MANAGERS PERCEPTION OF THE RELATIONSHIP BETWEEN STRATEGIC ALLIANCE AND COMPETITIVE ADVANTAGE IN AFRICA AIR RESCUE INSURANCE KENYA LIMITED

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

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DECLARATION

This research proposal is my original work and has not been submitted for the award of a degree in any other University or Examination body.

Signed ……… Date …30/11/2022

REG. NO: D61/5727/2017

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This research proposal has been submitted for examination with my approval as the candidate's university supervisor.

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DEDICATION

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ABBREVIATIONS AND ACRONYMS

AAR: Africa Air Rescue

AKI: Association of Kenya Insurers

IPF: Insurance Premium Financing

IRA: Insurance Regulatory Authority

NCBA: National Commercial Bank of Africa

SPSS: Statistical Package for Social Sciences

TAT: Turn Around Time

KCB: Kenya Commercial Bank

ABSTRACT

This study analyzed managers' perception of the relationship between competitive advantage and strategic alliances in AAR Insurance Kenya Limited. The study adopted the case study research design. The objective of the study was to determine the managers' perception of the relationship between strategic alliance and competitive advantage in AAR Insurance Kenya Limited. The research study assumed is a case study design to give a holistic account of the research. The study interviewed six senior managers who are involved in strategic management and processes in the organization. The data was analyzed using content analysis, it helped to identify the concepts and the key words in the text and generate relevant results. The study showed that AAR Insurance had engaged in strategic alliances and specifically engaged in equity alliances severally and just one Joint ventures alliance and never engaged in contractual alliance. The study distinguished that factors that directed AAR Insurance to be involved in strategic alliances with other organizations were two key motives; transaction cost motive and competitive position motive: leveraging on economies of scale, digitization, entry into new markets, market penetration, capturing international markets, improving the capability to develop new products, and distributing organizational resources. The research found that AAR Insurance had attained competitive advantage because of the getting involved in strategic alliances as depicted in increased profitability and market share. AAR Insurance has also generated huge streams of revenue because of their strategic alliances with financial institutions like commercial banks and credit facilities in Kenya. The study recommendation is that the players and regulators within the insurance industry should involve themselves in strategic alliances since strategic alliances help a firm gain competitive advantage and further impacts the lives of their customers in a very crucial manner. The study also recommended that similar studies be simulated across all the other insurance company managers to access how and if strategic alliances can result in competitive advantages in the insurance market in the country. Another suggestion was to conduct a study like this to gauge whether other organizations that have been involved with AAR Insurance achieved any competitive advantages.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In the current increasing global and turbulent business environment, most companies have realized they cannot operate alone. The most critical tool that these firms have found to be helpful is establishment of strategic alliances. Strategic alliances perform a crucial role in the survival of a firm since it provides a bridge towards gaining sustainable competitive advantages in the current turbulent economic environment (Cobeña et. al., 2017). A networked company that has the ability to form the appropriate strategic alliances is able to gain competitive advantage that is sustainable.

Competitive advantage exists when a firm develops and owns some unique features that enable it to be more competitive and overtake its competitors. Companies are increasingly dependent on their external partners to be able to enhance their competitiveness, strengthen their resources and be able to manage the uncertainty in the business environment. Companies that are not willing to form strategic alliances or lack the ability to do so are operating at a competitive disadvantage. There is creation of a chance to share resources and abilities of organizations when firms form alliances and work together to increase the production of resources thus the need for advanced competitive advantage (Chin, Chan & Lam, 2012). Perception is the way or manner in which something or someone is regarded. Managerial perception is the process that permits one to understand the given behavior, appearance, and choice of words. These perceptions can present a platform for advancement if the one understands how to handle it.

This research study was anchored on three theories: contingency theory, competitive advantage theory and resource-based theory. Contingency theory as developed by a psychologist called Fred Edward Fiedler who was an Austrian in 1964. Contingency theory argues; the technique that is most effective to plan is dependent on the complexity and unpredictable changes on the environment existence. Competitive advantage theory was advanced by Day and Wesley, (1988) argues that the organization can pursue collaborative arrangements if they deem it fit to intensify attainment of their strategic objectives. Resource based theory by (Peteraf, 1993) highlights the vital role that resources play. It states that complementary resources are a fundamental factor which ensures alliance success.

Strategic alliances are increasingly turning into an array in the Insurance business, and this is more noticeable both locally and in the global market. According to Hamilton (2014), strategic alliances have doubled within a decade and are anticipated to have a rapid growth. In Kenya specifically insurance companies have adopted strategic alliances as it offers a great opportunity for them to be leaders in the industry like in AAR Insurance and helps it gain a great and wide network of clients at a reduced transactional cost in a better way that is more effective and efficient. This enables the firm to access potential customers, suppliers easily and have products and services customization and information exchange. Strategic alliances are presently the most significant business ventures today providing competitive opportunities.

1.1.1 Strategic Alliance

Strategic alliance is a mutual contract amongst several companies aiming to attain certain business goals though the original business ownership remains within the individual companies, (Kauser & Shaw, 2004). Strategic alliance is an intentional collaboration that is long term for firms to attain competitive advantage for its partners. (Gulati, 1995) defines strategic alliance as a voluntary relationship between firms, and this is legally independent which involves exchange, sharing, competences and capabilities. It can be a selection of equity and non-equity collaboration of different organizations that are developed to increase competitive edge for the partners (Culpan, 2001).

Strategic alliances are viewed as ways by which an all-inclusive strong and successful approach for competing in a business environment that in global (Gichuhi, 2011). Companies are forced to develop and endure alliances that will provide them with competitive support (Kanter, 1994). Here firms still retain their independence while the parties' set goals and business objectives to be achieved through the strategic alliance. It therefore is only valid when the companies come together for product development, distribution, technology innovation and systems for improvement on value of service. Many international and local companies are enabled by Strategic alliance to be globally competitive (COPAC, 2000).

These relationships have remained to be amongst the leading ones in the business strategies which is due to increased competition in the market globally. Strategic alliance can be between a weak and a strong partner, the strong partners could be direct competitors, between two weak firms that are in search of power in the market between complimentary equals, or be a total absorption-a merger leading to one firm that will be in existence.

Alliances does not strictly involve those companies that are within the industry, and it may occur in a specific business and in terms of the corporation (Barney, 2002). The strategic alliance's objective is to greatly improve the efficiency in operations and competitiveness among other industry participants as compared to the individual companies, (Johnson &Whittington 2008). Firms form alliances from joint alliances to small contracts involving millions of shillings where partners make their contributions in the agreed manner and improve each partner's competitiveness (Rothaermel, 2012). Some positive outcomes have been observed as a result of strategic alliances within firms these includes high profits, return on investment and effective product development and its distribution. Traditionally strategic alliance would be between only two firms but currently the multi-company alliances have become very common. A more common example of companies in alliance strategically formed by information systems companies, machinery production, service industries like insurance companies.

1.1.2 Competitive Advantage

What makes customers purchase from one firm and not the other as such a firm has created convenience and value for the customers is referred to as Competitive advantage. This is achieved upon a firm developing a set of features which enables the specific firm to perform better than its competitors (Wang, 2014).

Thus, competitive advantage is shown when a given organizations ‘activities bring more profit than those of its industry competitors or when it performs better than its competitors significantly in results of activities in areas like market share, quality of the product or technological advancement. On the other hand, Porter (1998) maintains that competitive advantage develops primarily from the firms’ value for its customers, which surpasses the production cost. According to Namada (2018), competitive advantages is a state that make sure a business propositions goods and services at a lower and competitive price than its competitors and ensure the quality is the best to the market. The main drive of the success of a business is to keep safe the exclusive competitive advantage secrets of the establishment making it difficult to be duplicated (Namada, 2018).

Competitor analysis must be done for a firm to understand where they need to improve and execute their strategies better than the competitors (Noe, Hollenbeck, Gerhart & Wright, 2017). A company can achieve high economic values through competitive advantage than its rivals, this is associated with added value which ensures there is a high chance of survival (Kim & Mauborgne, 2013). A firm must have strong competitive advantage in each industry for it to prosper (Grant, 2010). It is however more difficult for firms to attain this in contemporary hypercompetitive and very fast evolving business environment.

The strategic management task therefore is to create and maintain competitive advantages of a firm, and this enables the firm to at least attain an above average result from the business activities (Cegliński, 2016a). Competitive advantage has an unchallengeable significance in the practice and theory of strategic management as it is generally accepted in the management science.

