A STUDY OF THE STRATEGIC RESPONSES BY KENYAN INSURANCE COMPANIES FOLLOWING LIBERALISATION

BY

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DECLARATION

This project is my original work and has not been submitted for a degree in any other university.

Signed .... Date 30/10/2000

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This project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

Dedicated to

My Parents:

My Father Al-Haji Sheikh Abdullahi, and My Late beloved mother Abdiya Elmi

For their concern towards my education

and to

My wife Zeddy for her encouragement and patience

throughout the MBA Programme.

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LIST OF ABBREVIATIONS

1. AKI - Association of Kenya Insurers
2. ESAF - Enhanced Structural Adjustment Fund
3. GDP - Gross Domestic Product
4. IMF - International Monetary Fund
5. NCD - No Claim Discount
6. SAPS - Structural Adjustment Programmes
7. SBU - Strategic Business Units
8. CAP - Chapter
9. USA - United States of America
10. US - United States
11. U.S.I.U-A United States International University - Africa

ABSTRACT

The economic reforms in Kenya made the business environment very turbulent and affected business practices. The study therefore sought to document the sector's response to the changes in the business environment.

The Principal objective is to determine the strategic responses and adjustments in strategic variables adopted by the firms which could be due to changes in the external environment.

Primary data was collected using both the structured and unstructured questionnaire to gather information. The study was done in Nairobi. A census survey of 36 companies was to be done but 26 of them participated out of which 8 were interviewed and the rest (18) were administered through "the drop and pick later" technique. The method of data analysis is by descriptive statistics as the desired statistical method include tabulation, frequencies, percentages, mean scores, variance and standard deviation.

The study revealed that majority of the firms changed their mission components mainly in products/services and technology. Majority of the firms changed the ranking of their goals. Growth topped the goals before changes occured but now it is profitability. Majority of the firms did not change their long term objectives. It was observed that the firms are operating in a very competitive environment which has affected their internal behaviour. The environemental changes affected the operation of the firms as they adjusted the strategic variables though on a moderate scale with the most adjusted variables being marketing and process strategies. In the research strategies, the variables that were adjusted more than the others are strategic plans and research on products of competitors. It was also observed that price war is rampant in the industry.

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND

Cole (1990) states that open systems are those which do interact with their environment, on which they rely for obtaining essential inputs and for the discharge of their system outputs. Firms therefore as open systems must interact with their environment for survival as it gives better part of its resources to those firms that conform to its standard and weeds away those that don't.

Ansoff and McDonnell (1990) state that successful environment serving organisations are open systems and the open property is made necessary by two factors:

- Continued organizational survival depends on its ability to secure rewards from the environment which replenish the resources consumed in the conversion process.
- Continued maintenance by the organisation of its social legitimacy.

They further state that a major escalation of environmental turbulence means a change from a familiar world of marketing and production to an unfamiliar world of new technologies, new competitors, new consumer attitudes, new dimensions of social control and above all an unprecedented questioning of the firm's role in society. The prospects for the 1990s are for a continued escalation of turbulence.

Government systems in developing countries regulated economic aspects of firms' behaviour which hampered competition. The practice encouraged the existence of unprofitable and inefficient firms and blocked new entrants. The restictive trade practices resulted benefits accruing to protected firms due to manipulation from the system rather than from innovation and adoption of new technologies (World Bank Report, 1994).

Accordingly the Kenyan Government was forced to liberalise the economy in 1992 but implementation of the reforms began in 1993 with liberalisation of exchange control, abolition of licensing and removal of price controls (Economic Survey, 1994). This change in Government policy has opened up the economy to intense competition. New entrants and innovation was witnessed.

The environment in which Kenyan firms operate therefore became turbulent in the 1990s due to unfamiliar changes in the business environment that exerted heavy pressure on organisations to face competition (Economic Survey, 1998).

The changes came up due to the on going economic reforms recommended by the Bretton Wood Institutions of the World Bank and the International Monetary Fund (IMF). Kenya was forced to accept the demands of these institutions as a condition for the disbursement of aid which was suspended in 1991 (Ishrat and Faruqee, 1994). The process of liberalisation was adopted in 1992 and since then many economic reforms have taken place and the programme is still going on. Accordingly, from 1992 onwards, a series of persistent and dramatic changes haven taken place with the birth in 1992 of the reintroduction of multi-party politics and liberalisation which was accompanied by economic uncertainty (Economic Survey, 1993).

Liberalisation is a special aspect of the privatisation process and entails the removal of government interventions of all kinds, such as price controls, quantity restrictions, import licensing and other barriers that may deter business activity (Vels, 1999). He further states that effective liberalisation is intended to allow competition in the economy.

He observes that local competition has made companies change their activities in order to survive. He argues that for the insurance industry, the effects of liberalisation have been indirect. Many companies have been unable to withstand increased competition. These have gone out of business and gone with them is the Insurance business they held.

Other companies have retrenched employees. Some of these employees were customers of the Insurance Industry. He thus points out that the Insurance sector in Kenya is facing declines in premium income and a lot of innovation is required in order to counteract this down turn in volume of business.

Olotch (1999) reported that the number of players in the insurance industry is relatively large. There are 38 companies in a small market of about Kshs.20 billion. Moreover, the economy has not being performing well with GDP growth rates of below 2%.

The insurance firms thus reported a decline in premium income. He notes that the Republic of South Africa which accounts for more than 90% of the premium in Africa has only about half the number of Insurers in Kenya. He thus suggests that local Insurance Companies should merge to create bigger but fewer units.

Liberalisation led to stiff competition in many sectors of the economy. The Insurance Act (Cap. 487) was amended in 1998 to facilitate gradual phasing out of mandatory cessions for Kenya Re-insurance by the year 2002. The insurance (Amendment) regulations, 1998 outline a schedule on gradual removal of reinsurance treaties (Economic Survey, 1999).

The collapse of Kenya National Assurance in 1996 which was state owned opened up the doors for serious competition as the portfolio it held notably parastatals invited competition from the industry.

The economic reforms in Kenya have created a fundamental shift in the economic environment in which firms operate and thus proper strategic response is the way forward for the firms to survive in the face of the turbulent environment.

1.2 DEFINITION OF STRATEGIC RESPONSE

Pearce and Robinson (1991) define it as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. It is thus a reaction to what is happening in the environment of organisations. Porter (1980) points out that knowledge of the underlying sources of competitive pressure provides the ground work for strategic agenda in action. When firms are faced by unfamiliar changes, they should revise their strategies to match the turbulence level (Ansoff and McDonnell, 1990).

1.3. ATTITUDES

Kanuk and Schiffman (1996) define attitudes as an expression of inner feelings that reflect whether a person is favourably or unfavourably predisposed to something. Since they are an outcome of psychological processes, attitudes are not directly observable, but must be inferred from what people say or do.

The researcher wishes to find out and document the attitudes respondents have towards strategic response to changed environments.

1.4 STATEMENT OF THE PROBLEM

The harsh economic conditions in Kenya have seriously affected the profitability and market share of companies (Economic Survey, 1999). In 1999, the Gross Domestic product grew by a paltry 1.4% and slow growth was reported in all sectors of the economy (Central Bank of Kenya, Monthly Economic Review, January, 2000). Many sectors of the economy witnessed stiff competition following liberalisation. This has forced many companies to adopt changes to compete in the new turbulent environment. (Economic Survey 1999).

The business environment in Kenya has drastically changed in the 1990s. The changes posed serious strategic threat to existing firms. Studies to confirm changes in the business environment in Kenya in the 1990s were done such as Bett (1995) on the dairy industry, Chune (1998) on the food manufacturing industry, Kombo (1997) on motor Franchise holders and Mohamed (1995) on effects on reconditioned cars on the motor market.

Numerous studies were done in the western world particularly USA and Britain. Local studies were done in the insurance industry in Kenya but not on response to changed environments. This study is therefore meant to fill the void to study how insurance firms in Kenya have responded to the changes in the environment.

In changed environments, firms should cope with the change by adopting various strategies such as differentiation, focus, marketing mix variables, segmentation, positioning, strategic alliances, improvement in quality of products and services among others.

The insurance companies seem however to have not properly responded to the changes because of experiencing decline in premium income as observed by Vels (1999). There is also a fall in profitability and market share in the industry as its current contribution to the Gross Domestic Product stands at only three percent instead of the ideal seven to ten percent (Insurance Link, January/February, 2000).

Though firms are to respond strategically to environmental changes for their survival, it is not clear which strategic responses the insurance companies have used to cope with the changed environment.

The research problem is therefore to develop a better understanding of the sector's response to the changes in the environment.

The study will address the following questions:-

1. What are the strategic responses adopted by Insurance firms in Kenya?
2. What adjustments in strategic variables have taken place?

1.5 OBJECTIVES OF THE STUDY

The study is aimed at establishing the state of strategic response by the Insurance firms following liberalisation through;

1. Determining the strategic responses and adjustments in strategic variables that insurance firms in Kenya have adopted.
2. Assessing their attitudes towards strategic response to changed environments.

1.6 IMPORTANCE OF THE STUDY

1. The study will benefit the insurance companies as it is expected to establish the adequacy and or capability of the sector's response to the ever changing business trends in the face of liberalisation and globalisation of business. The findings are thus expected to guide the industry to cope with the changes inorder to survive.

2. The study will also benefit insurance agents and brokers who are also stakeholders in the industry to apply the concept of strategic response to their organisations.

3. The study is also expected to contribute to the existing literature in the field so that it will be useful to academicians for purposes of carrying out further research.

1.7 DEFINITION OF TERMS USED

Strategy - A set of decision making rules for guidance of organizational behaviour.

Environmental turbulence - A measure of the degree of changeability and predictability of a firm's environment.

Privitasation - A policy process where a government reduces its direct interventions in business firms to allow more participation of private companies and individuals.

Liberalisation - It is special aspect of the privatisation process and is the removal of government imposed barriers of all kinds that deter business activity.

Industry - A collection of firms that offer similar products or services.

Competitive advantage - The unique superior position a company develops vis-avis its competitors. This amounts to the basis for preferring the company's products and not those of competitors.

Market Share - The strength or voice a firm commands in the market.

Company Mission - An enduring statement of purpose that distinguishes one company from other similar companies.

Substitutes - Products or services that can perform the same function as other products in the same industry.

Relationship Marketing - It is strategic orientation adopted by both the buyer and the seller parties, which represents a commitment to long term mutually beneficial collaboration.

It can also be defined as the process of creating, maintaining and enhancing strong value laden relationships with customers and other stakeholders.

