

**INFLUENCE OF CUSTOMER RELATIONSHIP MANAGEMENT  
PRACTICES ON THE ADOPTION OF INNOVATIONS BY  
INSURANCE FIRMS IN KENYA**

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**DECLARATION**

I, Aidah Wamugi, declare that this is my original work and that it has never been presented to any learning institution for award.

Registration Number

D61/72651/2014

Signature.....

Date.....

**SUPERVISORS**

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

Professor Justus Munyoki

Signature.....

Date.....

## **DEDICATION**

This project is dedicated to my parents, Beatrice and Alley, as they were a great inspiration to me as I pursued this study and more so for their childhood support through to my adult life.

## **ACKNOWLEDGEMENT**

This is to acknowledge and appreciate the support received from my supervisor (Professor Munyoki) who gave me the guidelines on how to write this research project.

## ABSTRACT

The aim of the study was to assess the influence of Customer Relationship Management Practices on the adoption of innovations within the insurance industry in Kenya. The study utilized the survey design where both in depth open-ended questions and semi-structured questions were used to collect the data. The researcher employed census method and the target population comprised of the marketing executives or their equivalent in the 43 insurance firms in Kenya. The questionnaires were distributed to the respondents and the drop and pick method was applied. The study found out that there are various innovations within the insurance industry that have been discussed, some of which have already been taken up by some of the insurance companies. These include the use of wearable's, IOT and smart phone apps. Others discussed herein are automation of workflow processes, machine learning and the ever changing AI innovations. The study found out that some of the factors influencing the adoption of innovations within the insurance industry in Kenya included the different models of communication and information systems used in customer relationship management, the employees' skills and training capacities as well as the organizational culture within which the adoption of innovations takes place before it spills outside to the firm's customers. The study recommended that several measures among them; proper inter-departmental collaboration, integration of all departmental systems to the customer relationship management systems for effective customer experiences be implemented. Facilitation of regular employees training in database management, requisite employees skills in terms of communication and customer service and participation of team activities which promote a healthy organization's culture conducive for timely adoption of innovations for the firms growth and prosperity were also recommended.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

Globally, the insurance industry is slowly emerging from the effects of the crisis in the financial crisis, thereby seeming to be a shift of focus from the just mere sustenance of the Insurance companies to forging growth. There has been constant stagnation in the insurance industry's growth in terms of penetration which has remained quite low especially within Africa, the root emanating from lack of access to information, fraud and general dissatisfaction from their customers. Consequently, the Insurance companies have had to devise ways to change the situation by devising means of providing effective customer service delivery and promoting memorable customer experience. In a bid to providing effective service and sustainable growth, Insurance companies are now more positive towards the adoption of digital innovations, as there is evidence that a higher percentage of customers prefer to monitor their insurance policies via use of digital tools, in terms of underwriting, claims management and general customer service (Madani, 2012).

Customer satisfaction, a business philosophy that focuses on customers, anticipating and managing their needs and desires, in the process endeavouring to avail utmost premium value. Customer relationship management (CRM) involves the strategies, technologies and day to day practices companies use to cater to customers all through their journey with them. The main objective of upgrading on customer service relationships, is the attainment of higher customer retention rates and premium sales. A customer relationship management system (CRM), enables businesses to manage business relationships, the data and information associated in their possession (Francis, 2008).

The study was anchored in the Diffusions of Innovations Theory and the communication theories. Diffusions of innovations seeks to reveal the processes in which new ideas and technologies are disseminated all through the members of the company. Communication to the members of an organization or a company, is carried out via particular modes (Rogers, 2003). It is also known as the process by which the dissemination of an innovation is carried out throughout a particular group with a focus on the processes of making decisions leading the successful adoption of the new services or products. Adopters of innovations are usually classified under different stages of adoption, mainly the ones who adopt when the innovations are still new who are usually fewer, then a bigger population are the ones who adopt it later while there is the lot that adopts it last. In Kenya, the Insurance Companies that have adopted technology-enabled innovations have definitely levelled up above the others gaining higher competitive advantage enabling them to create for themselves a leader role within the industry (Marlon, 2011). These adopted digital innovative strategies enable firms to be successful in the product and processes development, which eventually lead to higher customer satisfaction and ultimately increased growth and profits. Overall, maximum shareholder value is created (Karanja, 2009).

Communication theory seeks information and mathematics that studies the technical process of information and the human process of human communication. The Adaptive Structural Theory formulated as the production of reproduction of the social systems through members' use of rules and resources in interaction. It emphasizes the importance of social interaction despite the era being overwhelmed by technology use (Giddens, 1994). The unified theory of acceptance and use of technology is a technology acceptance model formulated in user acceptance of information technology

toward a unified view. It seeks to explain the users' intentions to use an information system and subsequent usage behaviour (Chestnut, 2012)

### **1.1.1 Customer Relationship Management**

Huber (2011), described CRM as a vast spread strategy in business focussing on all customers based on their particular segments and thus meeting their clients particular needs, increasing the profit margins. It integrates information from various departments including sales, marketing and customer care service, creating substantial benefits and rewards for the company and their clients, which had been most daunting to achieve with regards to setting goals and appraising its performance (Farnaz, 2011). Customer relationship management systems used includes field information like customer name, address, complaints lodged account information, personal data. This data comes in handy when providing information to the clients that they require resolutions for, without having to delay them, sourcing for information from department to department.

The Customer relationship management systems put together data from clients across different communication channels connecting the customer to the company. These include their website, telephone, via emails and from social media sources. Recording and storage for the future of client's information is also possible. These systems can also provide information on the staff for instance their personal dates, desirable buys based on their past purchases. This switch to focussing on clients more is promoting a huge demand to solutions creations for better customer relationships managing systems. However, even though there is this shove to the new ways of client's management, most continue to fail. Mostly due to the fact that they are not completely satisfactory in their entirety. Some of the business drivers that largely affect the level of satisfaction for the customer service delivery include the efficiency in the process of on boarding the

potential policy holder, claims efficiency and effectiveness and the process established to manage the customer relationship throughout the life of a policy (Verhoef, 2003). Customer retention is one of the greatest challenges that Insurance companies deal with. Retaining a customer is more cost effective than acquiring new ones. Owing to this, most companies have come up with customer retention strategies. This is in a bid to promote customer satisfaction as in most times news on bad service received from a company spreads faster than good news ( Buttle, 2008).

### **1.1.2 Adoption of Innovations**

The adoption of innovations concept is based on the level of readiness to accepting new ideas. There are some characteristics that determine how innovations are responded to and how they eventually become widely accepted. There is the relative advantage which is the degree to which an innovation is seen as better than the idea, program, and product or service it replaces. Compatibility and complexity which is how consistent the innovation is with values, experiences and needs of the potential customers and how difficult the innovation is to understand and use, respectively. There is also the trial ability whereby prior to commitment being made, testing and experimentation is done, whereas observability in the provision of tangible results by the innovation.

