# ORGANIZATIONAL STRATEGY AND GROWTH OF MICROINSURANCE IN KENYA

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# DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

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I thank God for his sufficient Grace to undertake this degree program which will also be an inspiration to my future generations.

# DEDICATION

I hereby dedicate this research project to my parents. May God Almighty Bless you abundantly. Truly, with God nothing is impossible.

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# ABSTRACT

Organizational strategies are especially significant in businesses where the services or goods offered are comparable and in case where competitive rivalry is intense. Firms that desire to achieve and retain a significant market share must be profitable and be able to scale their operations through adoption of competitive strategies. This study sought to establish the influence of organizational strategies on growth of micro insurance companies in Kenya. The study was anchored on Resource-Based View Theory and Porter's generic model of competitive strategies. A descriptive cross-sectional survey was used in this investigation. The target population in this study consisted of thirteen (13) insurance companies that offer micro insurance products in Kenya, headquartered in Nairobi. The unit of analysis included 60 employees working in the microinsurance companies at senior levels of management. The study used the census data collection method. The main technique for gathering data was a questionnaire. Open-ended, structured questionnaires were used to gather the data. Descriptive statistics was utilized in data analysis. SPSS version 23 was used for data analysis which offered varied ways of analyzing data to meaningful inferences. Correlation inferential analysis was employed to measure the degree of association between dependent and the indicators of the independent variables. Quantitative reports were generated using tabulations, percentages, and measures of central tendency (means and standard deviations). The study established that by lowering the cost of operations, micro insurance companies in Kenya were able to offer products at a lower price. Differentiation strategy offered competitive advantage to the firms enabling them to provide customers with unique products that were different and distinct from that of competition. Focus strategy helped insurance companies to identify the market segments where they can compete successfully. Moreover, through the power of innovation, microinsurance companies can accelerate the pace of company change. The study concludes that cost leadership strategy, differentiation strategy, focus strategy and innovation strategy all have a positive significant effect on micro insurance growth in Kenya. The study recommends the strategic management of micro insurance firms to consider embracing these organizational strategies since they were found to be critical in fostering organizational competitiveness and growth of micro-insurance.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Organizations operate in an open system in a constantly changing environment with erratic operations. As a result, organization's ability to adapt to the environment dictates its survival as it serves the environment (Kiragu, 2014). Competition is one of the environmental forces that have an impact on business. As rivalry rises, the attractiveness of the industry declines, affecting the profitability and market growth. Businesses are required to be proactive and sensitive to projected and actual changes in the competitive environment because of the pressure they are under. As a result, to effectively compete and respond to changing conditions, businesses must focus on establishing and leveraging competitive advantage (Adeleke et. al. 2019). Businesses may focus on areas where they might gain a competitive edge over rivals by enhancing their inherent competencies. The build-up phase of competitive advantage's life cycle is when strategic actions and movements result in competitive advantage.

Resource-based view (RBV) and Porter's Generic Strategies Model are theories that apply to this research study. According to the RBV, it is far more practical to exploit external chances by repurposing existing tangible and intangible resources rather than acquiring new capabilities for each opportunity (Werner felt, 1984). Tangible and intangible resources are given the major role in helping companies to leverage on their competition, achieve higher organizational performance which lead to competitive advantage. As a response to a significant weakness in the organization's resource-based approach, the idea of dynamic capability was developed. According to Teece et al. (1997), capability forces are the capacity to build, integrate, and reconfigure external and internal competences to react to an environment that is changing rapidly. Capabilities allow businesses to efficiently use their resources to gain a competitive edge.

According to Porter's Model of competitive strategies micro businesses can analyze their competition to understand their position in market to establish a strategic plan for future projection in ensuring competitive advantage. According to Dobbs (2014) knowing your competition is a crucial survival marketing strategy for successive planning to establish competitive advantage. Fleisher and Bensoussan (2015) argue that analyzing ones' competition helps business organization understand their position in the industry. The adoption of Porter's Five Forces model determines whether or not a business company is profitable because it helps a company understand its position in the industry landscape. According to Bruijl and Gerard (2018) Porter's Five Forces model is an essential macro-analytical tool for business evaluation. Understanding the competition forces and their underlying causes will help an organization consider their strategic actions since it reveals the roots of the current profitability and anticipation of competition. Porter (2014) argue that for a healthy industry structure companies need to be more competitive concerned for strategic planning and evaluation for current position. Therefore, the theorized perspective on understanding competitive forces ensure companies are successful in strategic decision making, and development of compelling strategic plans.

Due to stiff competition, insurers in Kenya are now keen to venture into new market spaces with an objective of increased profitability and market penetration which still stands at below 3%. Low-income segment has necessitated development and thought process around affordable micro insurance as a new market space dominated by informal sector. To achieve market leadership in this sector, insurance companies must continuously create new sources of competitive advantage. This can be accomplished by developing and implementing a winning strategy that is tailored to the organization's external and internal environments, generates long-term competitive advantage, and improves overall performance. There are fifty-six (56) licensed insurance companies in Kenya as at the end of 2022 (IRA). Out of these, only 27% underwrite class 13 of microinsurance business. This study will focus on the entire 13 companies that offer micro-insurance products in Kenya. These companies have their headquarters in Nairobi and branch network across the country to enhance products distribution and market share.

### 1.1.1 Organizational Strategy

Porter (1996) defines strategy as the process of creating a one-of-a-kind product and value proposition through a succession of activities. Meeting "limited needs of a big number of consumers," "extended needs for a small number of customers," and "broad needs for many customers in a small market" are all part of this (Kamura, 2020). As a result, when deciding what to do and what not to do, trade-offs will be necessary. According to Hanet, Bohnsack, and Marz (2021) organizational strategy denote the long-term plan that a business draws to allocated the utilization of available resources and support operational activities. In this sense, an organization uses organizational strategy as the blue-print to achieve its objectives and meet its goals. Organizational strategies are the foundation for developing strategic plans that ensure competitive advantage (Bryson, 2018).

Furthermore, the use of organizational strategy as a competitive advantage tool ensured effective improvement of decision-making process. It guides executives attain organizational goals by findings the most efficient understanding on implementing actions. Businesses need organizational strategy to allow them prioritize the chain of actions and understand the functional integration of transparent information flow and ease decision-making. Therefore, businesses use organizational strategy to evaluate the level of attaining desirable metrics on competitive advantage. International businesses develop organizational strategies from their business plan to align with the mission and goals. According to Tallon, Queiroz, Coltman, and Sharma (2019) organizational strategy is achievable at three levels for corporate success and competitive advantage. These main levels include corporate, functional and business-level. In this perspective, the organizational strategy levels give the business a roadmap to attaining competitive advantage through identification of their reflective position and future aspirations.

### 1.1.2 Organizational Growth

During an organization's growth stage, a company may investigate chances for expansion and other ways to increase income (Odenyo, 2018). The business lifecycle, industry growth patterns, and owners' preferences for equity and value generation are frequently contributors to organizational growth. A business or organization can develop in a variety of ways, including joint ventures and strategic alliances. For low and medium-sized companies with limited resources, this method may be beneficial. Such alliances can assist a small business in obtaining the resources required to stay up with the quick changes in supply, demand, competition, and other factors (Onyuma, 2019). Creating strategic alliances can give firms the freedom to organize various initiatives in a sequential manner or to restructure contracts so that they can continue to collaborate. It's possible for a business to wish to develop and flourish by licensing its most cutting-edge goods or technologies. This tactic may be the best option for businesses who have their own exclusive technologies to prevent proprietary threats from competitors copying their products.

By using smart and efficient agreements, licensing is one strategy businesses can utilize to get the most out of their technology. It's also a technique to gain access to the funds required to support future research and development initiatives (Mutembei, & Njuguna, 2019). Contribution to organizational growth is by factors within and out of control of management hence it’s important to consider this during analysis (McKelvie, & Wiklund, 2010). The market for micro insurance is still developing but is picking up steam. Any country's socioeconomic development depends heavily on the insurance industry, so it is crucial to identify the issues limiting its expansion in order to establish the right market expansion plans. Micro insurance products are designed to help eliminate the risk to low - income people. The use of micro insurance products will make the low income people can live better quality. The insurance industry, which has access to a large number of micro insurance clients, will make it profitable and grow (Kamura, 2020). But in fact, it was found in the last decade that demand for micro insurance products is still relatively low.

