INFLUENCE OF FOCUS STRATEGY ON PERFORMANCE OF INSURANCE AGENCIES IN NAIROBI COUNTY

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DECLATATION

I declare that this project is my original work and has not been submitted elsewhere for examination purposes

…………………………………………

MAUREEN KEMUNTO

I declare that this project has been submitted for examination with my authority as the university Supervisor

………………………………………………..

DR. MUYA NDAMBUKI,

LECTURER, SCHOOL OF BUSINESS,

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DEDICATION

I dedicate this Project to my Husband and Children for your immense support

ACKNOWLEDGEMENT

I wish to acknowledge the role played by my Supervisor, Dr. Muya Ndambuki in making this project come true. To all my class mates at MBA, thank you so much.

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ABSTRACT

The main aim of this study was to determine the relationship between the focus strategy and performance of insurance brokers in Kenya. The population consisted of all insurance brokers in Kenya. The study was a descriptive survey. A sample of 90 was selected using proportionate sampling. According to the findings, The line of insurance handled by the least number of agencies was workers compensation insurance carried by o0nly 40 % of the respondents. on the application of the focus strategy shows that serving segmented markets by the agencies is the most supported statement (Mean=4.87, std.dev=0.075). Statements on developing products for specific segments, the agencies being known for affordability of products and having strong customer relationships were also relatively heavily (Mean above 4.00). These are statements that are in complete agreement with the basic premises of the focus strategy. The regression model shows that 64.5 % of the dependent variable is explained by the independent variable. The remaining 35.5 % is explained by variables outside the variable under investigation. The ANOVA analysis indicates that the relationship between focus strategy and performance of insurance agencies is statistically significant at $p=0.05$ (Sig $=0.02$). Conclusions and recommendations were made guided by the findings.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The purpose of strategy is to orient the company to its environment. Both theory and practice support the managerial practice of developing firm strategy that is in line with its environmental outlook (Johnson & Scholes, 2014). Porter (1985) discusses three generic strategies that can guide the strategy generation exercise of the company namely: differentiation, focus and cost leadership. Studies on strategy have reported mixed results on its relationship with firm performance (Malburg, 2000). The underlying thinking is that a firm's strategy is correlated to its financial and non financial performance. However it is imperative to note that when explaining the relationship between strategy and performance, it may be necessary to break it down to its sub components such as strategy formulation, implementation and control. Dividing up strategy in this manner ensures that each aspect of strategy is assessed against performance independently.

This study is anchored on the competitive advantage theory and the dynamic resource based view of the firm. The competitive advantage theory holds that that the key achieving organizational goals of profit maximization lies in identifying its sources of competitive advantage and enhancing them continuously while safe guarding them zealously. The firms sources of competitive advantage could be its innovative products, flexible prices, human resources and marketing capabilities among others. Proponents of the resource based view hold that the management ought to identify its resources and exploit them for purposes of

gaining incremental rent. Those company tangible and intangible assets that can be manipulated to earn dividends in the market place are referred to as resources.

The insurance industry in Kenya is one of the most complex industries. This is because of the presence of many players; the brokers (agencies), loss assessors, insurance companies, reinsurance companies, regulatory authorities and consumer protection lobby groups. Each of this parties has a role to play in the entire insurance machine. An insurance agent is a specialist in risk management and insurance which is one method of managing risks. They transact business on behalf of a known insurer. The insurance company determines the product, pricing and general administration of the policy. In Kenya there were 8698 licensed agents as at 31st December 2017 according to the Insurance Regulatory Authority. Some of these agents are registered as business entities while others are registered persons authorized to act as insurance agents.

1.1.1 Competitive Strategy

As per Kay (2014) competitive strategy is tied in with attempting to accomplish some sort of favorable position over contenders by for the most part attempting to accomplish some type of cost or separation advantage over contenders. Preferably, the firm should look to attempt to accomplish some position that is troublesome or incomprehensible for opponents to copy. This reasoning is reliable with the hypotheses of the asset-based perspective on the firm. Focused procedure has been clarified by Porter (1985) as the quest for a good aggressive situation in an industry, the central field wherein rivalry happens. In quest for competitive strategy organizations expect to build up a gainful and economic situation against the powers that decide industry rivalry.

