A SURVEY OF KEY SUCCESS FACTORS FOR FIRMS IN THE INSURANCE INDUSTRY IN KENYA

BY

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Declaration

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This project has been submitted for examination with my approval as a University Supervisor

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Dedication

To my dear wife, Mary Wanja my children, Risphar Njoki and Elsie Njeri for their love, support and encouragement.

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My pursuit of the MBA degree would not have been possible without the encouragement, support and assistance f a large number of people. Whereas space would not allow me to name all of them, I feel extremely grateful to them.
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ABSTRACT

The researcher set out to survey the Key Success Factors for firms in the insurance industry in Kenya. A descriptive research design was used and the population of interest comprised all the insurance companies in Kenya registered with the Commissioner of Insurance. Data was collected using a structured questionnaire which was administered to the respondents by the researcher using personal interviews. Where they were not available a drop and pick method was used. The data was summarised using an Excel spreadsheet and analysed by the use of descriptive statistics including percentages, mean sores and standard deviation. Findings were presented in tables for discussion and interpretation.

The findings revealed that insurance companies use marketing strategies that are relevant to the industry in order to succeed in the sector. The key success factors that the companies considered to be important included core competencies as a company, marketing strategies, product attributes, company resources, positioning in the market and claims settlement willingness and ability, supported by strong insurance systems for effective service delivery.

The respondents exhibited a high level knowledge of their market and customer requirements and emerging trends in the market. The companies must ensure that their competencies are centred on the key success factors for them to remain relevant in the highly competitive marketplace.

This study dealt with the Key Success factors for firms in the insurance industry in Kenya. The researcher recommends that in future, further studies could be done on the individual factors to establish how they could be addressed so that we have a thriving industry in Kenya. The factors are also bound to change with time, in response to the operating environment. The findings of the research can also be used as a source of reference for research on key success factors for other sectors of the economy such as hospitals, the insurance brokers, re -insurance companies and other financial services organizations.

The researcher had difficulties getting adequate responses from some of the targeted managers who were not willing to participate due to their company policy. This was a limitation of the study.

CHAPTER ONE
INTRODUCTION

1.1 Background

Ansoff (1979) observes that prior to the advent of the 20th century, the business environment was fairly stable, predictable, and easy to manage. He further notes that the beginning of the twentieth century brought about changes in the environment that were progressively novel, costlier to deal with faster and more difficult to anticipate. Globalization has brought about convergence of markets, and taken competition to the global level. This has encouraged free markets (Lovelock, 1996). These changes have increased the number of players in the market that are competing for limited resources and thereby increasing the rate and level of competition that has threatened the survival of most, if not all, organizations.

The dynamism in the environment makes it necessary for organizations to constantly change their strategies and tactics so as to achieve competitive advantage (Ansoff, 1987). When business looks to the entire world for capital and supplies, it implies that it has entered a global frame of mind, which is a great concern to all marketers (Thomson, 1995). The emerging global village presents a huge opportunity for multinational companies to standardize their products and attract a large number of consumers through low costs brought by economies of scale (Levitt, 1983). Globalization of the markets leads to universal demand for products. Profits and services tend to become more standardized and competition within industries reach a worldwide scale (Chartered Institute of Marketing, 2000). It therefore means that globalization embraces, cultural, social, economic, legal, technological and political changes, which makes the world a single market served with global brands. This facilitates growth in global clients, suppliers, competitors, financiers and even employees (Johnson et al, 2002).

As Kenyan economy becomes more open and trade becomes liberalized, the market place becomes more sophisticated with close substitutes products, technological advancement and erosion in customers purchasing habits. Hence, competitive pressure is brought to bear on the firms to somehow differentiate their offerings from the competitors (Ng`ang`a, 1991). The typical Kenyan firm is already encountering this situation, given the widening of the market due to the establishment of the Preferential Trade Area (PTA) and the liberalization of the economy. According to Kibera and Waruingi (1998), most organizations in Kenya have adopted various strategies to respond to the challenges brought about by globalization and liberalization. The objective of these strategies is to achieve competitive advantage for the organizations to survive in the competitive environment.

1.1.1 Key success factors

Sykes (1964) defines success as accomplishing what is aimed at. Ndakwe (2002) observes that right decision making, planning and goal setting guarantee results and hence success. Entrepreneurial success is understood in two broad aspects; qualitative venture performance (financial) and qualitative venture performance (meeting stakeholders expectations). Success is achieved if the organization uses its performance to meet, or better to exceed, the financial, social and personal growth expectations of people who have an interest in it (Hunger and Wheeler, 1991). Financial measures of business success are equated with the organization's ability to grow and expand on new business opportunities as profit centers whilst managing all other aspects of business profitability (Baghai et al, 1999). Success measures should adopt both quantitative and qualitative measures for a holistic approach of measuring success.

According to Birnbaun (2000), key success factors are the factors that are most important to the well being of an organization. Key success factors are also referred to as critical success factors, which according to Rockart (1979), means the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. A key success factor can be a specific skill or talent, capability or something a firm must do to satisfy customers. Key success factors emanate from the core competencies that an organization nurtures and develops over time. Kotler (2000) explains core competences as the essence of the business.

Success factors are those management activities that will ensure a competent performance providing that the activities are performed satisfactorily (Rochart, 1971). For organizations to survive and remain in business, they need to know the key factors that ensure success. Depending on the nature of the business, an organization needs to know the rules of the specific game, master them, be different from competitors and make changes that are necessary to maintain competitive advantage. Key success factors spell the difference between profit and loss and between competitive success or failure.

In a liberalized economy, competition exists in industries. Though competitive challenges and impact varies from one industry to another it leads to reduced prices, erodes profits, reduces market share and can force weak companies to close. Organizations therefore need to know the key success factors for the sector they serve, so as to develop the core strengths, and develop distinct capabilities that are unique to them, identify areas of weakness and address them so as to endear themselves to their customers.