### 1.1.3 Micro Insurance Firms in Kenya

Insurance industry in Kenya consists of different players such as insurance companies, reinsurers, intermediaries, and other service delivery players, IRA, 2022). Microinsurance refers to the bundling of affordable insurance solutions or products for low-income households with an attempt to manage risks such as accidents, illness, theft, death, fire, and natural disasters like floods and droughts. Microinsurance products are offered in exchange for a low-cost insurance premium that is customized to the demands, income, and risks encountered by target population (Ingesa, 2016). The Jua Kali industry, farmers, farm laborers, and domestic helpers are among the populations targeted by microinsurance. The segment is most vulnerable to risks and emanating losses which drive them into helpless situations and abject poverty. Microinsurance therefore comes in as a risk-control mechanism to shield them from such eventualities.

Due to the nature of small premium amount of microinsurance products, the average cost incurred to sell to individual customers is higher as compared to group set-up. Microinsurance therefore works better with groups rather than with individuals. In addition, underwriting group risks is less expensive for insurers than individual risks (Onyuma, 2019). Due to this, huge enterprises, the government, trade associations, social welfare organizations, saccos, commercial banks, and microfinance institutions all acquire reasonable insurance through their current group arrangements. Some insurance companies have already embraced microinsurance as a special class of insurance. We have several products in the market such as CIC's Afya Bora medical product, UAP's Salama Sure product, as well as Faulu Kenya's 'Faulu Afya' health insurance product. Majority of these products address risks in livestock and crop insurance, health, funeral, and life insurance (Odenyo, 2018). There are several other players that contribute directly or indirectly to the growth of microinsurance in Kenya either through promotions, distribution of insurance products, premium collection or claims payment. They include entities such as commercial banks, microfinance institutions, mobile money transfer providers, online aggregators, insuretech, saccos among others.

## 1.2 Research Problem

Organizational strategies are especially significant in businesses where the services or goods offered are comparable and in case where competitive rivalry is intense (San et. al. 2012). Firms that want to achieve and retain a significant market share must be profitable and be able to scale their operations through adoption of a competitive strategy. Businesses that fail to find their competitive edge have found themselves stuck in the middle, unable to survive and expand. Kenya's insurance sector constitutes for 10% of the GDP of the country (Mutembei, & Njuguna, 2019). Any country must strengthen its insurance industry to achieve long-term growth and global competitiveness. Micro-insurance strategies are meant to create sustainable competitive advantage to the insurance companies that are dealing with micro-insurance business (Onyuma, 2019).

The increasingly competitive environment in the thirteen (13) insurance companies offering micro-insurance products in Kenya has resulted in pressure to develop strategies that will create sustainable competitive advantage (Ingesa, 2016). There is potential for micro-insurance business growth with more insurers adopting the class to grow with an anticipation of more insurance companies venturing into it. Consequently, every insurance company is on the verge of formulating and implementing a strategy that will enhance competitiveness. Despite the above initiatives, affordability of insurance by low-income earners remains a big challenge. The World Bank State of Economic Inclusion Report, 2021, categorizes Kenya as a lower-middle income economy with over 40% of the population living in extreme poverty. This population is majorly composed of households in the informal sector who view insurance as a product for the rich and not a necessity (Nduki, 2016). This perception, coupled with unaffordable health solutions has led to low insurance penetration in Kenya, below 3%. Micro insurance, therefore, presents itself as the most appropriate mechanism the insurance industry could use in making insurance affordable to low-income earners. Just like traditional insurance, micro-insurance uses the same concept of covering risk that may occur due to unforeseen events (Kamura, 2020).

Various studies and research have been conducted to determine the impact of strategies on organizational growth. For example, Mwiti (2011) sought to analyze Essar Telecom Kenya's market penetration tactics in his study. In Kenya's public universities, Obura (2014) looked into the impact of organizational culture on performance, while Obuba (2014) looked into the effect of product price on the growth of microinsurance by Kenyan insurers. Njuguna and Arunga (2013) looked into the methods used by microinsurance service providers to manage risk. In their 2016 study, Wanaina and Oloko concentrated on organizational development and market penetration strategies in Kenya's soft drink sector. These studies however do not address direct impact organizational strategies bear on microinsurance business, which has its own set of peculiarities. Furthermore, no research has been done in Kenya to determine the impact organizational strategies hold on micro insurance expansion. There is few research on micro insurance growth, thus it would be useful to explore this area further.  The study is therefore aimed at addressing the research question, how does organizational strategy affect growth of microinsurance firms in Kenya?

## 1.3 Research Objective

The objective of this study was to establish the influence of organizational strategies on growth of micro insurance companies in Kenya.

## 1.4 Value of the Study

The outcome of this study would be beneficial in the growth and management of micro insurance firms in Kenya as well as affiliated institutions within the microinsurance space. The study's findings would identify other gaps that will serve as a springboard for further investigation and analysis. The research findings would be used as a point of management reference for the various organizational strategies being implemented by microinsurance players.

Further, the study would help managements to participate in effective organization strategy to foster insurance growth. The findings would be essential for the regulatory organizations overseeing the insurance industry in developing its frameworks and policies. Only a well-thought-out and collaborative policy framework to guide expansion in the microinsurance sector can make this happen.

The study would be helpful to the academic community since it will offer knowledge that can be used as a foundation for more research. Additionally, it will close the information vacuum in the area of microinsurance organization strategy and growth and serve as a foundation for future researchers who intend to carry out similar studies in developing nations.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

This chapter entails the theoretical review showing the inter-relationship between the variables in the research study and discussion of empirical studies related to organization strategies and growth of firms. It also provides review of variables which seeks to establish whether a relationship exists between the parameters stated.

## 2.2 Theoretical Foundation of the Study

### 2.2.1 Resource-Based View Theory

Resource-Based View theory focuses on a firm's competencies and resource allocation as a source of competitive edge and firm’s profitability. The proponents go on to say that the organization's resources and the environment it operates in, forms the foundation for competitive advantage. The theory is built on company’s resources and goes on to say that the combination of these resources such as knowledge, skills, technology, experiences, and organizational procedures, translates to the organization's capabilities, which allow firms to compete in different marketplaces, (Kraaijenbrink, Spender & Groen, 2010). According to Wernerfelt (1984), for a company to gain a competitive edge, it must always use the resources at its disposal. The resources must match the VRIN criteria to be effective in moving the company toward enhanced growth (Wernerfelt, 1984). Barney (2002) backed up the claim by stating that for a company to achieve long-term growth, it must adopt precious, unique, inimitable, and non-substitutable resources. The theory's strength is that it allows the firm to identify the resources that offer it an advantage, allowing it to achieve adequate growth.

According to Helfat and Peteraf (2009), the organization's resources should be able to develop high-value products or services. In addition, the resources assist the company in effectively and efficiently retailing its goods or services. However, one significant flaw in this theory is that it ignores the fact that organizations might be diverse in terms of the strategic resources they own and manage. Furthermore, the theory assumes that the strategic resource is not transferable among enterprises, implying that heterogeneity may persist for a long time (Kraaijenbrink, Spender & Groen, 2010). To address this, insurance companies should pool comparable resources to achieve long-term growth and hence remain competitive. On the other hand, businesses may make the best use of their resources only if they have the right capabilities. A capability is, for example, the ability to bring a product to market faster than competitors. Competitors will find it challenging to imitate such talents because they are tough to capture as processes. The company's resources and competencies come together to create its strengths. The company's competitive advantage will be determined by the applicability of its resources and capabilities to a certain industry situation.

A corporation can change its resource mix thanks to dynamic resources, maintaining its competitive advantage (Barney, 1986). Therefore, sustained competitive advantage is built on the idea of firm resource heterogeneity and is the result of resource selection, accumulation, and deployment (through organizational skills). The relevance of RBV theory to the current study will be highlighted by the fact that it provides the researcher with priceless insights into tying organizational strategy to growth of micro insurance. Even as it pursues various growth tactics, it is critical for a company to have good resources. As a result, the organization's material and people resources are crucial to this approach (Peng, 2001). It cannot be overstated that the organization's leadership plays a critical role in making decisions on organizational resources.

### 2.2.2 Porter’s Generic Strategies Theory

Porter’s Generic Strategies model was propounded by Michael E. Porter (1985) to advocated for the three strategic options for competitive advantage including cost leadership, focus, and differentiation. According to Porter’s generic strategies theory competitive tactics are the product of two factors: supply and demand. Strategic scope is a term used to describe the supply side, whereas strategic strength is a term used to describe the demand side. Porter (1980) broke the notion down into three components: cost leadership, distinctiveness, and focus. These are the three most popular methods.