Johnson et al. (2011) note that competitive strategy is worried about how a business accomplishes an competitive advantage in its area of exercises. Doorman (1996) contends that technique is tied in with being unique. It implies intentionally picking an alternate arrangement of exercises to convey a one of a kind blends of significant worth. literature presumes that competitive strategy is worried about how an organization can increase a competitive advantage through an unmistakable method for contending. Having competitive advantage is essential for a firm to contend however what is progressively significant is whether the it is feasible (Kimando et al., 2012). Watchman (2012) notes that the company has a number of choices to pick from in relation to competitive strategy namely; focus, differentiation and cost leadership.

1.1.2 Focus Strategy
One of the nonexclusive techniques distinguished by Porter(1985) includes centering the association's endeavors in concentrating upon at least one thin market fragments, as opposed to seeking after a wide based system. By utilization of this methodology, the firm builds up a more noteworthy inside and out information on every one of the portions, just as making obstructions to section by ethicalness of its master notoriety and experience. Having stood up for itself, the firm will normally at that point, contingent on the particular requests of the market, seek after either a cost-based or separated procedure inside the picked fragment (s). Perhaps the most serious issue looked by organizations receiving this methodology stems incomprehensibly from its potential for progress since, as the association increments in size, there is an inclination both to exceed the market and to lose the promptness of contact that is regularly required. When in doubt, along these lines, an engaged methodology is regularly most appropriate to littler firms, since it is normally

these that have the adaptability to react rapidly to the specific needs of little sections.This view is supported by Minarik (2007) who notes that even though all three Porter's strategies have the potential of increasing profits, they do not apply in similar settings.

1.1.3 The Insurance Industry in Kenya
The insurance industry in Kenya is one of the most vibrant in Africa. According to IRA. the global life premiums increased by 0.5% to about USD 2.7 trillion, while global non-life premiums rose by 2.8% to approximately USD 2.2 trillion (2016: 3.3%). The global life premiums growth slowed compared to a growth of 1.4% experienced in 2016 mainly attributed to a 2.7% fall in life premiums in advanced markets. However, non-life premium growth in advanced markets remained roughly the same in 2017, at a growth of 1.9%. In emerging markets, the expansion was two to three percentage points lower at 14% and 6.1% in life and non-life respectively. China remains the main contributor to emerging market insurance growth with an insurance market development strongly

Supported by government policies. Over the years, our insurance industry has proved resilient.

The insurance industry in Kenya comprises of the insurance companies themselves, the insurance brokers or agents, loss adjusters and the reinsurance companies. The industry is regulated by the Insurance Regulatory Authority (IRA), the Treasury, Retirement Benefits Authority (RBA) and the Capital Markets Authority. The multilevel regulation represents the diversity of the products offered by insurance companies.

1.1.4 Insurance Agents in Kenya
The significance of insurance in current economies is unchallenged and has been perceived for quite a long time. insurance "is for all intents and purposes a need to business movement

and venture." But insurance likewise serves an expansive open enthusiasm a long ways past its job in business issues and its insurance of an enormous piece of the nation's riches. In Kenya and for the most part, insurance middle people encourage the position and acquisition of insurance, and give administrations to insurance agencies and purchasers that supplement the insurance arrangement process. In the insurance business in Kenya, insurance mediators have been arranged as either insurance operators or agents. The contrast between the two identifies with the way wherein they work in the commercial center.

Insurance operators are, when all is said in done, authorized to direct business for the benefit of insurance agencies. Operators speak to the backup plan in the insurance procedure and for the most part work under the particulars of an organization concurrence with the safety net provider. The safety net provider specialist relationship can take various structures. Insurance representatives regularly work for the policyholder in the insurance procedure and act autonomously in connection to safety net providers. Agents help customers in the decision of their insurance by giving them options regarding back up plans and products. There is a total of 8698 licensed insurance agents in Kenya as at 31st December, 2017 according to IRA. Taking into account the size of the Kenyan economy, this number is considered too high. Competition for a share of the insurance business in Kenya is therefore intense.

1.2 Research Problem

The strategic direction of the firm is determined by a combination of factors, some internal and others external (Umar, 2005). The determination of the strategy of a company is done by the top management in consultation with other levels of management. The overwhelming agenda of strategy setting is survival and competitiveness (Wernerfelt, 1995). In the choice of strategic focus, the management can rely on the generic strategies as identified by Porter (1985). The focus strategy calls upon the management to pursue identification of markets in which it feels the company has superiorities in terms of resources. The company therefore begins by segmenting markets into divisions that exhibit internal homogeneity and external heterogeneity (Wernerfelt,1995).