Competitive advantage becomes a general outcome which grows as firms and their constituents get involved in processes that entails, use and exchange of resources and communication about and interpretations of the activities involved during the alliance formation (Rindova et. al., 1999). Further, Barney (1991) indicated that sustained competitive advantage is an outcome of strategic assets, and these are looked at as those ones that are internally controlled and allow the organization to come up with tactics and implement strategies that increase its effectiveness. Competitive advantage therefore is dependent and it is not as it has been assumed in the past on bases like; economies of scale, or technology natural resources, as they have increasingly become easy to copy instead of the rare, valuable and hard-to-imitate resources that are in the organization.

Competitive advantage can be acquired based on the following: experience of consumption, product attributes, price and unique customer service. AAR Insurance has embarked on a number of strategic alliances in its operations with different groups such as hospitals, insurance brokers and telecommunication companies among others to ensure it delivers unique value to its customers. Capon (2008) argues that a resources, systems, and activities have to be organized to be able to reduce either the overall cost or add value to the firm at a lower cost these enables a firm to attain, maintain and develop their competitive advantage.

1.1.3 AAR Insurance Kenya Limited

AAR Insurance commenced operations in 1984 and its primary business was medical evacuations of casualties as a result of accidents by road and air. The portfolio grew along as the numbers of customers increased; this created the need to expand its services as more opportunities to provide comprehensive healthcare came up. The company had to respond to evolving market prospects, innovation, and flexibility and in preparation to respond to customer needs has put the top flag in the medical insurance business in East Africa.

The growth led to AAR Insurance being a fully-fledged insurance company and has been in operation as an independent entity for close to four years. AAR Insurance Kenya Limited provides various packages of medical and non-medical insurance products. Today AAR Insurance is active in the whole of East Africa with a presence in Uganda, Tanzania and Zambia and offices in almost all cities/towns in Kenya. Currently it has a membership of over 200,000people, over 200 employees and 50 marketing and sales agents, over 20 branches, a revenue of over 10billion and market positioning of 14% of medical insurance business and 4% of non-medical business. The company is also licensed as a provider of financial services and is a member of the Association of Kenyan Insurers (AKI). The company offers flexible and modest insurance solutions that empower Africa's people, which is the foundation of a robust economy. AAR insurance has been able to have a presence in Zambia through strategic alliance initiative two of being a market leader by having a strategic partner Afrocentric which now currently operates as an AAR Franchise.

This ensures its membership is constantly growing and the clients can access all the AAR insurance products that it offers locally. The firm has partnered with financial institutions like NCBA, CFC and Fincredit, to help finance the members in settling their premium through IPF. AAR signs up intermediaries like the insurance brokers and independent agents who actively contribute to business acquisition and retention. Strategic alliances like adoption of bancassurance for AAR is constantly placing them at the fore front.

These are partnerships with the banks, where the banks are allowed to sell the insurance products to their members who have accounts at the banks, and even pay their premium to the insurance and here the banks only charge the insurance companies administration fees. AAR insurance shares risks with other insurance companies especially on huge schemes like the; the Judiciary scheme medical scheme which pays a medical premium of approximately 1.4billion, this ensures that the risk is, spread and the claims received form the client do not run the company bankrupt.

1.2 Research problem

The most important and highest motivation for organizations to enter into strategic alliances, is achievement of a sustainable competitive advantage amongst other reasons. Porter (1985) discusses that competitive advantage relates to the organizations' ability to come up with ways that can help them compete that are unique and cannot be imitated by the competitors that are sustainable over a long span of time.

Porter discusses that a given business should implement strategy that is competitive that will push it towards attainment of competitive advantage. Being able to create and sustain fruitful alliances in a business environment always gives companies great opportunity (Moss, 1994). Being able to create, handle strategic alliances better than the rivals is a vital catalyst of competitive advantage (Dyer et al, 2001). It is confirmed strategic alliances are making the firm achieve competitive advantage (Segil, 2004).

The current insurance business environment has become very competitive and insurance companies are currently in competition with other institutions like Co-operative bank, Equity, SMEs, brokerage firms and health providers (Otieno, 2012). There is a fierce competition for the insurance companies as these other organizations are underwriting insurance business and still financing the insurance premium for their clients hence a one stop shop which is a threat to the insurance companies. The insurance companies' competitive advantage is therefore threatened by what the competitors have put in place in terms of their strategic and tactical moves from other sectors of the economy. According to Barney (1991), argues that a firm is considered to have a competitive advantage if the strategy being implemented is a value creating strategy that has never been executed by any potential or current competitor in the industry. Perception performs a very vital function in a firm 'daily decision-making process. The firms' perception of competitive advantage that is an outcome of strategic alliances determines the amount of effort which it will be involved in strategic alliances processes (Robbins, 2005).

Several studies done both locally and internationally; a study done by Baden-fuller, Ulijn, Duysters and Meijer (2010), around the cultural influence on international alliances found out that the culture of an organization and its Perception had a significant impact on strategic alliances in the global business world. Culpan, Refik (2008) studied the part strategic alliances plays in attaining competitive advantage for organizations in Pennsylvania. Luciano, (2015) conducted a study on strategic alliance and competitive advantage in Brazilian IT companies. Hongbin (2009) looked at effect of cultural and information strategic alliance on 68 bio-tech firms in Xinjiang region in China.

Jangkrajamg (2011) in his study argues that alliance among airlines can improve the operational efficiency and productivity returns. Omollo (2015) conducted a study on strategic alliance and performance of cooperative CIC insurance and banks in Kenya. Wanjiru (2010) conducted a study on Safaricom limited, analyzing strategic alliances that were implemented and competitive advantage attained in Safaricom limited. A study carried out by Ndungu in 2016 on strategic alliances and collaboration as a means of attaining competitive advantage in a firm's growth and performance a case of Safaricom and CBA. Studies done by scholars; Wachira (2002), Koigi (2002), Owuor (2005) and Mwai (2010). Owuor (2005) studied the relationship between strategic alliances and competitive advantage in some main oil companies in Kenya, Wachira (2002) studied strategic alliances on the development of pharmaceutical drugs and Mwai (2010) conducted a study on competitive advantage and strategic alliances in Safaricom Limited.

Koigi (2002) carried a study on strategic alliances execution in Kenya post office and bank. The researcher found that these companies attained sustainable competitive advantage because of being involved in strategic alliances.It is important to point out that studies in the insurance industry were not traced by these scholars and to the best knowledge of the researcher none of these studies has been done on the relationship of strategic alliance and competitive advantage in the insurance industry. This study seeks to bridge the existing gap by examining on the relationship between strategic alliance and competitive advantage in AAR Insurance. The study thus seeks to answer the question; what is the relationship between strategic alliance and competitive advantage?

1.3 Research objective

The objective of the study was to determine the managers' perception of relationship between strategic alliance and competitive advantage in AAR Insurance Kenya Limited.

1.4 Value of the study

From a practical viewpoint, this research study findings, deliver key means that equip the management of AAR Insurance with insights on whether they can or should adopt strategic alliance as a bridge towards achieving competitive advantage in the industry. The achievements attained so far can be evaluated based on the previous strategies that had been used in comparison to a projection if this was to be adopted.

AAR Insurance managers are now able to develop better systems, policies, and structures to improve their current client portfolio and effectiveness in service delivery as recommended by the study outcome. The findings benefit policy makers and the Insurance Regulatory Authority, it also equips them while making policy and the guidelines on the existing insurance firms to classify zones and regions that need to be improved on which would lead to increased competitive advantage via customer retention, acquisition and regulating new products being developed by the insurance companies.

The study is noteworthy from a theoretical viewpoint as it provides information on how strategic alliance and competitive advantage relate. The deductions and the recommendations realized are appropriate and accord the needed support on the relationship between the two variables. Scholars in strategic alliance can use this study as part of the references in their study. Researchers can gain advanced knowledge as the study is focused on AAR Insurance only. This study has also recommended for other researchers to develop further probes and methods as well to ensure strategic alliances aid firms to attain competitive advantage in the insurance business.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter entails the empirical and hypothetical studies of these concepts discusses the theories that are anchored towards this study and the summary of the empirical literature review. This chapter also introduces new information as addition to what has already been studied and will also act as a secondary source for future studies with an aim of advancing the study.