As indicated by Porter (2004), competitive strategies have arisen because of a very much organized arranging process from one perspective, and approaches and projects forced by organizations' direction and the motivations poured in by their backers on the other. Even though Porter (1980) developed the field's original concept, other scholars have questioned his philosophy in a variety of ways, prompting new research in this area. Porter's (1980) early thinking in this sector, as well as the has been well known and has been a significant starting point for laying out an association's intensity in a specific industry. Scholes and Johnson (2012) characterized methodology as the bearing and degree to which an organization accomplishes a benefit by realigning its assets to satisfy modern market needs.

The Generic Model by Michael Porter has drawn a lot of interest. He thinks the best strategies for a business to increase a competitive edge over rivals in the industry are distinctiveness and cost leadership. He says that any of the unique methods or procedures he discusses, such as low-cost strategy, quality, new items, and customer service, can help him achieve this. This entails staying one step ahead of the competition by engaging in activities that are distinct and unique in a way that provides a competitive edge to firms. Using these tactics, businesses can get a competitive advantage over their competitors. Porter's generic strategy model is applicable for this study as it entices micro-insurance companies to project their competitive advantage in the three faces through cost leadership to ensure that the prices of their products and services are competitive and adhering to the market value.

## 2.3 Strategies Adopted by Organizations in Kenya

### 2.3.1 Cost Leadership Strategy

The company's cost leadership is focused on having lower overall expenses than the competition. Lower costs relative to competition is a major strategy used by companies that attain low-cost leadership (Kiragu, 2014). The company establishes a long-term cost advantage over competitors, which it then uses to either underprice competitors and obtain a larger market share at their expense or sell at the going price and make a higher profit margin. Insurance companies employ micro-insurance distribution channels as one of their strategies for growing their micro-insurance company. Micro insurance product distribution models must be practical, cost-effective, and transparent (Adeleke et. al. 2019). Because these institutions would distribute the products in large quantities, transaction costs would be reduced, giving them a competitive advantage.

### 2.3.2 Differentiation Strategy

Differentiation strategies are marketing techniques used by insurance companies to fabricate a particular character in a specific market. This procedure can be utilized by an insurance agency to present different varieties of a similar essential items under a similar name into a specific item classification, covering the entire range of items accessible in that classification (Njuguna & Arunga, 2013). Product differentiation is one of the finest tactics for insurance businesses to grow their market share as clients demand more personalization. Companies can retain lower unit costs, provide better services, expand flexibility to pay greater commissions, and produce more sales because of this, resulting in increased efficiency. Information technology, like it has for microfinance, considerably lower costs and increase the profitability of micro insurance.

Many clients are unwilling to pay premiums for an intangible product that may or may not be used in the future, and they commonly distrust insurance companies (Wainaina, & Oloko, 2016). Some insurance companies run campaigns to raise awareness and educate low-pay families on the need of chance assurance through miniature protection plans, as well as the distinctions between miniature protection and customary protection items. For instance, VimoSEWA (India) perceived that its case rates were fundamentally lower than they ought to have been, in this way it expanded its endeavors to teach policyholders on the cases cycle. Insurance policies must be simple to comprehend, especially in areas where insurance illiteracy or illiteracy in general is common (San et. al. 2012). For a micro-insurance program to work, it must meet several criteria, including client comprehensibility and understanding. Micro-insurance companies have been compelled to devise premium payment mechanisms that ensure maximum collection to overcome income variability and increase profit growth.

### 2.3.3 Focus Strategy

Focus strategy is based on identifying a market niche with specific preferences among purchasers. Geographical exclusivity, specific requirements for using the product, or unique qualities that draw customers can all be used to pinpoint the market niche (Mutembei, & Njuguna, 2019). The existence of a client segment with less expensive needs than the rest of the market is necessary for a low-cost focus approach. On the other side, a focus approach focused on differentiation necessitates the existence of a buyer segment that desires distinctive product attributes. Insurance businesses do micro-insurance market research by evaluating the size of the geographical region, the number of possible clients, the culture, and the ability to pay (Onyuma, 2019). Adequate market research aids in determining new markets and identifying those sectors of the market with distinct micro insurance usage and attitude issues.

The research findings are used by insurance companies to make plans for developing new insurance products that meet the clients' anticipated varying needs, allowing them to obtain market share in the region (Njuguna & Arunga, 2013). In the current economic context, developing a strategy has never been more difficult. The capacity to stay up with technology, the fear of rising inflation, the challenge of maintaining customers in ever-more-competitive markets, and the availability of money are some of the challenges that insurance organizations may have as they plan their future strategy. A key step in the strategic management process is evaluating and selecting strategic options, which is necessary for businesses that want to survive or grow.

### 2.3.4. Innovation Strategy

According to Lionnet (2013), the adoption of new and more modern products and services with the purpose of boosting a company's market share, profitability, and overall performance is referred to as innovation strategy. Ngweshi (2016) characterizes advancement technique as the turn of events and promoting of new items and administrations that enhance clients by addressing their requirements at the right time and in a more helpful and proficient way than contenders. The organization's development strategies are consultative, earth cognizant, and intelligent, determined to help it in accomplishing its short-and long-haul targets.

Creative business strategies help organizations to establish innovative and competitive business models by thinking outside of their organization, industry, or geographic location. These approaches are built on enhancing product value through design, development, marketing, supply chain, and after-sales service (Ting, Wang, & Shin, 2012). Innovation plans, according to Porter (2014), are created out of a desire to acquire a competitive edge, and a strategy cannot be deemed creative unless it leads to a competitive advantage in each industry while simultaneously strengthening organizational capabilities and resources. Firms can respond to changes in the local and global business environment by strategically deploying innovations. Innovation can accommodate changes in tastes, demand, performance level demands, and organizational growth requirements.

As a result, innovation initiatives are essential for ensuring organizational survival and expanding market relevance, as well as for proper strategic management (Porter, 2014). Beyene et al. (2016) examined how innovation strategy affected organizational learning and innovation performance. According to the findings, employing creative solutions improved organizational performance and promoted product innovation. According to the survey, businesses adopted creative product and marketing strategies as a result of changes in the external environment, particularly in the area of technology, as well as changes in the economy and human resource capability.

## 2.4 Empirical Review and Research Gap

Njuguna and Waithaka (2020) did a study on the relationship between cost leadership strategy and organizational performance of insurance companies in Kenya's Nyeri County. It was based on the Dynamic Capabilities Theory and the Porter Five Forces Model. All twenty (25), insurance businesses present in the county, were examined using a census survey methodology. A total of 125 people responded as a result of this process. The study evaluated the insurance businesses' non-financial performance across five financial years, from 2014 to 2018. The results of the Pearson correlation study show a substantial association between cost leadership and organizational performance. Similar to this, the outcomes of the analysis using multiple linear regression demonstrated that cost leadership has an advantage over organizational performance. The study focus was on cost leadership strategy and organizational performance. The study, however, did not fully address the issue of micro insurance company growth, leaving a knowledge gap that the current study intends to close by determining the impact of cost leadership strategy on the growth of micro insurance firms.

Ifeoma et al. (2021) conducted research on the impact of differentiation strategy on organizational growth of manufacturing businesses. The study utilized a correlational research methodology. Data were acquired using a questionnaire using a five-point Likert scale. The target population was 126 employees. The Taro Yamane formula was used to create the sample of 63. The findings showed a statistically significant correlation between product differentiation and market share as well as a strong positive association between people differentiation and competitive advantage. The study's primary focus was on the organizational growth of manufacturing firms in Ebonyi State, Nigeria, using differentiation technique. This study creates a knowledge gap on two aspects. First the study was on growth of manufacturing firms and thus the results cannot be applicable on the growth of micro insurance companies in Kenya. second the study was conducted in Nigeria and thus it would be difficult to generalize the findings in Kenyan context. By determining the impact of differentiation strategy on the expansion of micro insurance companies in Kenya, this study will close the knowledge gap.

Akintokunbo (2018) studied the effects of the market focus strategy on telecommunications company organizational performance. The study's management workers from 4 telecommunications businesses in Port Harcourt participated in the study. A sample size of 100 was chosen for the population of 134 using the Taro Yamane formula for estimating sample size with the simple random procedure. Only 93 respondents' data were ultimately used for data analysis after data cleaning. With all of the items scoring above, the instrument's internal reliability was determined using the Cronbach Alpha coefficient. The study found that the market focus approach has a positive and significant impact on the organization's competitiveness. According to the report, businesses should focus on a certain market niche and try to differentiate themselves or gain a cost advantage inside that market segment. However, the findings could not be applied on growth on micro insurance companies as they differ in context with telecommunication companies thus creating a knowledge gap. In addition, the study context was in Port Harcourt which differs in context with Kenya thus creating knowledge gap. The current study will fill the gap by establishing the influence of focus strategy on growth of micro insurance companies in Kenya.