The insurance industry is one of the industries identified by the government of Kenya as being pivotal in the achievement of Vision 2030 under the financial pillars. It is in the best interests of all economic actors that the insurance industry in a country be as vibrant as possible. One of the foremost players in this sector are the insurance agents. Insurance agents in Kenya act as agents of insurance companies and market on their behalf life, property, motor, marine, livestock, crop and other insurance plans. Their role is to create a link between the insurance company and its market in return for a commission. There are more than 8,000 licensed insurance agents in Kenya as at 31st of December 2017 according to the Insurance Regulatory Authority (IRA). As a result of this high number of agents, competition is very high given that the Kenyan market is not very large. The small size of the Kenyan market for insurance products other than 3rd party Motor Policy which is compulsory can be explained by lack of knowledge and lack of purchasing power. Insurance agents therefore have to devise strategies of remaining competitive. One of the

options available to them to achieve competitiveness has been to segment their markets and create niches for themselves.

Adegbite (1998) reports that companies that implement competitive strategies realize financial benefits but they post negative non financial returns. Gichuhi (2007) found no association between cost and focus strategies and performance. However, a positive correlation between differentiation and performance was reported. Omayio (2017) in a study on the Telecommunications industry in Kenya concluded that there is a positive and significant relationship between the competitive strategies adopted by a company and its performance. This study sought to establish how focus strategies specifically influence performance in an insurance context by answering the following research question: What is the influence of focus strategies on the performance of insurance agents in Nairobi, Kenya?

1.3 Research Objective

The objective of this study was to determine the influence of the focus strategy on performance of insurance agents in Kenya.

1.4 Value of the Study

The findings of this study will be useful to managers of insurance agencies and brokerage firms in Kenya. This is because the findings point out the benefits of pursuing the focus strategy in addition to the approaches to deriving this strategy.

The study will be useful in bridging the gap in the understanding of the influence of specific generic strategies on the performance of the firm. This is achieved by testing theory to

establish whether the postulations of the various theories hold true in relation to certain industries like insurance.

The policy makers such as IRA will benefit from the findings by virtue of the fact that they will appreciate the kind of regulatory frameworks that need to be designed in view of the prevailing market practices.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter contains the theoretical foundations of the study. These are the theories that explain the relationships being tested in this study. These are the theory of competitive

advantage and the resource based view of the firm. The chapter in addition contains the empirical review of literature. Finally, a summary of research gaps is provided.

2.2 Theoretical Foundations

This study is grounded by the Theory of Competitive Advantage and the Resource4 Based View of the firm. The theory of competitive advantage explains how a firm's application of competitive strategies relates to performance. The resource based view argues that firms can elevate simple sources of competitive advantage to the level of resources of the firm.

2.2.2 Theory of Competitive Advantage

Theory of competitive advantage is attributable to Porter (1985). According to Porters' theory of competitive advantage, it is the reconciliation of opportunities and threats of a firm that gives a firm its competitive advantage (Dash, 2013). Porter(1998) discussed three basic strategies the firm, can use to attain sustainable competitive advantage namely: differentiation, focus and cost leadership. Porter's conclusion that competitive strategies provide a firm with competitive advantages is supported by Campbell-Hunt(2000) and Julien &Ramagalahy (2003).

The theory of competitive advantage has been criticized (Kevin & Subramaniam , 1996) who argue that by allowing participants in market to plan for and respond to competitive behavior, it has the assumption of a classic perfect market yet most industries in the real-world are not perfect markets in an economic sense. According to

this theory, it is only the external factors to a firm that are its source of competitive advantage. This view is flawed in this way since there are other sources of competitive advantage internal to the firm (Ferdinand, Graca, Antonacopoulou, & Easterby-Smith, 2004). The theory also has been found to be useful in the short term but in the presence of technological turbulence it is easily dismissible.

2.2.2 Resource Based View

The resource based view is attributable to Wernerfelt (1984). The issue of firm performance has been central to research for many decades and encompasses questions such as why firms differ, how they behave, how they choose strategies and how they are managed (Porter, 2012). With the rise of resource based approach, the thinking regarding sources of competitive advantage shifted away from shifted away from industry to firm specific effects ((Spanos & Lioukas, 2001).

According to the resource based view a resource is considered so when it meets the following conditions: It must be valuable i.e the resource in question must be one that adds value to the net worth of the firm: it has to be rare i.e a resource must not be in the hands of every firm in the industry; It must be inimitable i.e the resource must not be easy to replicate or develop by the competition.

