Dynamic Capability Principles

A firm's dynamic capabilities represent the strategic directions that a firm pursues to create continuous superior performance of the business. There are various forms of dynamic capabilities pursued by a firm; learning, integration and reconfiguration. Learning is a process that involves repetition and reviewing of a process so as to enhance the effectiveness of firm operations (Lubatkin, Simsek, Ling, & Veiga, 2014). Learning capabilities is meant to avoid the repetition of mistakes through use of lessons from previous experiences, and to make it possible for them to adapt to new knowledge and come up with new products.

According to Aoki (2010), Firm competence rests on its power to effectively and efficiently combine resources obtained externally and internally. This is because; organizational performance is positively influenced by knowledge performance an indication that an improvement in performance can be attained through dynamic integration capability. Therefore, firm managers need to consider both the competitive environment and the external industry while deciding the operational strategy for integrating external and internal resources.

Firm acquirers can attain integration know-how and resource exchange through successful alliance activities and which lead to performance improvement. Earlier studies have established that alliance management capability positively affects the performance. This is because firms with strong alliance management capability exhibit practices that sustain different alliance-related activities: inter-organizational learning and partnership identification allow for effective execution of inter-firm associations and alliances.

Heimeriks and Duysters (2012) assert that constructing and sustaining capability of alliance management calls for considerable capital spending in a devoted partnership role that monitors as well as encourage partnership operations. Holding alliance management workshops more regularly and setting up alliance- specific intranet databases are also of importance (Heimeriks, 2010). The innovative capability of a firm is shown in the organizational routines that formulate innovation processes that seek to reconfigure the product portfolio of a firm. The widely held perception is that these routines result in new product innovations which lead to competitive advantage (Samson and Lawson, 2001). However, the magnitude of this positive association is different across the various levels of environmental dynamism.

Concurrently, it has been argued that the capability to develop new commodities requires commitment of long term funds to support state- of-the-art equipment, specialized facilities and skilled personnel. In addition, given the costs related to development of fresh products, firms need to repeatedly deploy this capacity so as to acquire revenues from improved or new products so as to recover their initial costs (Winter & Helfat, 2011).

2.4 Dynamic Capability and Competitive Advantage

Regardless of their nature, resources cannot be of any use when used independently but instead require be integrating, assembling, and managing to form organizational capabilities. These capabilities include capacity to develop new product, market sensing capacity and association building to be able to tackle the external environments and survive in the dynamic market environment (Eisenhardt & Martin, 2000). Consequently, it follows that capabilities seek to combine the different resources, so that they can be identified and effectively and efficiently organized.

As per Peteraf and Helfat (2003), a company's competitive advantage arise due to its capacity of recombining and reconfiguring different resources instead of interfering with the existing capabilities or generating new ones. A firm's dynamic capability recognizes organizational change that encourages innovation leading to the improvement of the evolutionary fitness of the firm and is considered as means of converting resources to enhanced performance. Dynamic capabilities can be used to extract competitive combinations which can be used to alleviate the performance of the company (Schildt, Keil & Maula, 2012).

The firm can use the knowledge acquired from cooperative alliances to come up with innovative technologies and improve its performance which in the end result in better performance and competitive advantage. Indeed, Jiang, Santoro and Tao (2010) opine that firms learn knowledge and reconfigure resources through proper management of their alliances to attain better firm performance.

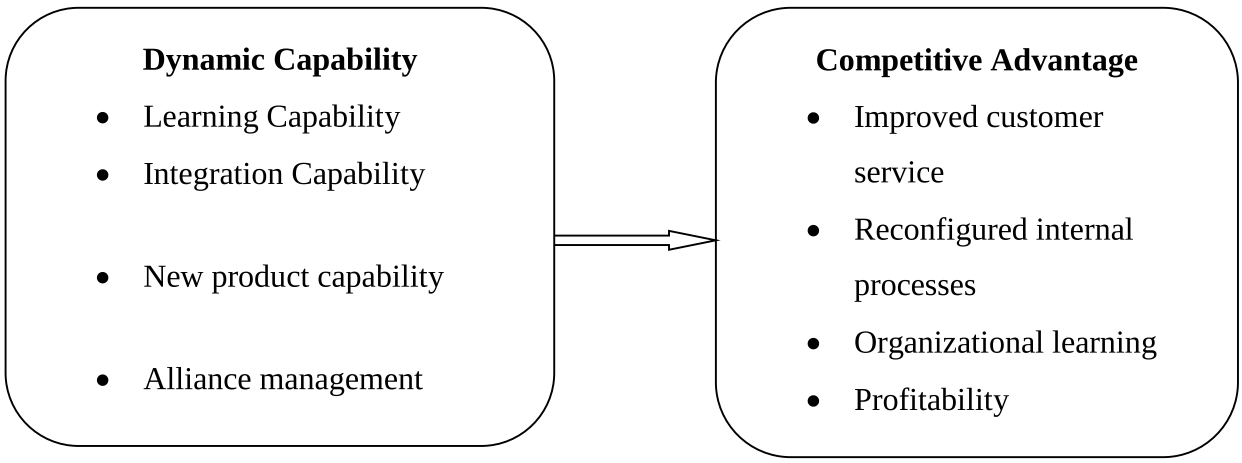
Berghman et al. (2012) highlight that in highly competitive environments, the company's potential to foresee fresh market trends and capture new market opportunities before the competitors is high which enables the firm to capture new customers in time and reap maximum profits. The identification of new market opportunities is important since these conditions reduce profits under stiff competition forcing firm differentiation through integration. Extreme competition may also force firms to reconstitute their resources and plan them in a manner that meets future market demands. These reconfigurations are more precious in extremely competitive markets where the payback of coming up with new capabilities are more than the costs of acquiring and recombining the resources (Makadok, 2011).

2.5 Conceptual Framework

Reichel and Ramey (1987) define conceptual framework as a diagrammatical representation of the association amid predictor and predicted parameters obtained from relevant research field.

Figure: 2.1 Represents Research Conceptual Framework

Independent Variables **Dependent Variable**



Source: Researcher (2017)

2.6 Empirical Studies and Knowledge Gap

Fang and Zou (2010) assert that by a firm seeking to attain industrial knowledge learning seminars; it may improve its external learning capability. Similarly, Lubatkinet al (2014) posits in an investigation on the international joint ventures in China that learning and absorptive capabilities greatly contribute to the attainment of a strong and balanced relationship between the local and foreign players. According to Rosenkopf and Schilling (2007), the magnitude of firm engagement in alliances is determined by the extent of dynamism within the environment where the firm is less compelled to make alliance management routines under low dynamism since the costs attributed with alliance management capability would be less than the gains.