Rogers (2003) diffusion of innovation theory, which is the dissemination of an innovation is carried out throughout a particular group with a focus on the processes of making decisions leading the successful adoption of the new services or products. Diffusions of Innovations Theory seeks to reveal the processes in which new ideas and technologies are disseminated all through the members of the company. Adopters of innovations are usually classified under different stages of adoption, mainly the ones who adopt when the innovations are still new who are usually fewer,

then a bigger population are the ones who adopt it later while there is the lot that adopts it last. The needs and motivation differ among people according to their readiness to change. The first to adopt tend to do so because of the excitement over the new idea offering a fresh change to get things done. The next to adopt are the early adopters, some of whom are usually in management owing to the advantages foreseen and the subsequent late adopters will do so as to keep with up with their peers. The last to adopt are the laggards who like to do things at their own time.

There are four main interacting components of innovation. The first one being the innovation itself which is the idea or practice that is perceived as new by an individual or members of the organization. Another is the communication channels by which the participants create and share information with each other thereby reaching a consensus. The next one is the duration taken for a particular group to successfully implement the innovation (Rogers, 2003). The fourth concept is the particular social unit surrounded by the issue to be solved, which forms the demarcation of the process to achieve desired results. Rogers proposed a set of stages that include the attainment of the knowledge, the skills to persuade the stakeholder into the adoption of the innovation, implementing and confirming in making of the decision. In Kenya, Insurance companies that have shown a responsive approach to tech based innovations will definitely have a higher advantage, maintain the leader position within the industry (Rickman, 2002). It has become a necessity for the Insurance companies to move towards the adoption of innovations as need has arisen for faster processes within the industry. Despite the challenges of formulating the appropriate policies which offers strategic positioning for ICTs in order to provide superior service delivery to their customers. With this, positive perception is promoted and a high level of utilization is achieved (Ganesh, 2013).

### **1.1.3 Insurance Industry in Kenya**

Within East Africa, Kenya is deemed to have the best developed insurance industry and represents the centre of most financial services. It has the highest rate of insurance penetration at 3%, attaining the leader position on this. It also has the highest number of insurance companies standing at 43. IRA (Insurance Regulatory Authority) is also deemed to be the most mature within the East Africa region. In Kenya, the modes of sourcing for the Insurance products is mainly done either directly, via intermediaries, who would include the brokers and the agents. According to the IRA (Insurance Regulatory Authority), 39.3% is mainly sourced through agents, brokers or directly by insurance companies. In 2017, 39.3% was sourced through agents, brokers sourced a 33.5% whereas the remaining 27.2% was sourced directly. At the end of the year 2017, KES 51.68 billion was the gross investment income which was increase from the previous year of 2016, where the gross investment income had been KES 37.14 billion, indicating an increase of KES 39.2%. The highest investment income originated from the long term business, from which the total industry investment income, accounted for 68.1% (KES 35.18 billion).

The Insurance Regulatory Authority promotes, supervises and regulates the insurance development in Kenya, having been mandated by the Insurance Amendment (Act of 2006). The parties would include all the Insurance companies, brokers, agents, assessors, loss adjusters and insurance investigators. There were 41 Insurance licensed companies in Kenya by the year 2017. According to Insurance Regulatory Authority (IRA, 2010), products sold by insurers in Kenya market are divided into two main categories, Those involved in underwriting general businesses which were a total of 24, those involved in long term business being 11 and composite companies being 6, which would be involved in both types of businesses. The numbers have since risen to the

industry having 43 licensed Insurance Companies, 213 Insurance Brokers and 9,262 Insurance Agents and Agencies. The biggest challenge still is mostly customer retention. Most experts will agree that it is much less strenuous to maintain the current customers over acquiring new ones. Owing to this fact, the need and the acquisition for customer retention strategies are more important than ever (Buttle, 2008). Bad experiences on customer service from the companies is usually one of the main reasons as to why clients will switch to another provider with no second thought. Customer satisfaction in the insurance industry is hard to assess thus making it hard to retain customers. From experience the management has analysed that; dissatisfied clients are more vocal and can lead to rates on customer retention strategies, owing to non-renewal of policies. Issues like non-payment of claims has made impossible to effectively carry out customer service.

Nevertheless, the rise of expansion within the economy of East Africa is most apparent and indicates an upward growth. Consequently, there shall be major upgrading of households from the low income classes to the middle level class soaring the infrastructural projects within the country. This upgrade in lifestyle will drive more households to taking up more of insurance products, life and non-life plans, and providing growth for the industry. Nevertheless, industry is seen to still have some challenges. These may be the maximum utilization of information gathered, having to deal with the ever changing regulatory requirements, levelling up to deal with new targets every now and then, with regards to compliance at the same time endeavouring to keep customers satisfied. To be able to meet all these, agility, cooperation with partners and innovations will be crucial (Bhavnagar, 2011).



## **1.2 Research Problem**

According to Rashidi (2012), Insurance companies are focussing diligently on delivering uncompromising customer service in order to retain their viability and competitiveness. IRA (2012) noted a significant improvement in the products and technology adoption by insurance companies in Kenya. This is in the efforts to manage some of the problems which seem most challenging which include, internal processes being too complicated for the customers to keep up with and to tolerate, high rates of customer dissatisfaction from poor customer service offered by the insurance providers and the scarcity of technically trained employees as most young people prefer to join technology based companies nowadays.

Many of these companies are adopting various digital strategies in attempt to improve the penetration rate and improve on customer delivery service. To enhance their internal processes, Insurance companies are adopting platforms that are centralized to perform their customer care functions and others which assist with their processes of underwriting enhancing the speed and accuracy, claims administration shortening the turnaround times as well minimising fraudulent activities prone to these processes. A comprehensive Customer Relationship Management (CRM) strategy addresses one such key imperative, retaining customer with great services through the adoption of digital innovations. A study to investigate if this applies in the Kenya market has not been conducted. Companies that have initiated the Customer relationship management strategies have found that their customer retention has sky rocketed, among other bonuses such as slashed costs, improved customer relations leading to the innovations of more customised products, higher sales, and higher profit margins and marketing opportunities.