1.1.2 The insurance industry in Kenya

Insurance companies are financial institutions that function in the economy as part of the financial services industry, which is made up of banks, buildings societies, and real estate companies, insurance companies, savings and credit societies, mutual funds and others. The sector has an important effect on the performance of the Kenyan economy contributing 11% of Gross Domestic Product, with insurance companies contributing about 3% to the Gross Domestic Product (Economic survey, 2004). There are two classes of insurance business namely, general insurance and life insurance. General insurance or short term business has several lines of business which include aviation, engineering, fire domestic, fire industrial, liability, marine, motor vehicle, personal accident, theft and workmen's compensation. Life insurance is on the life of a person.

By November 2006, there were 43 registered insurance companies out of which two operated as closed funds and two of them were under statutory management. There are two local reinsurers and four regional international reinsurers have representation offices in the country. Others insurance intermediaries included 212 insurance brokers, 1970 insurance agents, 200 loss assessors, 29 risk surveyors, 17 loss adjustors and 8 risk managers (Commissioner of insurance, 2006). The large number of companies in the industry has resulted in competition. The basis for competing is in the area of service and reliability in claims settlement.

Despite the importance of insurance, many people have continued to live without any insurance cover. Globalization and liberalization have opened up the economy to fierce competition. Rapid population growth, low economic growth and high level of unemployment have resulted in increased poverty, crime and reduced purchasing power of the population.

Information technology process and communication has improved over the years, leading to better and changing business processes. The society has also brought other challenges; higher educational levels have resulted in more sophisticated consumers with different needs. HIV/AIDS has emerged as a major public health issue. New laws and regulations have been promulgated and existing ones amended. The introduction of legislation prohibiting discrimination against persons suffering from HIV/AIDS is still a significant threat to the industry (Economic Survey, 2006).

In order to survive, firms have to put in place strategies that would give them competitive advantage over the others. Insurance companies have to find the best ways to use their capabilities and resources to develop organizational competence that in turn create customer value. Gaining competitive advantage on the basis of capabilities demands that firms focus their efforts on building business processes. Firms can do this by transforming their critical business process into strategies and capabilities that are not easy to be replicated by rivals.

1.2 Statement of the problem

The insurance industry in Kenya plays an important role in the economy. Insurance companies contribute about 3% to the gross domestic product of Kenya (Economic survey, 2006). It helps in the mobilization of long-term savings and investments in the mobilization of long-term savings and investments in the economy. It encourages thrift upon which individual as well as national prosperity is built. Premiums payable for life policies represent significant lifetime savings for individuals and the families insurance provides protection against the risk of financial loss thus giving peace of mind to the policyholders.

Like any other business operating in a liberalized market, numerous challenges exist that include competition among players in the industry. The impact of these challenges has been felt in reduced market shares and reduced profitability. There have been some insurance companies being put under statutory management and the closure of others e.g. United and Stallion insurance companies. In view of this, there is need for each organization to know the sector's key success factors that would lead to growth and profitability. The organization should enhance their areas of strength and address areas of inadequacy and formulate and implement more effective competitive strategies to counter the challenges brought about by the ever changing business operating environment.

Omondi (1999) in his study focused on factors that influence the success of detergents in Kenya. Wambugu (2003); Kiilu (2004); Ruhungu, (2005) and Muchira (2005) have carried out similar research and focused on commercial banks, utility firms, fast moving consumer goods manufactures and retailers and formal security firms in Kenya respectively. Mbugua (2005) examined the critical success factors in petroleum retailing in Nairobi. Key success factors vary from industry to industry and as such the findings of these studies do not apply to the insurance sector. It is therefore important for the insurance companies to focus on key success factors if they have to remain competitive. Once the factors are known, the companies would focus their efforts in them and channel some investment in that direction.

The study therefore sought to fill the knowledge gap by providing answers to the following research questions:

i) What are the key success factors for insurance companies in Kenya?

ii) Do the key success factors have an influence on the performance of the insurance companies?

1.3 Objectives of the study

The objectives of the study were to:

i) Determine the key success factors for firms in the insurance industry in Kenya.

ii) Establish whether the key success factors differ between local and multinational insurance companies.

1.5 Importance of the study

The findings of this study may be important to the following groups:

i. Insurance companies so that they can design appropriate strategies to ensure success and increase the penetration ratio and density of the life insurance and therefore be successful.
ii. The office of the Commissioner of Insurance and other policy makers in the government so that they can get better understanding of the industry in order to formulate appropriate legislation on the industry and get associated benefits for the country.
iii. Potential investors in the insurance industry so that they gain greater appreciation of the opportunities and challenges facing the industry so that they get the fundamentals right from the very beginning.
iv. Scholars and researchers: the study will enrich the knowledge of the industry and identify specific areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The environment has become very turbulent, less predictable and increasingly novel (Ansoff, 1979). Globalization, liberalization, advances in information technology, change in demographic and social attitudes, more demanding customers and advances in science are some of the environmental changes that are exerting great pressures on all organizations (Ojienda, 2005). These environmental changes have increased the intensity of competition, which threatens the survival of organizations. Organizations develop strategies which enable them to cope with these environmental changes.

Successful and effective strategies are those that enable an organization to achieve and maintain competitive advantage. Entrepreneurial success is understood in two broad aspects; quantitative venture performance (financial) and qualitative venture performance (meeting stakeholders expectations and actual outcomes relative to entrepreneurs expectations). Success is achieved if the organization uses its performance to meet, or better to exceed the financial, social and personal growth expectations of people who have an interest in it (Hunger and Wheeler, 1999).

For a company to operate into foreseeable future, it has to consider various factors which will lead it to where it wishes to be. Various factors affect the success of a company, including insurance companies. An organization has to carry out industry analysis to understand industry dynamics and to correctly anticipate their impacts of remote factors on a firm's operating environment.