According to Brown and Eisenhardt's (2015), the products in use can be improved through formulation of well-structured product development processes which enable the firm to improve on their desired product features. However, the challenge with these opportunities is that they do not accommodate different opportunities which creates a mismatch between varying environmental opportunities and new product development processes. Firms with well-established product development capabilities have a higher penchant for undertaking incremental product development together with existing trajectories instead of radically exploring the diverse innovations (Sørensen & Stuart, 2010).

Though the studies reviewed have delved into the different facets of dynamic capabilities, they have not considered the effect of dynamic potential on the company's competitiveness position in an emergent economy country has Kenya. The research therefore sought to fill this gap by attempting to establish the association of dynamic capabilities and competitiveness of insurance companies in Kenya.

This chapter discussed theories that anchor the research with specific reference to the RBV and the dynamic capabilities model. Principles of dynamic capabilities, the association of dynamic potential and competitive advantage were also discussed. This chapter also discusses various empirical studies about the study and the research gaps and winds up with a conceptual framework. Research methodology is discussed in the subsequent chapter.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section sums up various methods the investigator employed in the collection, presentation, and analysis of data. The chapter also discusses the findings of the study at length. This is inclusive of research strategy details, the various respondent categories and the method used in the data collection. This section also includes paramount discussions on the methods through which sets of data were accurately analyzed and well presented.

Descriptive research design formed the basis of analysis for this study. Cooper and Schindler argue that descriptive design is applied where the research work aims at describing features of specific groups, make predictions, and measure the number of people with certain features. To this study, the design was appropriate as it aided in explaining the state of affairs as they are without alteration of parameters, the main purpose of this study (Kothari, 2004). The study sought to determine the effect of dynamic capabilities as a source of competitive advantage among Kenyan insurance firms.

The population under study consisted of all the insurance companies in Kenya. The data collected from the primary source was summarized, coded, classified, and tabulated using Statistical Package for Social Sciences (SPSS). Finally, the data presentation (output) was done by use of statistical measures including the measures of central tendency and to determine the relationship, a regression analysis was undertaken.

3.2 Research Design

Kothari (2003) refers research design as a strategic blueprint for collecting, measuring, and analyzing data, and is selected on the basis of the extent to which the information regarding advancement of the research topic. The cross-sectional survey design was employed in this study. A survey is thought to be suitable since it allows the researcher to collect data by obtaining opinions, behaviors, attitudes, answers or beliefs from chosen respondents so as to understand the population represented.

The study work employed a descriptive study design. The design is declared strategic due to the major interest which was to establish the viable link and define how the features supported matters under study. Descriptive study design is an empirical approach that comprises observation and defining the nature of a topic without manipulating it by any means.

The creation phase was flexible in regard to decisions on administration of questionnaires as the questionnaire used was to make the respondent use both structured with exact wordings requiring a lower cognitive load on the respondents and unstructured questions that are not precisely determined in advance and involves open-ended questions. Standardized questions made measurement more particular and specific by affecting uniform definitions upon the participants across the board.

3.3 Study Population

Sekaran and Bougie (2010) define a study populace as the complete cluster of items to be investigated by the researcher. It is described based on the availability of elements, geographical boundaries, time frame and the research topic. Mugenda and Mugenda (1999) explain a target population the elements use to draw study results.

The researcher did a census study because of the scantiness of respondents from target population whose responses were vital in this study. A census study is essential here as it collects data on many attributes of a population and the findings (Mugenda & Mugenda, 1999). Population of study comprised of 51 Insurance firms (Appendix II).

Cooper and Schidler (2006) the target population must be clearly defined so that proper resources from which data could be collected can be identified. The study population encompassed all the licensed insurance firms operating in Kenya. According to IRA as at the end of year 2016, there were 51 Insurance firms in Kenya, 14 of which underwrite life assurance, 27 underwrite general business while 10 are composite companies.

3.4 Data Collection

First-hand information was obtained through the use of semi-structured feedback form (questionnaire). The open-ended questions were intended to allow the respondents to answer questions without any restriction while the closed ended questions were intended to restrict respondent’s answers to specific range of answers which helped the respondents to respond quickly. Questionnaires were self-administered and this enabled the respondents to answer the study probes without any help and at their speed. This reduced respondents’ load by allowing them time to work out through their opinions (Horn and Monsen, 2008).

The closed-ended queries give more designed answers to enhance tangible propositions. This type of questions were utilized in the evaluating of different features and assisted in lowering the number of associated response to obtain diverse opinions. The inclusion of open-ended quizzes gave added information that might be lacking in the close-ended interrogations. The participants gave their opinions in a five point Likert scale.

There were three sections of the feedback form. Part A covered respondents' and the organizations demographic information whereas part B sought to establish the dynamic capability practices in the insurance firms. Section C attempted to link the association between dynamic capability and performance of insurance firm performance. Questionnaire was to be supplied through the strategy of "drop and pick" latter, and be directed at the business development, strategy managers and marketing managers whom the researcher considers them to be more versed with the research subject matter. Mugenda (2003) notes that, use of questionnaire ensure upholding confidentiality, saves time and is simple to administer. Responses from the participants were rated on a five point Likert scale

3.5 Data Analysis

The gathered data was first reviewed for completeness to ensure that all information was captured as required. Once found fit and correctly filled, it was coded based on various parameters, classified and tabulated accordingly. Data classification reduced data into homogenous attributes that enabled establishment of meaningful relationships between independent and dependent variables. Descriptive statistics included mean scores, ratios and percentages.

Tables and pie charts were employed to present the obtained research data. A regression model was used to identify the connection amid dynamic capability and competitive advantage of insurance companies in Kenya. In order to estimate degree of association amid the parameters, an analysis of correlation proved vital. Statistical Package for Social Sciences was utilized to analyze the information and report on data.

The regression equation was to take the following form:

$Y=\alpha +B_1X_1+B_2X_2+B_3X_3+B_4X_4+έ$

Y = Competitive advantage

α = Constant (Co-efficient of intercept)

X_1 = Learning capability

X_2 = Integration capability

X_3= New Product capability

X_4 = Alliance Management capability

έ.= Error Term

B_1 …B_4= Regression co-efficient of four variables

The implication of the regression model was established using T-test while the extent of variation in Y explained by X is determined by the coefficient of determination, $R^{2,}$ at 95% correlation analysis and confidence level was conducted to identify the movement of the association amid the competitive edge and dynamic capability orientation of Kenyan Insurance firms. Data was analyzed using SPSS.