Studies have been done on customer relationship management but mainly in the banking industry. Graham undertook a research on diagnosis and improvement of service quality in the insurance industries of Kenya and Greece while IRA (2013) undertook a research to show Kenya Insurance Industry Outlook. Research has also been carried out in Kenya focussing on customer relationship management influences on customer satisfaction (Bitutu, 2011). There also has been research done on the effects of customer relationship management on customer retention within the Insurance Industry (Wangondu, 2013). These past studies have concentrated on customer satisfaction and customer relationship management; there is limited detail on the influences of customer relationship management practices on the adoption of digital innovations in the insurance industry in Kenya. There lacks a comprehensive study to determine the influence of customer relationship management strategies on the adoption of innovations in the Kenya insurance market. The studies related to customer relationship management have mainly concentrated on the banking industry. Moreover, none of these studies capture the effects of ICT strategies adoption in the insurance industry in Kenya and its impact on customer relationship management. This gap therefore serves as a springboard for this study to investigate the impact of ICT strategy implementation on the customer service delivery in the insurance industry in the Kenya Market. The study therefore undertakes to determine the gaps in the sector, to provide suggestions to be implemented.

### **1.3 Research Objective**

The objective of this study was to determine the influence customer relationship management practices on the adoption of digital innovations within the Insurance industry.

#### **1.4 Value of the Study**

The study shall provide insight and information to researchers and academicians in the future with regards to the influences and altering dynamics within the insurance industry as they seek to upgrade their customer relationship practices. It will play a great role towards enriching the literature review hence enabling the future researchers develop interest to devise solutions for addressing challenges faced by insurance companies. The study seeks to address the challenges and intends to provide solutions to the challenges faced by the insurance industry and it will be of great help to insurance companies, prospective investors and future researchers. The research garnered will assist the Insurance Regulatory Authority in putting up policies that promote the creation of new products, enhanced services, healthy and transparent effective customer relationships, enhancing positive perception in the market. This is so because consumers constantly look for professionalism, better products and better services and with this the importance of better **customer relationship management via continuous innovations has never been more crucial**. Maximisation of company wealth will be achieved as the study shall promote the points of identification to easily determine the actual needs of customers and promptly attend to them, providing value.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter the study highlights challenges of customer relationship management affecting insurance industries and how they influence the adoption of innovations therein. In this chapter, the researcher reviewed literature from reports, periodicals and journals. The researcher organized this chapter concentrating on the reviews on the customer relationship management concept, from the viewpoint of leading experts and previous research work in this area. The literature review helps in identifying the gaps on issues that have been observed by other researchers in this field of customer relationship management.

#### **2.2 Theoretical Foundation**

##### **2.2.1 Diffusions of Innovations theory**

Diffusions of innovations seeks to reveal the processes in which new ideas and technologies are disseminated all through the members of the company. Adopters of innovation are usually classified under different stages of adoption. There are the, early adopters, early majority, late majority, and laggards. The needs and motivation differ among people according to their readiness to change. The first to adopt tend to do so because of the excitement over the new idea offering a fresh change to get things done. The next to adopt are the early adopters, some of whom are usually in management owing to the advantages foreseen and the subsequent late adopters will do so as to keep with up with their peers. The last to adopt are the laggards who like to do things at their own time.

There are four main interacting elements of the key concepts. The first one being the innovation itself which is the idea or practice that is perceived as new by an individual or members of the organization. Another is the communication channels by which the participants create and share information with each other thereby reaching a consensus. Another one is the duration taken for a particular group to successfully implement the innovation. (Rogers, 2003). The fourth concept is the particular social unit surrounded by the issue to be solved, which forms the demarcation of the process to achieve desired results.

According to Gummesson, technology, culture and the social structure form an interplay in trying to comprehend the organizational theory any firm in the inclusion of the 30Rs of relationship marketing. Different definitions have been fronted by the theorists for customer relationship marketing management classified into technologies, processes, strategies and information systems (Thompson, 2004).

### **2.2.2 Communication theory**

Communication theory deals with how information is conveyed. It focuses on the technical bit and the human communication process. The Adaptive Structural Theory seeks to expound on structures offered by upcoming technologies and those that come about from human actions as they interact with them. It emphasizes the importance of social interaction despite the era being overwhelmed by technology use (Giddens, 1994). The unified theory of acceptance and use of technology is a technology acceptance model formulated in user acceptance of information technology toward a unified view. It seeks to explain the users' intentions to use an information system and subsequent usage behaviour (Venkatesh, 2003)

### **2.3 Empirical Review**

The role of technology in enabling CRM is critical. IT systems are crucial for successful adoption of innovations. Most important is to promote frequent contacts with the clients and to strategize on their segmented products and marketing departments based on recorded information (Ryal, 2002) Organizations have been greatly enabled by Information technology in managing relationships with their customers through capturing, storage and analysing of the customer's information. Through emails, websites, and social media platforms, direct contact with customers is achieved. Customer loyalty to the company is enhanced as they are able to access any information they require from any source availed and at any time they desire, all this owing to the assistance of Information Technology.

The tech based innovations are several. Automation of claims processing and claim reporting enable companies to eliminate the human bias factor and reduce the costs and time taken by use of machine algorithms. Technology forms the heart of any CRM system given the databases involved. . The future presented by the trends shows full leverage on technology to birth new products and services, thereby including more consumers with increased customer experience. Owing to the increased popularity of the blending of insurance and technology, the insurance industry in Kenya has experienced advancements within different insurance companies in different ways. New sources of gathering customer information have been discovered such as wearables, IOT and smart phone apps which are used in capturing customer data. There is also telematics which deals with transmission of computerized information via use of GPS, over long distances as a method of vehicle monitoring. Chat boxes also provide

a medium of connecting the mobile phones to the programs within the network, enhancing the overall customer experience through trust and understanding.

Advances in machine learning and AI enable companies to come up with customized prices on the various products meant for their online customers, based on their purchase history and individual's risk appetite. There is also a trend where insurers are leveraging on IoT devices to harvest data, reduce risk and delivery of customized communication. Block chain technology is also gaining massive popularity, which is the protocol for the exchange of values or data via the internet which makes easier the creation of shared encrypted database of transactions and other information. Once the data is captured and validated, its' storage is irreversible. Other trends include automation of internal processes workflow, Claim processing and policy management platforms and software on fraud detection which seem to be a persistent hindrance to the industry's growth. These automations of internal operations improve efficiency, reduce costs and free employees of processing work to focus more on creative tasks. Data entry by the customer service personnel from the tools used, for instance, online forms, onto their database and recorded. Many companies nowadays will provide their sales personnel with smart phones, which are CRM enabled (Dwight, 2012).

CRM's systems major challenge is that in order to have all the components, large investments are required. To acquaint all the stakeholders on how the systems work and having them utilise the information available also proves to be a challenge at times. All personnel should be comfortable with the new innovation or systems as it is critical. Challenges surrounding this would be resentment to the organization by some customers who may not feel free to share all their information just for sake of record keeping not forgetting the time that it takes to get a return on the investment. The role

of it in customer relationship management, cannot be understated as it determines economies of customer acquisition, retention and customers life time value. Technology not only supports smooth adoption of innovations but also supports customers online improving relationships, traditional customers notwithstanding, reach of services globally is facilitated via the internet in effective implementation of new innovations and providing better services. Finally, it enables both customer and employees to be more effective in the implementation of new innovations and providing better services.