Brand - It is a sign, a symbol, a name or a combination of these that has a meaning to the customer.

Brand Personality - The set of human characteristics associated with a given brand e.g gender, age etc.

Change - Response to environmental changes

Celebrity Spokesman - Use of well known person to endorse products or companies.

Economic Uncertainty - Unpredictable business environment due to unfamiliar changes.

Retrenchment - Offloading excess employees.

Market segmentation - The process of dividing a potential market into distinct subsets of customers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix.

Positioning Strategy - A decision to stress only certain aspects of the company's brand and not others to compliment the company's segmentation strategy and selection of target markets.

Premium - Prices changed for insurance covers.

Brokers - Insurance professionals who bridge the gap between insurance companies and the Insured.

Insurance - The taking away of risks from the person directly concerned by the insurance company.

No Claim Discount - Discount allowed for not claiming during the period of cover which is usually one year.

1.8 OVERVIEW OF THE PROJECT REPORT

This research report is divided into five chapters. The first chapter which is the introduction gives the background, definition of strategic response, atttitudes, statement of the problem, objectives of the study, importance of the study, definitions of terms used and an overview of the project report.

Chapter two, the literature review, provides the necessary literature relevant to the subject matter of the study. It covers the significance of the external environment in the management of organisations, an overview of Kenya's economic performance, an overview of liberalisation, nature of economic reforms, structural adjustment programmes, SAPS in Kenya, Postmortem of the economic liberalisation programme, Strategies to use in changed environments, conceptual framework of the research and summary of the literature review.

Chapter three which is the research methodology covers the research design, the population, the sample, data collection instrument and data analysis.

Chapter four is about analysis and findings. It gives perception of competition, changes in company missions, goals, objectives, strategies and plans in response to competition and ajdustments of strategic variables.

Chapter five which is the last consists of conclusions and recommendations. It gives the summary of research findings, conclusions, recommendations, limitations of the study and suggestions for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 THE SIGNIFICANCE OF THE EXTERNAL ENVIRONMENT IN THE MANAGEMENT OF ORGANISATIONS.

Open systems are those firms which do interact with their environment, on which they rely for obtaining essential inputs and for the discharge of their outputs. The inputs include people, materials, information and finance. These inputs are organised and activated so as to convert human skills and raw materials into products, services and other outputs which are discharged into the environment. For this purpose, closed systems on the other hand are completely self supporting and thus do not interact with their environment (Cole, 1990).

Pearce and Robinson (1991) arguing on the same line state that a host of external factors influence a firm's choice of direction and action, and ultimately, its organisational structure and internal processes. They argued that these factors which constitute the external environment fall into remote, industry and operating environment. The remote environment comprises factors that originate beyond, and usually irrespective of, any single firm's operating situation concerning economic, political, technological and ecological factors. Accordingly, the environment presents firms with opportunities, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence.

The nature and degree of competition in an industry hinge on five forces which are threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute products or services and the jockeying for position among current contestants. Accordingly, to establish strategic agenda for dealing with these contending currents and to grow despite them, a company must understand how they work in its industry and how they affect the company in its particular situation (Porter, 1979).

He further argues that in the fight for market share, competition is not manifested only in the other players, rather competition is an industry is rooted in its underlying economics, and competitive forces exist that go well beyond the established combatants in a particular industry. Whatever the collective strength of the players, the corporate strategists goal is to find a position in the industry where his or her company can best defend itself against these forces or can influence them in its favour. He therefore observes that the industry characteristics strongly influence the alignment options available to the firm.

Various other scholars also observed that firms are environment dependant and that changes in the environment represents opportunity and threats to the firm.
Drucker (1954), Chandler (1962), Andrews (1971) and Porter (1980) Pearce and Robinson (1991) concur on the fact that firms as open systems are environment dependant. As such Drucker (1954) addressed the issue of strategy and strategy formulation as an approach to Managing Organisations. Chandler (1962) injected life into this concept which was somewhat ignored. He defined and outlined the process by which strategy could be formulated.

The writings of Ansoff (1965) and Andrews (1971) on the need for organisations to interact with their environment were instrumental in triggering off the adoption of corporate planning by business firms before the environment became turbulent in the early 1970s.

The essence of formulating competitive strategy is relating a company to its environment. Although the relevant environment is very broad, encompassing social as well as economic forces, the key aspect of the firm's environment is the industry in which it competes. Industry structure guides the strategies available to the firm (Porter, 1980).

Bennet (1977) argues that the cultural, political, economic, technical and legal frameworks within which organisations operate are today liable to rapid and far reaching change. New products are introduced, new markets and competitors regularly emerge. He further adds that a change in any one of an organisation's environments can create difficulties.

2.2 AN OVERVIEW OF KENYA'S ECONOMIC PERFORMANCE

Since 1992 there has been a series of persistent and dramatic changes that took place in Kenya. The performance of all sectors of the economy remained subdued through out this period. Depressed demand for goods and services coupled with infrastructural constraints and high cost of credit in the money market depressed the economy further and thus led to persistent economic recession (Economic survey, 1999).

In 1999, the real Gross Domestic Product (GDP) grew by 1.4% in the twelve months to October, 1999 compared with 1.8% and 2.3% in 1998 and 1997 respectively. The slow growth was virtually in all sectors of the economy. Finance, insurance and real estate services for example are estimated to have grown by 2.9% in the twelve months to October, 1999, compared with 7.1% in 1996, 5.3% in 1997 and 3.2% in 1998.

The continued depressed performance of the economy is attributed to several structural factors which continue to discourage investment, including dilapidated infrastructure, inefficient provision of public services and incidences of insecurity. These conditions have led to high costs of production and distribution which inturn make domestic goods and services less competitive. (Central Bank of Kenya - monthly Economic Review Jan. 2000).

An examination of the performance of the Kenyan economy reveals a worrying picture. Today the situation in Kenya can probably be described as one of economic crisis and this has been the case for sometime. The economic problems experienced include unfavourable external balances and high external indebtedness, capital flight, high inflation and interest rates, falling private investment and low per capita incomes. Poverty is widespread and the internal market has been shrinking (Vels, 1999). The suspension of enhanced Structural Adjustment Facility (ESAF) in 1997 further depressed the economy.

The exchange rate went up and reached a record high to exchange at Kshs.75.7 to the US dollar in September, 1999. However, it strengthened against the US dollar in December, because of positive sentiments by the IMF about the likely resumption of the suspended donor funding and a rush to off load foreign currency by exchange holders to avoid losses as the shilling further strengthens.

(Central Bank of Kenya, monthly Economic Review January, 2000).

The above Review reports strategies by the government to contain the situation as follows:-

To reverse the slow down in economic growth, the government stepped up, in recent months, the pace of structural and economic reforms to increase investor confidence. The government has also put in place measures to streamline procurement of goods and services, contain expenditures and balance the budget.

It further reports that other measures underway to spur economic growth include the civil service rationalization programme, the ongoing repairs of the country's roads, the ongoing restructuring of the posts and telecommunications sub-sector and the expected privatisation of some parastatals. These measures together with the reforms implemented in the financial sector are expected to positively impact on economic growth by the second half of the year 2000.

Vels (1999) pointed out that a sound National Insurance and Re-insurance market is an essential characteristic of economic growth. Insurance is not merely a characteristic of economic growth but a necessity for the great majority for todays's economies.

He further states that US total premiums form 12% of the GDP but in Africa, that type of relationship between insurance premiums and GDP has not been attained and that there is need to build the insurance industry.

Our market cannot sustain the number of insurance firms that are currently licensed to do business. The number of players are too many (38 companies) in small market of about Kshs.20 Million. Further, the depressed economy led to a decline in premium incomes. This calls for serious strategic response to survive the turbulent environment. Due to the poor prospects of growth and the victicious claims that currently rocked the industry, the insurance companies face a dilemma unless they cope up with the realities of the changed business environment that has affected other sectors of the economy such as the banking and dairy industry among others (Olotch, 1999).

2.3 AN OVERVIEW OF LIBERALISATION

Economic performance in many African countries began deteriorating in 1970s. Per capita income stagnated and all sectors of the economy were affected by mid 1980s. Symptoms of the malaise were evident almost everywhere. The return on World Bank investment projects were much lower in Africa than in other regions. The main factors responsible for the stagnation and decline before the adjustment period were poor policies. The state had a prominent role in production and regulation of economic activity. Over-valued exchange rates and large and prolonged budget deficits undermined the macro economic stability needed for longterm growth. Protectionist trade policies and government monopolies reduced competition so vital for increasing productivity (World Bank, 1994). Kenya was among the countries affected and thus economic reforms were required.

An examination of the performance of the Kenyan economy reveals that it has stagnated. Soon after independence in 1963, the economy grew very respectably. This upward trend continued throughout the 1960s and 1970s reaching the peak in the 1976/77 coffee boom. Thereafter the economy showed signs of weaking and for most of the 1980s and 1990s, the economy was either stagnant or declining. Today the situation in Kenya can be described as one of economic crisis and this has been the case for sometime. Poverty is widespread and the internal market has been shrinking. The poor state of economic affairs could not be allowed to continue. Radical action was required to turn around the economy and restore economic growth. The policy action chosen was that of economic liberalisation (Vels 1999).

2.4 NATURE OF ECONOMIC REFORMS

Economic reforms can be broadly defined as the introduction of policy shifts in the management of a country's economy that result in a free market based system.

Growth was poor among African countries. Lack of stable environment for economic decision making has held back growth in many african countries. In the low growth countries, inflation has been relatively high and variable. This has often contributed to over-valued exchange rates and to a decline in competitiveness (World Economic Outlook, 1994).

Vels (1999) argues that the major reason explaining the poor performance of young economies was too much direct government involvement in resource allocation. The only way out of this problem is by reducing the role of government in resource allocation and empowering individuals and companies to make economic decisions.

The above signaled in Kenya the strengthening of the market system by providing incentives to producers, restoration of price decontrols, restoration of competition and privatisation. With privatisation, the government reduces its direct intervention in business firms and allows for more participation of private companies and individuals. Effective liberalisation is thus intended to allow competition in the economy. The key to the ongoing reforms is to create a competitive business environment which led to efficiency gains in the economy. For liberalisation to work, it must be accompanied by privatisation (Vels, 1999).

He continues to point out that economic liberalisation programme entails moving away from government interventionism towards a more free market competitive economic system. Liberalisation objectives include:-

* Promoting role of the private sector in the economy
* Controlling government expenditure
* Creating an enterprise culture in all activities
* Developing viable capital and money markets
* Providing a more favourable environment for business activities.