This chapter discussed study methodology to be adopted by the researcher. The methodology adopted a descriptive study design. The study population and tools to be used in carrying out the research are discussed, that is, and the data analysis approach is also elaborated. The next chapter covered the data analysis, findings and discussions.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This part presents data analysis, interpretation as well as presentation of the research outcomes of the data gathered. The project sought to examine the dynamic capabilities principles employed by the insurance companies in Kenya; and determine the effect of dynamic capabilities and the competitive advantage of insurance companies in Kenya. As such help provide useful insights into how to utilize dynamic capabilities lead to competitive advantage. Demographic information of the respondents was analyzed before providing descriptive statistics.

The study also targeted to help the decision makers in the insurance industry who are involved in the implementation of strategy usage in different levels in management. The knowledge of dynamic capabilities is a key competitive edge in the insurance industry. The target study populace comprised 51 Kenyan Insurance companies, 14 of which underwrite life assurance. The targeted population were considered appropriate since the respondents have more and good understanding of the insurance market. Therefore the information provided could be relied upon for policy implication by policy makers.

To get the wider information the questionnaire included the period the respondent had worked for the respective insurance companies, their role in the organization and the length of time they have been in their current positions. This chapter gives descriptive statistics of the various variables under study through use of pie charts and tables. Descriptive statistic entailed standard deviation and mean of the parameters used in the study.

The mean of the variable helped in having a clear understanding of the variable under consideration and the standard deviation showed how far or close the variables are from their mean. Generalization and inference were made possible by comparing the means of the specific variables.

4.2 Demographic Information of the Respondents

The demographic information obtained from individual participants and their background is examined in this segment. The general information sought from the respondents included respondent's age, number of organizational staffs, the length of time they had worked for the Insurance industry, and highest level of academic qualification.

Data on demographics guided the investigator to comprehend the respondents setting and their capability to provide useful data. The results are shown as per the demographics and the study interrogations. The project required the respondents to indicate their respective positions in the company. Data gathered on demographic information was shown in the form of tables and pie charts.

4.2.1 Response Rate

The inquiry sought information from 51 respondents who constituted of strategy, business development and strategy managers of Insurance companies in Kenya. Mugenda and Mugenda (2009) indicated that a response percentage of more than 70%, is considered good enough for examination and reporting. Out of the 51 insurance firms targeted, only 42 respondents were reached and completed the questionnaires while the rest were not available to fill the questionnaires, hence the response rate of the study at 82%. A response rate of 82% was sufficient enough to draw conclusions.

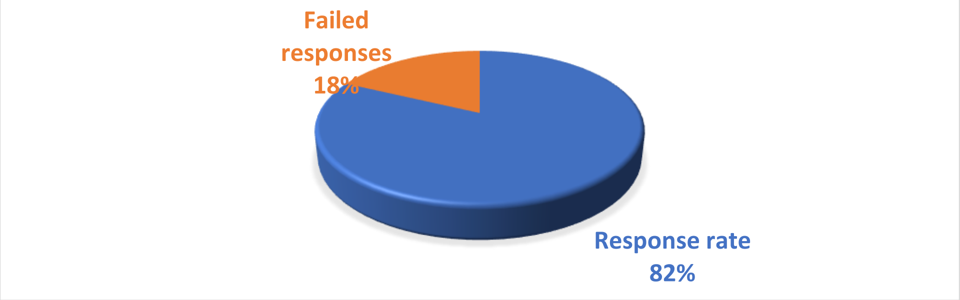


Figure: 4.1: A pie chart representation of the responses
Source: (Primary data, 2018)

Out of the 51 insurance firms targeted, only 42 respondents were reached and completed the questionnaires while the rest were not available to fill the questionnaires, hence the response rate of the study at 82%. A response rate of 82% was sufficient enough to draw conclusions.

4.2.2 Age of the Respondents

One of the key pieces of background data that the investigator wanted to determine was the participants' age. Age was categorized into four age groups that is: 18 -28, 29 -39, 40 -50, 51 -60. The outcomes are shown below in Table 4.1.

Table 4.1: Age of the Respondents

Category	Frequency	Percent
18-28	3	7.1
29-39	19	45.2
40-50	17	40.5
51-60	3	7.1
Total	42	100.0

Source: (Primary data, 2018)

The findings indicate that 45.2% of the participants were between 29 to 39 years, 40.5% were aged 40 and 50 years while 7.1% of the respondents were aged below 29 and another 7.1 percent aged below 29 years. This means that a greater deal of participants that is 85% were neither too young nor too old and therefore represent vibrant and experienced population whose experiences and responses can be relied upon.

4.2.3 Highest Academic Qualification

The participants were required by the research to state their highest level of education. The study divided the education category in to 4 categories; degree, post graduate diploma, masters and doctoral level so as to determine the respondents' highest level of education. The findings are shown in Table 4.2.

Table 4.2: Level of Education

Category	Frequency	Valid Percent	Cumulative Percent
Degree	16	38.1	38.1
Post graduate diploma	5	11.9	50.0
Masters	19	45.2	95.2
Doctorate	2	4.8	100.0
Total	42	100.0	

Source: (Primary data, 2018)

On this question, 45 % of the respondents had master's degree while 38% were had bachelor's degree. 11.9% were holders of post graduate diploma while, 4.8 % where holders of Doctoral level qualification PhD. This implies that most of the respondents had the requisite educational qualifications to make meaningful contributions to this study.

4.2.4 Length of Service in the Insurance Industry

The study asked the respondents to disclose the duration they had served in their organizations. This was important to determine the level of experience which assisted in gathering the requisite information pertaining industry knowledge. Length of service was grouped into four categories: 0 – 3, 4 – 7, 8 – 11, and 12 and above. The findings are shown in Table 4.3.

Table 4.3: Length of Service in the Insurance industry

Category	Frequency	Valid Percent	Cumulative Percent
0-3	19	45.2	45.2
4-7	9	21.4	66.7
8-11	6	14.3	81.0
12 and above	8	19.0	100.0
Total	42	100.0	

Source: (Primary data, 2018)

According to the research findings, the study established that the largest proportion, at 45.2 %, of the participants had worked in the Insurance industry for a period of 0-3 years. This was closely followed by 21.4 percent of the participants who had worked in the Insurance industry for a period of 4-7 years. 14.3 percent of the respondents had served for a period of between 8 – 11 years in the Insurance industry. Lastly, 19% of the participants had served for a period of 12 years and above. An implication for this is that most of the participants had the requisite experience in the insurance industry to make meaningful contributions to this study.