Effective communication is another aspect of customer relationship management which is important when it comes to the adoption of innovations. This involves, information being received accurately, content wise and as meaningful as the sender intended it to be. The employees need to be communicated to on the clarity of what the company is trying to achieve to ensure the same reaches the customers accordingly. When this is conveyed clearly to the employees who are then trained and made to own the new system, they feel that they are a crucial part of the organization and are aware of the expectations, success is more likely to be achieved faster and wholesomely. Recognizing their efforts and rewarding the employees is essential for the overall success of the company as it encourages everybody's contribution and determines their going an extra mile, retaining them for longer and for the achievement of the company's goals (Chestnut, 2012).

Communicating with the customer is a crucial factor to consider for effective customer relationship management in any business. Study conducted by Rashidi (2013) revealed that the insurance industry, is one which the customers need more frequent contact as more attention needs to be paid to customer relationship. The work done for the client



does not get recognized unless they are made aware of it and to make them aware, the organization needs to communicate with the client or rather have some form of interaction with the client. Communication has various benefits because the firms are able to convince the customers to buy their plans, rather than waiting for them to go for them and reducing their attraction to their competitors wooing them, maintaining their position within the market. A strong rapport is created and maintained between the clients and the employees, which in turn provide benefits of higher customer retention rates, opportunities of up selling and cross selling of the innovations, , owing to the strengthened relationships between the customers and the company (Mathews, 2009).

Consequently, communication directly affects the relationships between the organizations and the clients in the long run. Hence, it is paramount to acknowledge the fact that it is a key component in maintaining good relationships within the stakeholders (Rensburg & Cant, 2003). The kind of service most yearned for now is whereby the registered Insurance Intermediaries, may it be the brokers or agents are in a position to obtain quotations from the company's centralised portal and at the same time be in a position to issue a policy document, this fastens the underwriting process saving time and resources. Other industries have adopted these and seem to work quite seamlessly (Kaukinen, 2014). No- human errors are eliminated by having well designed interfaces, with single data sets shared by the underwriters and the intermediaries. There is a higher workload and rate of error in an environment where the systems are non-automated. The minimal rate of error makes it possible for the processes to be carried in much shorter time, saving time and money (Verbeke, 2012). In most instances, companies usually spend huge sums of cash on investing in new innovations, in a bid to enhancing the customer relationship systems for better client's engagements.

However, little attention is given on the preparedness or training of the users, who are the employees to enable them to make best use of the adopted systems. This results to wasted time and resources when the systems then become outdated having not been fully utilised, consequently losses are incurred (Lutz, 2007). Research by (Harding, and Schumacher, 2004) found that most of the companies which report their customer relationship systems as a success, rarely have any pending customer relationship management issues they are dealing with. The issues would normally include resistance to change or slow adoption. Preparedness and a positive attitude to the innovations are crucial in the achievement of the company goals. After creation of innovative products or upgrading of services by a company, maximum benefits will not be felt if the people in the company don't have a sense of ownership or participation. This is where culture comes in, where the beliefs or values are crucial.

If the beliefs are positively altered, then the customer relationship management practices can improve. One of the building blocks of the employee's ethics at work is the attitude of the people which can be portrayed by example by the leaders. Defining the important qualities consistent with the values of the company, instillation of traits and a way of life that aligns with the market dynamism thereby are some of the practices that promote the acceptable culture in a company. Such a culture should be encouraged for the company to have momentum as well as its sustainability (Kumar, 2013).

This culture of innovation excellence revolves around clients, employees, business processes, communications and ethics. Excellent business performance is attributed to peoples' innovativeness and the existence of an entrepreneurial culture (Deshpande 1999). The companies that are likely to experience best results from the customer relationship management systems are those that forge an organizational culture

focussing more on the clients, team's inclusions within the company, rewards and those that have positive responsiveness to innovations (Reiny and Francis, 2008). The adhocracy culture is greatly encouraged as it tends to favour the collaboration required for the adoption of the innovations. This culture tends to promote teamwork and cohesiveness that eventually result in greater cooperation among the team members. (Brown and Starkey 1994).

Several academic studies have examined the links between some elements of organizational culture and customer relationship management (CRM) outcomes. Deeper clients-related knowledge that forms the basis of successful customer relationship systems were recognized by McDonald (2002). A key factor in the development was acknowledged as an appropriate reward providing deeper insight by Campbell (2003). A link was found between success in the adoption of innovations and support given to the employees within the departments where they get more in to face contact with the clients. Curry and Kkolou (2004) identify customer focus, participation, and teamwork as important cultural issues influencing the adoption of innovations proposed. Reinartz and Chugh (2003) suggest that empowering employees to excel at customer service and ensuring their job security also contribute to the adoption of innovations success.

Many organizations implement new innovations, with an aim of increasing their sales and increasing their market share. The current trend is levelling up their customer relationship management systems but later realising that more is actually required. To maximize your significant investment hoping to make dramatic improvements in sales as well as to improve the customer experience. While a new system can certainly help, many companies find that a customer relationship systems (CRM) system alone isn't

sufficient to meet these goals (Carlaw, 2013). To maximize your significant investment on adoption of innovations, companies will have no choice but to synchronize better services and sales technics. In order to meet end to end outcomes in business, human and system balance is paramount across all departments in terms of technology and information (Band, 2013). All the customer facing representatives to undertake the necessary training and skills to utilise the new information on the particular innovations adopted (Derek, 2011).

Research conducted on the effectiveness or successful implementation of most innovations found that the majority of the problems in implementation of the innovations were linked to their employees, the strategy used and the internal processes involved (Band, 2013). Thus for effective implementation of any innovation, various issues need to be considered which include understanding how innovation works and how it's going to be beneficial to the firm, training for the employees on their customer relationship management styles related to their USP's and most of all basic communication skills that help in propelling growth of the relationships. To ensure that an organization has the requisite employee's skill the organization should find out which necessary skills are available or required, or which training sessions can be undertaken. Upon the assessment, the necessary training on the newly adopted innovation is undertaken. Training on the customer relationship management system for the employees, on the appropriate fitting roles which go hand in hand with their job profile should be undertaken .Empowering and training of the employees on these ensures that they acquire the appropriate skills required for the specific role in the successful implementation of the adopted innovation (Schumacher, 2004).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the design and methodology, which was used to carry out the study. Descriptive design seeks to find out who, what, which and how of a Phenomenon (Pamela, 2009). It further describes the type of research design done, methods and instruments used in the collection of data, the population and data analysis technique involved.