2.2 The concept of strategy

There are many definitions of strategy by different authors. Thomson and Strickland (2003) define strategy as the game plan management is using to stake out a market position, conduct its operations, attract, and please customers, compete successfully and achieve organizational objectives. According to Hax and Majluz (1996), strategy is a means of establishing the organizational purpose in terms of its long-terms objectives, action, programmes and resource allocation priorities. Johnson and Scholes (2002), defines strategy as building on or stretching an organization's resources and competencies to create opportunities so as to capitalize on them.

According to Mintzberg (1994), strategy emerges over time as intentions collide with and accommodate a changing reality. Porter (1996) argues that competitive strategy is about being different. He adds that strategy means deliberately choosing a different set of activities to deliver a unique mix of value. It is about competitive position, differentiating yourself in the eyes of the customers, adding value through a mix of activities different from those used by competitors.

Irons (1993) contends that a good strategy is one that neutralizes threats and exploits opportunities while capitalizing on strengths and avoiding or fixing weaknesses. Thomson and Strickland (2003) state that a good strategy is one which is well matched to a company's external and internal situation. Grant (1998) argues that for a strategy to be successful it must be consistent with the firm's goals and values, with its external environment, its resources and capabilities, and with its organization and systems. There must be a fit between the organization, strategy and the environment. Grant (1998) concludes by stating that lack of the aforementioned consistency is a formula for failure. A strategy summarizes the way a company elects to relate to its environment, conduct its activities, and help to build an integrated action in the organization. Newman et. al (1989).

Organizations need to develop appropriate strategies that ensure their continued existence and chart their future growth plans, prepare for countering competitive moves and adjust to changes in the environment in which they operate. A market analysis needs to be carried out to establish the exact potential of a market and give the strategist a reason to invest or divest, expand or contract operations. The main reasons for carrying out market analysis are to determine the attractiveness of a market (and sub-market) and to understand the dynamics of the market. The components of a market analysis include the actual and potential market size, cost structures, distribution systems, market trends and development and growth and profitability. From market analysis, insurance companies in Kenya would be able to identify the key success factors that affect the industry.

2.3 Key success factors

According to Rockart (1979), key success factors refer to the limited number of areas in which results, if they are addressed satisfactorily, will ensure successful competitive performance for the organization. Success factors are those management activities that will ensure a competent performance providing that the activities are performed satisfactorily (Rochart, 1971). The presence of these factors creates an environment conducive of success (Dobbins, 2001). Pierce and Robison (1997) argue that key success factors identify the performance areas that are of greatest importance in implementing the strategies of a company of therefore must receive continuous management attention. This reinforces the fact that key success factors are strategic in nature.

The key success factors for an industry include the particular strategy elements, product attributes, resources employed, core competencies and business outcomes that spell the difference between profits and loss. From this point of view, key success factors can be defined as the specific things all firms in a particular industry must concentrate on doing well, the specific kinds of skills and competences needed to compete successfully and which functional area aspects are most crucial and why. Key success factors vary from industry to industry and even from time to time within the same industry as driving forces and competitive conditions change. The key success factors relevant to the insurance industry are discussed.

2.3.1 Economic environment

Insurance companies are financial institutions that are part of the service industry. It has important effects on the performance of the Kenyan economy contributing about 3% to the gross domestic product (Economic survey, 2006). It plays a vital role in the mobilization of long-term savings and investments in the economy. The Kenyan economic environment has been quite low especially in the 1980`s 1990`s, thus creating uncertainty in the insurance market. The purchasing power of the public is low while the cost of living has been getting higher. This depresses the demand for insurance products. At one time, only forecasts of economic variables were used in strategic management in insurance companies in Kenya. The forecasts were based on factors such as general economic conditions, disposable personal incomes, consumer price index, and cost of borrowing, wage rates and productivity.

2.3.2 Marketing strategies

Having the right marketing strategies in place is a major key success factor in any competitive environment. Kotler (2000) defines a marketing strategy as a game plan for reaching an organization's set goals. Growth in market share is correlated with profitability, although others important forms of growth do exist. According to Pierce and Robinson (1997), strategic managers recognize that short-term profit maximization is rarely the best approach to achieving sustained competitive advantage. Insurance companies need to have a marketing strategy that ensures that customers get the best value for money in the market. Market conditions for life insurance continue to be discouraging. There are less than 300,000 life policies in force country wide, representing less than 10% of the working population. An in-depth investigation into market forces must be conducted to give direction to any program for the dissemination of insurance country wide. The industry has been making attempts to broaden the distribution channels (Association of Kenya insurers, 2005). The insurance firms have to design and develop marketing strategies that are customer responsive and produce market driven services if they are to survive and prosper in a competitive environment.

2.3.3 Positioning in the market

Different markets are viewed in relation to degree of competition and corporate strategic response. Firms win in the market in which they operate by out powering rivals by occupying unique industry position or by offering superior customer value. Sago (2003), states that competitive advantage occurs when a firm uses its resources and capabilities to develop organizational competencies that in turn create customer value. Porter (1980) argues that there are external forces that influence the competitive advantage of firms. They include industry structural parameters like bargaining power of suppliers or buyers, the threat of new entrants, substitute products or services and competitive advantage enables an organization to earn above average profitability (Thompson and Strickland (2003). Strategy is about winning (Grant , 1998).

2.3.4 Customer satisfaction

Customer satisfaction is considered to be a major key success factor in the insurance sector. This is mainly through prompt claims settlement and after sales service in respect of corporate customers. According to Pierce and Robinson (1997), a focus on customer satisfaction causes managers to realize the importance of providing quality customer service. It is therefore imperative that the insurance company fulfils the obligation as contained in the policy document when a customer suffers the insured loss.

2.3.5 Product attributes

According to Kotler (2000), a product is anything that can be offered to a market to satisfy a want or need. Kibera and Waruingi (1998) define a product as anything that is offered to customers for acquisition or purchase. They argue that the term product embraces physical objects, personalities, services, places and ideas. The products in this case are service products which is intangible. According to Johnson and Scholes (2002), the success of an organization is related to how well it is able to provide product features or attributes that are of value to customers at a given price.