4.2.5 Number of Employees in the Organization

The researcher aimed at determining the number of workers in each of the respondent firms. The objective was to find out the size of the organization and if they were large enough to make meaningful contributions to this study. The number of employees in an organization demonstrates the organization's capacity to sufficiently provide efficient services across all departments. This also gives the competence level within the organizations. Employees were grouped into four categories namely: 1 – 400, 401 – 800 and 801 – 1200.

Table 4.4: Number of employees

Category	Frequency	Valid Percent	Cumulative Percent
1-400 employees	21	50.0	50.0
401-800 employees	20	47.6	97.6
801-1200 employees	1	2.4	100.0
Total	42	100.0	

Source: (Primary data, 2018)

The finding indicates that 50.0 percent of the respondent organizations have employee population size of between 1-400 employees. 47.6 percent of the respondent organizations have employee population size of between 401-800 employees 2.4 percent of the respondent organizations have employee population size of between 801-1200 employees. This implies that most the respondent organizations were large enough considered relevant to this study meaningful contributions to this study.

4.3 Dynamic Capabilities and Competitive Advantage of Insurance Companies in Kenya

The purpose of this study was to investigate the effect of dynamic capabilities on competitive edge in Kenyan Insurance sector. To deliver on the main objective of the study, this section discusses findings on the specific objectives which are to evaluate the influence of learning capability, integration capability, new product capability, and management capability on competitive advantage in Kenya's Insurance industry.

4.3.1 Influence of Learning Capability on Competitive Edge

The research aimed at finding out the impact of learning capability on competitive edge using Likert Scale where 5-Very Great Degree, 4-Great Degree, 3-Moderate Degree, 2-Little Degree, 1-Not at all.

Table 4.5: Influence of learning capability on competitive advantage

Learning Capability	Mean	Std. Deviation
The insurance firm has improved its innovative capability through learning process in internal operations	3.79	0.898
The insurance company is using lessons from earlier mistakes in product development to increase competitiveness	3.76	0.79
The firm continuously anticipate industrial changes and train its employees in advance	3.5	0.969
The learning capacity of the insurance has led to enhanced balanced dependence	3.36	0.821

Source: (Primary data, 2018)

The findings indicate that insurance firm has to a great extent improved their innovative capability through learning process in internal operations as indicated by an average of 3.79 and a small SD of 0.898. The findings also indicate that players in the insurance industry are to a great extent using lessons from earlier mistakes in product development to increase competitiveness as indicated by a small standard deviation of 0.79 and a mean of 3.76.

Further, the results reveal that firms in the insurance industry to a great extent continuously anticipate industrial changes and train its employees in advance as indicated by a small SD of 0.969 and a mean of 3.5. The results show that there is uncertainty on whether the learning capacity of the insurance has led to enhanced balanced dependence as shown by a small SD of 0.821 and a mean of 3.36.

4.3.2 Influence of Firm Integration Capability Competitive Advantages

The research also purposed to determine the impact of firm integration capability on competitive advantage using Likert Scale where 5-Very Great Degree, 4-Great Degree, 3-Moderate Degree, 2-Little Degree, 1-Not at all.

Table: 4.6: Effect of Firm integration capability on competitive advantage

Integration Capability	Mean	Std. Deviation
External environment is considered in strategy	4.05	0.731
Introduction of new technology in product development	3.62	0.825
New markets are combined	3.62	0.825
Insurance firm possesses routines	3.43	0.914

Source: (Primary data, 2018)

The findings indicate that to a great extent external environment is considered in strategy as shown by a small SD of 0.731 and mean of 4.05; to a great extent there has been introduction of new technology in product development as shown a small SD of 0.825 and a mean of 3.62; to a great extent new markets are combined as shown by a small standard deviation of 0.825 and a mean of 3.62; to a moderate extent insurance firms possess routines as shown by a small standard deviation of 0.914 and a mean of 3.43.

4.3.3 Effect of Firm's New Product Capability on Competitive Advantage

Also, this study aimed at examining the impact of firm new product capability on competitive advantage using Likert Scale where 5-Very Great Degree, 4-Great Degree, 3-Moderate Degree, 2-Little Degree, 1-Not at all.

Table 4.7: Effect of Firm's new product capability on competitive advantage

New Product Capability	Mean	Std. Deviation
Firms is inclined towards pursuing incremental product improvements with existing products	3.67	0.754
Firms commits adequate funds that support skilled personnel	3.5	0.969
Firms innovation practices is aimed at reconfiguring the firms product portfolio	3.48	0.833
Firm structured new product development can grasp new opportunities	3.4	0.734

Source: (Primary data, 2018)

The findings indicate that to a great extent firms are inclined towards pursuing incremental product improvements with existing products as indicated by a small SD of 0.754 and a mean of 3.67. The findings indicate that to a great degree firms commits adequate funds that support skilled personnel as shown by a small SD of 0.969 and a mean of 3.5. The study results indicate that to a moderate extent firms innovation practices is aimed at reconfiguring the firm's product portfolio as shown by a small SD of 0.833 and a mean of 3.48. The results indicate that to a moderate extent firm structured new product development can grasp new opportunities as shown by a small SD of 0.734 and a mean of 3.4.

4.3.4 The Influence of Alliance Management Capability on Competitive Advantage

The research also purposed to find out the effect of alliance management capability on competitive edge Likert Scale where 5-Very Great Degree, 4-Great Degree, 3-Moderate Degree, 2-Little Degree, 1-Not at all.

Table 4.8: The Influence of Alliance management capability on Competitive Advantage

Alliance Capability	Mean	Std. Deviation
Insurance firm possesses routines	3.43	0.914
Low cost of managing organization partnership	3.07	1.022
Adequate investments for promoting alliance management	3	1.012
Firm has developed alliance intranet data base	2.6	1.061

Source: (Primary data, 2018)

The findings indicate that to a moderate extent insurance firm possesses routines as indicate by a small SD of 0.914 and a mean of 3.43. The results show that low cost of managing organization partnership as indicate by a small SD of 1.022 and a mean of 3.07. The results unearth that to a moderate degree adequate investment for promoting alliance management as indicate by a small SD of 1.012 and a mean of 3. The results discover that to a moderate extent firm has developed alliance intranet data base as indicate by a small SD of 1.061 and the mean of 2.6.