#### **3.2 Research Design**

Research design is an outline, plan or scheme that helps in the attainment of answers in research to a problem in question. This study focused on gaining insight into the influence of customer relationship management on the adoption of innovations within the insurance industry in Kenya and the strategies that can be used mitigate the gap. The research design used were the descriptive cross sectional. It involved collection of data from surveys issued to survey respondents, individual questions were asked to gather opinions or sentiments of chosen groups of people, which was then statistically analyzed for meaningful conclusions.

The surveys allowed the researcher to reach as many participants as possible ensuring a more accurate sample in which to draw conclusions from. As they were anonymous, the participants were more candid with their feedback, thus obtaining most accurate data. To achieve most generalized results to the larger target population, the surveys were standardized. This means that the questions asked during the survey were most relevant to the research and were consistent all through to provoke the same kind of information asked, ensuring validity (Gall & Gall,1996). According to Donald and

Pamela (1998), a descriptive study is concerned with finding out the what, where and how of a phenomenon. A survey was chosen as it is thorough and biasness is eliminated.

### **3.3 Population**

The population is the study unit which is the element of focus of the research from which collection of data is undertaken to evaluate and conclude on a particular subject.

The population consisted of marketing executives or their equivalents, from all the 43 insurance companies in Kenya, who all have their head offices in Nairobi. (Please see appendix iii, IRA list of insurance companies).

### **3.4 Data Collection**

The researcher relied heavily on primary data for this study. In this case the researcher used structured and semi-structured questionnaires for collecting data. The drop and pick method of questionnaires was used for this on all the respondents who were marketing executives or their equivalents from the insurance companies. The questionnaires had three sections, the general information section, the innovations strategies and the customer relationship management factors influencing the adoption of innovations. The survey targeted the marketing executives or their equivalent, from all the Insurance Companies in Kenya.

### **3.5 Validity and Reliability**

The researcher obtained authority from relevant authorities to circulate questionnaires. Reliability test was carried out to confirm consistency in results, whereby, the researcher pre-tested the questionnaire on six respondents from 6 companies, who were omitted in the main data collection stage.

The validity test was done to determine the extent to which the intended measurement was carried out by the tool used. The questions were presented to the supervisor to verify their relevance to the study.

### **3.6 Data Analysis**

The researcher checked the questionnaires for completion, coding and analysis was then carried out with the help of Statistical Package for Social Sciences (SPSS). The data was analysed using qualitative and quantitative techniques. Descriptive analysis provided a summary of the population and the use of mean scores, standard deviation and percentages. Some of the results were also then presented using tables and graphs for ease of understanding. Interpretation and generalization of the findings was later done, with suggested recommendations given (Bailey (1984).

### **3.7 Ethical Considerations**

For the purpose of this study, the researcher has sought go ahead from the appropriate authority, being the company managers to undertake the study. Confidentiality was affirmed to the respondents and the motives of the study explained clearly. The researcher also acknowledged sources of information from other scholars. Ethical consideration seeks to ensure that research practices do no inflict on human rights as well as cultural norm and values of a society (Mugenda, 2003).

## **CHAPTER FOUR**

### **RESULTS AND FINDINGS**

#### **4.1 Introduction**

This chapter offers study results and presents findings based on the data collected. The data has been presented in tables and figures along with brief discussions for readers to understand. The objective of this chapter is to explain the data rather than draw conclusions and interpretations. The study aims at identifying the influence of customer relationship management on the adoption of innovations within the insurance industry in Kenya.

#### **4.2 Response Rates**

The researcher with the aid of his research assistants managed to distribute 43 questionnaires to the target population. Following several phone calls and follow-ups, the researcher was able to collect the questionnaires for analysis.

#### **4.3 Demographic Information**

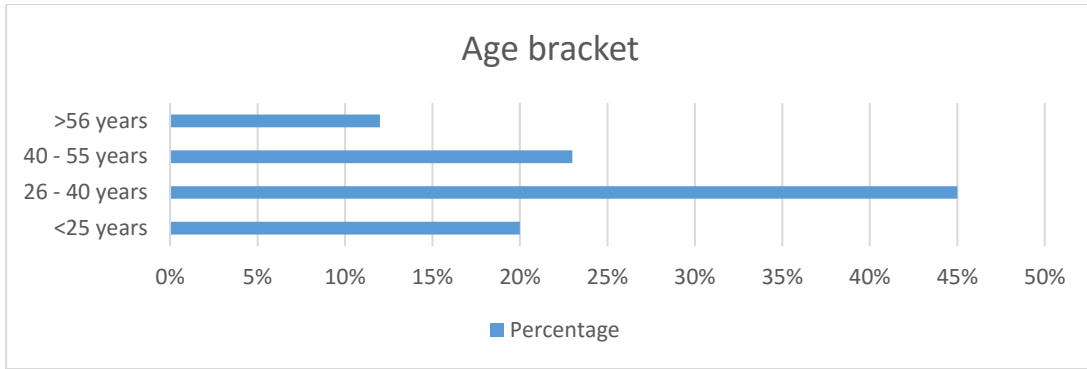
##### **4.3.1 Gender**

The respondents were categorised as being either male or female. They were requested to indicate their gender. Results showed that male took a 48% whilst females were the remaining 52%.

##### **4.3.2 Age bracket**

This section aimed at identifying the age brackets of the respondents. See Chart 4.3 below.





The data presented in the figure above shows that majority of the respondents were between the age bracket of 26-40 and 41-55 comprising of 45% and 23% respectively. The rest 20% and 13% represented the less than 25 years population and above 56 years respectively.

#### 4.4 Line of business operation

This section aimed at identifying the lines of business. See Table 4.1 below.

**Table 4.1 Line of business operation**

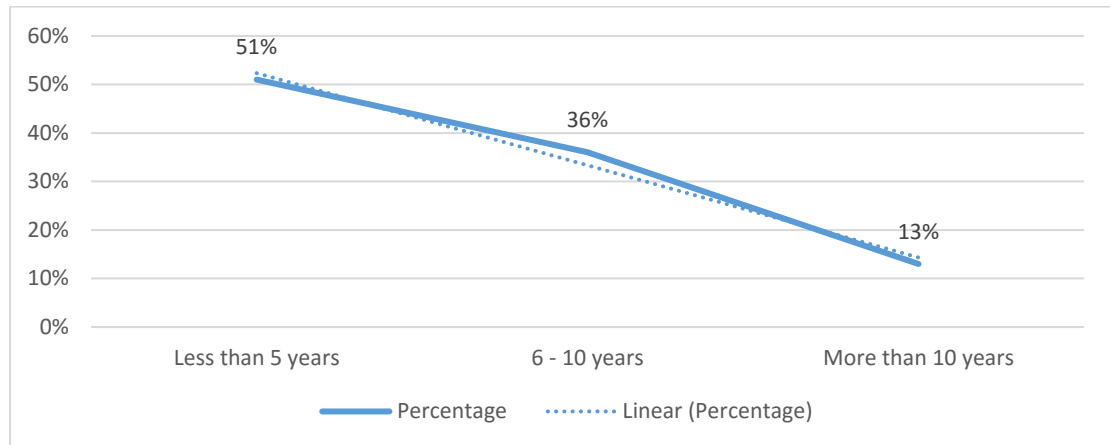
	<b>Frequency</b>	<b>Percentage %</b>
General	26	60
Life	11	26
Composite	6	14
<b>TOTAL</b>	<b>43</b>	<b>100</b>

The study revealed that majority of the respondents was in the general line of insurance business while 26 percent were in life insurance line. Only 14 percent were in composite line of insurance.