Institutional development and civil service reform have to be undertaken if the economic liberalisation programmes must work. It involves shifting away from administered controls towards mechanisms that support market based activity.

2.4.1 Structural Adjustment Programmes (SAPS)

"Structural Adjustment" is the name given to a set of "free market" economic reforms imposed on developing countries by the Bretton Woods institutions as a condition for receipt of loans (World Bank Report, 1994).

They are designed to improve a country's foreign investment climate by eliminating trade and investment regulations, to boost foreign exchange earnings by promoting exports and to reduce government deficits through cuts in spending.

The Bretton Woods Institutions argue that SAPS are necessary to bring a developing country from crisis to economic recovery and growth. Economic growth driven by private sector Foreign investment is seen as the key to development.

2.4.2 SAPS In Kenya

Kenya has over the last few years implemented various economic reforms under the SAPS as recommended by IMF. The reforms resulted in a free market based system that has continued to attract foreign direct investment in the country and are stated as follows:-

- * Exchange and trade regimes
- * Money reforms
- * Parastatal reforms
- * Price decontrols
- * Fiscal reforms
- * Civil service reform
- * Political reform

2.4.3 <u>Postmortem of the Economic Liberalisation Programme</u>

Vels (1999) points out that the result of the liberalisation programme have so far been mixed. On the positive side, it enabled Kenyas access to a variety of products. Input restrictions and foreign exchange controls were removed. Increased local competition has forced companies to improve their activities inorder to survive.

He however, points out that though liberalisation brought benefits, serious concern still remains. Firstly the Kenyan economy is still performing poorly and the local markets continue to shrink. Implementing a liberalisation programme while such conditions are prevailing leads to improved competition for a very small market. This has happened in Kenya with the following consequences:

- * Companies are winding up today for lack of business. Thus shrinking the local corporate sector.
- * Other companies are relocating to neighbouring countries.

* Some multinationals that previously had manufacturing facilities in Kenya have preferred to liquidate them and instead maintain low involvement marketing operations here.

Second, not all the key pre conditions for introducing the market system in Kenya have been met.

Third, there is a lot of confusion in some of the liberalised sectors of the economy such as the dairy, coffee and tea. The confusion is more to do with how liberalisation is being implemented and not liberalisation perse.

He further points out that in a liberalised economy, individuals and corporations undertake active economic activity while the government ensures good governance. There is low level of governance in the country. Patronage is common and this tends to counteracts the benefits associated with fair competition.

Vels (1999) further argues that though the insurance industry is still regulated by the government, liberalisation has had serious indirect impact on the industry. Companies that failed to withstand increased competition in the kenyan market died and this inturn affected the industry as it led to low business volume. What's more, though the collapse of Kenya National Assurance Company dented the image of the Kenyan Insurance industry, it resulted increased competition for the huge government and parastatal properties it covered exited into the market.

2.5 STRATEGIES TO USE IN CHANGED ENVIRONMENTS

The period of late 1960s and early 1970s witnessed increased adoption of strategic planning as the period was characterised by relatively stable and growth business environment. In the 1970s (especially 1973) the business situation radically changed. There was increased environmental turbulence. The great stability and predictability that characterised the earlier period was gone with the advent of the energy crisis. Continued economic growth prospect either slowed down or disappeared all together. It was therefore necessary that these processes be modified or adapted in order to cope with the now turbulent business environment. The character of planning had to change from what it had been in the past to reflect current business circumstances (Taylor, 1986).

Hall (1980) made similar observation in his study of how large manufacturing firms in America were affected by turbulent external environment. There was widespread instability and marginal profitability. The strategies used in the stable environment of the 1960s malfunctioned. Organisations were thus moving towards the selection of a narrow range of strategic choices to counter the effect of the turbulent environment.

Peters and Waterman (1982) criticised strategic management practices that tended to be highly analytical, rational and rigid. They called for greater flexibility which could inturn enhance strategic thinking and innovation. They stressed the importance of establishing a strong corporate culture as this could greatly enhance effectiveness of management in companies. Ohmae (1982) concurred with Peters and Waterman (1982) by stressing the importance of planning in so far as it enhanced strategic thinking and innovation.

Competitive pressures are forcing corporations to adopt new flexible strategies and structures. Many of these are familiar: acquisitions and divestures aimed at more focused combination of business activities, reductions in management staff and increased use of performance based rewards (Kanter, 1989).

Porter (1979) pointed out that once having assessed the forces affecting competition in an industry and their underlying causes, the corporate strategist can identify the company's strengths and weaknesses. The crucial strengths and weaknesses from strategic stand point are the company's posture vis-a-vis the underlying causes of each force. Where does it stand against substitutes? Against the sources of entry barriers?

Aaker (1996) arguing on competitive strengths and weaknesses states that statements of what the company or its brands should stand for and its program to customers is a strategic decision in every sense. He goes on to state that brands need to be selecting markets and building assets for the future, rather than just engaging in tactical programs that address only the problems of the moment. He adds that the objective of a brand strategy is to create a business that resonates with customers, that avoids competitor strengths and exploit their weaknesses, and that exploits its own strengths and neutralises its weaknesses.

Strategy can be viewed as building defenses against the competitive forces and finding positions in the industry where the forces are weakest. Knowledge of the company's capabilities and of the causes of the competitive forces will highlight the areas where the company should confront competition and where it should avoid. If the company is low cost producer, it may choose to confront powerful buyers while it takes care to sell them only products not vulnerable to competition from substitutes (Porter, 1979).

Aaker (1996) asserts that positioning involves a decision to stress only certain aspects of a company's brand and not others. He further argues that the key in positioning strategy is that the customer must have a clear idea of what the brand stands for in the product category and that a brand cannot be sharply and distinctly positioned if it tries to be everything to everyone. This explains that the building of brand name is a strategic thrust that cannot be avoided in turbulent environment.

A brand that captures your mind gains behaviour and a brand that captures your heart gains commitment. Brand personality is the set of human characteristics associated with a given brand. Thus it includes such characteristics as gender, age and socio economic class as well as such classic human personality traits as warmth, concern and sentimentality. Product related characteristics can be primary drivers of a brand personality. Even the product class can affect the personality. A bank or insurance company for example will tend to assume a stereotypical personality of competent, serious, masculine, old and upper class (Aaker, 1996).

The use of clusters are critical to competition and hence is strategy to help companies clearly define who their actual competitors are. Clusters are geographical concentrations of interconnected companies and institutions in a particular field. Modern competition depends on productivity, not on access to inputs or the scale of individual enterprises. Productivity rests on how companies compete, not on the particular fields they compete in (Porter, 1998).

Porter (1980) points out three generic strategies for competitive positioning a firm adopts with respect to its competitors which are cost leadership, differentiation and focus.

<u>Cost Leadership</u>

He points out that with this strategy, a firm seeks to be the lowest cost producer of a product or service. It can provide sufficient value to command prices near the industry average and hence can achieve above average profits. Cost leadership can also be achieved through sourcing input from cheaper suppliers and this helps reduce costs of customer service delays and minimising errors.

<u>Differentiation Strategy</u>

He argues that today's markets are characterised by homogenous goods and services and differentiation helps solve such a problem. A firm using this strategy seeks to differentiate its product or service on dimensions that are highly valued by customers. This helps the firm command premium prices to earn above average profits. The offerings of the firm is perceived industry wide as something unique.

Superior services available all the time creates uniqueness. Firms should therefore distance their products or services from those of their competitors on the attribute valued by customers and the source of differentiation should be hard for competitors to imitate.

Focus Strategy

This strategy aims at a narrow market segment, product category or certain buyers. This helps firms narrow their operations to specific markets and thus achieve competitive advantage. Focus therefore helps firms to direct their strategic plans to align themselves to the environment. Apart from Porter's generic strategies, other strategic options are available to firms faced by turbulent business environment. These include:-

(a) **Pricing**

This is a short lived strategy but can work for a short time to boost sales when prices are revised downwards to attract customers. However Aaker (1996) observes that the pressure to compete on price directly affects the motivation to build brands.

Porter (1980) states that price wars kill an industry where firms are engaged in offensive and defensive moves that will mean a move will touch off widespread warfare.

Insurance companies in Kenya have the habit of matching their premium with those of their competitors. Olotch (1999) notes that the trend that is experienced in the local insurance market is competition on rates. He argues that with declining interest rates, the financial stability of some companies might soon be under severe strain. He points out that the Association of Kenya Insurers (AKI) has drawn the attention of the members to the dangers that such competition might bring but unfortunately, not much progress is being achieved.

(b) **Focus on Powerful Customers**

There is need for companies to understand their changing market place and customers and the need to provide competitive value. Companies that were powerful in the 1970s such as General Motors are today struggling to remain profitable because they failed at marketing. In the 1990s many companies have acknowledged the critical importance of being customer oriented. Customers pay attention to after sales services, knowledge and responsiveness of employees (Kotler, 1997).

Arguing on the same line Drury (1996) states that to compete in today's environment, companies ought to become more customer driven and make customer satisfaction an overriding priority. Customers are demanding over improving levels of service, reliability, delivery and choice of innovative new products.

(c) **Need to Improve Quality of Products or Services**

Kanuk and Schiffman (1996) state that customers often judge the quality of a product or service on the basis of a variety of information cues which are intrinsic or extrinsic that they associate with them. Intrinsic cues concern the physical characteristics and the extrinsic include price, brand image and promotional message.

Customer satisfaction is the ultimate measure of quality. Most companies tend to measure this after the event with the most common method being to monitor and analyse the number of letters of complaint and commendation. Other companies adopt a more pro-active approach and survey their customers on regular basis to ascertain customers perception of service quality (Drury, 1996).

Problem of Services

Kotler (1997), Kanuk and Schiffman (1996) concur on the fact that it is more difficult for customers to evaluate the quality of services than the quality of products which is due to the general nature of services. The characteristics which makes them hard to design their marketing programs are that they are intangible, inseparable, perishable and variable.

To overcome the fact that consumers are unable to compare services side by side as they do with products, consumers rely on extrinsic cues to evaluate service quality (Kanuk and Schiffman 1996). Accordingly, in evaluating insurance service for example, the quality of the premises, examining room furnishings, pleasantness of the secretaries and friendliness shown by the staff all contribute to the customers overall evaluation of service quality.

They further state that since services are variable, marketers try to standardize their services in order to provide consistency of quality. The downsize of service standardization unfortunately, is the loss of customized services that many customers value.