4.3.5 Effect of Dynamic Capability as A Source of Competitive Advantages

The research also purposed to discover the effect of firm new product capability on competitive advantage using Likert Scale where 5-Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree

Table 4.9: Effect of Dynamic Capability as a source of competitive advantages

Effect of Dynamic Capability as a source of competitive advantages	Mean	Std. Deviation
There has been an improvement in information accuracy and in innovativeness due to firms dynamic capabilities	3.88	0.67
The firm is able to configure better its resources altering its existing capabilities and generating new ones	3.69	0.715
The firm has been able to generate better returns from its operations due to improved innovation capacity	3.6	0.912
The firm is able to sense new product markets in the future and develop new products to meet the demand	3.55	0.889
Repeated exchanges within the alliance has built trust and improved both the knowledge sharing and stability of associations	3	1.126
There has been reduction of conflict among the insurance firms due to the partnership leading to knowledge	3	1.082

Source: (Primary data, 2018)

The findings indicate that to a great extent dynamic capabilities has led to enhancement in innovativeness and information accuracy as shown a small SD of 0.67 and the mean of 3.88; configure better their resources thus altering their existing capabilities and generating new ones as shown by a SD of 0.72 and the mean of 3.69; generate better returns from its operations due to improved innovation capacity as indicated by a SD of 0.912 and the mean of 3.6 ; firms are able to sense new product markets in the future and develop new products to meet the demand indicated by a small SD of 0.889 and the mean of 3.55.

To a moderate degree repeated exchanges within the alliance has built trust and improved both the stability of relationships as depicted by a small standard deviation of 1.126 and a mean of 3. The results show that to a moderate extent there has been reduction of conflict among the insurance firms due to the partnership leading to knowledge indicated by a small SD of 1.082 and the mean of 3.

4.4 Regression Analysis/Analysis of Hypothesis

A regression model was applied to ascertain the correlation amid the research parameters. The predicted parameter is the competitive advantage while the independent is the dynamic capabilities measured in terms of variables are learning capabilities, new product capability, integration capability and alliance management capabilities. Regression model was utilized to analyze the association amid the predictor and predicted variable. The Coefficient of determination details the percentage of variation in the predicted component that's explained by all the 4 predictor components or the degree to which a change in dependent element can be explained following a change in the predictor parameters. The research used SPSS V 21.0 in coding, keying in, and processing the multi-regression data.

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.733[a]	.537	.487	.44599

Source: (Primary data, 2018)

a. Predictors: (Constant), New Product, Alliance Capability, Learning Capability, Integration Capability

R-Square is a predominantly applied to assess model fit. R-square is found by subtracting the ratio of residual variability from 1. The adjusted R^2 (coefficient of determination), is the degree to which the predicted variable is explained jointly or uniquely by the predictor components. 48.7% of sources of competitive advantages in the Insurance industry may well be attributed to the joint influence of the independent parameters.

Table 4.11: Summary of One-Way ANOVA

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
	Regression	8.545	4	2.136	10.740	.000[b]
	Residual	7.360	37	.199		
	Total	15.905	41			

Source: (Primary data, 2018)

a. Dependent Variable: Competitive Edge

b. Variables: (Unchangeable), New Product, Alliance Capability, Learning Capability, Integration Capability

The significance of the regression model was determined by use of one-way analysis of variance (ANOVA). Through ANOVA, a probability figure of 0.000 was determined. This indicates that the association of regression was very substantial in explaining the way dynamic capabilities (predictor component) influences the level of competitiveness in the insurance sector in Kenya. The F computed at 5% level of significance was 10.7040. Because F exceeds the F critical, it shows that the general regression model was very significant.

Table 4.12: Regression Coefficients results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.760	.498		1.527	.135
Learning Capability	.233	.131	.249	1.788	.082
Integration Capability	-.090	.174	-.082	-.516	.609
Alliance Capability	.234	.099	.307	2.358	.024
New Product	.423	.158	.423	2.679	.011

Source: (Primary data, 2018)

a. Dependent Variable: Competitive Advantage

The coefficient in Table 4.12 indicate holding all other factors constant (no influence of the predictor variables) competitiveness would be at 0.760. A unit rise in learning capability implementation would result in a rise in competitiveness by 2.33. A unit increase in firm integration capability would result in a reduction in competitiveness by 0.09. A unit rise in firm new product capability results in a rise in competitiveness by 0.423. A unit rise in good alliance management capability would result in a rise in performance by 0.234.

The regression model therefore is represented as follows:

$Y=0.76 +0.233X_1-0.09X_2+0.234X_3+0.423X_4+έ$

Y = Competitive advantage

X_1 = Learning capability

X_2 = Integration capability

X_3= New Product capability

X_4 = Alliance Management capability

έ.= Error Term

4.5 Discussion of the Results

The part offers a detailed discussion of the study results based on descriptive analysis and inferential statistics. The study sought to examine the dynamic capabilities principles employed by the insurance companies in Kenya; and to determine the influence of dynamic capabilities and the competitive advantage of insurance companies in Kenya. On influence of learning capability on competitive advantage, the findings indicate that that insurance firms have to a great extent improved their innovative capability through learning process in internal operations and that players in the insurance industry are to a great extent using lessons from earlier mistakes in product development to increase competitiveness. The results are consistent with the outcomes of Mwangi (2008) who studied the dynamic capabilities and competitive advantage and performance of independent Kenya's oil firms.

The project also aimed to determine the impact of firm integration capability on competitive advantage. The study findings indicate that to a great extent external environment is considered in strategy; there has been introduction of new technology in product development; and extent new markets are combined. The findings of the study agree with Berghman et al. (2012) argument which highlights that in highly competitive environments, the company's potential to develop new products, introduce new technology enables firms to develop new markets.

Findings on the impact of company's new product capability on competitive edge revealed that to a great extent firms are inclined towards pursuing incremental product improvements with existing products and that firms commits adequate funds that support skilled personnel to improve on the organization's efficiency and customer experience.

This is in agreement with Heimeriks and Duysters (2012) who found that innovative product capability of a firm is shown in the organizational routines that formulate innovation processes that seek to reconfigure the product portfolio of a firm. The widely held perception is that these routines result in new product innovations which lead to competitive advantage.

Findings on the effect of dynamic capability as a source of competitive advantages, revealed that dynamic capabilities has led to enhancement in innovativeness and information accuracy; configuring resources thus altering their existing capabilities and generating new ones; generate better returns from its operations due to improved innovation capacity; firms are able to sense new product markets in the future and develop new products to meet the demand. The research findings are in agreement with the results of Ngugi (2016) who did a research on dynamic capabilities and found that any firm's success entails aligning the dynamic capabilities of the firm and available resources to meet market needs and these needs must generate competitiveness.