Mutegi (2018) conducted research in Kenya on the impact of innovation strategy on insurance uptake. Because this study includes describing a phenomenon, it used a descriptive research approach. A total of 51 insurance businesses were surveyed, all of which were licensed to underwrite insurance services. The research looked at 146 managers from marketing, underwriting, finance, and claims departments from 34 insurance companies with underwriting licenses. Majority of respondents stated that product innovation evaluates and decides what customers desire, according to the study's findings. In terms of the role of market innovation in insurance penetration, majority of respondents agreed that market innovation plays a role in insurance penetration. According to the study's findings, all the respondents believed that technical and process innovation contributed to insurance penetration in Kenya. The study focused on the impact of innovation strategy on insurance uptake and thus the aspect of growth of micro insurance was not covered thus creating a knowledge gap. There is a knowledge gap because the study did not pay attention to how organizational strategy affects the growth of microinsurance. Therefore, the current study will close the gap by determining the impact of Kenya's microinsurance expansion strategy on innovation strategy.

# CHAPTER THREE: METHODOLOGY

## 3.1 Introduction

This chapter describes the research methodology that was used in the study. This chapter gives details on research design, population, and sampling technique. Further, data collection tools and processes, test of reliability and validity of the research instruments are also presented. Finally, data analysis techniques are also described in the chapter.

## 3.2 Research Design

Research design is a map and configuration of the inquest with an objective of obtaining answers to research questions. It is a structure for specifying the affiliations among the inquest variables. A descriptive cross-sectional survey was used in this investigation. A cross-sectional study captures a snapshot of a population at a specific point in time, allowing inferences about the issue under investigation to be derived across a large population (Cooper & Schindler, 2006). According to Sultan and Wong (2010), expressive cross-sectional research allows for a quantitative explanation of the antecedents of service quality management techniques, and hence was deemed to be appropriate for this research.

## 3.3 Population of the Study

This is a set of things or items, which are under investigation and from which generalization of results is done (Mugenda & Mugenda, 1999). Population of the study comprised of the micro-insurance firms in Kenya. The target population in this study consisted of thirteen (13) microinsurance companies in Kenya, headquartered in Nairobi.

The unit of analysis entailed 60 employees working in the 13 insurance companies at their various capacities in senior level of management. Census method was utilized to select the sample size. This is a technique for statistical enumeration when the entire population is used for the investigation. Census method was appropriate due to its representation of the true measure of the population and also had the highest degree of accuracy (Babbie, 2010). In addition, census is utilized where the population is below 200 respondents. Thus the sampling method was appropriate for the current study as the population was 60 way below 200 respondents.

## 3.4 Data Collection

The study used the census data collection method. This is appropriate because respondents are only from the 13 microinsurance companies and all could effectively be considered resulting to increased accuracy. The main technique for gathering data was a questionnaire. Open-ended, unstructured questionnaires were used to gather the data. A survey is a research tool used to gather information from many participants (Kombo & Trop, 2006). Using the questionnaires, the researcher was able to quickly collect a large amount of data from the respondents.

The unstructured nature of questionnaires gave the respondents the freedom to express themselves without any limitations created by structured questions. Both primary and secondary data was used. Primary data offers analyst a chance to get direct data with respect to a concept. Secondary data involved a comprehensive study of literature from different sources including books, alluded print, and electronic diaries on organizational strategies and how they influence growth of micro insurance in Kenya. Secondary data provided a basis for primary data comparison.

## 3.5 Data Analysis

Data analysis is the process of summarizing and interpreting collected data to draw accurate and helpful conclusions. Data analysis involves both analytical and logical reasoning to make meaningful inferences from the data collected. It aims at converting numerical and content data into knowledge where informed decisions can be made**.** Descriptive statistics was utilized in data analysis. SPSS version 23 was used for data analysis which offered varied ways of analyzing data to meaningful inferences. Mean score and standard deviation was used to analyze Likert type questions. Correlation inferential analysis was employed to measure the degree of association between dependent and the indicators of the independent variable in terms of magnitude and direction. The relationship of the equation was a linear equation as shown below.

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$ where:

Y= micro insurance growth in Kenya; $\beta_0$ = constant term; $\beta_{1}$ – $\beta_4$ = Beta coefficients (intercepts for indicators for independent variable); $X_1$=cost leadership strategy; $X_2$=differentiation strategy; $X_3$= focus strategy; $X_4$=innovation strategy and $\varepsilon$ = Error term.

Tables were used to present the findings for additional analysis and comparison, with written explanations provided for each table. Quantitative reports were generated using tabulations, percentages, and measures of central tendency (means and standard deviations).

# CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND PRESENTATION

## 4.1 Introduction

This chapter presents the data analysis following the study conducted on organization strategy and growth of microinsurance in Kenya, findings of the study and their interpretation with the goal of accomplishing the study's objectives.

### 4.1.1 Response Rate

The questionnaire response rate is calculated by dividing the total number of participants who answered a questionnaire by the total number of individuals that were either targeted or asked to fill one out. Table 4.1 shows that out of a target of 60 questionnaires, a total of 51 completed questionnaires were returned, representing an 85 percent response rate.

**Table 4.1: Return Rate**

| Category | Frequency | Percentage (%) |
|---|---|---|
| Responded | 51 | 85 |
| Did not respond | 9 | 15 |
| **Total** | **60** | **100** |

**Source: Research data, (2022)**

## 4.2 Respondents' Demographics

The researcher started off by analyzing demographic information of the participants to ascertain their suitability and qualification to avail accurate research feedback. This was achieved by analyzing their education qualifications, gender, age, and workforce size in their respective insurance companies. The information was presented as follows.

### 4.2.1 Distribution of Respondents by Gender

Respondents were asked to indicate their gender to ascertain equitable participation, hence ruling out any possibility of results suffering from gender biasness. Majority of respondents, 60.7%, were male whereas 39.3% were female as presented in Figure 4.1.

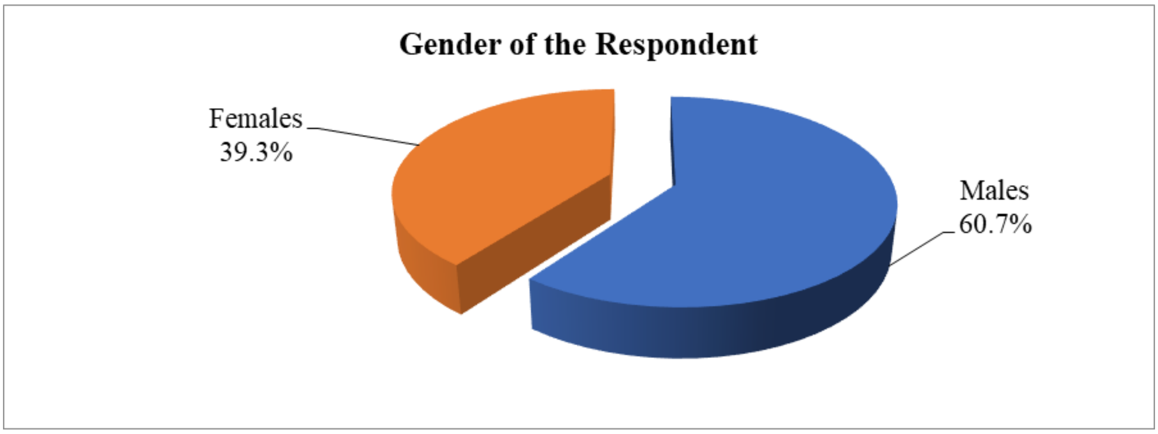


**Figure 4.1: Gender of the Respondent**

### 4.2.2 Distribution of Respondents by Age

The research required the study participants to specify their age based on the age brackets offered in order to ensure that the material acquired by this survey reflected the perspectives of different age groups. The study shows a diverse age distribution with majority of respondents falling between 30 years to 44 years as presented in Figure 4.2.