(d) Relationship Marketing Strategy

Building relationship marketing involves a process of attracting and keeping customers. On attracting potential customers, the company tries to convert them into repeat customers which are in turn converted into loyal customers who become advocates by praising the company and encouraging others to buy from it. Smart marketers try to build long term "win-win" relationship with customers which is accomplished by delivering high quality good service to them overtime (Kotler, 1997). He further argues that relationship marketing helps cut down on transaction costs and time as transactions are routinized.

Relationship marketing and effective resolution of customer problems are closely linked interms of their mutual interest in customer satisfaction, trust and commitment (Achrol 1991, Morgan and Hunt 1994).

Dwyer et al (1987), Parasuraman and Berry (1991) state that complaint handling strategies are important particularly in managing customer relations in service business. Challenges in managing quality combined with important role played by customers in the service production process and evidence that customers loyalty drives profitability, make complaint handling a critical moment of truth in maintaining and developing these relationships.

(e) Strategic Alliances

Strategic alliance is cooperative agreements between firms that go beyond normal company-to-company dealings but fall short of mergers, acquisitions or full partnership (Strickland and Thompson, 1993).

They further point out that recently, leading companies from different parts of the world have formed strategic alliances to strengthen their ability to serve whole continental areas and move toward more global market participation. Thus by joining forces in producing components, assembling models and marketing their products, companies can realise cost savings not achievable with their own small volumes.

Kujawa and Grosse (1992) concurred with the above arguments and pointed out that alliances have become very popular vehicles for pursuing domestic and international business among large international contractors during the late 1980s and early 1990s. They further argued that strategic alliances are formed when each partner has a weakness in its own ability to carry out a specific business activity and the partner firm can compensate for that weakness but very often the weakness that leads a company to join in strategic alliance is availability of capital.

Prahalad and Colleagues (1989) suggested that it is crucial that firms not view alliances as passive opportunities to benefit from their partners' skills nor act as passive recipients of the results of those skills; rather, firms should treat alliances as opportunities to actually learn those skills. The implication is that the firm that is able to learn the most from its alliance partners while the alliance is in progress is the one that benefits in the long run. In their study they concluded that a major determinant of how much a company gains from an alliance depends on its ability to learn form its alliance partner. They observed that in every case that Japanese companies emerged stronger than its Europe and American partner, the Japanese one made big efforts to learn from its partner.

A firm's behaviour within an alliance is conditioned by its position in markets that may have little to do with that particular alliance. An important reason for the disappointment of some firms with alliances is their poor understanding of the strategic dynamics within such partnerships (Hamel, 1991).

The competitive aspect of alliances result due to the fact that each firm needs access to the other firm's know-how for the common benefit of all. Each firm also attempts to use its partner's skills for private gains and of the possibility that greater benefits accrue to the firm that learns faster than its partner (Khanna et al, 1998).

Kujawa and Grosse (1993) state that the 1980s and early 1990s saw a virtual explosion in the number of strategic alliances. This is due to the pressure of international competition. The challenges of global competition thus led to conceiving and implementing of overall strategies for competing globally. The concept of strategic alliances therefore began to own a place in the Kenyan market and touched on some sectors of the economy.

(f) <u>Mergers</u>

Pandey (1999) states that a merger is said to occur when two or more companies combine into one company. One or more companies may merge with an existing company or they may merge to form a new company.

He further points out that business combinations which may take the form of mergers, acquisitions and take overs are important features of corporate structural changes. They have played an important role in the external growth of a number of leading companies the world over. He further states that mergers take place because they are strategic decisions leading to maximization of a company's growth by enhancing its production and marketing operations. They became popular in recent times because of enhanced competition, breaking of trade barriers and globalisation of business as a number of economies are being deregulated and integrated with other economies. Mergers thus help overcome the problem of slow growth and profitability in one's own industry.

Arguing on the same line Kujawa and Grosse (1992) state that when mergers and acquisitions take place, newly formed competitors often share up previous industry structures. This is because retrenchment takes place and the economic position of the new company increases thus commanding a big voice in the market.

2.6 CONCEPTUAL FRAMEWORK OF THE RESEARCH

A firm's management system is a critical factor in its responsiveness to environmental changes. Accordingly, the managers monitor the environment to assess the impact of the imminent challenges on the firms and do what is necessary to avert the impact. Further, because of the ever increasing turbulence in the environment, organisations were forced to become more responsive. The firms should thus match their strategies with the turbulence level in the environment. This ensures success and continuity (Ansoff and McDonnell, 1990).

For organisations to be successful, they must interact with their environment as the environment gives better part of its resources to those that conform to its standards. Thus, organisations should avoid a mis match between the requirements of the environment and what it offers to it (Cole, 1990).

The insurance companies in Kenya are facing great challenges most of which is blamed on cut throat competition from within the traditional competitors. The situation has further been aggrevated by new competitors that do some of the businesses that were previously synonimous with insurance companies. These include health covers and pension schemes which are now also done by other sectors. This followed liberalisation of the economy and the situation has been made worse by the dwindling economy. Liberalisation affected many sectors of the economy directly and others indirectly. The changed environment affected business practices and made firms to be more competitive.

The profitability of a firm is optimized when its strategic behaviour is aligned with its environment. When turbulence is in its extreme form, familiarity of events is discontinous and rapidity of change is faster than response. The visibility of the future is also unpredictable surprises (Ansoff and Sullivan, 1993). They further argued that firms should adopt strategic aggressiveness which calls for creativity and seek novel change.

When the environmental condition changes, firms are expected to respond to the change by adopting various strategies such as differentiation, cost leadership, focus on specific markets, research and development, market segmentation, positioning strategies and focus on powerful customers among others.

Attracting new customers is much more expensive than maintaining existing ones. This is because transactions have been routinized with loyal customers and relationship established (Kotler, 1997). Aaker (1996) arguing on the same line points out that loyal customers enhances revenues and greatly contribute to brand building.

However, insurance firms in Kenya focus more of their efforts and resources on attracting new customers. This is the wrong strategic orientation as stated by the above authors. Efforts should be geared towards loyal customers. This strategic thrust should be taken seriously by the insurance firms in Kenya. Thus the firms should use relationship marketing strategies in the competitive environment in order to create and maintain relationship with customers.

The capacity of the insurance firms in Kenya has seriously been affected following changes in the business envirnment in Kenya. In this study, strategic responses act as the dependent variable and the changed environment due to liberalisation as the independent variable. Therefore this research is of a two variable and therefore high level.

The firms are expected to react to the changes by using the necessary strategies to curtail the negative impact of the turbulent environment.
The internal dimensions of the companies have to be raised to match the requirements of the turbulent level. To smart out of this, price wars is not the solution but strategic alliances and mergers should be given the attention they deserve to put the industry back on the road to recovery.

2.7 SUMMARY OF THE LITERATURE REVIEW

Firms must choose survival strategies in turbulent business environments and raise their internal capacity to match the level of turbulence as turbulence in its extreme form wipes out organisations out of the market place (Ansoff and McDonnell, 1990).

Changes occurred in the business environment in Kenya due to the economic reforms which affected business practices. The changes led to turbulence in the business environment. Studies were done to confirm the changes. Bett (1995) in her study on the dairy industry observed that the industry faced turbulent environement due to liberalisation. The firms responded by adjusting their marketing mix variables to cope with the change. Strategic decisions were also made on differentiation, brand name, product range, market segmentation and competitor analysis.

Mohamed (1995) reported that the motor industry faced stiff competition due to environmental changes. He observed that the importation of reconditioned cars affected the marketing mix variables of the firms as they were forced to adjust these variables to cope with the change.

Kombo (1997) also reported that the turbulent business environment affected the motor industry as they were forced to adjust their strategies to remain competitive. He observed that the motor franchise holders faced stiff competition which forced them to adjust their marketing mix variables, marketing predisposition, research and cost controls.

Thus since the business environment in Kenya has changed in the 1990s, the study is meant to confirm whether the insurance industry has been sensitized by the change.

CHAPTER THREE: THE RESEARCH METHODOLOGY

This chapter contains the steps necessary in the execution of the study to fulfil the study objectives. The steps consist of the following:-

* The research design
* The population of study
* The sample Frame
* Data collection instrument
* Procedures in data collection
* Methods of data analysis

3.1 RESEARCH DESIGN

The research was an exploratory study. It was meant to establish the strategic responses and adjustments in strategic variables adopted by the insurance firms in Kenya following the changes in the business environment after liberalisation which led to stiff competition among the players.

Day (1990) states that exploratory research is used to seek insights into the general nature of the problem and the relevant variables that need to be considered.

Churchill (1991) concurs with him and observes that exploratory research can be used when the objective of the research is to gain insights into ideas and for clarification of concepts.

3.2 THE POPULATION

The population of this study consists of all the Insurance Companies in Kenya which were estalished before 1996 and which were in full operation by 29th February, 2000. A list of such companies was obtained from the Commissioner of Insurance and consists of 36 Insurance Companies. There are 38 Insurance Companies but two were established after 1996.

The year 1996 was chosen because the effects of liberalisation started biting the industry during this time. Stiff competition is perceived to have occured following the collapse of the state owned Kenya Nation Assurance Company in 1996 (Economic Survey, 1997). This resulted exit of the portfolio it held into the market as the government relaxed its control on parastatals which are now free to place their business with Insurance Companies of their choice.

3.3 THE SAMPLE

A census survey was to be conducted. All those firms established before 1996 and in full operation were to be included in the sample frame and all were to be studied. However, only 26 out of the targeted 36 companies participated in the study. The participants represents 72.2 percent which is large enough to base conclusions on.

3.4 DATA COLLECTION INSTRUMENT

The study used primary data. The questionnaire was divided into three parts.

PART ONE dealt with strategic responses adopted by the Insurance firms in Kenya.

PART TWO dealt with adjustments made in strategic variables.

PART THREE dealt with attitudes towards strategic response.

Both the structural and unstructural questions were used. The basic data collection method was through "the drop and pick later technique" for those without time and personal interviews for those who had time, to reduce the non-response rate.

In each of the companies, one Senior Manager who has been in the industry for the last 7 years was contacted. Such Manager could be the Managing Director, Chief Executive, General Manager, Technical Manager, Marketing Manager or Underwriting Manager. The reseacher chose 7 years because this is the period of the 1990s when the economy experienced pervasive changes due to the liberalisation and globalisation of business. The researcher wishes to find out and document the strategic responses and adjustments in strategic variables adopted by the insurance sector in Kenya following liberalisation. Accordingly, seven years captures the period before and after liberalisation.