2.2 Theoretical Review

Theoretical foundation is something that validates the theory while in a logically sustainable manner. This section studies theories that are associated to strategic alliance and competitive advantage. The theories are as follows; Contingency theory, competitive advantage and resource-based theory. It thus helps in identifying and developing this studys 'conceptual framework with the hypothesis that is relevant and the justification that supports it. These will be discussed as below.

2.2.1 Contingency Theory

The contingency theory was developed by a psychologist born in Austrian called Fred Edward Fiedler in 1964. The theory hypothesizes the most effective technique in planning is dependent on how complex and unpredictable environment always gets. The business setting is always fluid, volatile and always fast changing leaders in business therefore must be very keen in observing the environment and come up with strategies that are effective that facilitate businesses to attain consistent competitive advantage. The theory provides a key framework available on organizational design research study.

Contingency theory recommends that an organizational structural design is effective when the structure of the firm is aligned and fits business eventualities. Contingency theory can be referred to the theory of structural contingency (Otley, 2016).Contingency theory is challenged to be static and that it does not put to consideration in dealing with changes in the organization and how adaptation occurs (Galunic & Eisenhardt, 1994). Contingency theory just like sociological functionalism, this is always considered to be a theory of equilibrium, that it portrays organizations as achieving some fit and being in some equilibrium this forces it to remain static yet fit and misfit in the structure is inevitable in a business. It theorizes that the inability of organizations to develop competitive strategies while putting into consideration their position in the market may make this goal inaccessible also if their planned business competitive strategies are not embraced by their strong capabilities. Strategic arrangement guides businesses in deciding in a trade-off between the costs of business and their benefits in their operations which help retain the customers.

Customer retention competency involves the ability to adjust and be able to meet the o customers' needs therefore, it has to be based on a business procedure that is dynamic and proactive. Companies that gain from an above average level of vibrant business capability are able to respond to the unpredictable changes in the preferences of their customers hence, preventing customer agitation (Mansbridge, 2014). Organizations that are very intentional in offering products, services, minimize customer search costs, give great online experiences, build trust, and tailor make products to satisfy the needs of the clients are likely to stimulate a first and repeat purchases.

The contingency theory will be important in this study as it seeks to explain the importance of a business organizing itself to align with the complex and flexible market to ensure its survival and growth and look into how the business environment too affect the firm's existence.

2.2.2 Competitive Advantage Theory

This theory was developed by Day and Wesley (1988). It discusses a firm's behavior from a managerial perspective. It however ignores the marketing approach. It further explains that firms will go for cooperative agreements if it is deemed to be the only means to a firms' achievement of its strategic objectives, in profits increment or in retaining and increasing the market share.

Competitive advantage therefore, is the upper hand that a firm has over its other industry players (Kay, 1993). Kuratko (2010) states that advantage is a very critical element and is only significant when it is interacting with alternative entity. Some of the advantages over a firms' competitors include ability to provide or extend unique customer experience, having a production system that is great, lower salaries and wages level. The vital advantages here are those areas which the customers value so much (Collis & Jarvis, 2002). Therefore, the main part of having an upper hand is in marketplace and advantage points are lesser or differentiation on the delivery cost or both (Hamel, 2011).

The competitive advantage theory is relevant to our study as it will aid in understanding how the management of a firm influences the attainment of its competitive advantage over time.

2.2.3 Resource Dependence Theory

Resource Dependence theory was advanced by Emerson in 1963 and was later improved by Pfeffer and Salancik (1978). They predicted that a company that has control on key reserves makes those firms that do not have such resources or organization dependent on it. It further argues that much as firms may operate in the same or similar industry, their assets accumulation and capabilities always vary. This theory reveals that in several instances firms are dependent on others on some resources that are required to make them to still be in operation. It implies that the firms need to be involved in interaction and exchange with other firms in a way to be able to get resources that are essential for sustenance. This therefore trademarks strategic partnership to be a realistic scheme of inter-organizational structure that can reduce fear and doubt hence improving the opportunity to resources that are highly needed (Gichui, 2011).

This theory has risen to being very informative for the inflexible companies by emphasizing on organization's ability to deliver and being able to deal with competitive advantage by protecting the advantageous resource station (Leiblein, 2003). The competitiveness of a firm is an outcome of its strategies that maximizes on its resources and expertise that are unique. The integration of resource dependence amplifies our expertise on the vital resources that the specific firms have choose to manage and how the resources are controlled.

2.3 Empirical Review

A study done by Baden-fuller, Ulijn, Duysters and Meijer (2010) around the cultural influence of international alliances and found out that the culture of an organization and its Perception had a significant impact on strategic alliances in the global business world. Culpan, Refik (2008) studied the function of strategic alliances in attaining sustainable competitive advantage for organizations in Pennsylvania and found that alliances can offer an platform that is effective where quality learning and knowledge gaining is attained, that results to sustainable competitive advantage for partners can be done. Luciano, (2015) did a study on strategic alliance and competitive advantage in Brazilian IT companies to establish whether strategic alliance can play a role to the construction of competitive advantage and in the aspects in which this may occur. This study found out that focus cooperation and mutual gains are elements that favor competitive advantages.

Hongbin (2009) studied the effect of culture and information strategic alliance on 68 bio-tech firms in Xinjiang region in China and the study established that cultural relationship among the strategic partners has no significant effect of competitive advantage of a firm and performance. Jangkrajamg (2011) in his study argues that alliance among airlines can improve the operational efficiency and productivity returns. The findings were that there are several factors that are considered by the airline to remain competitive such as accessibility improvement, improved systems and networks.

Nielsen (2007) carried research to determine international strategic alliance in Danish firms and found out that the relationship between alliance performance and partner formation with the operational Competitiveness and profitability have a great influence in the Danish business community. In Kenya, Omollo (2015) studied strategic alliance and performance of cooperative CIC insurance company and co-operative bank in Kenya and findings showed that good resource and knowledge capabilities, similarity in nature of services and products, financial stability, similarity in strategic direction, similarity of organizational culture, high level of staff involvement as key sources for success in the alliance. Wanjiru (2010) conducted a study on Safaricom limited, analyzing strategic alliances that had been adopted and competitive advantage gained by Safaricom limited. Key findings were that Safaricom was so involved in equity alliances and not many joint venture alliances and there were not involved in contractual alliances, and its sustainable competitive advantage was due to strategic alliances formation.

A study carried out by Ndungu in 2016 on strategic alliances and collaboration being a source of competitive advantage in a firm's performance and growth in a case study of Safaricom and CBA and the findings indicate that the Safaricom-CBA collaboration has been a success business venture. A study by (Ombonya, 2013) on 'Bancassurance as a strategy of penetration used by some insurance companies in Kenya'. The findings showed that insurance uptake has increased through bancassurance as it has increased insurance distribution channels, hence attracted new customers and retained the old.

Studies by Wachira (2002), Owuor (2005), Koigi (2002) and Mwai (2010). Owuor (2005) conducted a study on the relationship that exists between strategic alliances and competitive advantage in the oil companies in Kenya, Wachira (2002) studied strategic alliances in the development of pharmaceutical drugs and Mwai (2010) carried outa study on competitive advantage and strategic alliances at Safaricom Limited while Koigi carried a study on the strategic alliances' implementation in the Kenya post office and savings bank. These researchers found that through entering strategic alliances these companies gained sustainable competitive advantage. It is important to point out that studies in insurance were not traced by these scholars.

2.4 Summary of Literature Review and Knowledge Gap

Contingency theory is the modest, easiest, and simplest approach towards strategic alliances. It is simple to proposal, especially in firms that are not used to change such as introduction of other business partners through strategic alliances. Overall, it seeks to lessen the opposition challenges by dealing with them head on. Lewin's three stage model approach offers a lead, a change agent or a manager who has knowledge of implementing change means when interacting with employees and introduction of thought-out strategies that make the firm sustain its competitive advantage. Furthermore, it delivers path and guidance on the means that can get people accept and align to change: a leader executes new progressions and assign tasks, but actual change can be felt if the employees that are involved accept change and helps in actively practicing it (Ma, Sian Lee & Hoe-Lian Goh, 2014).

The existing knowledge gaps include tackling all the matters that would be useful as operative measure of adherence for the implementation of the new process to be successful. These entails the skillsets, toolsets, and mindsets, that is needed for the new manner of operating. Change making happens when each individual is ready to embrace the new processes. It is important to have a review and to reward employees who consistently hold on to the new processes and those showing efforts to sustain the changes that have brought to light mistakes that had been hidden or processes that were looked down upon. The implementation of change is at a personal, deliberate, and intentional.