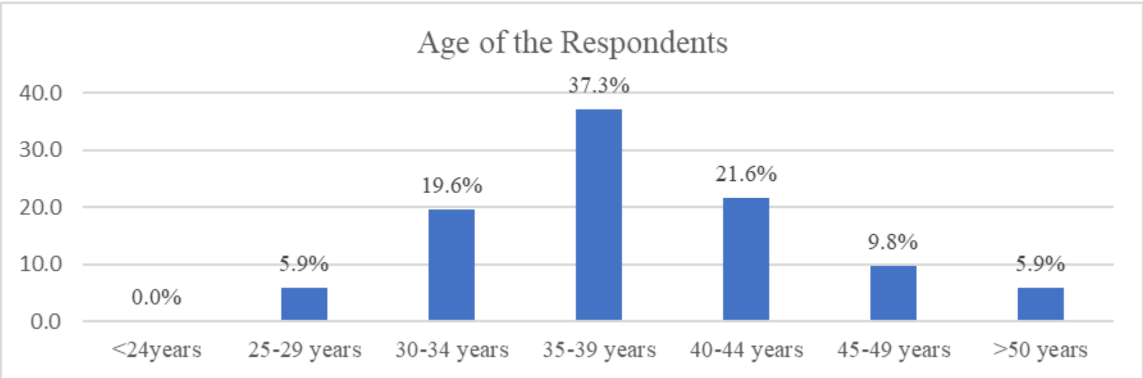


**Figure 4.2: Distribution by Age**

### 4.2.3 Distribution of Employees by Workforce Size.

Employees were asked to clarify the workforce size in their company to ensure representation from different firm sizes. Majority of respondents (12) were working in large-sized insurance firms with more than 100 employees as presented in Figure 4.3.

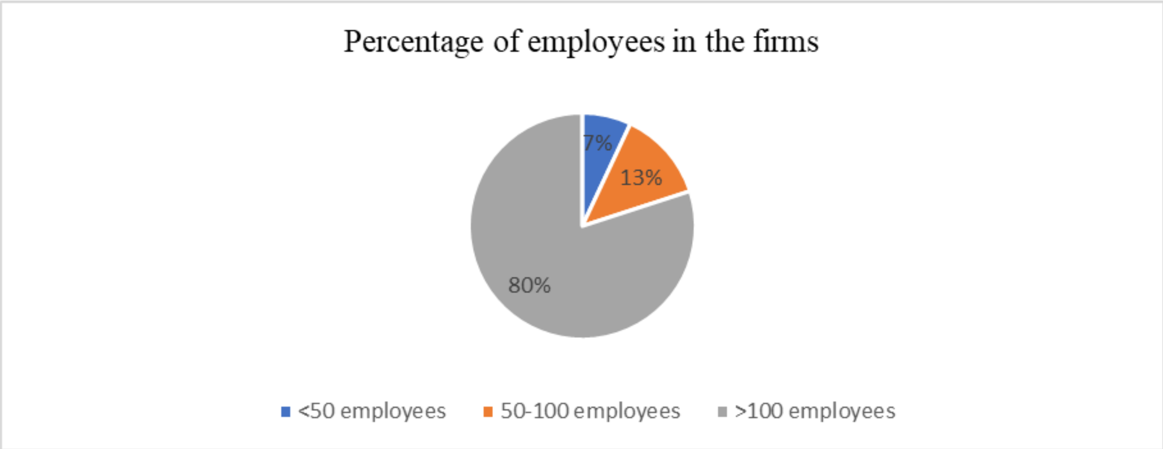


**Figure 4.3: Number of Employee per Insurance Company**

### 4.2.4 Highest Educational Qualification

An analysis of respondents' educational qualifications was done to ascertain their professional qualifications in responding to the research questions with ease and therefore make a positive contribution to the study. From the study findings, majority of the respondents were well experienced in their respective roles with professional qualifications over and above university graduate degrees as presented in Figure 4.3.

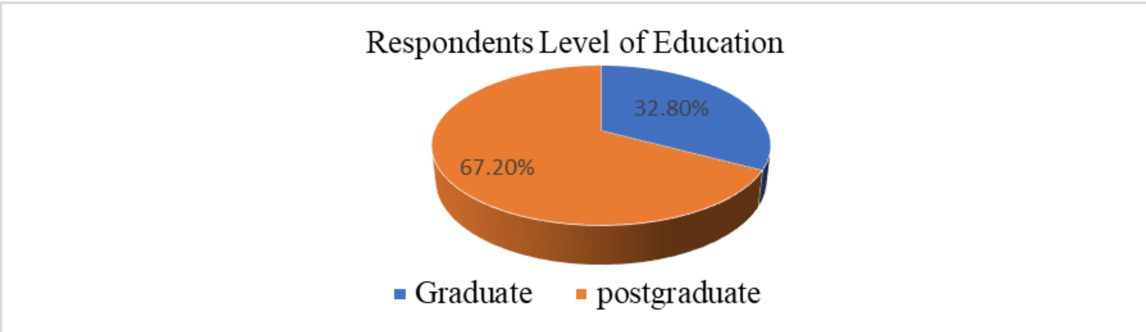

**Figure 4.4: Highest Educational Qualification**

## 4.3 Research Findings

### 4.3.1 Effect of Cost Leadership Strategy on Firm's Growth

The study participants were asked to indicate whether the firm's operational costs of doing business reduced after adopting cost leadership strategies. From the results, majority of the respondents, 82.4%, confirmed that adoption of cost leadership strategies affected company's operational costs. By lowering the cost of operations, microinsurance companies were able to offer products at a lower price, enabling them to achieve price competitiveness.

**Table 4.2: Effect of Cost Leadership Strategy on Firm's Operational Costs**

| | **Frequency** | **Percentage** |
|---|---|---|
| Yes | 42 | 82.4 |
| No | 9 | 17.6 |
| Total | 51 | 100.0 |

In most cases, the study established that cost leadership was mostly impacted by digitization of products and processes, which resulted to improved operational efficiency and subsequently increased profit margin.

Further, respondents were asked to indicate their level of agreement with the following statements that investigate the extent to which cost leadership strategy influence growth of micro insurance companies.

**Table 4.3: Cost Leadership Strategy and Growth of Microinsurance in Kenya**

| Statements | N | Min | Max | Mean | Std. Dev |
|---|---|---|---|---|---|
| Insurance companies provide services at a lower cost to attract more customers | 51 | 2.00 | 5.00 | 3.97 | 0.78 |
| Insurance companies focus on efficiency in service to gain price advantage | 51 | 2.00 | 5.00 | 4.06 | 0.72 |
| Insurance companies can withstand competition due to low prices of services hence better market survival | 51 | 2.00 | 5.00 | 4.10 | 0.74 |
| Insurance companies focus on specialization to increase profit margins | 51 | 2.00 | 5.00 | 4.06 | 0.67 |
| Insurance companies use technology to minimize the costs, hence increased profit margins | 51 | 2.00 | 5.00 | 3.97 | 0.87 |

From the results, majority of respondents agreed with the statements that that micro insurance companies could withstand competition due to low prices, (M = 4.10 SD =0.74), focused products' specialization to increase profit margins, (M = 4.06 SD =0.67), and improved efficiency in service delivery to gain competitive advantage (M = 0.46 SD =0.72). The findings indicated that insurance companies can provide services at a lower cost to attract more customers by use of technological capabilities to lower operational costs. According to Porter, (1985), by reducing operation costs, companies can offer lower price and thus gain the competitive advantage. Similar research by Adeleke et. al. (2019) attests that through implementation of cost leadership strategy, firms will not only gain profit but eventually get an increase in their market size and dominance.

### 4.3.2 Effect of Differentiation Strategy on firm's Growth

The study sought to establish whether adoption of differentiation strategy offered competitive advantage to the firm and ultimate growth of microinsurance companies in Kenya. The core objective of implementing a differentiation strategy is to increase competitive advantage.

**Table 4.4: Differentiation Strategy and Firm's Competitive Advantage**

| | Frequency | Percentage |
|---|---|---|
| Yes | 46 | 90.2 |
| No | 5 | 9.8 |
| Total | 51 | 100.0 |

From the findings, majority of the respondents (90.2%) agreed that differentiation of products and services offered competitive advantage to the microinsurance firms. Qualitative reports show that micro insurance companies concentrated on providing customers with unique and distinct products' offerings from other firms in the same industry. This helps the firms to capture and lock customers, driven by their brand loyalty.

Respondents were asked to indicate their level of agreement with the following statements that sought to establish the extent to which differentiation strategy influence growth of micro insurance companies in Kenya.

**Table 4.5: Differentiation Strategy and Growth of Microinsurance in Kenya**

| Statements | N | Min | Max | Mean | Std. Dev |
|---|---|---|---|---|---|
| Insurance companies benchmark with leading companies in our industry three times in a year to improve the market position | 51 | 2.00 | 5.00 | 3.92 | 0.85 |
| Insurance companies package products depending on the customers' needs to attract more customers | 51 | 2.00 | 5.00 | 4.01 | 0.67 |
| Insurance companies have a wide range of products to increase their market penetration and market share | 51 | 3.00 | 5.00 | 4.20 | 0.73 |

From the results, majority of respondents strongly agreed that micro insurance companies have a wide range of products that help them increase their footprint in the market as well as penetration and market share (M=4.20 SD=0.73). Further, they strongly agreed that insurance companies package products depending on the customers' needs & preferences to attract more customers (M =4.01 SD =0.67). These results are in line with another research by Wainaina and Oloko, (2016) that highlights that due to the extra value or features added to a product, product differentiation enables a business to function at a higher price point.