3.5 DATA ANALYSIS

Data was analysed using descriptive statistics - percentages, frequencies, tables, mean scores, standard deviation and the variance.

PART ONE was analysed using tables, frequencies, percentages and the mean where applicable.

PART TWO examined adjustments made in strategic variables using a 5 point scale (1 = Increased significantly, 5 = Decreased significantly). Then the mean, the variance and the standard deviation was computed using spread sheet excel.

PART THREE dealt with attitudes towards strategic response. A 5 point scale (1= strongly agree, 5 = strongly disagree) was used to measure the extent to which respondents were generally in favour of strategic response to changed environments.

The mean, the variance and the standard deviation were also computed using spread sheet excel. Tables are meant to display the information collected in form of frequencies, percentages, mean scores, the variance and the standard deviation. Frequencies gives the tally of the responses.

The mean scores gives the adjustments made in strategic variables in response to competition. The variance is used to control variability and is the square of the standard deviation (Lucey, T. 1996)

The standard deviation is the typical deviation lying somewhere between the smallest and the largest deviation and assesses the reliability of the average of the data as it measures the deviation from the mean score (Wannacott, T. H. and Wannacott R. J. 1990 and Lucey, T. 1996)

CHAPTER 4: ANALYSIS AND FINDINGS

This chapter deals with data analysis and interpretation of the research findings. The data in this study was summarized and presented in form of tables, frequencies, percentages, means, variance and standard deviation. It documents whether the firms have changed their missions, goals, objectives, strategies and plans in response to competition. It also documents adjustments made in various strategic variables and attitude of firms towards strategic response to changes in the business environment.

Table 1: Companies years of establishment

PERIOD	FREQUENCY	PERCENTAGE
Before 1980	18	69.23
1980 – 1990	7	26.92
1991- 1994	1	3.84
After 1994		
TOTAL	**26**	**100**

As shown in table 1 above, a total of 26 companies participated in the study. The response represents 72.2 percent of the total companies sampled. The turn up is good enough to represent those that failed to participate in the study. Out of the 26 respondents that participated, 8 were interviewed and the rest (18) filled the questionnaire through "the drop and pick later" technique.

The study focuses on those companies that were established before changes occurred in the business environment in Kenya following liberalisation. Those that were established before 1996 were studied as this is the time stiff competition is perceived to have occurred in the insurance industry. But as can be seen from the table all of them except one got established by 1990.

Table 2: Distribution of firms into businesses practiced

BUSINESS PRACTICED	NO. OF FIRMS	PERCENTAGE
Life	2	7.69
General	5	19.23
Both	19	73.07
TOTAL	**26**	**100**

As table 2 shows, out of the 26 companies, 2 of them representing 7.69 percent practice life, 5 of them representing 19.23 percent practice general business and the majority, 19 in total representing 73.07 percent practice both life and general.

The respondents were further asked to state the year they started both businesses. Only 5 companies out of the 19 that practice both, opted to do them together during the time of the changed business environment. The rest started practicing both before this period. The 5 respondents had different reasons to practice both businesses. Three of them stated that the reason was to diversify risks. One respondent stated that the reason was to penetrate into new markets and one stated that the reason was because of having merged with a company that practiced life business.

The findings therefore reveal that practicing both businesses is not exclusively reaction to the changed environment. The practice was synonymous with the insurance industry even before the business environment in Kenya became turbulent in the 1990s.

4.1 PERCEPTION OF COMPETITION

Table 3: Distribution of firms into their perception of competition

LEVEL OF COMPETITON	FREQUENCY	PERCENTAGE
Very High	15	57.69
Fairly High	11	42.31
Negligible	0	0
Others	-	-
TOTAL	**26**	**100**

As shown in tables 3 above, 57.69 percent of the firms perceive competition to be very high, whereas the rest perceive it to be fairly high. One respondent who stated that competition is very high, argued that there is unethical undercutting of rates that is damaging the industry.

The respondents were further presented with some variables from which the study sought to find out what they thought led to the change in recent years. The findings are displayed in table 4 below.

Table 4: Distribution of firms into factors that are perceived to have led to change

	FREQUENCY	PERCENTAGE
Technology	3	14.3
Economic Depression	10	47.6
Liberalisation	6	28.6
Legal Factors	2	9.5
TOTAL	**21**	**100**

As shown (see table 4), 47.6 percent of the firms that perceive competition to be very high attribute it to economic depression, 28.6 percent attribute it to liberalisation, 14.3 percent to technology and 9.5 percent to legal factors. The study thus reveals that the effect of liberalisation coupled with economic depression has seriously affected the insurance industry.

Other factors that were pointed out to be affecting the companies are low business volume, unethical underrating of rates, too many players, power play and the need to meet varied customer needs.

4.2 CHANGES IN COMPANIES MISSIONS, GOALS, OBJECTIVES, STRATEGIES AND PLANS IN RESPONSE TO COMPETITION

In line with how the companies view the level of competition they face, the study sought to document changes made in the above issues.

4.2.1 Company Missions

The respondents were asked to indicate if competition has led to change in the company mission components given in table 5 and to explain the reasons for change if any, in recent years. The following results were obtained.

Table 5: Distribution of firms into whether changes occurred in the company mission in response to competition

WHETHER CHANGES OCCURRED IN MISSION COMPONENTS	YES	NO	ABSTENSION	TOTAL
Company Image	15	8	3	26
Product/Services Provided	22	2	2	26
Principal Customer Market	19	3	4	26
Technology	22	2	2	26

As shown in table 5 above, majority of the firms have changed their mission components as a result of competition.

Accordingly, 15 companies representing 57.70 percent changed their company image. 22 companies representing 84.61 percent have changed their products/services. 19 companies representing 73.07 percent have changed their customer primary market. 22 companies representing 84.61 percent have changed their technology. Further, the least change has occurred in company image.

Issues, which came to light, are that those firms that changed their products did so to diversify risks. There is also need to capture new markets so as to meet changing customer needs. The companies also cited that change in technology was necessitated by advancement in technology, which forced firms to update their technologies to be competitive and ensure efficient services. The firms that were interviewed argued that though company image is important, this has not been of great concern as compared to the other mission components.

4.2.2 **Goals**

The study sought to establish whether the insurance companies changed the order of their goals in the periods before and after changes occurred in the business environment in Kenya. The following results were obtained.

Table 6: Distribution of firms into whether changes occurred in the order of their goals

CHANGE IN ORDER OF GOALS	FREQUENCY	PERCENTAGE
Goals changed	13	50
Goals did not change	10	38.46
Non-Committal	3	11.54
TOTAL	26	100

As shown in table 6, 50% of the respondents indicated that the order of their goals changed, 38.46 percent did not change the order of their goals and 11.54 percent were non-committal.

The study revealed that before changes occurred in the business environment, growth ranked first in the order of goals followed by profitability but after changes occurred in the business environment, profitability ranked first followed by public image.

4.2.3 **Strategic Reaction Practices**

The study sought to establish whether the firms have changed their business objectives in the last 7 years. Further, the respondents were presented with a number of objectives from which the study sought to establish the extent of their importance to the companies.

The following results were obtained.

As shown in table 7 below, majority of the firms (80.76 percent) have not changed their main objective of profitability and or growth in the last 7 years. However, few firms (19.23) percent indicated that they have changed their main objective in the last 7 years.

Table 7: Distribution of firms on change of main objective

	FREQUENCY	PERCENTAGE
YES	5	80.76
NO	21	19.23
TOTAL	26	100

The study further sought the extent to which the objectives are important to the companies. The result is displayed in table 8 as follows:-

Table 8: Distribution of firms on the importance they attach to objectives

Objectives	1.Critically important	2.Important	3.Neither important nor unimportant	4.Not important	5.Not at all important	Total
Profitability	21	5	-	-	-	26
Market share	8	15	1	2	-	26
Technology	7	19	-	-	-	26
Customer satisfaction	23	3	-	-	-	26
Training employees	6	18	1	1	-	26
Competitive position	13	11	1	1	-	26

As shown in the table 8, 21 firms representing 80.77 percent said profitability is critically important and only 5 representing 19.23 percent said profitability is important to the companies studied. As for market share, 8 firms representing 30.77 percent said market share is critically important. 15 of them representing 57.67 percent regard market share to be important. One of them representing 3.85 percent took a neutral stand whereas the remaining 2 representing 7.69 percent regard it as not important.

As for technology, 7 of the companies representing 26.9 percent regard it as critically important whereas the remaining 19 representing 73 percent regard it as important.

As for customer satisfaction, 23 firms representing 88.46 percent, regard it as critically important and the remaining 3 representing 11.5 percent as important.

The training of employees objective showed that 6 firms representing 23 percent regard it as critically important, 18 of them representing 69.2 percent regard it as important whereas the remaining 2 representing 15.3 percent said that they regard it as neither important nor unimportant and not important respectively.

Finally, as for competitive position, 13 firms representing 50 percent regard it as critically important, 11 firms representing 42.3 percent regard it as important whereas the remaining 2 representing 15.3 percent regard it as neither important nor unimportant and not important respectively.

Further, the mean score of each of these variables was calculated and ranked in order of their importance to the companies as follows:- Customer Satisfaction 1.11, Profitability

1.19, Competitive Position 1.61, Technology and market share each with 1.73 and employee training 1.88.

The study further sought to find out whether the companies prepare long term plans in response to competition, how important the plans are to the companies and the frequency with which such plans are prepared The results are presented in tables 9, 10 and 11.

The findings are that there has been a change in long term planning (100 percent). However these findings seem to confirm that the firms have different strategic orientation as some prepare annual (57.69 percent) plans. Also 7.69 percent prepare semi annual plans. A good number of the firms therefore have short planning periods. Such plans are very important for operational control. However, few firms (23 percent) have long term planning horizon of up to 5 years. Further 11.54 percent of the firms have their plans prepared up to 3 years. Thus 57.69 percent follow annual plans and 34.54 percent collectively have up to 3 and 5 years planning horizon. Those with annual and semi annual plans seem to apply strategic thinking as long term plans are hard to follow in a changed environment. Eppink et al (1976) argues that in view of the environmental uncertainty there is tendency to shorten the planning horizon. Those that follow 3 to 5 years follow common business practices used in stable environments which cannot be applied in the Kenyan situation today.