An Austrian born psychologist Fred Edward Fiedler in 1964 developed this theory. This approach is an important bridge towards a firm aligning to the fast and ever-changing business environment that needs speedy adjustments to remain competitive. This theory provides a framework that leaders in a company can adopt to remain agile and proactive.

It further provides guidance to organizations to help the firm align to the business contingencies hence equip them remain effective when coming up with a structural design. Since changes are inevitable and businesses have to remain afloat, companies are forced to adopt strategic tools contingent to their environment like strategic alliances in order to attain sustainable market share, competitive advantage and market leadership. The existing knowledge gaps include addressing the issues of the approach being static that would be used as effective measures of dealing with organizational change and adaptation (Galunic & Eisenhardt, 1994).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprises of the research methodology that was employed to complete the study research. The chapter therefore comprises of the following employed subsection; research design, targeted population, population that was sampled, collection of data and analysis techniques that was used in the analysis of the study. This chapter therefore presents the research methodology.

3.2 Research Design

The research design used was a case study. A case study helps in giving holistic account of a research hence the reason for adopting it as the study research design. It helped the researcher in this case study to focus on any existing perception between all factors that case study is composed of like groups, people, technology and policies. Case studies emphasizes so much on a complete context analysis of few events and how they are related (Fisher, 2010). This design accommodated qualitative information. A case study allowed a deep understanding of the behavior pattern of the units that were being studied.

Case studies would provide appropriate details for examining processes by which events come to existence and exploring vital relationships as they give holistic comprehension of a given phenomenon (Kitay &Callus, 1998). The case study was settled on because of the efficacy of the managers perception of the existing relationship between strategic alliance and competitive advantage within the insurance industry that has become a tool that gives industry players a competitive edge. Further, it made it easy in the course of the research.

The target respondents were the managers who were directly in charge of portfolio growth and product development in AAR Insurance.

3.3 Data Collection

The study used primary data sources. Primary data was collected by interview guide. The interview guide had a mix of questions that included open-ended and closed. The Interviews were on one-on-one administration going by the of the schedule interview. These were extremely valuable as follow-ups to some respondents to advance investigation on their responses. The researchers main concern was on skills, perception,opinions, attitude, and knowledge of strategic staff of AAR Insurance towards the subject area. Questions that are Open ended were used as the nature of the open-ended questions did not only define the topic that was being investigated however it provided chances for the interviewer also interviewee to talk about given areas extensively.

The data used by this study was primary. An interview guide was used to collect Primary data. It had different sections to ensure accurate collection of data; the section A contained the background data of the respondent which helped understand how well they were versed about the organization. Section B contained the Strategic alliance formation and section C had questions on Competitive advantage.

The interview guide was administered to the National sales manager, Relationship manager, Business Development manager, underwriting manager, General sales manager, product development manager and human resource manager all working in the company making a total of seven interviewees.

These are the company personnel that are and have been involved in business acquisition, retention and risk management and they offered relevant information regarding strategic alliances and competitive advantage in the organization. Interviews were perfect because they had great support cooperation from the respondents, follow-up questions were used, probed for answers and collected some more information through observation. These was used because it motivated the respondents to share more information with no feeling of restriction on the subject that was being studied, open-ended questions were used by the researcher. The National sales manager was interviewed and had so much knowledge of strategic alliance as a strategy for survival. A representative from the Business development section was also interviewed.

3.4 Data analysis

The data collected was qualitatively presented and analyzed it through content analysis. Content analysis greatly assisted to identify the key words or concepts in the text. The tool aided the researcher to analyze and quantify the key words present, to make assumption about communications, the relationships and meaning of concepts and words. it also allowed the researcher to include more information and identify the attributes analytically.

All the forms that were filled from the interview were collected and secured for confidentiality. The data was sorted out first those that were core in the questions and were used in complementing the pattern and building on explanation. This was conducted to find out if it would match the research questions or otherwise. Referencing was done for the interview responses that were received, and the interview items coded to enable data entry.

After data cleaning which also entailed sorting out of errors that had occurred at the data entry face, the qualitative data analysis was done through conceptual content analysis using open-ended interview and presented in paragraphs. Further, to see the measure of the degree of correlation and effect of the two variables, correlational data analysis was applied.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter contains the data analysis on strategic alliance and competitive advantage case study. The chapter also highlights the discussion and outcome emanating from the study based on the objective that had been set for this study to understand the relationship between strategic alliance and competitive advantage in AAR Insurance.

4.2 Response Rate

A total of 6 interview sessions were carried out, the National sales manager who is within the sales and marketing section interview was via the phone as could not be accessed physically. The subsequent interviews with the Business Development Manager, Product Development Manager, Relationship manager, underwriting manager and General sales manager all working in AAR Insurance were face to face. Out of the seven respondents six were the only ones interviewed, this represents 85.7% percent rate of response that the researcher viewed as sufficient.

4.3 Background information

Background information explored issues that were relating to the respondent's workstation in terms of sections, current position one occupies at the section and the period they have been working for AAR Insurance. The period of service within the company guided on the level of reliability of the response given by the interviewees.

The respondents were asked on the duration that they have served the company, their job title and description within the company. The results are tabulated in table 4.3.

Table 4.3 Respondents Length of Service

Years of service	Number of respondents
0	0
1	0
2	0
3	0
5	2
above 4	4

Source: Field Data, 2021

The findings as exhibited in table 4.3 show the respondents having been at AAR Insurance for over 4 years. The Relationship manager, Business Development Manager, General Sales Manager, Human resource Manager and Product Development Manager had worked for over five years. The Underwriting Manager had served for a duration of four years. This is indicative that the responses that were given by the respondents would be reliable as these are long term employees of AAR Insurance.

4.4 Strategic Alliances

This section pores over the findings of the questions asked during the interview for purposes of determining the strategic alliances AAR Insurance had involved in and to the level which AAR Insurance has used the forms of strategic alliances that have been identified, the intentions of the formation of alliances, the benefits and challenges that the company faces and has faced during the formation of strategic alliances. The investigation determined that AAR Insurance has been involved largely in strategic alliances. The interviewees were asked if the organization had any strategic alliance with other firms. In their response most of them agreed on this however one of the managers in confirming this indicated as captured in the response;

> "We have been involved in several strategic alliances with other firms; like hospitals, specialists, medics, banks, other insurance company, some telecommunication firms amongst others. It is strategic alliance that has somehow helped us remain in business and be competitive"

The findings showed that AAR Insurance has been involved in equity alliances more than any other strategic alliances forms. The organization had been involved in only one Joint Venture and from the findings the company had not been involved in any contractual alliance. When asked on some of the strategic alliances that the organization had been involved in, one of the managers indicated as captured;

> "We have partnered with banks like NCBA, Equity, KCB and Stanbic to help spread our products in the market and grow our portfolio. So ideally what we do is we underwrite insurance products for the banks to sell to their customers, but we are the ones who settle the claims in case a member incurs any."

AAR Insurance is more inclined towards equity alliances because they get to retain their identity since in equity alliances total integration is not a resultant feature. Each individual firm keeps its full mechanisms and identity on how they manage their operations which is different from joint ventures where it is mandatory for new structures to be formed. Another manager indicated why the company prefers equity alliance to other forms as captured;

> "You know with equity alliances, each entity has kept their identity, we even name a product a banks name, for identity and ownership reasons. None of us feel like they own the other."

Equity alliances aids in aligning the interests of the partners of the different companies. Since partners in shared equity realize that their interests are intertwined unscrupulous behavior is always not encouraged.

4.4.1 Joint Ventures

Joint ventures alliance was adopted by AAR Insurance to be able to have a presence in Rwanda and other East Africa countries it had not been operational in. One of the respondents when asked the other forms of strategic alliance the organization had been involved in confirmed as captured;

> “Yes, we got into a joint alliance with Afrocentric Health in 2015 a company that was largely based in Rwanda. Joint venture alliance was adopted by AAR Insurance to be able to have a presence in Rwanda, the firm acquired AfroCentric Health Solutions which had a presence in Rwanda but was not liquid and competitive enough to continue its operations. The alliance was successful when AAR insurance acquired the firm in all countries that it had its operations in, in East Africa including Kenya”.

Therefore, the partnership was very key and critical on the successful entry of AAR Insurance in the Rwandan market. AfroCentric Health Solutions was already involved in providing insurance services in various countries it had the capability but lacked the financial stability to continue its operations. AAR Insurance had the finances, the needed expertise but did not have the license to operate in Rwanda. This alliance-acquisition was very key to AAR Insurance since it complimented AAR Insurance current insurance services with robust insurance packages for both corporate and retail clients.