The study further aimed at establishing the influence of Alliance management capability on competitive advantage. The findings indicate that insurance firm possesses routines and that low cost of managing organization partnership. The results are consistent with Ngugi (2016) who conducted a research on dynamic capabilities at Commercial Bank of Africa and found that any organization's success entails aligning the dynamic capabilities of the organization and available resources to meet market needs and these needs must be well defined in order to generate competitiveness.

From the above regression model, the research work discovered that dynamic capabilities positively enhance the competitive advantages for Insurance companies in Kenya. The predictor parameters under consideration predict a significant 47.8 % of competitive advantage as denoted by adjusted R^2 (0.478). Therefore, this implies that the predictor parameters contribute 47.8% of the competitive advantages whereas random variations and other factors excluded from the study contribute 52.2%. This is in line with Schilke (2014) whose findings indicated that competitive edge and dynamic capabilities are positively correlated in moderately dynamic atmosphere as opposed to highly dynamic or stable atmosphere.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section sums up the parts covered in previous chapters in three sections. First, it summarizes the study findings, makes conclusions, and then makes some recommendations. The findings are summarized in line with the objectives of the study which was to establish the effect dynamic capabilities and competitive advantage in Kenya's Insurance industry. The findings have been discussed relative to the questionnaire aspects which were on; demographic data on the respondent the aspects of the predictor variables and how it influences competitive advantage for Insurance companies in Kenya. Conclusion and policy implications are based on the findings obtained in chapter four.

Also, the section outlines the study limitations and proposes areas of further research. The study's limitations are outlined based on some of the challenges the researcher underwent primarily when collecting data. Suggestions for further study entails gaps in the study which the study did not cover because of limitations highlighted. The results are sums up as per the objective of the research: to investigate the dynamic capabilities principles employed by the insurance companies in Kenya; and to examine the influence of dynamic capabilities and the competitive advantage of insurance companies in Kenya.

The summary is given based on the aspects covered in the questionnaire which were; respondents' profile which aimed at establishing their age, how long they have served in insurance firm, highest level of education, total number of employees, the impact of learning capability on competitive edge; effect of Firm integration capability on competitive advantage; effect of firm's new product capability on competitive advantage; influence of capability of alliance management on Competitive Edge; and effect of Dynamic Capability as basis for competitive edges.

5.2 Summary

The research sought to determine the impact of dynamic capabilities on competitive advantage of Kenya's insurance firms. The study populace consisted of all the insurance companies in Kenya. According to Insurance Regulatory Authority (IRA), as at the end of year 2016, there were 51 Insurance firms in Kenya (Appendix II), 14 of which underwrite life assurance, 27 underwrite general business while 10 are composite companies. Semi-structured feedback form was employed to gather first-hand information. The researcher was a census study owing to the scantiness of respondents from target population whose responses are vital in this study.

The demographic data obtained from individual respondents and their background was examined. Doing this enabled the researcher to comprehend the respondents setting and their capability to provide useful data. The results were presented according to the demographics and the research questions. The general information sought from the respondents included their age, level of education, the duration they had served in the respective insurance companies.

The study targeted a total of 51 Respondents who constituted of business development managers and marketing managers of Insurance companies in Kenya. This positions are directly responsible for the strategic initiatives of the organizations under study. Out of these, 42 respondents could be reached and completed the questionnaires while the rest were not available to fill the questionnaires, hence the response rate of the study at 82% . Mugenda and Mugenda (2009) indicated that a response percentage of more than 70%, is considered good enough for examination and reporting. This therefore means that the response rate at 82% is good enough for this study.

The researcher aimed at determining the respondent's age. The results indicate that 45.2% of the participants were in the age bracket of 29 -39 years.40.5 % were aged between 40-50 years while 7.1% of the respondents were aged below 29 and another 7.1 percent aged below 29 years. This means that a great deal of participants that is 85% was neither too young nor too old and therefore represents vibrant and experienced population. This presents a good age bracket in terms of relevant professional and technical experience.

The respondents were required by the study to state their highest level of academic qualification. 45 % of the participants were holders of master's degree while 4.8 % where holders of Doctoral level qualification PhD 4.8% were holders of post graduate diploma while 11.9 % where holders of post graduate diplomas. 38 percent of the respondents were holders of a first degree only. This implies that most of the respondents had the requisite educational qualifications to make meaningful contributions and add value to this study.

The respondents were required by the study to disclose the duration they had served in their organizations. According to the research outcomes, it was discovered that 45.2 % of the participants had worked in the respective insurance companies for a period of 0-3 years. 21.4 percent of the participants had worked in the respective insurance companies for a period of 4-7 years. 14.3 percent of the participants had worked in the respective insurance companies for a period for more than12 years. An implication for this is that a great deal of participants had the requisite experience in the insurance industry to make meaningful contributions to this study. The researcher purposed to determine the number of staffs in each of the respondent organizations. The objective was to find out the size of the organization and if they were large enough to make meaningful contributions to this study.

The finding indicates that 50.0 percent of the respondent organizations have employee population size of between1-400 employees. 47.6 percent of the respondent organizations have employee population size of between 401-800 employees 2.4 percent of the respondent organizations have employee population size of between 801-1200 employees. This implies that most the respondent organizations were large enough to be considered relevant to this study meaningful contributions to this study.

Insurance firms have to a great extent improved their innovative capability through learning process in internal operations. Players in the insurance industry are to a great extent using lessons from earlier mistakes in product development to increase competitiveness. Firms in the insurance industry to a great extent continuously anticipate industrial changes and train its employees in advance. There is uncertainty on whether the learning capacity of the insurance has led to enhanced balanced dependence.

To a great extent the organizations have adequate and competent human new product capability and a good employee retention plan. To a great extent organization possesses greater ability to generate internal funds as well as adequate financial new product capability regarding operating funds, borrowing capacity, and liquidity. To a great extent the organizations have superior and sophisticated technology that increases productivity and costs.

To a moderate extent insurance firm possesses routines and investment for promoting alliance management firms have developed alliance intranet data base. To a great extent there has been an improvement in information accuracy and in innovativeness due to dynamic capabilities of the company. Companies are able to configure better their resources thus altering their existing capabilities and generating new ones. The finding also illustrates that to a great extent firms have been able to generate better returns from its operations due to improved innovation capacity. Firms are able to sense new product markets in the future and develop new products to meet the demand. There has been reduction of conflict among the insurance firms due to the partnerships.