Holt (2005) argues that products attributes such as quality, reliability, after sales service, warranties, access to repair facilities, reputation of sellers, credit availability, packaging etc augment the product's image in addition to its function. Customers seek to acquire a range of benefits that a product will bring them, such as costs savings. Some of the key products attributes that would be relevant to the insurance industry are affordability. The products should be designed to meet individual needs. Kotler (2000) observes that as competition intensifies, products design offer potent way to differentiate and position company's products and services. The insurance products should be designed to adapt to the changing environment. The issue of minimum level of cover to person infected with HIV / AIDS and imposition of higher premiums for the medically impaired is one of the issues that can be addressed by products design.

2.3.6 Resources

Resources are a key success factor to any organization. Collins and Montgomery (1998) define resources as the stock of assets, skill and capabilities of a firm. It can be argued that organizations that are concerned with growth will spend considerable amount of time and money to attract, train and retain their employees. The insurance companies need a well trained and effective work force. Johnson and Scholes (2002) state that strategic capability is underpinned by the resources available to an organization, since it is resources that are deployed into activities of the organization to create competences. According to Rockart (1979), employee attraction and retention is a key element in attaining business success.

Many companies today outsource less critical resources if they can be obtained at better quality or lower costs from outside the organization such as cleaning services, courier services, guarding, etc. This allows the company to build on the major resources to add to its capability. Capability is the capacity for a set or resources to interactively perform a stretch of an activity. Firms can gain competitive advantage by transforming their critical business processes into strategic capabilities that are not easy to be replicated by rivals.

The asset base or liquidity of an insurance company is of great importance. This allows for access to financial credit from financial institutions, enables companies to serve their clients better as well as extend credit to their customers. This allows insurance companies to pay claims and in so doing earn reputation, attract and retain their clients.

2.3.7 Customer and brand loyalty

This refers to a customer's preference for a product or service above all alternative products that could fulfill the same need or requirement (Muturi, 2004). According to Kotler (1999), high customer satisfaction or delight creates an emotional bond with the product or service. Key to developing high customer loyalty is to deliver high customer value. Where loyalty exists, value is created in the eyes of the customer. When a company consistently delivers superior value and wins customer loyalty, market share and revenues go up and the cost of acquiring and servicing customers is easily controlled. According to Kotler (1999), to achieve loyalty, a product or service must go beyond achieving visibility and differentiation. From a research on the factors that determine customer loyalty in supermarkets in Kenya, Wambugu (2002) found that the factors include perceived quality, price, customer satisfaction, customer service, switching costs, company image, perceived risk, variety of value added services and other people using the brand. Insurance companies must therefore be close to their customers in order to know the factors that would enhance their loyalty and their preferred brands. Other key success factors for the insurance companies are favorable image or reputation of the firm, ability to respond quickly to the shifting market conditions, superior information systems and convenient locations.

2.4 Building competitive advantage

The concept of competitive advantage was developed by Porter (1980) to help firms develop winning strategies. Firms win in the market in which they operate by outpowering rivals by occupying a unique industry position or by offering superior customer value. Perceived customer value is what really matters to the consumer and as such, no firm should ignore this critical aspect that determines the success or failure in a given market. A firm's competitive advantage has a higher chance of success when it is defined from the customer perspective. Kotler (2000) defines competitive advantage as a company's ability to perform in one or more ways that competitors cannot or will not match.

The resource based view of strategy attributes the source of competitive advantage as lying within the organization in terms of its resources. Firms can be generally competent on the basis of the resources they have or control. A firm competitive advantage is derived from its capabilities/ Competencies. Capabilities is the capacity for a set of resources to interactively perform a stretch task of an activity. Gaining completive advantage on the basis of capabilities demand that firms focus their efforts on building business processes. Firms can do this by transforming their critical business processes into strategic capabilities that are not easy to be replicated by rivals.

Comparison with key competitors can prove useful in ascertaining whether their internal capabilities and other factors are a firm's strengths or weaknesses. Through comparison with major competitors, a firm may avoid strategic commitments that it cannot competitively support. Industry analysis involves identifying the factors associated with successful participation in a given industry. By scrutinizing industry competitors as well as customer needs, vertical industry structure, channels of distribution, costs, barrier to entry, availability of substitutes and suppliers, strategists seek to determine whether a firm's current internal capabilities represent strengths or weakness. In developing strategies to ensure the future success of the organization, corporate leaders need to have a good understanding of the organization's capability and leverage it to external environmental opportunities. The firm can use generic competitive strategies such as cost leadership, differentiation or focus strategy.

Sago (2003) has used 5 steps of competitive advantage building with success. The major steps are: specifying the target market, identification of unmet opportunities to increase customer value in the offerings of the firm and its competitors; examination of the organization to see if the firm holds resources needed to meet this unmet needs / opportunities and if not developing plans to obtain them. The firm then develops and uses distinctive and relevant competencies within the business to provide increased customer value.

2.5 Summary of literature review

The environment has become very turbulent, less predictable and uncertain. Businesses are operating in a cut-throat environment that threatens their survival. Insurance companies need to address the strategic issues that have been brought about by the changes in the environment. Well developed plans and strategies might help insurance companies to cope with the increasing levels of competition as well as the dynamic business environment within which they operate (Muir et al, 2004)

The literature reviewed in this chapter has highlighted the strategies that would be necessary for the success of insurance companies as well as the key factors critical for the success of players in the sector. It is clear that success factors are industry specific. For organizations to survive in business, they need to take into account the changes taking place in the wider environment. From this, they should formulate strategies for the short term as well as the long term. Corporate leaders need to have a good understanding of the organization's capacity and leverage it to external environmental opportunities. The firm then develops and uses distinctive and relevant competencies within the business to provide increased customer value. The literature reviewed in this chapter will therefore guide the researcher in carrying out the relevant data collection and analysis so as to seek answers to the research questions identified in chapter one.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Research Design

This was a descriptive survey intended to establish the key success factors for firms in the insurance industry in Kenya. According to Donald and Pamela (1998), descriptive study is concerned with finding out who, what, which and how of a phenomenon, which is the concern of the current study. Mugenda and Mugenda (1999) notes that survey research attempts to collect data from members of a population and describes existing phenomena by asking individuals about their perception, attitude behaviour or values. Gakuru (1993) used a descriptive survey in a related study.