Table 9: conduct of long-term plans

	FREQUENCY	PERCENTAGE
YES	26	100
NO	0	0
TOTAL	26	100

Table 10: Importance of long-term planning

	FREQUENCY	PERCENTAGE
Very Important	16	61.53
Not Important at all	0	0
Necessary	3	11.54
Important	5	19.23
Others	0	0
Non-Committal	2	7.69
TOTAL	**26**	**100**

Table 11: Frequency of long term plans

	FREQUENCY	PERCENTAGE
Semi annually	2	7.69
Annually	15	57.69
2-3 years	3	11.54
3-5 years	6	23.07
Never prepared	0	0
Others	0	0
TOTAL	**26**	**100**

4.2.4 Strategic Options

The study sought to find out which of Porters strategies the companies follow:

The results are presented in table 12 below:-

Table 12: Distribution of firms into the strategic options they follow

STRATEGIC OPTIONS	FREQUENCY	PERCENTAGE
Cost Leadership Strategy	7	26.92
Differentiation	13	50
Focus	6	23.07
Total	**26**	**100**

As shown in table 12, 50 percent of the companies follow differentiation strategy, 26.92 percent follow cost leadership strategy and 23.07 percent follow focus strategy. Accordingly, differentiation strategy is the most common followed by cost leadership.

The study further sought to establish the strategies the companies followed before liberalisation. Thirteen (13) of the companies representing 50 percent remained non-committal, which means they are not sure of any strategy which was in place.

Strategies that were said to be used by the remaining ones are use of inter mediaries to enhance sales, quality service and provision of new products. One of the respondents argued that before the period of liberalisation, the company used pursuit strategy to track the market leader but now they are the market leader because of differentiating themselves from close competitors. One of the respondents argued that they used focus strategy before but now use differentiation strategy to stand the stiff competition.

One of the respondents argued that they used focus strategy before but now they use differentiation strategy to stand the stiff competition.

4.2.5 **Change Process Patterns**

The respondents were presented with various variables from which the study sought to establish the variables that changed most and the extent of change in each. The results are presented in table 13:

It is interesting to note that only 2.5 percent experienced change in strategic alliance with 1.26 percent in significant change and 1.26 percent in moderate change. The study also revealed that mergers have not taken place in the last four (4) years.

Table 13: Variables that changed most

	Frequency	Percentage	Significant change	Moderate change	Constant
Technology	19	24	17.72	6.32	-
Products	14	17.7	10.12	6.32	1.26
Customer satisfaction profile	18	22.8	10.12	10.12	2.52
Retrench-ment	7	8.9	1.26	5.06	2.52
Mergers	-	-	-	-	-
Strategic Alliances	2	2.5	1.26	1.26	-
Competition	19	24	16.45	7.59	-
Others	-				
TOTAL	79	100	-	-	-

As shown in table 13 above, 24 percent of the companies experienced greatest change in both competition and technology with the former having experienced 16.45 percent in significant change and 7.59 percent in moderate change and the latter 17.72 percent in significant change and 6.32 percent in moderate change.

This was closely followed by customer satisfaction which experienced 22.8 percent change of which 10.12 percent occurred in both significant and moderate change and 2.52 percent with no change (constant). Products experienced 17.72 percent change of which 10.12 percent occurred in significant change, 6.32 percent in moderate change and 1.26 percent experienced no change.

Retrenchment experienced 8.9 percent change with 1.26 percent in significant change, 5.06 percent in moderate change and 2.52 percent experienced no change. Thus the insurance industry in Kenya did not experience much retrenchment.

4.3 ADJUSTMENTS OF STRATEGIC VARIABLES

In order to understand how the companies strategically responded to the changes in the business environment and more so to survive the effects of increased competition, the researcher posed some strategic variables to the respondents which required them to indicate the level of adjustments that have taken place for each of the variables. A likert scale was used to measure the level of adjustment undertaken with I representing the highest level and 5 representing the lowest level. The mean, the variance and the standard deviation were then computed.

The researcher perceived the strategic variables posed to be the major ones necessary for use in changed environments. This section therefore deals with the analysis and interpretation of the variables. Adjustment of 1 is taken to mean significant, 2 to be moderate and the rest to be least change in adjustment.

Product Strategies

Table 14: Adjustments on Product/Service Strategies

Product Strategies	No of firms	Population	Mean	Variance	Standard Deviation
Employee Training and motivation	26	55	2.115385	0.42615385	0.6528046
Reduction in customer complaints	26	64	2.461538	1.13846154	1.066987131

As shown in the table above, employee training and motivation has a mean score of about 2.11 which means adjustment has increased moderately But with standard deviation of about 0.6, adjustment might ve increased significantly or moderately since the standard deviation could be adjusted on either side of e mean. As for reduction in customer complaints, some adjustments have been made but on a low scale the level of adjustment reads a mean score of about 2.46. The same has standard deviation of about 1. ing the standard deviation on either side (adding or deducting) of the mean, adjustment could have been de significantly or with least change.

icing Strategies

ble 15: Adjustments on Pricing Strategies

ricing Strategies	No. of firms	Population	Mean	Variance	Standard Deviation
lore use of No claim iscount (NCD)	26	69	2.653846	0.95538462	0.977437781
remium Reduction on ccommodation	26	54	2.076923	0.71384615	0.844894167
latching premiums ith close competitors	26	45	1.730769	0.60461538	0.77757018

shown in table 15, pricing strategies on premium reduction on accommodation and matching premium h close competitors have been adjusted with a mean score of about 2.07 and 1.73 respectively. wever, the strategy of matching premiums has been adjusted more indicating that price war is rampant the industry. The study reveals that though attempts have been made to increase the use of "No claim count", adjustments made with a mean score of 2.65 is insignificant as the mean is very close to the stant level of 3. With standard deviation of about 0.97, adjustment could have moderately been made with least change. Further standard deviation of about 0.84 and 0.77 for premium reduction on commodation and matching premium with close competitors respectively could mean adjustments lie on nificant level or least change for the former and significant or moderate increase for the latter.

romotion Strategies

able 16: Adjustments on Promotion Strategies

romotion Strategies	No.of firms	Population	Mean	Variance	Standard Deviation
ncrease in advertising xpenses	26	56	2.153846	0.93538462	0.96715284
rade Exhibitions	26	67	2.576923	0.33384615	0.577794214

om the above table, the strategy of increase in advertising expense has a mean score of approximately 2 hich means the firms have moderately increased the use of advertising in response to competition. owever, trade exhibitions has a mean score of about 2.57 which means the firms have not changed much eir promotion strategies by using exhibitions. Standard deviation of about 0.96 and 0.57 for increase in vertising expense and trade exhibitions respectively could mean significant increase and least adjustment r the former and moderate increase and least adjustment for the latter.

stribution Strategies

able 17: Adjustments on Distribution Strategies

istribution Strategies	No. of firms	Population	Mean	Variance	Standard Deviation
pened more branches	26	61	2.346154	1.19538462	1.09333646
ore use of brokers and gents	26	49	1.884615	0.58615385	0.765606848
ore sales team	26	51	1.961538	0.75846154	0.870896974

om table 17 above, more use of brokers/agents and more sales team have mean score of about 1.88 and 96 respectively. This means that the firms have moderately adjusted them. However the strategy of ore branches has a mean score of about 2.34 indicating that adjustments made in opening of more ranches is also interpreted to be moderate. Standard deviation of about 0.76 and 0.87 and 1.09 for more se of brokers/agents, more sales team and opening of more branches places all of these strategies on gnificant or least level of adjustment with the magnitude of least adjustment occurring more in the latter.

lanpower Strategies (People)

able 18: Adjustments on Manpower Strategies (Staff Development)

Manpower Strategies	No. of firms	Population	Mean	Variance	Standard Deviation
Selection of qualified staff	26	46	1.769231	0.50461538	0.710362854
Enhancing caring attitude of staff	26	51	1.961538	0.35846154	0.598716576
Confidence building in customers	26	49	1.884615	0.18615385	0.431455497

s shown in table 18 above, all the strategies have a mean score of approximately 2 which are interpreted mean the firms have moderately increased the use of these strategies. Further standard deviation of out 0.71 and 0.43 for selection of qualified staff and confidence building in customers respectively places justments made for the strategies on significant or moderate level of increase. However standard viation of about 0.59 could place adjustment level for enhancing caring attitude of staff on significant vel or least adjustment level.

Physical Evidence Strategies

Table 19: Adjustments on Physical Evidence Strategies

Physical evidence strategies	No of firms	Population	Mean	Variance	Standard Deviation
Reduction in waiting time	26	52	2	0.88	0.938083152

As shown in table 19 above, reduction in waiting time has a mean score of 2. This is interpreted to mean that the firms have moderately increased their ability to offer fast services. Standard deviation of about 0.93 could place adjustment levels on significant or least change.

Process

Table 20: Adjustments on Firms' Processing Strategies

Processes	No of firms	Population	Mean	Variance	Standard Deviation
Fast Service Delivery	26	45	1.730769	0.36461538	0.603833905
Computerised records	26	40	1.538462	0.33846154	0.581774474

As shown in the above table, fast service delivery and the use of computerised records have mean scores of about 1.73 and 1.53 respectively. It means that though the firms have made moderate adjustments in both, the change has occurred more in the use of computerised records. Further standard deviation of about 0.60 and 0.58 for fast service delivery and computerised records respectively places adjustment levels for both strategies on significant or moderate level.

Research

Table 21: Adjustments on Research Strategies

Research Area	No. of firms	Population	Mean	Variance	Standard Deviation
Identification of customer needs	26	53	2.038462	0.27846154	0.52769455
Research on attitudes towards products/services	26	59	2.269231	0.44461538	0.666794859
Information on competitors:					
i. New Products	26	49	1.884615	0.42615385	0.6528046
ii. Strategic Plans	26	45	1.730769	0.36461538	0.603833905
iii. Promotion plans	26	53	2.038462	0.35846154	0.598716576

As shown in the above table, all the strategies on research have approximately mean scores of 2. This is interpreted to mean that the firms have moderately increased the use of these strategies in response to competition. However, information on new products and strategic plans with mean scores of 1.88 and 1.73 respectively have been adjusted more than the others.

Using the standard deviation, information on new products and strategic plans are interpreted to have their adjustment levels on significant or moderate level. The rest are interpreted to have been adjusted on moderate level or somewhat with least adjustment with the latter affecting research on attitudes towards products/services more than the others.

Demassification Strategies

Table 22: Adjustments on Demassification Strategies

Demassification Strategies	No of firms	Population	Mean	Variance	Standard Deviation
Event Sponsorship	26	67	2.576923	0.41384615	0.643308755
Use of celebrity spokesman	26	78	3	0	0

As shown in table above, the strategy of event sponsorship with a mean score of about 2.57 is interpreted to mean that the firms have made slight adjustments. All the companies that were asked the event that they sponsor, mentioned golf.