## 4.5 Years in Operation

The researcher here aimed at determining how long the insurance underwriter has been in operation. The results are set out in

**Chart 4.1 Years in operation**



The study established that the majority of the insurance companies had been in operation just less than 5 years covering a percentage of 51%, the second highest batch of 36% had been in operation for more than 5 years but less than 10 years whereas the rest 13% of the companies being in operation for more than 10 years.

## 4.6 Innovative strategies

Different companies take different approaches to the use of innovation in attempting to improve their performance. This section aimed at establishing whether various innovations strategies were focused on by the interviewed insurance companies.

**Table 4.2 Innovations Strategies**

Innovation Strategy	Mean	STD.Dev
Technology	3.419	3.474
CRM	3.372	3.447
Product Differentiation	3.465	3.521
Marketing Strategies	3.395	3.451
People Training	3.068	3.187

Data presented above shows that product, marketing, technology, customer relationship management were all the strategies focussed by the interviewed insurance companies with the most focus on product differentiation.

**4.7 Innovative strategies influenced by effective customer relationship management. .**

This section of the study aimed to establish the extent at which the various innovation strategies have been influenced by effective customer relationship management, thus contributing to the company's growth.

**Table 4.3 How customer relationship management has influenced the adoption of innovative strategies.**

Innovative Strategies	Mean	Medan	STD
Technology	3.512	4	0.624
Customer Service	3.605	4	0.615
Product uniqueness	3.512	4	0.695
Marketing strategies	3.581	4	0.655
People	3.163	3	0.776

## 4.8 Customer Relationship Management

In this section of the study, the researcher aimed to establish how the respondents viewed the customer relationship management at their firms.

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Innovation	Mean	STD.Dev
View of customer relationship management at the firm.	3.140	0.347

With a mean of 3.140, we can infer that most firms have good customer relationship management styles.

## 4.9 CRM factors influencing the adoption of innovations

The aim of the researcher was to determine the influence of customer relationship management on the adoption of innovations within the insurance industry. From the results above, it was a unanimous response that customer relationship management has an influence on the adoption of innovations within the insurance industry. This proves that the insurance underwriters need to frequently review their customer relationship management models and ensure they are compatible to the new innovations introduced every day. The factors influencing the adoption were as below;

### 4.9.1 Information Technology Systems.

The respondents were asked how compatible their company's information technology systems were with adopting to new innovations.

**Table 4.5 Rating of the information technology systems compatibility to adoption of innovations in their firms.**

	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Excellent	3	93	100
Good	40	7	7
Fair	0	0	0
Poor	0	0	0
<b>Total</b>	<b>43</b>	<b>100</b>	

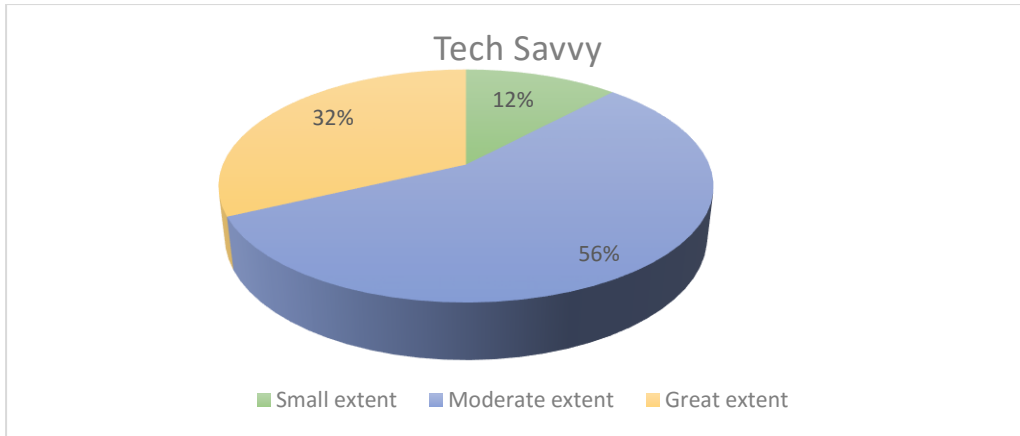
Table 4.5 shows that the organization 100% of the respondents believe that their firms have good to excellent information technology systems.

Variable	Mean	Median	STD.Dev
<b>Rating of IT systems compatibility to adoption of innovations in the firms</b>	3.070	3	0.255

With a mean 3.070, we can deduce that most of the firms IT systems are good at supporting the adoption of innovations.

#### **4.9.2 Underwriters Tech-Savviness**

The respondents were asked whether they considered themselves tech savvy enough to easily adopt innovations within their firms. *Chart 4.1 Tech Savvy*



To a small extent showed a 12%, moderate extent was 56% and to a great extent was 32%. This shows that majority of the respondents were tech savvy and were good candidates for the research study.

#### 4.9.3 Employee skills

The respondents were asked whether they considered the employee skills available were effective enough to ease them into the adoption of innovations introduced by the companies.

**Table 4.6 Employee skills effectiveness**

	Frequency	Percentage	Cumulative Percentage %
Yes	30	69	69
No	13	31	31
<b>Total</b>	43	100	

Table 4.6 how respondents responded to the employee training. More than 69% of the respondents agreed that the company conducts proper training while 31% seem to have not been trained at all.

#### 4.9.4 Training

The respondents were asked how they rated the trainings conducted by the company with regards to the introduction of new innovations into the company.

**Table 4.7 Training satisfaction towards adoption of innovations in the firms.**

	Frequency	Percentage %
Highly satisfactory	6	13
Satisfactory	18	40
Neutral	13	34
Unsatisfactory	6	13
Highly Unsatisfactory	0	0
<b>Total</b>	<b>43</b>	<b>100</b>

Table 4.7 indicate satisfaction levels of the organization’s training methods, 13% of respondents rated recognition as very highly satisfied, 40% rated it as satisfactory while 34% were neutral while 13% of the respondents were unsatisfied .This can be deduced that the majority of respondents were generally satisfied with the company’s employee training programmes, with a mean of 3.558 as indicated below.