3.2 The population

The population of interest in this study consisted of all the insurance companies in Kenya. According to the commissioner of insurance lists (2006) there are 43 insurance companies in Kenya. Given the small size of the population, a census study was conducted.

Data collection

Primary data was collected using a semi-structured questionnaire. According to Kibera and Waruigi (1988), a questionnaire is used when researchers require information on consumer feelings, attitudes and motivations. The questionnaire was administered through personal interviews to allow for probing of the respondents. Where this was not possible, "drop and pick" later, which is a form of modified mail questionnaire method was used. One respondent was interviewed in each company. This was a senior manager, preferably in the administration, corporate affairs, and marketing or operations functions.

The questionnaire was divided into three parts. The first part captured the general information of the insurance company. The second part contained questions on key success factors of the company while part three contained information on the impact of the success factors on the company.

3.3 Operational dimensions of key success factors

The questionnaire used the 5-point likert scale to measure the relative importance of the key success factor to the companies. In order to operationalize the key success factors for the insurance companies the variables are defined as shown in appendix 3.

3.4 Data analysis

Descriptive statistics were used to analyze the data. Data collected in part 1 of the questionnaire was analyzed using frequency distributions and percentages. Data in part II was analyzed using the mean scores and standard deviations to determine the extent of the importance of the key success factors.

CHAPTER FOUR
DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter contains details of the organisations and presentation of the research data obtained from the respondents. A total of 43 questionnaires were distributed to various insurance companies in Kenya. However, only 29 responded by completing the questionnaires, representing 67.44% of the response rate. The researcher noted that some of the insurance companies were not ready to disclose information due to fear of the competition in the industry. Data analysed is based on the respondents' background knowledge of the key success factors for firms in the insurance industry in Kenya.

4.2 Background Information

The general profile of the companies is presented in this section.

4.2.1 Age group of the company

The purpose of the question was to find out the age of the respondent company to establish how long it has been in operation. The table below shows their response.

Table 4.2.1 Age group of the company

No of years	Frequency	Percent
11- 20 years	6	20.7
31-40 years	6	20.7
41-50 years	1	3.4
more than 50 years	10	34.5
Less than 10 years	6	20.7
Total	29	100.0

From the figure above it is evident that 13.3% of the respondents are of the age of between Less than 10 years, 11- 20 and 31-40 years, 34.5% are of more than 50 years between, 3.4% are of the age between 41-50 years. The findings indicate that most of the firms have been in business for more than ten years, and from their market share, the firms which have been in operation for a long time have high market share, which means that there is a strong correlation between the company experience and success in the industry. The experience in the industry is therefore a key success factor, as the firm is able to entrench itself in the industry.

4.2.2 Company ownership

The respondents were requested to indicate whether their company was a local, foreign or hybrid.

Table 4.2.2 Ownership of your company

Ownership	Frequency	Percent
Locally owned	23	79.3
Hybrid of local and foreign ownership	6	20.7
Total	29	100.0

It is evident from the table that 79.3% of the companies are locally owned and 20.7% of the companies are Hybrid of local and foreign ownership. The regulation in the country is such that an insurance company must be locally incorporated and therefore we do not have companies that are completely foreign owned. The research shows that the companies with the highest market share are in both the locally owned and the hybrid of both local and foreign ownership. One of the research objectives was to establish whether there is a difference in the key success factors between local and foreign owned companies. The findings indicate that there is no major difference since owners in both categories seek growth and profitability and are required to respond to any changes in the local operating environment to achieve the desired success.

4.2.3 Type of business

The purpose was to find out the number of companies that sold various classes of insurance. Data to be captured here was the type of insurance products sold by the companies, whether general, life or composite.

Table 4.2.3 Types of insurance business

Business type	Frequency	Percent
General insurance	10	34.5
Life insurance	8	27.6
Composite	11	37.9
Total	29	100.0

The respondents indicated that 34.5% dealt in general insurance, 37.9% in Composite, while 27.6% dealt in life insurance. The information in the research project therefore represents companies who conduct both life and general insurance businesses in the country.

4.2.4 Annual sales turnover

The purpose was to find out the annual sales turnover of the respondent companies. High turnover can be viewed as a measure of good performance of a particular company.

Table 4.2.4 Annual sales turnover

Sales	Frequency	Percent
less that 50million	1	3.4
50-100 million	1	3.4
101 -300 Million	2	6.9
301 -500 Million	14	48.3
Over 500 Million	11	37.9
Total	29	100.0

The respondents indicated that 48.3% of the companies had turnover of over Ksh 500 million, 37.9% had a turnover of between Ksh 301-500 million, and 6.9% had a turnover of between 101 - 300 Million. The rest had a turnover of between 50 - 100 Million and less than 50 Million. The findings indicate that majority of the companies write business worth over Ksh 500 million per annum. Most of the companies interviewed indicated that the need to write high volumes of business to remain financially sound after paying claims, but the business written had to be of high quality to ensure that claims were kept at acceptable levels.

4.2.5 Kenyan market for insurance

The purpose was to find out if the Kenyan market for insurance has been growing from the respondents.

Table 4.2.5 Kenyan market for insurance

Response	Frequency	Percent
Yes	28	96.6
Do not know	1	3.4
Total	29	100

The respondents (96.6%) indicated that the Kenyan market for insurance has been growing. The extent of response however differed from each respondents. The Association of Kenya Insurers however put the growth figure at 11% in 2005 and 14.5% in 2006. This may explain why there has been entry of new players into the market.