A criticism of this theory according to Levinthal & Myatt (1994) is that it focuses on firm specific analyses at the expense of industry wide dynamics. It has also been observed that the resource-based perspective does not escape the general problem of finding the appropriate unit of analysis (Foss, 1998). Most contributions within the RBV take the individual resource as the relevant unit of analysis to study competitive advantage. However, Foss (1998) points out that this choice may only be legitimated if the relevant resources are sufficiently well-defined and free-standing.

2.3 Empirical Review

The relationship between competitive strategies and performance has been extensively studied. Nderitu (2015) examined the relationship between competitive strategies and performance of Bamburi cement. The findings indicate that the implementation of competitive strategies by the company resulted in enahanced profits and customer satisfaction. Nderitu (2015), however tested all competitive strategies together i.e focus, differentiation and cost leadership were not tested independently. Spanos and Lioukas (2004) refer to competitive strategies as a bearing and extension in the long term a company use to accomplish a competitive advantage over its rivals. Walshet al.(2008) reports that by increasing competitive advantage, an organization can build its production and supply the delivered products in a powerful way contrasted with its rivals.

Business entities in most cases think of business strategies as a method for keeping focused situation in the market comparative with different firms offering comparative items in the market. Business strategies ought to be founded on its capacity to increase

competitive advantage and business managers should create adaptable competitive strategies to manage difficulties outer natural (Spanos and Lioukas, 2004). Focused strategies are embraced by firms in light of the regularly changing business condition as confirmed by different studies (Akingbade, 2014; Muthoka and Wario, 2014; Brenes, Montoya and Ciravenna, 2014).

Even though most studies as reported above indicate that competitive strategies positively influence performance, Kago, Gichunge and Baimwera (2018) report that the relationship at times is inverse. Using regression analysis, performance was indicated to be at -5.902 when regressed against competitive strategy. This indicates that there is an inverse relationship between competitive strategies and performance. Accordingly, therefore, as competitive strategies decrease, organizational performance of Petroleum companies goes down. The authors also note the findings are not consistent with Kahiri et al. (2013) who established that the use of teams and decentralization had a strong and positive association with firm performance.

Phanavides (2003) studied the implementation of competitive strategies in the shipping industry in Hong Kong. The findings of the study suggest that there is a positive relationship between pursuing competitive strategies and company performance in ship management. Companies that pursue competitive strategies are more likely to score highly on performance. The strongest influences on performance seem to be achieving economies of scale, differentiation (in particular through a wider range of services offered) and market-focus and competitor-analysis. The most outstanding observation from this study is that high performers are more likely to pursue a combination of the generic strategies rather than pursuing one of the generic strategies in isolation.

2.4 Summary of Research Gaps

The preceding empirical review highlights the following research gaps which will be addressed by this study:

Nderitu's (2015) study was contextually different from the current study in that whereas her study was in the cement industry, the current study is in the insurance industry. The former is in manufacturing while the later is in the service financial services sector. Nderitu's (2015) study additionally examined all the competitive strategies together. The current study is focused on the focus strategy only.

The study by Walshet al.(2008) was also in the manufacturing industry. In the limitations of the study, the researcher noted that the findings could not find application in the services market.

Phanavides (2003) study was focused on the shipping industry in Hong Kong. It is therefore also contextually different from the current study. Kago, Gichunge and Baimwera (2018) report that the relationship at times is inverse. These findings contradict the near general consensus across the board on the relationship between competitive strategies and performance. This disharmony in findings deserves resolution.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The researcher lays out the methodology that guided the collection and analysis of data. This chapter contains the research design, the population and sample selection criteria, data collection and finally data analysis. Establishing the methodology for this research has been done with reference to the objective of the study.

3.2 Research Design

Gummeson (2012) defines research design as the ground map that guides the researcher's attempt to answer the research question. The design there establishes the parameters within which the researcher can operate. In the choice of a research design, it is recommended that the researcher takes into account variables such as time available for the exercise, financial resources at the researcher's disposal, the researcher's experience, the research objectives among others.

The descriptive survey design was used in the current study. The study was descriptive because the researcher's intention was to explain the research phenomena. Survey designs are recommended when the researcher has a large population to content with.