The use of celebrity spokesman with a mean score of 3 means that no change has taken place. The attention of all the companies was drawn to this strategy and all of them said that such strategy has never been used by them.

Using the standard deviation, the adjustment for event sponsorship could fall between moderate and least change whereas for the celebrity spokesman, there is no change at all.

Marketing

Table 23: Adjustments on Marketing

Marketing	No.of firms	Population	Mean	Variance	Standard Deviation
Focus on specific segments	26	46	1.769231	0.66461538	0.815239465
Positioning strategies	26	45	1.730769	0.44461538	0.666794859
Relationship marketing	26	45	1.730769	0.36461538	0.603833905
Seeking foreign markets	26	66	2.538462	0.97846154	0.989172148

s shown in table 23, all the strategies except seeking foreign markets, have mean scores about 2 which e interpreted to mean that the firms have moderately responded to competition and thus made some ljustments. The strategy of seeking of foreign markets with a mean score of about 2.53 is interpreted to ean that the firms made negligible changes.

sing the standard deviation, focus on specific segments could fall on significant or somewhat least ljustment level. Positioning strategies and relationship marketing are interpreted to mean that adjustment vels fall on significant or moderate adjustment levels whereas seeking of foreign markets lies between oderate and least adjustment levels.

ost Structure

ble 24: Adjustments made in Cost Controls

ost control strategies	No of firms	Population	Mean	Variance	Standard Deviation
taff Retrenchment	26	73	2.807692	0.88153846	0.938902797
o-Insurance	26	61	2.346154	1.19538462	1.09333646
ther cost controls	26	45	1.730769	1.08461538	1.041448695

om the table above, staff retrenchment with a mean score of 2.80 is interpreted to mean that enchment is on a very low scale and has thus not got the attention of the firms seriously.

e other two strategies of co-insurance and other cost controls with approximately mean scores of 2 are erpreted to mean that moderate changes have taken place though most with the latter. The strategy of insurance has some what moderate adjustment rate. Though it is a strategy that is synonymous with urance companies, its use has not significantly increased.

sing the standard deviation, the strategy of staff retrenchment could fall on moderate level or least hange. Co-insurance could fall on significant or least adjustment level whereas the strategy of other cost ntrols could be placed on significant or moderate level of adjustment.

ifferentiation

able 25: Adjustments in Differentiation

ifferentiation trategies	No. of firms	Population	Mean	Variance	Standard Deviation
mphasis on corporate lients	26	53	2.038462	0.27846154	0.52769455
onsistent services	26	44	1.692308	0.22153846	0.470678724

om table 25, the strategies of emphasis on corporate clients and offering consistent services have mean ores of approximately 2 , which are interpreted to mean that the firms have moderately adjusted them in ponse to competition. But the strategy of consistent services has been adjusted more than the other.

ing the standard deviation the adjustment for emphasis on corporate clients could fall on moderate or mewhat least adjustment level whereas that of consistent services could fall on significant or moderate el of adjustment.

TABLE 26: ATTITUDES TOWARDS STRATEGIC RESPONSE TO CHANGED BUSINESS ENVIRONMENT

	No of firms	Population	Mean	Variance	Standard Deviation
1.Reaction to environmental changes helps firms cope with the requirements of the environment	26	37	1.423077	0.33384615	0.577794214
2.Non response to environmental change is dangerous to firms' survival	26	45	1.730769	0.60461538	0.77757018
3.There is no need for firms to know their competitors	26	112	4.307692	0.78153846	0.88404664
4.Insurance companies in Kenya should cooperate among themselves	26	41	1.576923	0.41384615	0.643308755
5.There is no need for strategic planning	26	113	4.346154	1.03538462	1.017538508
6.Strategies guide our success in the future	26	48	1.846154	1.27666667	1.120439474
7.Responding to the environment is a healthy way to ensure continuity and innovation	26	42	1.615385	0.75	0.852146611

As shown in the above table, the respondents have a positive attitude towards strategic response to changes in the business environment. They are in agreement with those statements that they were expected to agree with and disagreed with those that they were expected to disagree.

They strongly felt that reacting to environmental changes helps them cope with the requirements of the environment (mean 1.42). They also agreed with the statements that non response to environmental change is dangerous to firms' survival (mean 1.73) and that insurance companies in Kenya should co-operate among themselves (mean 1.57). They also agreed that strategies guide their success in the future (mean 1.84) and that responding to the environment is a healthy way to ensure continuity and innovation (mean 1.61).

They strongly disagreed with the statements that there is no need for firms to know their competitors (mean 4.30) and that there is no need for strategic planning (mean 4.34).

Using the standard deviation for each of the statements, the study confirms that the firms have positive attitude towards responding to changed business environments.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter deals with a summary of the research findings, conclusions, recommendations of what the firms should do, limitations of the study and suggestions for further research.

5.1.1 Research Findings

Following the changed business environment, the Insurance firms are operating in highly completitive environment as 57.69 percent of them indicated that they face stiff competition whereas the rest (42.31 percent) indicated that they face fairly high competition.

The study also reveals that majority of the firms changed their mission components with the most change having occured in product or services provided and technology each representing 84.61 percent.

The study also revealed that in the turbulent environment, 50 percent of the firms changed their goals. Before the environment chanaged, growth topped in the order of ranks but after changes occurred, profitability ranked first followed by public image.

The study further reveals that majority (80.76 percent) of firms have not changed their long term business objectives in the last seven years.

Majority of the firms (88.46 percent) regard customer satisfaction as critically important and 80.77 percent regard profitability as critically important.

The study further revealed that all the firms changed their longterm planning. However, 57.69 percent of the firms indicated their longterm planning to be for one year and 7.59 percent semi annually wheareas 23 percent use 3-5 years and 11.54 percent use 2-3 years. This period of planning is necessary in stable and familiar environment as the management practices and business behaviour in such a situation are only reactive and extra polative. The study shows that most firms follow differentiation strategy. It also reveals that variables that changed most are technology, competition, customer satisfaction and products.

The study reveals that the insurance firms have made adjustments of the strategic variables but mainly moderately. The mean scores reveals that all of the adjustments were moderately made but the standard deviation catering for possible error puts most adjustments between significant and moderate levels on one hand and between significant and least adjustments on the other. This is interpreted to mean that most adjustments lean towards the moderate level. The most adjusted strategic variables are the marketing and process (of delivery) strategies.

The firms have given some attention to research and variables that gained considerable attention above the other research variables are strategic plans and research on products of competitors.

Other strategies that got some attention are matching premiums with close competitors, selection of qualified staff, more use of brokers/agents and cost controls. However all these strategies have a mean score of about 2 meaning moderate adjustment have taken place.

The findings of this study further indicate that most of the firms have full understanding of strategic response to changed environments which is measured by their positive attitudes. However, the response which the firms adopted as measured by their adjustment of strategic variables seem to contradict their positive attitude towards change as adjustments are only on moderate scale reflected by the mean scores. This could indicate that reaction to environmental changes is not taken seriously by the firms.

The study thus reveals that the insurance have not properly adjusted to the change. It is no wonder then that they are in crisis.

5.2 Conclusions

The study reveals that the firms are in favour of the need to respond to the changes in the environment. A majority of them regard long term plans as important. Fifty seven percent of these firms prepare their plans on annual basis which is necessary in a turbulent environment. These firms seen to have characteristics of strategic thinking firms.

However, 34.5 percent of them have their long term planning period between upto 3 years and 5years. This planning horizon is common business practices in stable business environments. Study done by Eppink et al (1976) shows that there is need to shorten the planning horizon in the face of environmental uncertainity. Therefore this study is consistent with the above. This is because it is unlikely that a revision of strategic plans at fixed intervals is a calculated choice. As such as a firm's environment becomes more turbulent, more frequent revisions are called for. Caeldries and Dierdonk (1988) disagree with this but Ansoff and McDonnell (1990) concur with it.

The firms made moderate adjustment in their strategic variables inorder to cope up with the increased competition. The firms ought to be aware of the changes in the environment to keep track of opportunitites and threats. Further to be successful, they must fully interact with the environment (Cole, 1990). It is therefore necessary for the firms to be pro active rather than being reactive.

In the face of turbulent environment, firms should respond to the change by using various strategies such as differentition, focus, advertising, marketing, brand building, strategic alliances and mergers among others. Further, strategies formulated must be implimented to realize the objectives of the firms.

The study revealed that the firms overlooked the importance of strategic alliance and mergers. Event sponsorship which is nowadays becoming a factor behind the success of firms also got neglible attention.

A promotion strategy that is important in todays environment but which is never known to the industry is the use of well known persons (celebrity spokesman) to endorse their companies.

5.3 Recommendations

First for the firms to adopt flexibility in their planning, the companies should apply strategic thinking to serve the prupose of strategic planning while paying attention to the need for serious implementation of the strategies.

Secondly, the insurance firms should recognise and use the three different levels of strategic planning levels which are the corporate, business and functional level with each serving its purpose. They should develop appropriate strategies at each level and develop these strategies into an intergrated whole and then introduce and apply appropriate strategic responses inorder for them to be competitive in the turbulent environment.

Third, the firms should make use of strategic alliances as a solution to their weak financial position. Firms should look for local and international alliances.

Fourth, there is need for mergers to be seriously applied in the industry to have financialy strong companies as the economic position of the new company increases to get a big voice in the market. The mergers would thus lead to bigger but fewer companies operating.

Fifth, the firms should start using celebrity spokesman to endorse their companies to boost their images, profits and to differentiate themselves. This not only boosts revenue but helps branding the company and thus command a big voice in market.

Sixth, companies should take event sponsorship seriously to enhance their image and sales and build close ties with the public to create awareness.

Finally, firms should improve their service delivery process and establish strong relationship with customers. This can mostly be done with serious commitment in their relationship with customers and offer of qualifty services. This enhances customer confidence so that they remain loyal to the company.

5.4 <u>Limitations of the Study</u>

* Full participation of all the companies targeted would have produced a more reliable result as it is impossible to predict how they would have responded. Some companies out rightly refused to participate in the study and some had little time though they were willing. It was not therefore possible to push the latter harder because of time constraint.

* The study focussed more specifically on competition. There are other environmental factors such as economic factors that might have seriously affected the operation of the firms.

* Out of the 26 firms that participated in the study, only 8 of them were interviewed "The drop and pick later technique" might have given room to manipulate information to safe guard their confidentially in the face of cut throat competition among the already too many players.