4.3 Key success factors

Part three of the research questionnaire required the respondents to indicate the extent to which the key success factors were considered important by the organisation and to what extent they contributed to their success. Data was collected using the Likert 5-point scale, with 5 representing a factor of very high importance and 1 representing a factor of low importance. The findings are represented in this section. Data collected was analysed using mean scores and standard deviation. The factors considered were core competencies of the company, marketing strategies, product attributes, company's resources and positioning in the market. These are shown below in table 4.3.

Table 4.3 Key success factors

Key success Factor	Mean	Std Deviation
Core competencies	4.6	0.99
Marketing strategies	3.81	0.75
Product attributes	3.99	0.76
Company resources	3.91	0.735
Positioning in the market	4.02	0.816

The detailed aspects of the key success factors are given below.

4.3.1 Core competencies

Core competencies which include staff skills, unique services offered by the company and its experience in the market were considered key to success, as they distinguish one company from the others. Table 4.3.1 gives detailed presentation of the findings.

Table 4.3.1 Relative Importance of the Core Competencies

Core Competencies	Mean Score	Standard Deviation
Unique capabilities as a company	4.48	0.714
Well trained and effective customer service personnel	4.21	1.114
Unique products	3.79	1.236
Years of experience in business	3.07	0.923

Out of maximum score of 5 on the Likert scale, the mean score for the various aspects that constitute core competencies had a mean score of 4.48 and a relatively low standard deviation of 0.714, implying that having certain core Competencies is a key success factor for the industry due to the high level of importance shown by the respondents. The aspects include unique capabilities as a company, well trained and effective customer service personnel and number of years in the insurance business. A good number of interviewed companies indicated that they either developed a robust training programme or recruited experienced staff to achieve success.

4.3.2 Marketing Strategies

The researcher asked respondents to indicate the extent to which they attached and practiced marketing strategies such as sales planning, feedback from customers, participation in insurance trade fairs, advertising and monitoring competitor activities. A summary of findings is given in table 4.3.2.

Table 4.3.2 Relative Importance of Marketing Strategies

Marketing Strategies	Mean Score	Standard Deviation
Appropriate Sales Planning	4.32	0.67
Regular feedback from customers	4.17	0.759
Participation in insurance trade shows	2.59	0.78
Advertising products and services	3.29	0.76
Conducting industry analysis to scrutinize and understand competitors activities	3.97	0.626
Market segmentation	4.20	0.913
Regular training of sales force	4.17	0.805

The respondents indicated that carrying out appropriate sales planning, obtaining regular customer feedback, market segmentation and regular training of sales force are of very high importance with a mean score of more than 4.1 and a standard deviation of less than 1. Monitoring and reporting of competitor activities is also important though with a lower mean score. The respondents did not consider participating in trade fairs as important, and this can be attributable to the fact that customers look at the direct communication more seriously as opposed to advertisements targeted for the general population.

4.3.3 Product Attributes

Players in the insurance industry need to have products that are reliable and of high quality and give value for money. The research findings are indicated in the table below:

Table 4.3.3 Relative importance of product attributes

Product Attributes	Mean Score	Standard Deviation
Availability of unique products	4.14	0.833
Customers perception of company products as valuable	4.07	0.663
Adoption of company products to changing environment	4.14	0.441
Product distribution channels and hours of business	3.77	0.951
Customers perception of value for money through product design	3.86	0.915
Maximum Score	5	

The respondents indicated that uniqueness in products, customer perception and adoption of products to the changing environment are of very high importance to the success of the company and this can be attributable to the fact that the financial services industry is highly dynamic, hence the need to respond appropriately to the changing customer needs. The product distribution channels and the customer perception of value for money through product design are not considered to be of very high importance.

4.3.4 Company Resources

Insurance companies need adequate resources in order to succeed. The relative importance of the resources is indicated in the table below.

Table 4.3.4 Relative Importance of Company Resources

Company Resources	Mean Score	Standard Deviation
Availability of well trained staff	4.55	0.572
Good staff attraction and retention	4.21	0.412
Many branches to serve customers well	3.34	0.721
Company presence in major towns near the clients	3.31	1.28
Customer perception of the company's financial stability	4.14	0.743

The respondents indicated that companies need well trained staff, good staff attraction and retention. Since insurance is a technical area, the respondents advised that the staff need to be competent in all aspects of the insurance company including underwriting, claims processing, reinsurance and customer service. The customers perception of the company's financial stability is equally important, mainly because a company who demonstrates financial stability is able to attract major government and corporate insurance covers.

4.3.5 Positioning in the Market

The way a company positions itself in the market is also seen as key to success. The mean score of the various aspects comprising positioning was 4.02 with a standard deviation of 0.86. The specific responses are as indicated in the table below.

Table 4.3.5 Relative Importance of Positioning in the Market

Positioning in the Market	Mean Score	Standard Deviation
Perception as a leader in the insurance industry	3.93	0.466
Importance of market share to the company	3.90	0.772
Expectations of market share to increase	3.86	0.990
Market share as an advantage over competitors	4.10	0.817
Affordable premium as a source of competitive advantage	3.59	0.983
Offering unique products to customers	4.10	0.817
Focusing on niche markets	4.28	0.882
Ability to service niche markets successfully	4.21	0.902

From the results, it was noted that the company's market share is an advantage over competitors and therefore key to success. The respondents indicated that customers in the insurance industry would always like to be associated with a company that writes a big book of business, and therefore commands a bigger market share, because this is an indication of stability. During the interviews, the respondents advised that offering of unique products, focusing on niche markets and servicing them was also key to success. Such uniqueness includes evacuation facilities in respect of medical insurance, a 24 hour car rescue package for private motor vehicle insurance and no claim discount protection covers.

4.4 Other factors considered to be the most important and key to success, apart from the ones highlighted in the study above

The respondents were also asked to highlight any other factors that could have been considered to be key to their success and had not been highlighted in the questionnaire. Their responses are tabulated below.