A unit rise in in learning capability implementation would result in a rise in competitiveness by 2.33. A unit rise in firm integration capability would result in a reduction in competitiveness by 0.09. A unit rise in firm new product capability results in a rise in competitiveness by 0.423. A unit rise in good alliance management capability would result in rise in organizational performance by 0.234. Dynamic capabilities positively enhance the competitive advantages for Insurance companies in Kenya. The predictor components considered only predict a significant 47.8 % of competitive advantage as signified by adjusted R2 (0.478). Therefore, this implies that the predictor parameters contribute 47.8% of the competitive advantages.

5.3 Conclusion

The research purposed to determine the influence of dynamic capabilities on competitive edge in the Insurance industry in Kenya. Based on the findings in relation to specific objective, the study concluded that organizational dynamic capabilities positively enhance organization competitiveness. Competitive advantages are achieved when an organization effectively achieves customer satisfaction, ensures superior quality services and products, customer-oriented products, and positive feedback from customers. There is need for continuous development of strategic capabilities by insurance firms in order to remain competitive.

These advantages have been seen in the unique customer service, speed in claims settlement and issuance of insurance policy, broad branch network, innovative insurance products, hiring of best skills and developing effective and efficient structures and systems. This involves achieving superior performance and economic value over a prolonged period in the insurance industry. This in the longrun creates a sustainable competitive advantage of insurance firms thereby promoting customer loyalty and surges insurance uptake thus increasing the insurance penetration.

Further, it recommends that insurance regulator ought to inspire all players in the insurance industry to apply their known core skills and competencies to instill expertise in their day to day activities. The application of known core skills can be realized through learning capability where various stakeholders avoid the repetitions of industry mistakes through use of lessons learnt from previous experiences and to make it possible to adopt to new knowledge. This results in service consistency and financial stability that consequently results in mutual benefit for all shareholders as well as customer satisfaction.

5.4 Recommendations

The following recommendations were made based on the summary of the findings:

The study sought to determine the impact of dynamic capabilities as the basis of competitive edge among Kenya's insurance firms. The result indicated that dynamic capabilities positively enhance the competitive advantages for Kenya's Insurance companies ensuring survival in the dynamic insurance industry atmosphere through consolidation, transformation of both internal and external resources.

Drawing attention to this study, it's suggested that organizations should seek to acquire competitive advantages so as to improve organizational performance through increasing customer base, asset quality, quality of service and increased market share. The study recommends that organizations should focus on adopting organizational dynamic capabilities so as to improve organizational performance through increasing customer base, asset quality, quality of service and increased market share. This can be necessitated by coming up with models that are profitable by through increased product innovation and operational efficiency to drive profitability and thus growth of the insurance sector amid the heightened regulations.

The study results also indicated that a firm is expected to analyze the dynamics of each strategy to be able to quickly respond to changes in environment during the formulation of its competitive strategies by rendering an integrative new perspective on the association amid competitive advantage and dynamic capabilities. This entails the construction and retention of capabilities and resources needed to prosper and compete well in rapidly changing environment. A rival firm is expected to assess and determine the company's functional area that contributes greatly in guaranteeing a company's competitive edge.

5.5 Limitations of the Study

The researcher encountered many different problems in conducting the research. For instance some respondents were reluctant to provide information that they viewed as confidential to the company. Respondents were also reluctant to offer information for fear that the information would be used against them. Further, most of the targeted respondents had very busy schedules making it hard to fill in the feedback forms within the stipulated time. The stringent policies of the firms also lengthened the process due to many bureaucratic processes involved. The researcher handled the problem by carrying an introductory letter from the university and assuring the respondents of treating any obtained information confidentially and purely for academic purposes.

The study's limitations included the limited time set aside for the research and the scope. The population under study involved all insurance companies in Kenya presenting a challenge to collect data from the 51 insurance companies in view of the limited time available to collect the data. This limitation was overcome by starting the research early in the period set aside. This ensured the maximum amount of time possible was spent in the research and last minute rush was avoided.

The findings of the research covered only insurance companies in Kenya. Kenya has many other players in the insurance sector that distribute insurance services. It is not possible to tell from this study whether the same findings would apply to all the other players like insurance brokerage firms and re-insurance firms. Further, the research has not dealt with insurance companies outside Kenya, for instance in the East African Community to ascertain whether the findings can still hold.

5.6 Suggestions for Further Research

This research work was undertaken on the insurance companies operating in Kenya. It's therefore suggested that the research is repeated for other players in the insurance industry especially insurance brokerage firms which are tasked with the responsibility of distribution of insurance products and aiding in the penetration levels. This will give a holistic picture in determining the effect of dynamic capabilities on competitive edge in the insurance sector.

Additionally, further research done on the factors affecting strategy implementation and impact on competitive advantages by drawing attention to other industries instead of Insurance industry so as to represent useful and reliable information which depicts actual events throughout all economic sectors.

It would be paramount to conduct further research to determine other random variations and factors not considered in this research that determine the competitive advantage of insurance companies and how these factors would relate to performance and strategy formulation. This can include similar variables or more variables be added to come up with more solid confirmation or reduction of error term.

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APPENDICES

APPENDIX I: Letter of Introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE 13/03/2018.

TO WHOM IT MAY CONCERN

The bearer of this letter Carolyne Achieng Ayiro

Registration No. D61/81238/2015

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

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

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
13 MAR 2018
P.O. Box 30197 – 00100, NAIROBI

PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS

APPENDIX II: Research Questionnaire

This questionnaire is designed to gather information on the dynamic capability and competitive advantage of insurance firms in Kenya and is purely for academic purposes only. Kindly tick (√) on one of the options provided. For questions that require your own opinion, fill in the blanks. (………………………….)

SECTION A: GENERAL INFORMATION AND BIO DATA

1. Name of the Insurance Company? ....

2. Which is your age bracket?

a) 18-28 years [ ] b) 29-39 years [ ] c) 40-50 years [ ] d) 51-60 years [ ]

3. For how long have you worked at the Insurance Company?

a) 0-3 years [ ] b) 4-7 years [ ] c) 8-11 years [ ] d) 12 years and above [ ]

4. What is your highest level of academic qualification?

a) Diploma [ ] b) Degree [ ] c) Post Graduate Diploma [ ]

d) Masters [ ] e) Doctorate [ ]

5. What is the total number of employees in the company?

a) 1- 400 employees [ ] b) 401 – 800 employees [ ]

c) 801 – 1200 employees [ ] d) Over 1200 employees [ ]

SECTION B: Dynamic Capability

5. Below are some of the learning capability practices applied by insurance companies. Kindly indicate the extent of various capability practices adoption by your firm.