At the point of strategic alliance formation, Afrocentric Health Solutions had been offering healthcare services through integrated value chain, with a goal of increasing the quality of care in the countries it had its operations in. AAR Insurance was entering the Rwandan insurance market following stability in the business environment this enabled companies to extend a range of insurance services and was seeking an established partner to leverage from each other.

4.4.2 Equity Alliances

AAR Insurance has strategic alliances with commercial banks in a business agreement called bancassurance where it has involved banks like NCBA, Kenya Commercial Bank (KCB) and Equity bank. when asked on how the alliance operates, one respondent captured;

> "We have partnered with banks like NCBA, Equity, KCB and Stanbic to help spread our products in the market and grow our portfolio. So ideally what we do is we underwrite insurance products for the banks to sell to their customers, but we are the ones who settle the claims in case a member incurs any".

One key respondent further shared that;

> "The overall outcome of strategic alliances with the banks is that there has been improvement on the availability and accessibility of tailor made and greatly discounted insurance products by customers in the market".

Under this arrangement-bancassurance, the banks negotiate for individual products according to the banks' customers portfolio needs hence the different banks get different tailor-made insurance products for their clients. One key competitive area on bancassurance is that the bank has been allowed to finance the customers insurance premium and credit AAR Insurance account which has helped reduce the financial constrain the prospect clients had been experiencing in the past. One respondent when asked on the motivation for the formation of strategic alliance captured;

> "Settlement of insurance premiums has been a challenge and some of our clients have gone out of cover due to outstanding insurance premium. Further there is need for market penetration and we are looking at growing our market share and this has been one of the factors that have led the organization get involved in formation of strategic alliances"

Another respondent shared that;

> "Most of the time customers would be put on cover without making full premium payment and end up defaulting yet claims have already been incurred, we were almost closing shop, Insurance is a cash and carry business and the banks have helped us stick to this principal"

Since most of these clients if not all, are customers of these respective banks, it is easy and guaranteed that the bank would get their premiums paid in installments as per the agreement and in case of a default the bank can recover the same from the customers bank account. In cases of bounced premium cheques and the client does not bank with the specific bank, the bank communicates to AAR about the default hence the policy is suspended until clearance of the outstanding payment is done, since insurance is a cash and carry business. Initially, the customers were not able to pay upfront for their insurance whether retail or corporate clients but with the strategic alliance between AAR Insurance and KCB, NCBA and Equity came forth, premium payment has been eased as the bank sorts the same while the client settles the lent amount with the bank in installments at a small interest fee.

The alliance was a well-timed response to the constantly growing need for both the insurance company and the insurance market needs. The equity alliance with Fincredit which is a financial credit institution has helped insurance customers access AARs' insurance products from the comfort of their offices, homes, and workplace without struggling to take up huge bank loans or walk to the insurance companies for insurance services as has been the tradition. Another respondent shared when asked what triggered the equity alliances move with the banks.

> "You know members can access our products at the comfort of their home at a tap of a button! I mean banks have apps that have insurance options included for their members, banks are now a one stop shop for customers"

This alliance was dictated by the fact that insurance agents would go door to door in search of clients, unfortunately these same clients would not afford the insurance premium as per the packages being offered yet they were expected to make full payments as insurance business is "Cash and carry"' with Fincredit helping these agents provide financial solutions to their prospects, AARs portfolio has greatly grown especially in medical insurance.

By partnering with these financial institutions, customers started experiencing faster processing of their policies, easy access and use of their medical cover and ease on premium payment to AAR Insurance. The alliance enabled the clients to access their insurance and use it even without making full payment to the banks and Fin credit.

AAR Insurance increased the number of access points for their services as insurance penetration had started increasing countrywide as customers have access to these financing institutions and AAR Insurance have also increased their insurance service provider centers. Since insurance premium can be paid in installments and products accessed in most of the banks, AAR Insurance has been able to generate more revenue and have made the service easily available to very many clients.

AAR Insurance got into equity alliance with other insurers on a co-insurance alliance basis on huge clients that AAR Insurance could not underwrite the risk and be able to settle all the claims as a single entity like the Judiciary, National police, Kwale County Government, Kilifi County Government, Nairobi County Government and Safaricom PLC. When the interviewees were asked on the challenges they faced in the process of co-insurance, one replied that

> "Initially no one wanted to trust the other, we feared UAP would pick some ques on our unique operation and expose us to the market hence loose our competitiveness, but we found a balance in due course".

This alliance allowed the insurance risk to be equally share so that each underwriter is not rendered bankrupt due to settling of massive claims and this enabled AAR Insurance audit all the claims received to ensure they were not fraudulent. This co-insurance alliances ensured that the firm is still in business, underwrites profits and grow its portfolio organically. The alliance allowed both AAR and UAP to learn and gain critical knowledge and information on how its competitors manage their big and strategic schemes.

AAR Insurance team gained insight on the other insurance companies' strategies, management of schemes, claim settlement and client retention which are core in the industry. AAR Insurance inked a deal in an equity alliance with telecommunications provider Safaricom PLC and rolled out a new technology infrastructure that was based on the Amazon Web Services (AWS) as part of its goal to be fully digital insurance company. The AWS cloud computing service has also helped interface AAR Insurance digital channels - Mobile Apps, web portals, chatbots and USSD services to its core insurance technology systems and this has enhanced its efficiency in operation ,reduced costs and service downtime this helped the company achieve the set strategic goals on digital transformation which included moving all the clients interactions and engagements to mobile on a self-service mode and this has saved time as it has cut the face-to-face interactions with employees of the company snd insurance agents. When the interviewee was asked if there was any variation in the overall expected strategic alliances results.

> "We have gained some competitive edge on our accessibility of products, Our Customers now purchase the company's products, access and use MTIBA and file paperless claims using this mobile App. Digital insurance has offered an effective platform that has helped understand customers and been able to respond to their needs. Through this alliance, digitization reduced the company's costs to 55% from the previous 77% as operating expense as 95% of paperwork was shifted online, and employee's productivity has increased."

Widespread adoption of digital insurance increased the coverage for underwriting in Kenya that is currently at 3 percent, compared to the rate of penetration of digital use which is at 98 percent. A very large population of the youth that have a high attraction for technology positions digital platforms have been exposed and provided for the insurance information hence high uptake of insurance. Digital insurance has also minimized claims-related fraud and reduced insurance cost since the processes are more efficient.

4.5 Motives for Entry into Strategic Alliances

It was prominent that the motivations leading to getting into strategic alliances by AAR Insurance Limited were under two major categories. The two categories are the competitive position approach and the transaction cost approach.

4.5.1 Transaction Cost Motive

AAR Insurance needed to enhance its efficiency in resource and cost-cutting which triggered the need for a strategic alliance with Safaricom PLC on the mobile app and paperless platform. The need to reduce on the storage/ file room space, branch operations was a motivation for strategic alliances.

> “The Safaricom PLC app has enabled us to gradually phase out expensive cost of operating our nationwide branches, paperwork, and fraudulent claims. We used to have a filing room for all the individual client files-we would pay for the space”.

Through this alliance, digitization has reduced the cost by 22% of the company as 95 percent of paperwork was moved to digital platforms, fraud related claims and employee’s productivity has increased.

Digitization is way superior in its quality and cheaper in maintenance. AAR Insurance has been able to get huge amounts on savings in the company's' capital expenditure which is because strategic alliance. This cost saving has had a direct influence and converted to higher profits hence adding value to the stakeholders.

Adequate Sharing of the resources in the company was a critical motivator that led AAR Insurance get into a strategic alliance with KCB, Equity and NCBA bank to allow prospective clients to easily access insurance products and pay the premiums with ease hence huge growth in its portfolio. In this alliance, the banks would provide a way and platform that enabled AAR Insurance clients purchase insurance and pay the premiums easily since the bank products and tailor-made and heavily discounted. These have also been profitable new customers as most of them do not misuse their cover because they need a no claim bonus at the renewal of the policy. On the other hand, the banks have used this as an opportunity to improve their value additions, increase their revenues through the interest charged on the insurance premium and expand their corporate plans.