Table 4.4 Other Factors

Factor	Frequency	Percent
Ability and wiliness to pay claims on time and with little fuss	8	27.5
Good insurance systems to respond to customers queries	1	3.4
Good strategic planning reliance on advanced technology especially ICT based services	1	3.4
Brand name	4	13.8
Others (including researcher factors)	15	51.9
Total	**29**	**100**

Most of the respondents agreed with the factors earlier identified by the researcher. They also gave additional factors such as the ability and willingness to pay claims n time and with little fuss is key to success. Any company which is known to have difficulties in paying claims to the insureds cannot succeed in the business. This must be supported by good insurance systems to enable them respond efficiently to customer queries as well as good strategic planning practices, to ensure they remain afloat even under difficult operating circumstances.

4.5 Conclusion

The survey brought out key success factors for firms in the insurance industry in Kenya. The respondents demonstrated a very high level of knowledge of their market and customers, and a great awareness of the trends in the insurance market.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter contains discussion of the research findings, conclusions drawn from the study and recommendations that would be useful to the insurance companies and policy makers for the industry. The data was obtained from the insurance companies in Kenya and findings summarized in line with objectives of the study. It also highlights the limitations of the study and gives suggestions for further research.

5.2 Summary

The aim of the study was to determine the key success factors for firms in the insurance industry in Kenya and establish whether the key success factors differ between local and multinational insurance companies. Following the research study and the presentation of the findings in Chapter Four, a discussion of the results follows.

The research study revealed that the insurance companies need to apply marketing strategies that are relevant to the industry in order to succeed. Such strategies include appropriate sales planning, obtaining regular feedback from customers through customer satisfaction surveys, market segmentation and regular training of their sales force, because insurance in Kenya is sold but not bought. Any company that does not get their marketing strategies right in this industry is not bound to succeed, and we established that companies spend substantial amounts of money in the marketing budget. Other key success factors that the respondents found to be of very high importance include company competence; unique capabilities as a company, well trained and effective customer service personnel and number of years in the insurance business.

Other crucial success factors tested in the research study were company resources, product attributes and positioning in the market. These factors had high mean scores and therefore confirm Thomson and Strickland's (1989) argument that key success factors consist of three or four really major determinants of financial and competitive success in a particular industry. This also concurs with the findings of Rockart (1979), who argues that key success factors refer to the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organisaiton.

Another research question was whether there is a difference in key success factors between locally owned and foreign owned insurance companies. The findings indicated that there is no marked difference since the owners in both categories seek growth and profitability and are required to adapt to the local operating environment if they have to succeed in the highly competitive marketplace. The multinationals however would have access to better resources such as financial resources, modern insurance systems and overseas training facilities for their staff, and hence an opportunity to replicate best market practices in the various operating countries, which ends up boosting the brand name.

The study established that insurance companies who understand the market they serve and know the key success factors have succeeded and remained long in business. This made the customers develop confidence and trust in the companies who have entrenched themselves in the market and have high market share

5.3 Conclusion

The survey reveals that most of the companies know the factors that are key to their success in the industry. The respondents exhibited a high level of knowledge and competence of their market and customers, and a great deal of awareness about the trends in the Kenyan market. This knowledge is crucial in guarding existing market share and seeking growth and improvement in existing operations.

The operating environment is highly dynamic and the insurance companies must keep pace with the changing trends. Modern trends such as internet marketing, online processing of claims and payment of premiums over the internet using credit cards as well as electronic funds transfer as a way of transacting with clients must also be explored for the players to be competitive.

The study indicated that product attributes and company resources are key to success and this means the companies must ensure that their competencies are centred around these key factors in order to remain relevant and successful. Access to and dissemination of information to their customers should be quick and prompt. Similarly, their staff in key functions such as customer service should be highly trained and skilled to be able to give regular information that the customers require and thereby give the company a competitive edge.

5.4 Recommendation

The researcher recommends that insurance companies in Kenya should focus more on improving and acquiring competencies on the identified key success factors. However, given that the market is dynamic, market research should be conducted from time to time with a view to establishing what other factors would influence success in the business, in order to give them focused attention. The senior management of the insurance companies must continually assess their key success factors so as to respond to the changes in the operating environment and understand which new ones have emerged as a result of this and address them as necessary. The industry would only thrive if the insuring public can trust the insurance companies with their money in form of premiums, in anticipation that any claims that arise would be settled promptly.

5.5 Limitations of the study

The study was only limited to the key success factors and did not dwell at length on each of the identified factors and how these needed to be addressed.

The survey was conducted at a time when the industry was going through issues to do with regulation, with the proposed formation of Insurance Regulation Authority to take over the role currently performed by the Commissioner of insurance.

Most of the respondents were not willing to give out information freely and others simply advised the researcher that they would call when questionnaire was ready. On further follow up, one could see clearly the unwillingness to participate.

5.6 Suggestions for further research

This study dealt with the Key Success factors for firms in the insurance industry in Kenya. Further study can be done on the individual factors to establish how they could be addressed so that we have a thriving industry. The factors are also bound to change with time, in response to the operating environment. The findings of the research can also be used as a source of reference for research on key success factors for other sectors of the economy such as hospitals, the insurance brokers, re – insurance companies and other financial services organizations.