Variable	Mean	Median	STD.Dev
<b>Employee Training satisfaction levels with regards to innovations introduced.</b>	3.558	4	0.897

#### 4.9.5 Communication Systems

The respondents were asked how they rated the communication systems compatibility and readiness to adoption of new innovations in the firms.

**Table 4.8 Rating of the communication systems compatibility and readiness to adoption of innovations**

	<b>Frequency</b>	<b>Percentage %</b>	<b>Cumulative Percentage %</b>
Excellent	5	12	100
Good	32	74	88
Fair	6	14	14
Poor	0	0	
<b>Total</b>	<b>43</b>	<b>100</b>	

Table 4.8 below shows the rating of the communication systems in their firms. Based on the analysis, 86% the total respondents indicated that the communication systems were good to excellent, with a mean of 2.977.

Variable	Mean	Median	STD.Dev
<b>Rating of communication systems compatibility to the adoption of innovations in the firms</b>	2.977	3	0.505



#### 4.9.6 Organization Culture

On whether organizational culture was conducive enough for effective and sustainable adoptions of innovations within leaders and members of their firms, the respondents indicated the following:

**Table 4.9 Organization Culture Compatibility with CRM Practices**

	Frequency	Percentage	Cumulative Percentage %
Excellent	0	0	0
Good	40	93	100
Fair	3	7	7
Poor	0	0	
<b>Total</b>	<b>43</b>	<b>100</b>	

Table 4.9 above indicates how they rated compatibility of the organizational culture with CRM systems. Based on the analysis, 93% of the total respondents rated compatibility as good, while the balance of 7% rated it as fair. This shows that the respondents were generally satisfied with the organizational culture, *with a mean of 2.930*.

Variable	Mean	Median	STD.Dev
<b>Rating of Organizational culture's conduciveness to the innovation adoption</b>	2.930	3	0.255

#### 4.10 Qualitative Analysis

The respondents recognized that their insurance underwriters had good customer relationship management systems. However, they felt that the firms could do a better job integrating their customer relationship management systems with their other systems within their organization to achieve more wholesome results. These could be with their finance and claims management systems to provide easier interaction with their clients to deliver ultimate customer experience to their customer and also with

their lead management systems so as to provide more personalized service to their client's right from the start. Respondents proposed a proper retraining of staff should be carried out to prevent of data duplication, regular system updates are done and mapping of departmental needs is done.

Majority of the respondents, 93%, were of the opinion that organizational culture has great effect on the adoption employee customer relationship management practices. The respondents identified practices like value for family, teamwork and respect for work and each other as very critical practices in the organization.

The respondents highlighted several areas where regular training needs to be done for the firms' employees. These would be on the new and existing products in case there are any changes required based on the needs brought forth by the customers, in order to remain competitive within the market. They also stated that further training to be fronted to be on soft skills for instance, communication and listening skills.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. Introduction**

This chapter concludes the study by presenting the summary of findings, study discussions, conclusions and to offer further recommendations for improvement and for further studies.

#### **5.2 Summary**

The purpose of the study was to assess the influences of Customer Relationship Management on the adoption of innovations within the insurance industry in Kenya. Research questions guided the research study to establish whether the following influenced the adoption of innovations: These were technology, employee skills and training, communication channels used, business processes as well as leadership and organizational culture. The level of interest by the insurance firm towards improving the adoption of innovations through effective customer relationship management was also established.

The study used a descriptive research design. The target population of the study consisted of the 43 Insurance underwriters in Kenya. The list of the Insurance Companies was obtained from Insurance Regulatory Authority (IRA). Questionnaires were used to collect data from the selected respondents, who were marketing executives in the respective firms or their equivalents. Data collected was analysed using descriptive and inferential statistics.

Most of the respondents *believed the* organizations' information technology systems were good while only a small population believed the IT systems are excellent. It was also important to note that the respondents unanimously agreed that there was senior management support and also that the management freely accepted ideas about improving the systems.

Some of the respondents indicated that the communication systems were excellent, some stated that they were good while rest were of the opinion that the systems were fair. None stated that the systems were poor. *There was also an anonymous response* that communication systems affected customer relationship management. This shows that the insurance underwriters need to constantly review its communication policy and ensure that the employees are properly trained in communication skills in order to efficiently adopt the innovations. The analysis showed that majority *of the total* respondents rated that customers preferred web or social media as a means of communication, the next highest number of respondents preferred emails while the rest took on telephone or walking in to the insurance offices. The communication mode that an organization invests in is a critical aspect in customer relationship management. It's important to note customers prefer different communication media. The respondents showed that customers may prefer web, email and face to face. When it comes to the adoption of innovations , especially with regards to the various communication channels, these preferences can change over time and thus the company should have all the channels active (Francis., 2008).

Based on the findings, majority *of the total respondents rated compatibility of the* existing organizational culture as good, while the rest rated it as fair. This shows that

the employees were generally satisfied with the organizational culture. Majority of the respondents were of the opinion that organizational culture has great effect on employee customer relationship management practices. The respondents identified practices like value for family, teamwork and respect for work and each other as very critical practices in the organization. Culture within organizations would include practices like open communication within the team members, their behaviours and their attitudes towards each other in terms of eagerness to learn new things and to accept corrections from each other, their commitment towards the values and mission of the firm they work in. More than 83% of the respondents agreed that the company conducts proper training while 17% seem to have not been trained at all. From the study it shows that the company needs to revise its methods only 13% of respondents rated recognition as very highly satisfied, 43% rated it as satisfactory while 30% were neutral while 13% of the respondents were unsatisfied. Though the satisfaction levels are above 50% there is still a large percentage who were not particularly satisfied with the training schemes. *The respondents also agreed that was needed so as to improve the customer relationship management practices to enhance effective adoption of innovations within the firms. From the study 100% of the respondents agreed with a definite yes that further training is important.* Organizations that spend money on CRM systems need to be aware that for their investment to be sustainable, it is critical to make them compatible to the innovations with the firm to enhance their adoption by the employees and eventually to the their clients. On time and effective training should be paramount for the adoptions of innovations to be fruitful, following once in a while surveys to ensure appropriate, effective training methods.