3.3 Population of the Study

The population of a study consists of all the possible persons, events, objects etc that can be involved in the study. When determining the population of the study the researcher has to consider the unit of analysis that will provide the most relevant results. According to the IRA, as at that date there were a total of 8698 licensed insurance agents in Kenya. Of these

those headquartered in Nairobi totaled to 4500. This number formed the population of this study.

3.4 Sampling and Sample Selection

Gummeson (2012) defines sampling as the process of isolating a few members of the population who will be involved in the study with the expectation that the results these few members provide will be representative of the entire population. The total of 4500 agents were classified into large, medium and small insurance agents in terms of the number of employees. Makila (2016) used a similar classification. After this classification, ninety (90) agents were selected proportionately from each stratum. The following table provides a breakdown;

Table 3.1 Distribution of Insurance Agents in terms of Size

Agent Size	Number	Sample
Large (More than 20 Employees)	250	5
Medium (Between 5 and 19 Employees)	1997	40
Small (Less than 5 Employees)	2253	45
TOTAL	**4500**	**90**

3.5 Data Collection

Primary data was collected for this study. Data was collected using a structured questionnaire. The questionnaire will consist of three parts: Part A was designed to collect information on the demographic characteristics of the respondent firms; Part B

was meant to collect data on application of the focus strategy by the respondents; Part C was designed to collect information on the performance of the respondents.

The key informants in this study were the owner- managers for the small agencies. For the medium and larger Agencies, the managing agent or CEO were the respondent.

3.6 Data Analysis

Questionnaires were first screened for completeness and consistency. Responses were then be coded into a suitable software for purposes of generating statistics. Descriptive statistics such as the Mean and Standard Deviation were used to provide an indication of the manifestation of the variables. Inferential statistics such as regression analysis was used to test the correlation between application of focus strategy and performance.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

Data collected as detailed in chapter three was cleaned and captured into excel sheets. Descriptive statistics comprising the mean and standard deviation were calculated. Inferential statistics involving regression analysis was carried out to establish the relationship between the study variables. This chapter contains the analysis of data , presentation and interpretation of the same.

4.2 Response statistics

The population of the study consisted of all insurance agents registered in Kenya as at 31st December, 2017. According to the IRA, as at that date there were a total of 8698 licensed insurance agents in Kenya. Of these those headquartered in Nairobi totaled to 4500. A sample of 90 respondent agents was selected.

Questionnaires were administered to suitable persons in these agencies. Of the 90 questionnaires administered, 85 were returned. However, owing to incompleteness of some of the questionnaires, five (5) were not used for further analysis. The total number of questionnaires used for the study was 80. This translates to 89% response rate which was considered adequate.

4.3 Demographics of Respondent Agencies

This section contains the demographic characteristics of the respondent agencies.

4.3.1 Number of Years in Operation

This question was meant to capture data on the age of the agency. The assumption is that

there is a correlation between the age of a business and the kind of strategies it rolls out.

Table 4.1 Age of Agency

Years	Number	Percentage
Less than 5	10	12.5 %
5- 10 years	26	32.5 %
10- 15 years	32	40.0 %
Over 15 years	12	15.0 %

Source: Research Data, 2019

Table 4.1 indicates that only 12.5 % of the respondents have been in business for less

than 5 years. Those agencies that have been in business for between 5 and 15 years were

72.5 %. Only 15 % of the respondents indicated that they have been in business for more

than 15 years.

4.3.2 Number of Employees

This question was meant to determine the number of employees in each agency. The

findings are presented as follows.

Table 4.2 Number of Employees

Years	Number	Percentage
Less than 5	12	15 %
5- 10 Employees	24	30 %
10- 15 Employees	38	47.5 %
Over 15 Employees	6	7.5 %
TOTAL	80	100 %

Source: Research Data, 2019

According to Table 4.2, 15 % of the respondent agencies had less than 12 employees. 0nly six (6) agencies employed more than 15 employees. A majority of the respondents (77.5 %) indicated that they employed more between 5 and 15 employees.

4.3.3 Lines of insurance handled by the Agency

This question was supposed to capture data on the type of insurance business the respondent insurance agency handles. The responses are provided in Table 4.3 as follows

Table 4.3 Lines Handled

Insurance Line	Number of Agencies	Percentage
WorkersCompensation Insurance.	32	40 %
General Liability Insurance	80	100%
Business Owners Liability Insurance	72	90 %
Directors and Officers Liability Insurance	64	80 %
Property Insurance	80	100 %
Life Assurance	80	100 %
Fidelity Insurance	72	90 %
Motor Vehicle	80	100 %

Source: Research Data, 2019

Table 4.3 above shows that all respondent insurance agencies handled insurance business in the lines of general liability insurance, property insurance, life assurance and motor vehicle. Evidently, these are also the most popular policies in Kenya. The line of insurance handled by the least number of agencies was workers compensation insurance carried by o0nly 40 % of the respondents.