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APPENDIX I

LIST OF REGISTERED INSURANCE COMPANIES IN KENYA

1. AIG Kenya Insurance company Limited
2. African Merchant Company Limited
3. APA Insurance Limited
4. Apollo Insurance Company Limited
5. Blue Shield Insurance Company Limited
6. British American Insurance Company Limited
7. Canon Assurance Company Limited
8. CFC Life Assurance Limited
9. Concord Insurance Limited
10. CIC Insurance Company Limited
11. Direct Line Insurance Company Limited
12. Fidelity Shield Insurance
13. First Assurance Company Limited
14. Gateway Insurance
15. Geminia Insurance Company Limited
16. Heritage AII Insurance
17. Insurance Company of East Africa
18. Intra Africa Insurance
19. Invesco Insurance
20. Jubilee insurance
21. Kenindia Insurance
22. Kenya Orient Insurance
23. Kenya Alliance Insurance
24. Kenya National Assurance (2001) Limited
25. Lion of Kenya Insurance
26. Madison Insurance
27. Mayfair Insurance Company
28. Mercantile Insurance
29. Metropolitan Life Insurance
30. Old Mutual Insurance
31. Occidental Insurance
32. Pacis Insurance
33. Pan African Life
34. Pioneer Assurance
35. Phoenix Insurance
36. Real Insurance Company Limited
37. Standard Assurance
38. Tausi Assurance
39. The Monarch Insurance
40. Trinity Insurance
41. Trident Insurance
42. UAP Provincial Insurance
43. United Insurance company (under statutory management)

APPENDIX II

LETTER OF INTRODUCTION

G N Kariuki
School of Business
C/o MBA Office
University of Nairobi
P O Box 30197
Nairobi
August 2007

Dear Respondent

RE: Collection of Research Data

I am a post graduate student at the School of Business, University of Nairobi. In order to fulfill the Master of Business Administration degree requirements, I am undertaking a management research project "A survey of Key Success Factors for firms in the Insurance Industry in Kenya".

You have been selected to form part of this study. This is to kindly request you to assist me in the data collection by availing yourself for personal interview or filling out the attached questionnaire, which I will collect from your office.
The information collected will be exclusively used for academic purposes. My Supervisor and I assure you that all information will be treated with strict confidentiality. I will avail a copy of the final paper upon your request.
I thank you personally for your cooperation.

Yours faithfully,

____

G N Kariuki
MBA Student
University of Nairobi

____

Margaret Ombok
Lecturer/Project Supervisor
University of Nairobi

APPENDIX 111

RESEARCH QUESTIONNAIRE

A SURVEY OF THE KEY SUCCES FACTORS FOR FIRMS IN THE INSURANCE INDUSTRY IN KENYA

PART I

General information

1) Your job title...

2) Name of your company..

3) Using the categories below, please indicate the age bracket of your company (please tick one)

Less than 10 years ( )

11 - 20 years ( )

21 - 30 years ( )

31 - 40 years ( )

41 - 50 years ( )

More than 50 years ( )

4) Using the categories below, please indicate the ownership of your company

Foreign owned ( )

Locally owned ( )

Hybrid of local and foreign ownership ( )

Type of insurance business

General insurance ( )

Life insurance ( )

Composite ( )

Part II

5) What is your annual sales turnover (optional)

Ksh less than 50 million ( )

50 - 100 million ( )

101 - 300 Million ( )

301 - 500 million ( )

Over 500 million ( )

6) Has the Kenyan market for insurance been growing? Yes ( ) No ( )
7) By what percentage annually. .... %
8) What do you estimate as your overall market share .... %
9) Has your market share been increasing over the years?

Yes ( )

No ( )

Part III

Key success factors

There are certain factors necessary for successful operation of insurance companies. On a scale of 1 -5, indicate the extent to which they influence the success of your business where,

5) To a very large extent
4) To a large extent
3) To some extent
2) To a very small extent
1) No extent

No	Key success factors	Very large extent	Large Extent	Some Extent	Small Extent	No Extent
	Core competencies					
1	Unique capabilities as a company					

2	Well trained and effective customer service personnel					
3	Variety of products					
4	Number of years of experience in the business					
	Marketing Strategies					
5.	Appropriate sales planning					
6	Regular feed back from customers					
7	Participation in insurance trade fairs (shows)					
8	Advertising of products and services					
9	Conducting industry analysis to scrutinize and understand competitors activities					
10	Market Segmentation					
11	Regular training of Sales force					
	Product Attributes					
12	Availability of unique products from competitors					
13	Customers perception of the company products as valuable					

14	Adaptation of company products to the changing environment					
15	Products distribution channels and hours of business					
16	Customer perception of value for money through product design					
	Company resources					
17	Availability of well trained staff					
18	Good staff attraction and retention					
19	Many branches to serve customers well					
20	Company presence in major towns near clients					
21	Customer perception of the company's financial stability					
22	Perception as a market leader in the insurance industry					
23	Importance of market share to the company					
24	Expectation of market					

	share to increase					
25	Market share position as an advantage over the competitors					
26	Affordable premiums as a source of competitive advantage					
27	Offering unique products to customers					
28	Unique products offered to customers as a source of competitive advantage					
29	Focusing on key (niche) markets					
30	Ability to service niche markets successfully					

31. Please indicate any other factors you consider to be the most important and key to your success, apart from the ones highlighted above

____

____

THANK YOU FOR YOUR COOPERATION

Appendix IV

Operational Dimensions of the Key Success Factors

Key success factors	Expanded definition	Relevant issues	Relevant statements
Core ompetences	Unique capabilities, skills, facilities, experience	Unique capabilities	1
		Staff skills	2
		Unique products offered	3
		Years in business	4
larketing rategies	Sales planning market research , market segmentation	Company does sales planning	5
		Company seeks feedback from customers regularly	6
		Company participates in trade fairs	7
		Firm advertises it products through the mass media	8
		Company conducts industry analysis	9
		Company segments its market	10
		Company trains its sales force	11
roduct tributes	Unique products highly valued products environment friendly products, product design	Company has unique products from others	12
		Customers perceive the company's products as valuable	13
		Company products adopt to the changing environment	14
		Products designed to meet customer needs	15

Company esources	Availability of capital skilled labour , facilities	Availability of trained staff	16
		Goods staff attraction and retention	17
		Company well located with branch offices in towns near the clients	18
		Company is financially stable	19
	Ability to perform better than competitors by low	Company considered market leader by customers	20

Positioning in the Market	costs differentiation and focus	The market share is expected to increase	21
		High market share has given the company competitive advantage	22
		Competitive advantage form low cots	23
		Competitive advantage from differentiation	24
		Focus on key (niche) markets	25