### **5.3 Conclusions**

The study showed that, rating the quality of customer relationship management for the insurance providers in Kenya was fairly good. However, with most insurance companies achieving good results in their lines of businesses, few insurers reap the massive benefits that are brought about by the adoption of innovations by leveraging on effective customer relationship management across the organization. Rating of the quality of adoption of innovations for insurance providers was high, but according to Hancer and Park (2010), the question insurers should be asking is how best they can achieve effective adoption of innovations. The study showed that, customer relationship management was important to customers when ranking the extent of adoption of innovations for any insurance provider. According to KPMG (2016), customer relationship management is one of the key measures of the adoption of innovations in that it affects the speed of adoption and the sustainability of the innovation effectiveness. The study showed that, customer relationship management was important when ranking the quality and extent of adoption of innovations for any insurance provider. A study by IBM (2011) notes that, the speed, accuracy and effectiveness of any adoption of innovation is also paramount for controlling costs, managing risks and profit realization.

Information technology systems investments was important to the respondents when ranking their influence extent of innovations adoption by the insurance providers. These results are in agreement with the results of a study conducted by KPMG (2016) which showed that, in the current market, the winners in the industry are the insurers who invest and effectively apply the information technology systems to the next level in their adoption facilitation, of the new and upcoming innovations within their firms.

Organizational culture defines the level of interaction between an insurance provider and its employees and its customers, where the provider offers the services through the employees and the customers either finds value or loses value as a result, a healthy and positive culture provides clients with an increase in value. Some of the culture pointers are attitudes of the firm's management that largely affects the speed and level of adoption by the employees in their efficiency in the implementation of the processes established to manage the customer relationship throughout the life of a customer with their firms. The study also showed that insurance providers are also keen on their employees involvement whereby they offer training on innovations introduced to the firms to assist in the effective adoption by the employees. These results are in agreement with Rygielski (2012) who states that, when management of an organization is concerned with the welfare of its employees, it becomes more effective to develop capacities and capabilities to achieve good results from innovations and to keep abreast with the demands of customers and offer appropriate innovations, in terms of products and services.

CRM involves call centre representatives, agents, brokers getting to know their individual customers on a personal level. This could be the ultimate differentiating factor of attaining and retaining customers. The study showed that respondents felt that the insurance companies maintained good customer relationship management that facilitates effective adoption of innovations.

The study concludes that the population was aware of the CRM services provided by their insurance providers and that the CRM services affected the adoption of innovations in Kenya to a very high extent. The respondents felt that their insurance providers had robust CRM strategies which played huge roles in the adoption of

innovations in their firms. They also felt that their insurance providers developed products and services that adequately, matching the needs of the current customers within the market. From the study, it can be concluded that, insurance companies interacted with their customers through various methods including personalized messages and through good communication systems, effective adoption of innovations is realized.

Insurance companies face several of problems in the process of CRM's improvement, which in turn slow down the adoption of innovations. For the more effective adoption of innovation strategy, the study recommends for a restructuring the business process and organizational structure by changing its focus from a management-oriented perspective, to a customer-oriented perspective, and also change from the traditional concept and put the customer demands at the core and heart of their business as their primary needs. Customer relationship management systems are becoming increasingly important as companies grapple with increasing costs, sophisticated customers who have changing preferences and needs, greater complexity of products and services, and rising customer demands, all which come about with innovations.

#### **5.4 Recommendations from the Study.**

Based on the study findings the following recommendations were made so as to improve the customer relationship management systems in the organizations for effective innovations adoptions.

The study found out that the organizations employees should be constantly trained because they need to understand how the innovations work so as to best convince their customers into their adoption. No doubt the training takes a bit of time and effort, once



there is an understanding of needs of the clients first in order to decipher which innovations would best fit them. CRM training to the employees would need to be on two different distinct topics, which are the technical knowhow as it will be proper for them to understand how the innovation will work whether it is a product, process or a system. The other one would be the relational knowhow which involves the need to understand how the innovation is aligned to the company's mission, values and goals. There is also the internal process with which the company is involved in, right from the research and development department, through marketing to the sales stages, which will affect how the innovation will reach and positively be adopted by their customers. All these can be carried out in variable approaches and at different stages, providing ease into the innovations in ways preferred by the employees, so as to promote ownership of the innovation by the employees before they present it to their customers.

CRM systems enable organizations in putting together customer information, which they then use to have a better understanding of their market, to communicate more effectively to their customers and to realize maximum value from each and every customer once the innovations are adopted by them. (Marlon Bowser, 2011). The organization should be flexible so as to ensure that any communication mode that a customer chooses is convenient and responsive to customer expectations.

### **5.5 Suggestions for further Research**

This study focused on customer relationship management influence on the adoption of innovations within the insurance industry in Kenya. The study was limited to insurance companies in Kenya, whereby focus was placed on their head offices based in Nairobi. The recommendation is that similar studies be done out on other insurance firms outside Nairobi for a comprehensive result.

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## APPENDICES

### Appendix I: Cover Letter

Aidah Wamugi

University of Nairobi,

P.O. Box, 30197

Nairobi,

Dear Respondent,

I am carrying out research on the influence of customer relationship management practices on the adoption of innovations in the insurance industry in Kenya. This is in partial fulfilment of the requirements for The Award of Masters of Business Administration (Marketing Option) at the University of Nairobi.

This research has approached a sample of Insurance companies for the study, from which you have been selected as one of the lucky respondents. The result of this study will provide the regulators as well as the management with the necessary information for developing strategies for effective customer relationship management.

This is an academic research and confidentiality is strictly emphasized, your name will not appear anywhere in the report. Kindly spare some time to complete the questionnaire attached.

Thank you in advance,

Yours sincerely,

Aidah Wamugi.



**Part B: Innovation Strategies**

1. To what extent has the insurance company focused its innovation strategy on the areas named below?

<i>Innovation Strategies</i>	<i>Extreme extent</i>	<i>Large extent</i>	<i>Moderate extent</i>	<i>Not at all</i>
<i>Technology</i>				
<i>Customer care</i>				
<i>Product</i>				
<i>Marketing</i>				
<i>Human Resources</i>				

2. Please rate on how the innovations adoption have contributed to the firm's profitability.

<i>Innovation Strategies</i>	<i>Great extent</i>	<i>Just Great</i>	<i>Moderately</i>	<i>Not at all</i>
<i>Technology</i>				
<i>Customer Relationship Management</i>				
<i>Product uniqueness</i>				
<i>Marketing strategies</i>				
<i>People</i>				

**Part C: Influences of Customer Relationship Management practices on adoptions of innovations.**

1. Have the following customer relationship management practices influenced the adoption of innovations at your insurance company?

- i. Technological factors [ ]
- ii. Employee skills and Training of the staff [ ]
- iii. Communication channels used [ ]
- iv. Leadership and Organizational culture [ ]
- v. Business processes involved [ ]

2. Does the company have a future with innovation?

Yes [ ]

No [ ]

Why?.....  
.....  
.....  
.....  
.....

Thank you