4.4 Focus Strategy

This question was meant to capture data on the application of the focus strategy by the respondent insurance agency. The responses are provided as follows:

Table 4.4 Application of Focus Strategy

STATEMENT	Mean	Std.Dev
The agency has products that serve the distinct needs of our customers	4.67	0.089
We adopt and respond fast to my/our institution/company's changing needs	3.56	0.067
The agency is reputable for quality and technical capabilities of its products/services	3.50	0.045
We have a strong customer relationship	4.04	0.034
Customer complaints at the agency are resolved on a timely basis	3.87	0.032
We offer price sensitive solutions towards my/our customer's specific need	3.90	0.067
By serving segmented markets the agency minimizes their cost of product as prices match the different segments	4.87	0.075
The agency is well known in the market due to the affordability of its products and services compared to its competitors	4.53	0.056

We target more than one segment but develop products for each segment	**4.45**	**0.076**

Source: Research Data, 2019

Table 4.5 on the application of the focus strategy shows that serving segmented markets by the agencies is the most supported statement (Mean=4.87, std.dev=0.075). Statements on developing products for specific segments, the agencies being known for affordability of products and having strong customer relationships were also relatively heavily (Mean above 4.00). These are statements that are in complete agreement with the basic premises of the focus strategy.

4.5 Performance of Agencies

This section of the questionnaire was meant to measure the performance of the insurance agencies. This was the dependent variable in the study. The findings are as follows:

Table 4.5 Performance

STATEMENT	MEAN	Std.Dev
Our firm's profitability has really increased	**4.23**	**0.089**
Our employee retention is good	**4.28**	**0.054**
Our market share has gone up	**3.87**	**0.072**
Our ability to come up with innovative solutions is high	**2.45**	**0.076**
Our business has become resilient	**2.08**	**0.064**
We have launched new products in the market	**1.09**	**0.067**

Source: Research Data, 2019

Table 4.5 on performance indicates that measures of performance such as profitability, employee retention and increase in market share were relatively heavily supported (Mean Score above 3.7). Developments of new products by insurance agencies however does not appear to be well supported. This can be explained by the fact that insurance agencies themselves do not design new products, they sell the products offered by the principal insurance company.

4.6 Inferential Statistics

Regression analysis was performed to establish the relationship between the independent and dependent variables.

Table 4.6 : Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.645[a]	.415	.397	.5672

Predictors: (constant), Focus strategy

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.564	1	2.786	14.767	.002[b]
	Residual	3.765	79	.167		
	Total	**7.329**	**80**			

a. Dependent Variable: Performance of insurance agencies

b. Predictors: (Constant), Focus strategy

Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.443	.676		3.343	.002
	Focus Strategy	.453	.165	.645	4.564	.001

The regression model shows that 64.5 % of the dependent variable is explained by the independent variable. The remaining 35.5 % is explained by variables outside the variable under investigation.

The ANOVA Table indicates that the relationship between focus strategy and performance of insurance agencies is statistically significant at p=0.05 (Sig =0.02). The equation that summarizes the relationship between the two variables can be summed up in the following:

P= 0.453+ 0.645 FS+ e

Where

P= Performance

FS= Focus strategy

e = Error Term

CHAPTER FIVE: SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Chapter five contains a summary of the findings as presented in chapter four. The same findings are discussed in view of the relevant literature, conclusions drawn and recommendations forwarded.

5.2 Summary

From the analysis, all respondent insurance agencies indicated that they handle insurance business in the lines of general liability insurance, property insurance, life assurance and motor vehicle. Evidently, these are also the most popular policies in Kenya. Statement on serving segmented markets by the agencies is the most supported statement (Mean=4.87, std.dev=0.075). Statements on developing products for specific segments, the agencies being known for affordability of products and having strong customer relationships were also relatively heavily (Mean above 4.00). These are statements that are in complete agreement with the basic premises of the focus strategy.