4.5.1 Competitive position motive

Another trigger for strategic alliance was quest to be the Market leader and broadening of the insurance product line. An alliance with health providers like the hospitals, financial institutions like the banks, Safaricom PLC other insurance firms has greatly helped AAR Insurance extend its insurance products from not only getting clients through the direct insurance agents, but also through other channels and has extended service delivery through contracting other providers like hospital to ensure effectiveness and efficiency in its operations.

This also helped in the creation of value for the customers, which was a strategic factor that also motivated the formation of strategic alliances. Maximization on the economies of scale as well as gaining access to the particular markets and even channels of distribution was another motivator. The alliance between AAR Insurance and Safaricom in launching the mobile app that enables customers to interact and access insurance products online and at ease countrywide has been based leveraging on economies of scale.

> "The insurance app targeted over 3000people monthly who have been able to use their mobile phone apps to access our products online from the previous approximately 1000people per month, interact with our underwriter directly or even view status of their insurance policy on real time basis in whichever part of the world as long as they have internet."

Previously customers would be forced to walk to the physical AAR insurance offices to get the information they needed on matters insurance or speak to their agents who at times were not available. The partnership KCB, NCBA and Equity banks has helped AAR Insurance to bring its products and services closer to its clients. AAR Insurance has also greatly profited from the alliance with medical providers, a respondent shared that;

> "The company has been able to get into strategic alliances with health facilities to ensure clients especially patients have hospital options to choose that they would like to visit. Our clients are also able to choose facilities that are not so expensive, this has helped us in managing claims received from the hospital and largely influence the paid out claims to the hospitals. Previously we had 5 tier one hospitals now we have 17, low carder from 10hospitals to now over 60 hospitals".

Another reason why AAR Insurance Limited got into alliances especially with Safaricom and the banks was Entry into new market spheres. For a long time, AAR Insurance services offered service on walk in basis or would send out their agents who were not distributed all over the country, instead most of these agents were based in the major cities hence the other part of the country had been isolated. Banks were already creating presence in the isolated areas hence a need for AAR Insurance to explore such areas.

For a long time, insurance has been embraced and purchased by the older generation and perceived to be for the rich.

> "The young generation has not seen the need for insurance policy but with the mobile app developed by Safaricom, the young people have been able to interact digitally with insurance and the public now have a clear understanding of the costs-affordability, this has propelled the firm towards attainment of competitive advantage.''

The ability to protect the competitiveness and position in the home market was also a trigger for AAR to get into alliances with international health providers like in India, Mumbai, South Africa, and Rwanda amongst others. In this strategy, other industry players, who had consequently partnered with providers after seeing AARs move, would be obligated to extend their services to international standards. But since some of the players are not well founded like AAR Insurance, their shared and split attention at home and at the international market would push AAR to merge its home operations and consequently guard its position within the market locally.

4.6 Benefits and Challenges of Engaging in Strategic Alliances

There are several benefits for AAR Insurance because of adoption on strategic alliance in its operations; there has been improved cost-effectiveness as costs have gone down resulting to increase in profits. An interviewee responded as captured;

> "Strategic alliance with Safaricom has enabled AAR Insurance to make some significant savings on its operation and capital expenses which was as a result of AAR going paperless and having most of the branches closed down hence reducing the operational costs we have saved 22% from the previous expense of 77%".

The customer experience has been delightful, and customers' needs have been met because of products diversification, quality service delivery and having devolved its infrastructures to the grassroots. Several financial institutions including banks have been allowed to transact insurance and this helped to diversify the access and affordability of insurance, and this has ensured that the customers get value for their money. There has been timely products delivery and services to customers because of strategic alliance with other firms that have credit facilities or muscles and provide insurance premium financing services to their clients in rural and urban areas. Being able to build up economies of scale has been noted following getting into strategic alliance with firms that have huge resources.

> "When we got into co-insurance on some of our very big schemes, we in a way had access to the other party's' in house knowledge, so we were able to learn some tricks of the business and we are underwriting business in a better way, our retention and acquisition of business tactics we no longer under cut, we price according to the risk has also changed our competitive advantage has gone up".

The alliance between AAR Insurance and the banks brought in exclusive knowledge to AAR, guided the company on how to tailor-make insurance products with different packages. There are various challenges experienced by AAR Insurance during and after getting into strategic alliances. Responding to technological changes by partnering firms where AAR was moving digital platform and saving all its information in the cloud has to enhance its systems to match the partner firm for both firms to work effectively. If Safaricom adopts upgraded technology to manage AARs data, the AAR Insurance is forced to upgrade too. Discontentment from partners who feel they are not gaining in any way from the alliance. Like some health providers who felt discontented because of the rates AAR was asking them to charge their clients in case of a patient visit resulting into dissolution of the alliance. One respondent shared that;

> Some providers in this case hospitals want to charge very huge consultation fees and doctors" charges. Especially if they notice a patient is insured. Now if you refuse to settle this specific claim that has high charges, these facilities suspend services to members which creates bad blood between us and the client. As a result, we even loose some of these clients at the renewal stage"

This was a very big loss blow to Safaricom since they lost very competitive medical specialist. They operated in key hospitals and withdrawing from such partnership resulted to customers not being able to access service. Problems related to control are a challenge especially in the use of the mobile app. AAR Insurance does not have the control of the app that has all the company's data, customers are forced to be patient when there is down times on the app, in case the loaded information on their insurance is incorrect amongst other technical problems.

4.7 Relationship between Competitive Advantage and Strategic Alliances

This section covers the findings to confirm if entry into strategic alliance by AAR Insurance Limited had aided the company to efficiently handle competition in the insurance industry and gain competitive advantage and if there exists a relationship between the two variables.

> “From our previous experience when engaging in strategic alliances with other firms and from the outcome, it is a clear that strategic alliance is going to be one of the key tool that will be used by firms to gain competitive advantage. It is as essential since no organization can exist on its own without being complemented on other services by other firms like even in product and service delivery and profit getting new profitable customers”

The research found out that it is expected that many insurance firms will go the strategic alliance direction for sustainability and greater penetration in the market.

The research found out that AAR Insurance has effectively transacted and handle the threats in the insurance industry which is because of developing strategic alliances with other firms. Being able to access immense knowledge and resources because of strategic alliance has given the company a competitive advantage as they have accumulated very strong financial and operational muscle that cannot be matched by their competitors.From the findings, there exists a strong relationship between strategic alliance and competitive advantage. It is evident that firms that have been engaged in strategic alliance have gained more on their competitiveness unlike if they had not engaged in the same.

Interviewers were asked if they were convinced that there exists a relationship between strategic alliance and competitive advantage in organization. In their response they largely agreed that their exists relationship between strategic alliance and competitive advantage by one manager confirming;

> "The relationship between the two is critical for any firm, as strategic alliance most of the time would influence the competitive advantage we have as a company in AAR Insurance, see there has been great reduction of our costs by 22%, our products are enhanced quarterly and distribution channels have gone up we now have bank selling for us, we are also the market leader at 62% from 32% in 2018 and our profit have been up check IRA reports."

4.7.1 Development of New Products and Services

It was observed that AAR Insurance has profited via strategic alliances and has been coming up with new and unique products and services that have constantly given the company a competitive edge. Some of the new products and services developed include Personal accident cover, individual or retail family packages, corporate packages, general insurance packages and professional indemnity cover. The Safaricom Plc app that hosts M-Tiba allows the clients to control and moderate their utilization of medical benefits and give approval on any deductions being requested by health providers. The app also allows clients to interact with AAR s products online and compare the different packages that are provided by AAR Insurance. This app has eased the process for AAR Insurance customers as they have and can carry out almost all their transactions via this mobile phone.

Banks and other financial institutions have been known to be competitors of insurance companies for quiet sometime, for AAR Insurance to remain competitive, some strategic move had to be adopted like strategic alliance. AAR Insurance developed a good number of insurance products for the banks and financial institutions like Fincredit for their clients for AAR to capture the existing customers of these institutions. It is easy to make the banks a one stop shop for clients as the clients are now able to buy insurance from the bank and still be financed on the insurance premiums at a fair interest rate.

AAR Insurance has also gained competitive advantage because of increased market share through alliance with hospitals and other health providers who have satellites across the country like the Aga Khan Hospital, Nairobi Women and Gertrude's Hospital among others. This health providers centers are also a selling point for insurance in terms of both their service to the already existing clients in AAR and prospective ones. The provider networks ensures that medical services and other related services are easily accessible and are available across the country.