Despite these limitatins the study adds value to the strategic vision of the insurance industry.

5.5 Suggestions for further research

* A study should be carried out to investigate the state of relationship marketing strategy in the Kenyan Insurance Industry.

* The study generally reveals that the firms have only moderately adjusted their strategic variables. A study should be carried out to establish what hindered them from adjusting significantly to the changes in the business environment in Kenya.

APPENDIX 1

QUESTIONNAIRE

PART ONE

COMPANY MISSION

1. When did your company start operations in Kenya? ______________________

2. What business do you practice? (Tick as appropriate)

Life Insurance ( )

General Insurance ( )

Both ( )

Others (Specify) ....

....

3. If both;

a) When did you opt to do them? (Please state the year)

....

b) Why did you opt to do them? (Tick as appropriate)

To penetrate into new markets ( )

To diversify risks ( )

Others (specify) ....

....

4. Describe the competition your company now faces (Tick one)

a) Very high ( )

b) Fairly high ( )

c) Negligible ( )

d) Others (Specify) ....

....

If very high, what do you think has led to the change in recent years? (Tick as appropriate)

Technology ( )

Economic depression ( )

Liberalisation ( )

Political/legal factors ( )

Others (specify) ....

....

5. Please indicate whether competition has led to a change in each of the following company missions. (Tick as appropiate)

Company image	Yes ( )	No ( )
Product/Services provided	Yes ( )	No ( )
Primary customer market	Yes ( )	No ( )
Technology	Yes ( )	No ( )

Please explain the reasons for change in recent years if any

....

....

....

....

6. Rank the following goals inorder of importance (from the most to the least important) to your company before and after liberalisation.

* Survival * Growth * Profitability * Public Image

Before liberalisation ....

After liberalisation ....

7. Has your main objective changed in the last seven years? Yes/No (Tick one)

8. If yes:

a) What was your old objective? ....

b) What is your new objective? ....

9. Among the following objectives, please indicate the extent of importance to your company (Tick as appropriate in the relevant box)

	1.Critically Important	2.Important	3.Neither Important nor un-important	4.Not Important	5.Not at all Important
PROFIT-ABILITY					
MARKET SHARE					
TECH-NOLOGY					
CUSTO-MER SATIS-FACTION					
TRAINING EMPLOY-EES					
COMPETI-TIVE POSITION					

STRATEGIC OPTIONS

10. Rank the following strategic options inorder of importance (from the most to the least important) to your company to curtail the effects of competition.

* Keeping costs low ( )

* Provision of unique products/services ( )

* Focus on specific markets ( )

11. What strategies were you using before liberalisation (Please name them)

....

....

PLANNING

12. Has there been a change in long term planning in your company in response to competition? Yes/No (Tick one)

If yes, how important are such plans to the future success of your company? (Tick as appropriate)

Very Important ( )

Not Important at all ( )

Necessary ( )

Important ( )

Others (Specify)..

....

13. How often are long term plans prepared in your company? (Tick as appropriate)

Semi-annually ( )

Annually ( )

2-3 years ( )

3-5 years ( )

Never prepared ( )

Others (specify)..

....

CHANGE

14. In which of the following areas has change been experienced most in your company in the last 4 years. (Tick as approppriate)

Technology ( )

Products ( )

Customer satisfaction profile ( )

Retrenchment ( )

Mergers ( )

Strategic alliances ( )

Competition ( )

Others (specify)...

....

15. State the extent of change in each area. (Tick as appropriate in the relevant box)

	1.IN-CREASED SIGNIFIC-ANTLY	2.INCREA-SED	3.NEI-THER INCREAS-ED NOR DECREAS-ED	4.DECRE AS-ED	5.DECREA-SED SIGNI-FICANTLY
Technology					
Products					
Customer Satisfaction					
Retrenchment					
Mergers					
Strategic Alliances					
Competition					
Others (Specify)					

PART TWO

Kindly fill in as appropriate by placing a tick in the appropriate box

ADJUSTMENTS MADE IN STRATEGIC VARIABLES

	1.INCRE-ASED SIGN-IFICANTLY	2.IN-CREASED	3.NEITHER INCREAS-ED NOR DE-CREASED	4.DE-CREASED	5.DE-CREASED SIGNIFI-CANTLY
A **PRODUCT SUPPORT SERVICES** * Employee training and motivation					
* Reduction in customer complaints					
B **PRICE** * More use of No Claim dis-counts (NCD)					
* Premium reduction on accommodation					
* Matching premiums with close competitors					
C **PROMOTION** * Increase in advertising expenses					

* Trade exhibitions					
D **DISTRIBUTION** * Opened more branches					
* More use of brokers and agents					
* More sales team					
E **MANPOWER (People)** * Selection of qualified staff					
* Enhancing caring attitude of staff					
* Confidence building in customers					
F **PHYSICAL EVIDENCE** * Reduction in waiting time					
G **PROCESS** * Fast Service delivery					
*Computerised records					

H **RESEARCH** * Identification of customer needs					
* Research on Attitudes towards products/ services					
* Information on competitors: New Products					
Strategic Plans					
Promotion Plans					
I **DEMASSI-FICATION** * Event sponsorships eg sports					
* Use of celebrity spokesman					
J **MARKETING** * Focus on specific segments					
* Positioning strategies					
* Relationship marketing					
* Seeking of foreign markets					

K **COST STRUCTURE**					
* Staff retrenchment					
* Co-insurance					
* Other cost controls					
L **DIFFEREN-TIATION IN SERVICES**					
* Emphasis on corporate clients					
* Consistent services					

PART THREE

Tick as appropriate in the relevant box

ATTITUDES TOWARDS STRATEGIC RESPONSE

	1.STRONGLY AGREE	2.AGREE	3.NEITHER AGREE NOR DISAGREE	4.DISAGREE	5.STRONGLY DISAGREE
1. Reaction to environmental changes helps firms cope with the requirements of the environment					
2. Non response to environmental change is dangerous to firms survival					
3. There is no need for firms to know their competitors					
4. Insurance Companies in Kenya should co-operate among themselves					
5. There is no need for strategic planning					
6. Strategies guide our success in the future					
7. Responding to the environment is a healthy way to ensure continuity and innovation					

DESIGNATION: ....

DATE: ....

THANK YOU FOR YOUR CO-OPERATION

APPENDIX II

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
MBA PROGRAMME - LOWER KABETE CAMPUS

Telephone: 732160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE: 28-4-2000

TO WHOM IT MAY CONCERN

The bearer of this letter: ABDULLAHI OMAR SHEIKH
Registration No: D/61/P/7951/97
is a Master of Business & Administration student of the University of Nairobi.

He/~~she~~ is required to submit as part of his/~~her~~ coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/~~her~~ by allowing him/~~her~~ to collect data in your organization for the research.

Thank you.

M.B.A. OFFICE
P.O. Box 30197.
NAIROBI.
NAIROBI UNIVERSITY COMMERCE FACULTY

DR. MARTIN OGUTU
LECTURER & CO-ORDINATOR, MBA PROGRAMME

MO/ek

APPENDIX III

LIST OF INSURANCE COMPANIES AS AT 29TH FEBRUARY, 2000

1.	America Life Insurance Co. Ltd
2.	Apollo Insurance Co. Ltd.
3.	Blueshield Insurance Co. Ltd.
4.	British American Insurance Co. Ltd.
5.	Cannon Assurance Co. Ltd.
6.	Concord Insurance Co. Ltd.
7.	Co-operative Insurance Co. Ltd.
8.	Corporate Insurance Co. Ltd.
9.	Fidelity Insurance Co. Ltd.
10.	First Assurance Co. Ltd.
11.	Gateway Insurance Co. Ltd.
12.	Geminia Insurance Co. Ltd.
13.	General Acci. Insurance Co. Ltd.
14.	Heritage A.I.I. Insurance Co. Ltd.
15.	Insurance Company of East Africa Ltd.
16.	Intra-Africa Assurance Co. Ltd.
17.	Invesco Assurance Co. Ltd.
18.	Jubilee Insurance Co. Ltd.
19.	Kenindia Assurance Co. Ltd.
20.	Kenya Alliance Insurance Co. Ltd.
21.	Kenya Orient Insurance Co. Ltd.
22.	Lakestar Insurance Co. Ltd.
23.	Lion of Kenya Insurance Co. Ltd.

24.	Madison Insurance Co. Ltd.
25.	Mercantile Life & Gen Assurance Co. Ltd
26.	Monarch Insurance Co. Ltd.
27.	Old Mutual Life Assurance Co. Ltd.
28.	Occidental Insurance Co. Ltd.
29.	Pan Africa Insurance Co. Ltd.
30.	Phoenix of East Africa Ass. Co. Ltd.
31.	Pioneer Assurance Co. Ltd.
32.	Royal Insurance Co. Ltd.
33.	Stallion Insurance Co. Ltd.
34.	Standard Assurance Co. Ltd.
35.	Tausi Assurance Co. Ltd.
36.	Trident Insurance Co. Ltd.
37.	UAP Provincial Insurance Co. Ltd.
38.	United Insurance Co. Ltd.

APPENDIX IV

LIST OF INSURANCE COMPANIES STUDIED

1.	American Life Insurance Co. Ltd.
2.	Blueshield Ins. Co. Ltd.
3.	British American Ins. Co. Ltd.
4.	Cannon Assurance Co. Ltd.
5.	Corporate Ins. Co. Ltd.
6.	Co-operative Ins. Co. Ltd
7,.	Fidelity Ins. Co. Ltd.
8.	First Assurance Co. Ltd.
9.	Gateway Ins. Co. Ltd.
10.	Geminia Ins. Co. Ltd.
11.	General Accident Ins. Co. Ltd.
12.	Heritage A.I.I. Ins. Co. Ltd.
13.	Insurance Co. of E. A. Ltd
14	Intra Africa Assurance Co. Ltd.
15.	Jubilee Ins. Co. Ltd.
16.	Kenindia Assurance Co. Ltd.
17.	Kenya Alliance Ins. Co. Ltd.
18.	Madison Ins. Co. Ltd.
19.	Occidental Ins. Co. Ltd.
20.	Old Mutual Life Assurance Co. Ltd.
21.	Pan Africa Ins. Co. Ltd.
22.	Phoenix of East Africa Assurance Co. Ltd.
23.	Pioneer Assurance Co. Ltd.
24.	Standard Assurance Co. Ltd.
25.	Stallion Ins. Co. Ltd.
26.	UAP Provincial Ins. Co. Ltd.

APPENDIX V

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