Findings on performance indicates that measures of performance such as profitability, employee retention and increase in market share were relatively heavily supported (Mean Score above 3.7). Developments of new products by insurance agencies however does not appear to be well supported. This can be explained by the fact that insurance agencies themselves do not design new products, they sell the products offered by the principal insurance company. The regression model shows that 64.5 % of the dependent variable is explained by the independent variable. The remaining 35.5 % is explained by variables outside the variable under investigation. The ANOVA Table indicates that the relationship

between focus strategy and performance of insurance agencies is statistically significant at p=0.05 (Sig =0.02).

5.3 Discussion

According to the findings, segmentation on serving segmented markets was heavily supported by the respondents. This finding is consistent with literature on focus strategy (Porter, 1985). According to literature the focus strategy is about segmenting markets and addressing the needs of a specific group of customers and delivering superior value to them.

The finding on the statement on development of new products by insurance agencies (which was not supported) is consistent with practice. In insurance business, agents are just that: they act as agents of the principal underwriter, who is the insurance company. If any new products are to be developed then, they are to come from the insurance company itself.

The finding that focus strategy significantly influences performance of insurance agents is in line with the finding by Murungi(2017). Murungi reported a statistically significant relationship between the competitive strategies and performance of real estate developers. This relationship has been confirmed by different studies elsewhere.

5.4 Conclusion

According to the findings, the following conclusions can be made:

Most insurance agents appeared to be engaged in virtually similar business lines. The respondents all indicated that they carry related lines of insurance business. Segmentation

of markets is a popular practice with insurance brokers. The implication is that focus strategy is heavily relied on by insurance brokers.

The objective of this study was to determine the relationship between focus strategy and performance of insurance agents in Kenya. The finding was that there is a statistically significant relationship between focus strategy and performance. The implication is that insurance agents that pursue this strategy experience a rise in performance.

5.5 Recommendations

The study made the following recommendations;

The relationship between focus strategy and performance was found to be statistically significant. It is therefore recommended that the managers of insurance agencies ought to consider pursuing focus related strategies such as segmentation, targeting and positioning.

It is recommended that future researches should address the relationship between other generic strategies such as differentiation and cost leadership. This will enhance both theory and practice and consolidate knowledge on the relationship between them and performance.

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APPENDIX 1

RESEARCH QUESTIONNAIRE

PART A : DEMOGRAPHIC INFORMATION

1) Name of Agency……………………………………………….

2) Number of Years in Operation

( ) Less than 5 Years

( ) 5- 10 Years

( ) 10-15 Years

( ) Over 15 Years

3) Number of Employees

( ) Less than 5 Employees

( ) 5- 10 Employees

( ) 10-15 Employees

( ) Over 15 Employees

4) Ownership Structure

( ) One Person Enterprise

( ) Partnership

( ) Limited Liability Company

1) Which of the following lines of insurance does your business handle?

( ) Workers Compensation Insurance.

( ) General Liability Insurance.

( ) Business Owners Liability Insurance.

( ) Directors and Officers Liability Insurance.

( ) Cyber Liability Insurance.

( ) Errors & Omissions Insurance.

( ) Property Insurance

( ) Life Assurance

( ) Fidelity Insurance

( ) Home Insurance

( ) Motor Insurance

( ) Marine Insurance

( ) Livestock Insurance

PART B: FOCUS STRATEGY

This section is meant to establish the extent to which the Agency is applying the Focus Strategy, either implicitly of Explicitly. On a scale of 1-5, 1 Not at all Important and 5 Very Important indicate the extent to which the following statements apply to your agency.

STATEMENT	1	2	3	4	5
The agency has products that serve the distinct needs of our customers					
We adopt and respond fast to my/our institution/company's changing needs					
The agency is reputable for quality and technical capabilities of its products/services					
We have a strong customer relationship					
Customer complaints at the agency are resolved on a timely basis					
We offer price sensitive solutions towards my/our customer's specific need					

By serving segmented markets the agency minimizes their cost of product as prices match the different segments					
The agency is well known in the market due to the affordability of its products and services compared to its competitors					
We target more than one segment but develop products for each segment					

PART C: PERFORMANCE

This section is intended to collect information on performance of your agency. On a scale of 1-5, 1 for Not at all Important and 5 Very Important indicate the extent to which the following statements apply to your agency

STATEMENT	1	2	3	4	5
Our firm's profitability has really increased					
Our employee retention is goo					

Our market share has gone up					
Our ability to come up with innovative solutions is high					
Our business has become resilient					
We have launched new products in the market					