### 4.3.3 Effect of focus strategy on Firm's Growth

The study sought to establish whether adoption of focus strategy offered competitive advantage and growth to the firm.

**Table 4.6: Focus Strategy and Firm's Competitive Advantage**

| | Frequency | Percentage |
|---|---|---|
| Yes | 46 | 89.7 |
| No | 5 | 10.3 |
| Total | **51** | **100.0** |

From the findings, majority of the respondents (89.7%) agreed that focus strategy offered competitive advantage to the firm. Qualitative data collected highlights that focus strategy helped insurance companies to identify the market segments where they can compete successfully. The data collected also indicated that insurance companies used both cost focus and price focus strategies to reduce operation costs, improve efficiency, and widening the markup price of their products.

Respondents were further asked to indicate their level of agreement with statements that sought to establish the extent to which focus strategy influence growth of micro insurance companies.

**Table 4.7: Focus Strategy and Growth of Microinsurance in Kenya**

| Statements | N | Min | Max | Mean | Std. Dev |
|---|---|---|---|---|---|
| Efficient and effective service for the narrow strategic market | 51 | 2.00 | 5.00 | 3.98 | 0.87 |
| To build brand loyalty, premium prices must be affordable | 51 | 2.00 | 5.00 | 3.62 | 0.80 |
| Overheads are kept to a minimum in this narrow market segment | 51 | 3.00 | 5.00 | 4.05 | 0.56 |
| Continued capital expenditure to retain the narrow market segment's cost advantage | 51 | 3.00 | 5.00 | 4.09 | 0.70 |
| Large sums of money are invested in innovative technologies for a narrow market segment | 51 | 2.00 | 5.00 | 3.96 | 0.85 |

From the results, majority of respondents confirmed that overheads are kept to a minimum in this narrow market segment (M =4.05 SD =0.56) and that large sums of money are invested in innovative technologies for a narrow market segment (M =3.96 SD =0.85). These results confirm findings by Kamura (2020) that highlights that building a loyal customer base is made easier for businesses by operating in a customer-focused manner.

These results confirm the study conclusion by Mutegi (2018) that focus strategy is instrumental in understanding customer preferences which results in strong relationships and may help control competition based on the developed customer propositions.

### 4.3.4 Effect of Innovation strategy on Firm's Growth

Through innovation, micro insurance companies can accelerate the pace of organizational change and growth. The study established that adoption of innovation strategy offered competitive advantage to micro insurance companies in Kenya, enabling them to identify unmet needs and penetrate untapped markets, therefore devising measures to bridge the gap. It was noted that, failing to improve products and services subjected the company to a risk of losing customers to more innovative competitors. Further, the study revealed that innovation helped to reduce waste in business and left the firm better positioned to focus on the long-term goals.

Respondents were additionally asked to indicate their level of agreement with the following statements that investigate the extent to which innovation strategy influence growth of micro insurance companies.

**Table 4.8: Statement assessing Innovation Strategy**

| **Statements** | **N** | **Min** | **Max** | **Mean** | **Std. Dev** |
|---|---|---|---|---|---|
| The innovation strategies are consultative, consider the environment, and are interactive, with the goal of assisting the company in achieving its short- and long-term goals | 51 | 3.00 | 5.00 | 4.14 | 0.59 |
| Innovative business strategies encourage companies to think outside of their organization, industry, or geographic area to develop innovative and competitive business models | 51 | 3.00 | 5.00 | 4.03 | 0.67 |
| Changes in tastes, demand, performance level demands, and organizational growth needs all influence how innovations are developed | 51 | 2.00 | 5.00 | 3.97 | 0.90 |
| Innovation plans are critical components in guaranteeing an organization's survival and increasing its relevance in the marketplace, | 51 | 2.00 | 5.00 | 4.01 | 0.73 |

| | | | | | |
|---|---|---|---|---|---|
| as well as for proper strategic management | | | | | |
| Adopting innovative techniques boosts product innovation and, as a result, company performance | 51 | 3 | 5 | 4.13 | 0.64 |

According to results presented on Table 4.8, innovative business strategies encourage companies to think outside of their organization environment, industry, and geographic area to develop innovative and competitive business models (M =4.03; SD =0.67) that assist the firm to adapt to changing market and environmental dynamics for short-term and long-term goals achievement (M = 4.14; SD =0.59). Adopting innovative techniques boosts product innovation and ultimate company performance.

The study shows congruence to the findings by Ting, Wang, and Shin, (2012) that innovation helped to reduce waste in business and left the firm better positioned to focus on the long-term goals. Moreover, the results are in line with research conclusion by Ngweshi (2016) that indicated that innovation can accommodate changes in tastes, demand, performance level demands, and organizational growth requirements.

## 4.4 Influence of Organizational Strategies on Firm' s Growth

The study further sought to determine the growth of microinsurance in Kenya under miscellaneous class of insurance in the past five years preceding the study.

**Table 4.9: Micro insurance Gross Written Premium**

| **Year** | **2017** | **2018** | **2019** | **2020** | **2021** |
|---|---|---|---|---|---|
| Miscellaneous Class (GWP '000) | 3,763,080 | 3,635,343 | 3,741,207 | 3,847,235 | 4,352,835 |
| % Growth vs PY | 1% | -3% | 3% | 3% | 13% |

Source: IRA annual reports (2021)

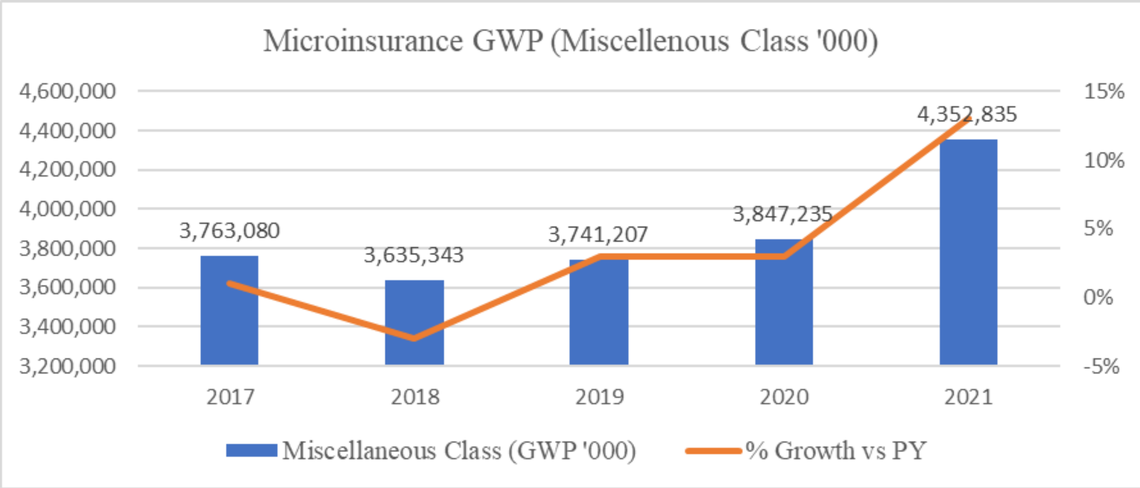


**Figure 4.5: Micro insurance Gross Written Premium**

Results on the asessment on micro insurance gross written premium over the last five years indicate a negative growth in 2018 followed by a flat growth of 3% between 2019 - 2020 and an exponential growth in 2021 by 13% at GWP of Kes. 4.4Bn. This is characterized by notable industry changes in the recent past within the microinsurance space ranging from focused and largely differentiated products development to the low-income households, increased innovation and technological capabilities which have a direct impact to operational costs.

## 4.5 Correlation Analysis

To confirm the relationship between the indicators of the independent and the dependent variables, the study used Pearson product-moment correlation to determine the relationship and direction.