4.7.2 Key Performance Indicators Resulting from Strategic Alliances

The study established that AAR Insurance had noted some performance indicators that are key which have been a great contributor towards competitive advantage because of getting involved in strategic alliances. The key indicators of performance are now a stable source of revenue for AAR Insurance; knowledge growth, market share, customer retention, portfolio growth, customer loyalty and new-product unveilings amongst others for AAR Insurance.

The portfolio has grown from 150,000 lives to over 200,000 lives currently being insured with distribution outlets of over 20 branches. AAR Insurance health provider network panel grew from the few hospitals to an extensive network in all the 47 counties countrywide. This has given the company great competitive edge over their competitors since most of these competitors do not have providers in all the counties in Kenya. Their service access is therefore restricted to specific regions unlike AAR Insurance service level access. One interviewee response when asked if there has been portfolio growth because of engaging into strategic alliance response was;

> “We have continued to experience upward growth of subscribers of 11% per year as a result of introduction of new products and quality service delivery to our customers from the previous 4% annually”.

Policy holders who live upcountry have access to good health facilities since the small health centers have been improved to meet the AAR Insurance standard of their medical providers. The quality of service for their customers therefore is good hence giving the company a competitive edge over the other market players. The profitability of the service is budding at a rate of 57% from the previous years of 23% annually and is thus a major revenue stream for AAR Insurance. The firms’ revenue has grown from 4Billion to over 6 billion with a capital premium growth of over ksh.1 billion.

It has set up bancassurance agreements with various banks all over the country to ensure that all the customers of the bank have access to the insurance products being offered. This has made insurance products and financing accessible to all hence improving the firm’s competitiveness.

This has translated to portfolio growth of up to 7% of their current books. There has been consistent application and registration of new members for insurance products that were because of the strategic alliance with the banks and other financial institutions.

4.8 Discussion of Findings

The findings of the study were compared to the theories that guided the research and empirical literature.Business environment tends to always be volatile, raging and fast changing and business leaders must be very keen in observing the environment and come up with strategies that are effective that allow businesses to continuously achieve competitive advantage. The Contingency theory opinion is that an effective structural design for an organization is successful when the organizational structure is aligned and aligns itself to the business environment. The adoption of strategic alliance in AAR Insurance has been contingent to the complex insurance business environment. As indicated by competitive advantage theory being the upper hand that a firm has above its rivals in a given industry (Kay, 1993). The competitive advantage theory discusses that firms will go for cooperative agreements if this is deemed to be the only means to a firms' achievement of its strategic objectives, in profits increment or in retaining and increasing the market share.

This was also noteworthy from the findings of the study on joint venture of AAR insurance to the extent where the firm now fully includes its trading partners and their transactions by having contract agreements. Through competitive advantage the firm has become more superior and has an added advantage over its competitors in the industry hence have a better competitive edge.

As shown by resource-based theory the organizations' internal environment, in regard to the resources it has and its competences, is very crucial in determining the strategic action than external environment (Barney, 2014). Resource-based opinion suggests that the unique resources of the firm and its abilities give the basis for strategy and upsurge in performance. Rather than paying attention to the buildup of resources that are essential in execution of the strategy dependent by several obstacles and conditions in the external business environment. Organizations can apply their essential capabilities by channeling resources that are required to enable them to achieve competitive advantage.

4.8.2 Comparison with Empirical Studies

The study established that AAR Insurance faced cultural challenges in settling in business when it got into strategic alliance- joint venture with Afro centric. This is in sync with Baden-fuller, Ulijn, Duysters and Meijer (2010) study that established that the culture of an organization and its Perception having a significant impact on strategic alliances in the global business world. AAR Insurance faced some cultural issues and wrong perception from the Afrocentric team and organization in general and it took some time for AAR to align to the same. This slightly affected the operations in the beginning but was able to pick up in due course. The study found that AAR Insurance company strategic alliance considerations and actions involve every stakeholder of the company from the various departments within the organization.

Strategic alliances planning is developed through an inclusive and participative process. The study also established that the strategic management team is in charge of coming up with strategies that can be adopted by the organization. AAR Insurance has two committees that are involved in determining and lead the firm on strategic matters: strategic alliance processes and the viable partners. One committee has the senior sales managers and claims managers, and the other team comprises of the retention team and finance. These findings agree with Baden-fuller, Ulijn, Duysters and Meijer (2010) argument that the culture of an organization and perception of the organization had a significant impact on strategic alliances in the global business world.

The data collected forms the foundation for a SWOT analysis and thereafter strategic objectives. The study identified that employee's involvement in strategic alliance process is done through monkey surveys, questionnaires, and interviews and that the company culture is of inclusivity in the strategic changes.As indicated by Culpan, Refik (2008) on the job of strategic alliances in the attainment of competitive advantage alliances can be able to provide a platform that is effective where the learning could be valuable and gaining of knowledge is attained, that results to sustainable competitive advantage for partners can be done. The findings in this study show there is a positive outcome on knowledge gain because as a result of strategic alliance.

The study found that since getting into strategic alliance with other insurance companies on co-insurance on huge schemes, AAR Insurance has gained more knowledge and information on some critical elements that their competitors pride in. In so doing they gain insight on the other insurance companies' strategies, management of huge schemes, claim settlement and client retention which are core in the industry which helps improve their competitiveness in the market.

The study established that insurance companies operate in very dynamic environment as a result the companies are faced with continued new opportunities and challenges that must be addressed for organizations prosperity and growth. As indicated by Luciano, (2015) strategic alliance plays a role to the construction of competitive advantage and there are aspects in which this may occur. This study found out that focus cooperation and mutual gains are elements that favor competitive advantages.

The study found out that since the launch of bancassurance, AAR insurance has continued to have organic growth on their portfolio and collection of full premiums from all their clients hence the cash and carry insurance rule is adhered to. As indicated by Omollo (2015) that good resource and knowledge capabilities, similarity in nature of services and products, financial stability, similarity in strategic direction, similarity of organizational culture, high level of staff involvement are key sources for success in the alliance. Ombonya (2013) record an increase in the uptake of insurance policies, better distribution channel of insurance products and upfront payment of insurance premium has been once the insurance companies embrace bancassurance.

The study established that equity alliance with financial institution and credit facilities like banks made AAR insurance products easily accessible and affordable to the market hence increasing their market penetration. AAR Insurance has international providers on their panel, they therefore can take up international clients or take their local clients for specialized treatment in countries of choice. This has attracted so many clients both retail and corporate clients and further helped AAR to minimize on claims as most of the international providers offer specialized services at lower costs. In Wanjiru (2010) firms register improved performance and greatly gain competitive advantage due to engaging in strategic alliance. A study carried out by Ndungu in 2016 on whether strategic alliances and collaboration would be a stream of competitive advantage in a firm's performance and growth adopting a case study of Safaricom and CBA and the findings indicate that the Safaricom-CBA collaboration has been a success business venture.

According to Studies done by Wachira (2002), Owuor (2005), Mwai (2010) and Koigi (2002). Owuor (2005) on the relationship between strategic alliances and competitive advantage found that through entering into strategic alliances companies gained sustainable competitive advantage. The findings of the study show there exists a relationship that is positive between strategic alliance and competitive advantage. AAR Insurance now through strategic alliance has international providers who extend medical service to its members outside of Kenya.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The fundamental aim and goal of each business ought to be to fulfill the customer needs and expectations. With the high competition levels, there is need to introduce better strategies to attain competitive advantage. This study showed there has been involvement in strategic alliances by AAR Insurance. AAR Insurance has mostly been involved in equity alliances been in just one Joint ventures alliance. Contractual alliance was not traced since there was no instance that pushed the company towards that direction.

The study found some managers perceived that what motivated AAR Insurance into getting involved in strategic alliances with other companies were channel of value creation for customers, acquisition of new and advanced technologies, gaining access to enter specific markets they initially could not like Rwanda and distribution channels having more banks close to 6banks as a distribution channel from not having any, leveraging on economies of scale and goal, abilities to develop new product, ability to capture international markets and sharing organizational resources. This study therefore comes to an agreement with Kogut (1988) who discussed the motivations that leads a firm into getting involved for strategic alliances.

Further there was evidence that strategic alliances have greatly had a hand in AAR Insurance ability to deal with continuous turbulence and an ever-changing business environment caused by globalization like; improved profitability, new and advanced products and services.