Key: 5) Very great extent ( ) 4) Great extent ( ) 3) Moderate extent ( )

2) Low extent ( ) 1) Very low extent ( )

	Learning Capability	**5**	**4**	**3**	**2**	**1**
1	The insurance company is using lessons from earlier mistakes in product development to increase the competitiveness of its operations					
2	The insurance firm has improved its innovative capability through the learning process in internal operations					
3	The firm continuously anticipate industry changes and train its employees in advance to handle the potential challenge					
4	The learning capacity of the insurance firm has led to an enhanced balanced dependence with external partners					

What other learning capability practice does your insurance firm practice to improve its level of competitiveness ....

....

....

6. Below are some of the integration capability practices applied by insurance companies. Kindly indicate the extent of various capability practices adoption by your firm.

Key: 5) Very great extent ( ) 4) Great extent ( ) 3) Moderate extent ( )

2) Low extent ( ) 1) Very low extent ( )

	Integration Capability	**5**	**4**	**3**	**2**	**1**
1	The insurance firm is able to combine its internal and external new product capability to achieve an improved competitiveness					
2	The firm consider its external environment in developing its strategy					
3	The insurance firm strives to combine new markets with existing one in an optimally way without					
4	The introduction of a new technology for product development considers the existing business environment not to compromise prevailing synergy					

What other integration capability practice does your insurance firm practice to improve its level of competitiveness..

....

7. Below are some of the alliance management capability practices applied by insurance companies. Kindly indicate the extent of various capability practices adoption by your firm.

Key: 5) Very great extent ( ) 4) Great extent ( ) 3) Moderate extent ( )

3) Low extent ( ) 1) Very low extent ( )

	Alliance Capability	**5**	**4**	**3**	**2**	**1**
1	The insurance firm possesses routines that support firm collaboration tasks with other partners in the industry					
2	The firm has developed alliance intranet database that updates the insurance firm partners on the new products and services offered by the firm					
3	The cost of managing the organizations partnership is at all times kept low to enhance sustainability of the collaborative relationship					
4	The firm has made adequate investment for promoting alliance management strategies that enhance firm performance					

What other alliance capability practice does your insurance firm practice to improve its level of competitiveness ....

....

....

8. Below are some of new product development capability practices applied by insurance companies. Please indicate the extent of various capability practices adoption by your company. **Key**: 5) Very great extent ( ) 4) Great extent ( ) 3) Moderate extent ( ) 2) Low extent ( ) 1) Very low extent ( )

	New product development Capability	**5**	**4**	**3**	**2**	**1**
1	The insurance firms innovation process are aimed at reconfiguring the firms product portfolio					
2	The insurance firm commits adequate funds that support skilled personnel					
3	The firms structured new product development process are able to capture opportunities that differ in kind					
4	The firm is inclined towards pursuing incremental product improvements along with the existing products					

What other new product development practice does your insurance firm practice to improve its level of competitiveness ....

....

SECTION C: EFFECT OF DYNAMIC CAPABIILITY AND COMPETITIVE ADVANTAGE

9. The firms competitive advantage is perceived affected by the firms dynamic capability strategies. Kindly indicate the level of your agreement to the statements.

5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

Statements	5	4	3	2	1
There has been an improvement in information accuracy and in innovativeness due to the firms dynamic capabilities strategies					
The firm is able to configure better its new product capability such that it can alter its existing capabilities and also generate new ones which create improved performance to the firm					
There has been a reduction of conflict among the insurance firms due to the partnership and this has facilitated knowledge sharing and assimilation of operations					
Repeated exchanges within the alliance has build trust and improved both the stability of relationships and knowledge sharing among the partners					
The firm has been able to generate better returns from its operations and assets due to improved innovation capacity					
The insurance firm is able to sense new product markets in the future and consequently develop relevant products to meet the demand					

THANK YOU FOR YOUR TIME

APPENDIX III: A List of Insurance Companies In Kenya

1. AAR Insurance Company Ltd 2. Africa Merchant Assurance Company Ltd 3. AIG Kenya Insurance Company Ltd 4. Allianz Insurance Company of Kenya 5. Africa Merchant Assurance Company Ltd 6. APA Insurance Company Ltd 7. APA Life Insurance Company Ltd 8. Barclays Life Assurance Kenya Ltd 9. Britam General Insurance Company Ltd 10. Britam Life Assurance Insurance Company Ltd 11. Capex Life Assurance Ltd 12. CIC General Insurance Company Ltd 13. CIC Life Assurance Company Ltd 14. Corporate Insurance Company Ltd 15. Direct Line Assurance Company Ltd 16. Fidelity Shield Insurance Company Ltd 17. First Assurance Company Ltd 18. GA Kenya Insurance Company Ltd 19. GA Life Assurance Company Ltd 20. Geminia Insurance Company Ltd 21. Heritage Insurance Company Ltd 22. ICEA LION General Insurance Company Ltd 23. ICEA LION Life Assurance Company Ltd 24. Intra Africa Assurance Company Ltd 25. Invesco Assurance Company Ltd	26. Jubilee Insurance Company Ltd 27. Jubilee Life Insurance Company Ltd 28. Kenindia Assurance Company Ltd 29. Kenya Orient Insurance Company Ltd 30. Kenya Orient Life Assurance Company Ltd 31. Kenyan Alliance Insurance Company Ltd 32. Liberty Life Assurance Company Ltd 33. Madison Insurance Company Ltd 34. Mayfair Insurance Company Ltd 35. Metropolitan Cannon Assurance Company Ltd 36. Monarch Insurance Company Ltd 37. Occidental Insurance Company Ltd 38. Old Mutual Life Assurance Company 39. Old Mutual General Insurance Company 40. PACIS Insurance Company Ltd 41. Phoenix Assurance Group Ltd 42. Pioneer Life Assurance Company Ltd 43. Prudential Assurance Company Ltd 44. Resolution Insurance Company Ltd 45. Saham Insurance Company Ltd 46. Sanlam General Insurance Company Ltd 47. Sanlam Life Insurance Company Ltd 48. Takaful Insurance of Africa Ltd 49. Tausi Assurance Company Ltd 50. Trident Insurance Company Ltd 51. Xplico Insurance Company Ltd

Sources: Insurance Regulatory Authority (IRA); *Annual Insurance Industry Report for the Year Ended 31st December 2016*

Appendix IV: Turnitin Originality Report

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Turnitin Originality Report

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