**Table 4.10: Correlations Results**

| | | Microinsurance Growth in Kenya Y | Cost Leadership Strategy $X_1$ | Differentiation Strategy $X_2$ | Focus Strategy $X_3$ | Innovation strategy $X_4$ |
|---|---|---|---|---|---|---|
| Micro Insurance Growth in Kenya (Y) | Pearson Correlation | 1 | | | | |
| | Sig. (2-tailed) | | | | | |
| | N | 51 | | | | |
| Cost Leadership Strategy ($X_1$) | Pearson Correlation | .216** | 1 | | | |
| | Sig. (2-tailed) | .004 | | | | |
| | N | 51 | 51 | | | |
| Differentiation Strategy ($X_2$) | Pearson Correlation | .312** | -.046 | 1 | | |
| | Sig. (2-tailed) | .000 | .548 | | | |
| | N | 51 | 51 | 51 | | |
| Focus strategy ($X_3$) | Pearson Correlation | .173* | .071 | .000 | 1 | |
| | Sig. (2-tailed) | .022 | .350 | .999 | | |
| | N | 51 | 51 | 51 | 51 | |
| Innovation strategy ($X_4$) | Pearson Correlation | .160* | .086 | -.037 | .082 | 1 |
| | Sig. (2-tailed) | .035 | .257 | .629 | .282 | |
| | N | 51 | 51 | 51 | 51 | 51 |

**Source: Researcher data, (2022)**

The study was conducted at 95% level of confidence. The study found significant correlation between the organizational strategies and microinsurance growth in Kenya. The findings on cost leadership strategy (Correlation coefficient = 0.216, significant value = 0.004) were in line with research conclusion by Mutembei, and Njuguna, (2019) cost leadership should be handled skillfully for profits optimization and brand recognition in the marketplace for long-term growth.

The positive correlation on differentiation strategy (correlation coefficient = 0.312, significant value = 0.000) was in support of empirical argument by Njuguna and Arunga,

(2013) that product differentiation is one of the finest tactics for insurance businesses to grow their market share as clients demand more personalization.

The study by Mutegi (2018) that market focus strategy is instrumental in understanding customer preferences which results to strong relationships were supported (correlation coefficient = 0.173, significant value = 0.000) by study findings with a weak positive correlation as well as a weak positive correlation between innovation strategy and micro insurance growth in Kenya (correlation coefficient = 0.160, significant value = 0.035). The study shows congruence to the findings by Porter (2014), innovation initiatives are essential for ensuring organizational survival and expanding market relevance, as well as for proper strategic management.

In conclusion, all the dependent variables of the study, though weak, all had a positive correlation with micro insurance growth in Kenya inferring a positive effect on micro insurance growth in Kenya.

## 4.6 Regression Test

Multiple regression analysis was used in this study to examine the relationship between the predictor variables. The measures of the multiple regressions were coded, entered, and computed using the statistical software for the social sciences (SPSS V 23.0). The table below provides a summary of the model.

**Table 4.11: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .441[a] | .195 | .176 | .62403 |

**Source: Researcher data, (2022)**

The coefficient of determination was utilized in the study to assess the model's fitness. The percentage of the dependent's variance that is jointly or solely explained by the indicators of the independent variable is known as the $R^2$, also known as the coefficient of multiple determinations. The model had an average adjusted coefficient of determination ($R^2$) of 0.176 and which implied that 17.6% of the variations on micro insurance growth in Kenya are explained by the indicators of the independent variable under study. This therefore implies that other factors not included in this study accounts for 82.4% of variation in the microinsurance growth in Kenya.

The study further tested the significance of the model by use of ANOVA technique. The results are presented on Table 4.13 below. The significance value was less than 0.05 indicating that the model was significant.

**Table 4.12: Summary of One-Way ANOVA Results**

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 15.903 | 4 | 3.976 | 10.210 | .000[b] |
| Residual | 65.811 | 46 | .389 | | |
| Total | 81.715 | 50 | | | |

**Critical value = 3.079**

According to the ANOVA statistics, the study found that the regression model's significance level was 0.000, indicating that the data was perfect for drawing conclusions about the population parameters because the significance level (p-value) was less than 5%. The calculated value was greater than the critical value (10.210> 3.079) an indication that the indicators of the independent variable had a significant effect on micro insurance growth in Kenya.

**Table 4.13: Coefficients of Determination**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | 2.075 | .558 | | 3.715 | .000 |
| | Cost Leadership Strategy | .391 | .131 | .208 | 2.989 | .003 |
| | Differentiation Strategy | .614 | .130 | .326 | 4.720 | .000 |
| | Focus Strategy | .280 | .133 | .147 | 2.116 | .036 |
| | Innovation Strategy | .318 | .156 | .142 | 2.042 | .043 |

**Source: Researcher data, (2022)**

In addition, the study used the coefficient table to determine the study model. As per the SPSS generated output as presented in table above, the equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4\ \boldsymbol{\varepsilon}$)

Y= 2.075+ 0.391 + 0.614+ 0.280+ 0.318

According to the Table 4.14, holding all variables constant at zero, micro insurance growth in Kenya was valued at 2.075. Results show that a unit change in cost leadership strategy while holding the other factors constant at zero would enhance micro insurance growth in Kenya by a factor of 0.391. The findings concur with empirical finding by Adeleke et. al. (2019) that through implementation of cost leadership strategy, firms will not only gain profit but eventually get to increase their market size and dominance.

Also, regression model predict that a unit change in differentiation strategy while holding the other factors constant at zero would enhance micro insurance growth in Kenya by a factor of 0.614. This finding is in line with Wainaina, and Oloko, (2016) that indicates that due to the extra value or feature added to a product, product differentiation enables a business to function at a higher price point.

Further test regression show that a unit change in focus strategy while holding the other factors constant at zero would enhance micro insurance growth in Kenya by a factor of 0.280. In line with this, a study by Onyuma, (2019) reveals that insurance companies should continually implement focus strategy while developing new insurance products that meet the clients' anticipated varying needs.

Finally, test regression show that a unit change in innovation strategy adoption while holding the other factors constant at zero would result to an enhancement of micro insurance growth in Kenya by a factor of 0.318. These findings concur with Porter (2014) results that show that innovation initiatives are essential for ensuring organizational survival and expanding market relevance, as well as for proper strategic management.

## 4.7 Discussions

According to IRA's situational analysis Paper, 'The Kenya Microinsurance Policy, of 1st July 2014, it is evident that little emphasis has been placed on microinsurance in Kenya, where a bare 7% of Kenyan population is covered under any form of insurance (FinAccess,2009). A big section of Kenyans in informal sector are either inadequately covered by conventional insurance or totally exposed to risks leaving them vulnerable to any life adversities. This has therefore necessitated a different insurance module to not only extend coverage to this population segment but also to grow potential insurance penetration in Kenya.

The Insurance Act Cap 487 regulates microinsurance in Kenya under miscellaneous class of business. This is a major shortcoming in that it curtails proper analysis of growth parameters of microinsurance by grouping it under conventional insurance law. This impairs collection and recording of accurate growth data and subsequent provision of insurance needs to the low-income households. Nevertheless, the deliberate efforts by the regulator to regularize microinsurance sector and processes, and the subsequent gradual uptake and laid-out organizational strategies by microinsurance firms is a major step into ensuring exponential growth on the insurance class.

Innovation and focused technological advancements call for intensive capital outlay to do away with operational inefficiencies impairing microinsurance growth in several insurance firms. The rise of insurtechs in Kenya who majorly capitalize on back-end operational efficiencies and processes automation, is a key indicator of the untapped potential, where if well harnessed can drastically reduce operational costs, giving rise to outstanding margins to allow for affordable products offering to low-income households.

Qualitative information shows that adoption of innovation strategy offered competitive advantage to micro insurance companies in Kenya. These findings concur with Mutegi (2018) findings that technical and process innovation contributed to insurance penetration in Kenya.

# CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presents a summary of the main findings of the study and conclusion, recommendations and areas for further research based on the findings.

## 5.2. Summary of the Findings

The study was focused around assessing the impact of organizational strategies to growth on microinsurance in Kenya. Results from the study revealed a positive significant correlation between the dependent variables (organizational strategies) and micro insurance growth in Kenya.

Further, the results attested that adoption of cost leadership strategies affected operational costs in most of the micro insurance companies in Kenya enabling these firms to achieve competitive edge. Also, in most companies, it was established that cost leadership was mostly driven by economies of scale, economies of scope, and operational efficiency which consequently resulted to increased profit margin.

Further, the study found that adoption of differentiation strategy enabled microinsurance companies to concentrate and create unique and distinctive products' offerings to their customers hence increasing firm's competitive advantage. The study also revealed that continuous market research and analysis is critical in developing and addressing customer's preferences based on their varied segments. The study revealed that focus strategy helped insurance companies to identify the market segments where they can compete successfully. Focus strategy is therefore instrumental in understanding customer preferences which results to strong customer relationships. On the other hand, adoption of innovation strategy offered competitive advantage to micro insurance companies in Kenya.