The introduction within the market, fulfilment of the customers' needs and expectations making sure that all aspects of logistics and other proper measures of control are put in place, guaranteeing products are accessed on time, easily available for the customers and clients get the service that matches the value of their money paid timely delivery of customer service and prompt response to changes in technology. The research noted that AAR Insurance had thus gained competitive advantage because of creation of and getting involved in strategic alliances. This was attributed to the increased market share, new insurance products developed and profitability. Provision of medical insurance products by banks is now the leading revenue stream for AAR Insurance.

This confirms that AAR Insurance marginal profits will continue to be realized as long as the bancassurance services keep growing. Strategic alliances with Safaricom PLC on M-Tiba mobile platform has greatly helped to cut down the fraudulent claims, since now everything is controlled by the client and the mobile app providers. The hospital cannot generate invoices of ghost visits for clients they have details for as they used to in the past and this has helped the underwriters' claim payment reduced hence reduction on losses. Insurance sales agents too have been spread all over the country and this has ensured that AAR Insurances share in the market is large. The greatest competitive advantages the firm has gained is a large market share.

AAR Insurance has been able to generate massive streams revenue because of partnering with banks and financial institutions in Kenya that help finance clients' medical premium. Subscribers opt to make their payment through insurance premium financing bank and the services charges that are attached to processing the premiums inform of interest have been a source of revenue for both the bank and AAR Insurance.

5.2 Summary of the findings

The main objective of the existence and operations of every business is customer satisfaction while registering profits in their line of operation. With the Increase in competition levels companies require tactful strategic moves to attain competitive advantage. The study records that AAR Insurance has engaged in strategic alliances and in particular they engaged severally in equity alliances and has been engaged only in one Joint ventures alliance. The company has not been involved in of contractual alliance that was noted. The study noted that the factors that led AAR Insurance to get involved into strategic alliances were mainly two key motives; transaction cost motive and competitive position motive: leveraging on economies of scale, digitization, entry into new markets, market penetration, a need to create new products capturing international markets and organizational resources distribution.

The study corresponds with Kogut (1988) on the motivators to get involved in strategic alliances. Further the study took note of strategic alliance greatly contributed to AAR Insurance's ability to deal with the ever-changing business environment paused by globalization by; ensuring easy access of their products and services for their customers, releasing products and services, improvement on the profit, delightful customer experience, onboarding international hospital providers and aligning to changes in the insurance industry.

The research found out from the managers perspective, that AAR Insurance had attained competitive advantage because of strategic alliances. This was because of increased profitability and share in the market. AAR Insurance has been able to generate massive streams of revenue because of getting into partnership with financial institutions like banks and credit facilities in Kenya. Customers choose s to purchase medical insurance through their banks as their insurance premium is fully financed hence ease of premium payment. Others opt for the credit institutions to pay their premium in installments hence reduced financial constraints. The hospital panel of providers have also been comprehensive both locally and internationally, this has ensured that the customers have a range of hospitals to access service. These hospitals systems have been linked to the Safaricom M-Tiba app which ensures there are no fraudulent claims, this has helped reduce on the claims payment hence allowing the company to post profits consistently.

5.3 Conclusion

The study determined that AAR Insurance did attain competitive advantage which was which was as a result of strategic alliances, other underwriters in Kenya can therefore involve their firms in strategic alliances as these alliances can create value, and this results to sustainable competitive advantages. The advantages were consequential as a result; New products development, leveraging on economies of scale on large accounts, product and services extension like in cases of medical insurance policies where there are value additions like boot health camps, health talks and free medical checkups, redeeming of points in agreed outlets to pay for bills, cost saving service access like partnering with the lower carder health providers whose charges are not high like the big facilities.

If the company had not engaged in the strategic alliances mentioned above gaining the 62 % market share and being the market leader as is currently from their previous position 16 at 32% market share. These conclusions are aligned with literature existing on strategic alliances. Das and Teng (2001), discuss that strategic alliances can create significance features in business that makes them a major cause of competitive advantage.

5.4 Recommendations

The study derived several recommendations for the researchers and policy makers. It was recommended that the players and regulators within the insurance industry do involve themselves in strategic alliances since strategic alliances help a firm gain competitive advantage and further impacts the lives of their customers since there are so much value additions that the customers get.

The study also recommends similar studies be simulated across all the other active insurance industry managers to assess how and if strategic alliances would result to competitive advantage in the Kenyan insurance market. Another recommendation involved carrying out a similar study to gauge whether firms that did interact with AAR Insurance have achieved any competitive advantage.

5.5 Limitation of the Study

The amount of the collected data made the analysis and its interpretation time consuming. One of the limitations availabilities of the respondents as the study required interview sessions, most respondents could not give a physical interview due to covid-19 instead asked for online or telephone interview. This research was conducted out during a time that there was a major pandemic of Covid-19 and the medical insurance industry players were re-adjusting themselves so as to make the most suitable strategic decisions.

This was so as to be able to endure a pandemic and manage the very many medical claims that were coming in, so the respondents were holding so much information that they felt would be used by other underwriters to manage their operations.

The research was restricted to managers of AAR Insurance as a case study. This meant the collected materials from the interview were from only AAR Insurance managers and relevant to only AAR Insurances' context.

5.5 Suggestions for Further Studies

The study is limited to AAR Insurance Kenya Limited. Similar studies can be conducted on the other managers of other insurance companies, with a focus on strategic alliances adopted by these companies in the country and the outcome be compared for an accurate generalization. These studies should confirm on whether strategic alliances have been a tool to gaining competitive advantage. A comparable study should be conducted out also in the companies that have gotten into strategic alliances with AAR Insurance to confirm whether these alliances have been an instrument or acted as a tool towards attaining competitive advantage or otherwise.

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APPENDICES

Appendix 1: Introduction letter

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9th August, 2021

TO WHOM IT MAY CONCERN

RE: INTRODUCTION LETTER

This is to certify that **KHAMATI PRISCILLAH (REG. NO. D61/5727/2017)** is a bona fide student of the University of Nairobi, pursuing a degree in Masters of Business Administration (MBA). As part of the fulfillment of the requirement of the course, she is undertaking a study titled ***"RELATIONSHIP BETWEEN STRATEGIC ALLIANCE AND COMPETITIVE ADVANTAGE IN AFRICA AIR RESCUE INSURANCE KENYA LIMITED."***

You have been selected as one of the respondents in the study. The purpose of this letter therefore, is to kindly request you to assist and facilitate in carrying out the study in your organization by answering the questions in the attached questionnaire.

Data and information obtained through this exercise is purely for academic purpose and will be treated with utmost confidentiality. In case of any questions or clarifications, she can be reached on 0729731459 or mangwanakhamati@gmail.com

Your assistance and cooperation will be highly appreciated. Thank you very much in advance.

Yours Faithfully,

UNIVERSITY OF NAIROBI
CO-ORDINATOR
09 AUG 2021
SCHOOL OF BUSINESS
MOMBASA CAMPUS

Dr. Stephen Odock,
Coordinator, Faculty of Business and Management Sciences, Mombasa Campus

Appendix 11: Interview guide

Introduction: This study aims to explore the relationship between strategic alliance and competitive advantage in AAR Insurance. Your responses are accepted in very strict confidence and shall only be used for this study. The result of the study can be availed to your organization upon request.

Section A: Background information

1. What is your designation in the company?
2. How long have you held your position?
3. What is your highest educational and professional qualification?

Section B: Strategic Alliance formation

1. Has AAR Insurance been involved in any strategic alliances?

2. If your answer in (1) above is yes, what forms of Strategic Alliances has the organization been involved in? please explain.

3. If AAR Insurance has been involved in more than one form of strategic alliance as explained in (2) above, which form of strategic alliance is more common than the other and why is that?

4. What are the factors that have led to your organization decision to form strategic alliances?

5. Would you say that strategic alliance has been a great contributor to the company's competitive advantage?

4. Were there any variation in the overall expected strategic alliances results, if so to what extent?

5. What challenges has AAR Insurance faced because of entering strategic alliances with other organizations.

Section C: Competitive advantage

1. Has strategic alliance in your opinion propelled the firm towards attainment of competitive advantage in the industry?

2. Explain ways in which your organization has been able to gain competitive advantage because of embracing strategic alliances?

3. Explain the factors that have helped the organization get noticeable gains and attain competitive advantage? Please give illustrations where possible.

Section C: Relationship between strategic alliance and competitive advantage

1. What are your future expectations towards the role of strategic alliance in achieving competitive advantage?

2. What other issues on the relationship between strategic alliances and competitive advantage in your company would you deem important to share?

3. Do you think there exists relationship between strategic alliance and competitive advantage?

Thank you for participating