## 5.3 Conclusion of the Study

Anchoring on research findings, this study concludes that organizational strategies play an imperative role in growth of microinsurance in Kenya. In an industry where majority of Kenyans remain potentially exposed to insurance risks and unable to adequately afford insurance solutions, the time has come to give the sector the relevance attention to address uptake and growth.

The regulatory body in Kenya, IRA, is mandated to create an ample environment for to grow insurance uptake by Kenyan people. As much as this entails regulatory guidelines on microinsurance processes, products development, and industry growth at large, a big share or responsibility lies with individual insurance firms to ensure these efforts are well complemented. Out of the 56 insurance companies in Kenya, only 13 are offering microinsurance class of business. This means there is room for more insurers to focus on microinsurance to grow penetration in Kenya. Most importantly, the insurance firms should adopt very deliberate strategies that will assist them spur growth in this sector.

Th target market for microinsurance is highly price sensitive and has different competing basic needs. This therefore calls for innovative strategies to ultimately lower unit cost of operation to directly impact products' affordability. The healthcare landscape in Kenya is characterized by high cost of care and therefore, cost leadership as a strategy is crucial especially in this low-income households' segment. Insurance firms must keep up with the ever-changing consumer needs and preferences by constant products' differentiation and focus on certain niche markets to help them remain competitive in the industry.

## 5.4 Recommendations of the Study

Given that cost leadership and innovation strategies were found instrumental in fostering micro insurance growth in Kenya, it's therefore critical for the management to continually embrace this strategy by reducing operational costs, lower product pricing which will ultimately increase competitiveness, increased profit margins while attracting new customers.

The strategic management of micro insurance firms should also consider investing in products' differentiation. The firms should seek to develop products that are distinguishable from others in the market. However, it is recommended that the products and services be developed with consumer needs in mind to help enhanced buy-in by the consumers.

The study recommends that the insurance companies invest in research and development to come up with products and services that are guided by clients' anticipated varying needs instead of developing a generalized product that might omit certain needs of some clients. A carefully thought-out market focus strategy enables the business to establish its reputation quickly, which boosts demand for its goods and services.

Further, service delivery and customer journey processes should remain innovative in ensuring quality and efficiency of service. However, for innovation strategy to be successful, it must be moderated to support organizational goals, customer needs and address market trends.

## 5.5 Limitation of the Study

The study was only limited to the few insurance companies offering microinsurance coverage. With additional time and resources, the researcher would have surveyed other insurance companies to ascertain their strategies' deployment to insurance growth. The researcher would have also interviewed key players in these companies to understand their key considerations for them to venture into microinsurance sector.

Further, the study did not focus on different insurtechs who are offering microinsurance as insurance intermediaries, leveraging on their technological capabilities. This would have offered clear insights into cost leadership strategy since majority of the insurtechs are using innovative technology to lower their operational costs.

Thirdly, the insurance industry in Kenya is characterized by still competition with minimal products' innovation and differentiation among the key players. This would have contributed to some respondents holding back crucial insights to keep their data confidential from competition. There is a gap with the data available from the regulator particularly on microinsurance premium and clear growth direction. This comes amidst stiff competition and untamed price undercutting in the market leaving little room for tapping into low revenue sectors such as microinsurance space by insurance market leaders.

Lastly, the insurance industry in Kenya is still evolving in terms of definition and segmentation of microinsurance sector. This therefore curtails expansive adoption of the research findings to other sectors of economy or entire insurance industry to allow for proper customer profiling as the industry grows.

## 5.5 Area for Further Research

The study sought to determine the influence of organizational strategies on growth of microinsurance companies in Kenya. The study's indicators of the independent variable account for only 17.6% variations on micro insurance growth in Kenya. There is therefore need for similar studies to assess other variables that support micro insurance growth in Kenya and their impact to the sector.

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# APPENDICES

## APPENDIX 1: List of Micro Insurance Providers in Kenya as of 2022

1. APA Insurance Limited
2. Britam General Insurance Company (K) Limited
3. AIG Kenya Insurance Company Limited
4. CIC General Insurance Limited
5. ICEA LION General Insurance Company Limited
6. Madison General Insurance Kenya Limited
7. The Monarch Insurance Company Limited
8. UAP Insurance Company Limited
9. AAR Insurance Company Limited
10. MUA Insurance (Kenya) Limited
11. Pacis Insurance Company Limited
12. Takaful Insurance of Africa Limited
13. Xplico Insurance Company Limited

(Source: IRA, Kenya.)

## APPENDIX 2: Questionnaire

**PART A: GENERAL BACKGROUND**

1. Gender of the respondent

   a) Male [ ]  b) Female [ ]

2. Indicate by ticking your age bracket

   a) 24 yrs. and below [ ]  b) 25-29 [ ]

   c) 30-34 [ ]  d) 35-39 [ ]

   e) 40-44 [ ]  f) 45-49 [ ]

   g) 50 and above [ ]

3. Kindly indicate your highest level of educational qualification (tick)

   a) Secondary education [ ]  c) Certificate or diploma [ ]

   d) Graduate [ ]  e) Postgraduate [ ]

4. How many people are employed by your insurance company?

   - ☐ Less than 50 employees [ ]
   - ☐ 50-100 employees [ ]
   - ☐ 100 and above employees [ ]

**PART B: COST LEADERSHIP STRATEGY**

5. Have operational costs of doing business reduced for the company after engaging cost leadership strategies?

   Yes [ ]  No [ ]

i. If yes explain how:

………………………………………………………………………………………

………………………………………………………………………………………

6. Please indicate the extent to which you agree with the following statement on cost leadership strategy. Use a scale of 1 to 5, where 1= strongly disagree and 5 = strongly agree.

| **Statements** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Insurance companies provide services at a lower cost to attract more customers | | | | | |
| Insurance companies focus on efficiency in service to gain price advantage | | | | | |
| Insurance companies can withstand competition due to low prices of services hence better market survival | | | | | |
| Insurance companies focus on specialization to increase profit margins | | | | | |
| Insurance companies use technology to minimize the costs, hence increased profit margins | | | | | |

## PART C: DIFFERENTIATION STRATEGY

7. Does differentiation offer competitive advantage to your firm?

Yes [ ] No [ ]

i. If yes, explain

………………………………………………………………………………………

………………………………………………………………………………………

8. Please indicate the extent to which you agree with the following statement on

differentiation strategy.

| Statements | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Insurance companies benchmark with leading companies in our industry three times in a year to improve the market position | | | | | |
| Insurance companies package products depending on the customers' needs to attract more customers | | | | | |
| Insurance companies have a wide range of products to increase their market penetration and market share | | | | | |

**PART D: FOCUS STRATEGY**

9. Does focus strategy improve firm growth?

   Yes [ ]       No [ ]

   i. If yes explain:

   ………………………………………………………………………………………

   ………………………………………………………………………………………

10. Please indicate the extent to which you agree with the following statement on focus strategy.

| Statements | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Efficient and effective service for the narrow strategic market | | | | | |
| In order to build brand loyalty, premium prices must be charged | | | | | |
| Overheads are kept to a minimum in this narrow market segment | | | | | |
| Continued capital expenditure to retain the narrow market segment's cost advantage | | | | | |
| Large sums of money to be invested in innovative | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| technologies for a narrow market segment | | | | | |

**PART E: INNOVATION STRATEGY**

11. Does your organization adopt and use innovation in its operations? what is the effect on performance in your organization?

    …………………………………………………………………………………………

    …………………………………………………………………………………………

12. Please indicate the extent to which you agree with the following statement on innovation strategy.

| **Statements** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| The innovation strategies are consultative, take into account the environment, and are interactive, with the goal of assisting the company in achieving its short- and long-term goals | | | | | |
| Innovative business strategies encourage companies to think outside of their organization, industry, or geographic area in order to develop innovative and competitive business models | | | | | |
| Changes in tastes, demand, performance level demands, and organizational growth needs all influence how innovations are developed | | | | | |
| Innovation plans are critical components in guaranteeing an organization's survival and increasing its relevance in the marketplace, as well as for proper strategic management | | | | | |
| Adopting innovative techniques boosts product innovation and, as a result, company performance | | | | | |

**PART F: ORGANIZATION GROWTH**

13. Kindly provide figures for the following parameters during the last five years.

| Parameter/Year | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Miscellaneous Class (GWP '000) | | | | | |
| % Growth vs PY | | | | | |

14. What recommendations can be made to facilitate increase in micro insurance growth in Kenya?

……………………………………………………………………………………………

……………………………………………………………………………………………

………………………………………………………………………………

**THE END**

**THANK YOU FOR YOUR COOPERATION**