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**RESPONSES OF KENYA REINSURANCE CORPORATION  
LIMITED TO THE CHALLENGES OF GLOBALIZATION  
OF THE REINSURANCE INDUSTRY //**

BY

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**A Management Research Project submitted in partial  
fulfillment of the requirements for the award of the degree of  
Masters of Business Administration (MBA),  
School of Business, University of Nairobi.**

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# DECLARATION

This management project is my own original work and has not been presented for a degree in another university

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D/61/P/8335/04

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I am also grateful to my dear husband for his support throughout the course when he had to bear with me when I needed to be in college at odd hours including weekends.

I also appreciate my children whose cooperation and support was overwhelming during my entire course. The lovely children took it all for the sake of mum. May the almighty God reward you abundantly.

My sincere gratitude most importantly goes to all the employees of Kenya Re, especially Head of Strategy & Business Administration & Supplies, Commissioner of Insurance, Ministry of Finance and Ministry of Health, who agreed to spare their valuable time to provide crucial information needed for this study, their co-operation and support during our research and to my friends and colleagues for their valuable contributions.

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The findings of the study were that Kenya Re has been severely affected by the challenges of globalization and economic reforms in Kenya, which commenced in the 1990s has led to the liberalization of the reinsurance industry. Globalization of reinsurance industry in this context has been analyzed in the areas of political as well as increased competition from other well established operators after the loss of mandatory reinsurance as the major globalization challenge facing Kenya Re.

Other challenges identified were liberalization of the market, rapid technological changes, language barriers, risk profiles (some businesses require technical background in order to underwrite, for instance, hydro-electric companies) of other firms and currency fluctuations. Rating of companies was also identified as a critical challenge, as companies are rated in order to compete and maintain their market positions. In conclusion, the company has adopted both strategic and operational responses in order to compete effectively and also ensure their survival in the turbulent environment in the insurance industry.

## CHAPTER ONE

# ABSTRACT

## INTRODUCTION

Kenya Reinsurance Corporation, just like any other organization, whether public or private sector is affected by turbulent environment because every organization has to interact with the environment for survival. It becomes crucial for the organization to prepare themselves by formulating strategies that will enable them to exploit opportunities presented by the environment in order to eliminate and/or minimize the threat that affect their performance.

This management research has two major objectives, to establish the challenges of globalization of reinsurance industry to Kenya Re and also determine the responses of the organization to the challenge. The study was conducted by carrying out in-depth interview with senior managers (respondents) of the company. The primary data collection method was applied. Personal interview guide was designed for the purposes of the interview. Content analysis method was used for analysis.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background

#### 1.1.1 Organizational Response to Environment

Strategic responses of organizations have been studied extensively as can be seen below. Strategic management should address the dynamic of markets, systems and behavior. The forces of globalization have necessitated the alignment and realignment of the organization's strategies and activities to match the ever changing environment (Porter, 1998).

According to Ansoff and McDonnell (1990), it is through strategic response that a firm will be able to relate itself to the environment to ensure its success and also secure itself from surprises brought about by the changing environment. The nature of strategic responses of the firm is critical in ensuring that the impact of the threat does not adversely affect the firm or make the firm miss an opportunity (Burnes, 2000).

Cole (1990) argues 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. The firms therefore as open systems must interact with their environment for survival as it give better parts of its resources to those firms that conform to its standards and weeds away those that don't.

Ansoff and McDonnell (1990) states that successful environment serving organizations are open systems and the open property is made necessary by two factors: firstly, continued organization survival depends on its ability to secure rewards from its environment which replenish the resources consumed in the conversion process. Secondly, continued maintenance by the organization of its social legitimacy. They further argue 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's attitudes and new dimensions of social control and above all unprecedented questioning of firm's role in society. The prospect for the 1990's was for the continued escalation of turbulence.

Environment has been characterized as complex, dynamic, multi-facet and having far reaching impact (Kazmi, 2002). As a result of these characteristics, the environment is composed of various factors, events, conditions and influence, which interact with each other to create an entirely new set of influences leading to constant environmental change in its shape and character.

In developing countries, Government systems regulated economic aspects of firm's behavior, which hampered competition. This practice encourages the existence of an unprofitable and inefficient firms and blocked new entrance. The restrictive trade practice resulted to benefits accruing to protected firms due to manipulation from the systems rather than from innovation and adoption of new technologies (World Bank, 1994a; World Bank, 1994b).

The progressive reduction of barriers to investment and trade by most governments are hastening the opening of new markets by international firms. This trend is towards the unification and socialization of the global community. In Kenya, globalization process started in 1992 and since then many economic reforms have take place and the program is still ongoing (Government of Kenya, 1993).

Accordingly, from that time onwards, a series of persistent and drastic changes took place in various sectors of the economy with the birth of liberalization, which was accompanied by economic uncertainty (Government of Kenya, 1993). The economic reforms in Kenya have created a fundamental shift in the economic environment in which firms operate and thus proper strategies should be adopted as a way forward for the firms to survive in the face of turbulent environment (Vels, 1999).



In addition, the current global trend of breaking trade barriers and the adoption of the private sector-led development program has resulted in the need for to implement economic reforms consistence with these development. it is against this background that the government issued the a sector policy paper (Government of Kenya, 1996/8) on liberalization and privatization covering reforms measures to be undertaken in all sectors of the economy, the insurance sector included.

According to Ross *et al* (1996) the firm has to learn, adopt and reorient themselves to the changing environment. Most importantly, when a discontinuity begins to affect a firm in a turbulent environment, faced with variety of pressures of new challenges brought about by globalization. For an organization to remain truly competitive over time in a turbulent environment, the firm should therefore, closely monitor the changes in events and trends in the industry it operate in, for it to adopt on time (Olotch, 1999).

The environment in which Kenya Re operates in has fundamentally changed. These changes have brought pressure on Kenya Re to adapt new strategies to meet the new challenges facing it. Thus, it's expected that such internal adaptation are taking place in the company.

### **1.1.2 The Insurance Industry in Kenya**

The Insurance Industry plays a vital role in the economic and social development of any country. Insurance is a provision of distribution of risks, which is in form of a financial provision against loss from unavoidable disasters. As a business insurance is usually recognized as a form of securing a promise of indemnity by the payment of a premium and the fulfillment of certain other stipulations. Insurance is therefore, a mechanism for transferring risk from those exposed to uncertain loss producing events to insurers. Insurance companies in a bid to manage such risks do resort to creating large pools of similar and homogeneous risks in addition to seeking further protection by way of reinsurance (Olotch, 1999).

It is therefore, important to note that reinsurance is a practice whereby one party known as re-insurer (reinsurance company) in consideration of a premium paid to it agrees to indemnify another party known as reinsured (insurance company) for part or all of the liability assumed by the latter party under a policy or policies of insurance which it has issued. Hence, this led to an insurer or re-insurer assuming the risk of another under contract. Reinsurance provider is an organization that is involved in the provision of a wide range of reinsurance services to insurance companies (Olotch, 1999).

After Kenya got its independence in 1963, the government saw the need to have some control of the insurance sector. At the time, the insurance market was only dominated by branch offices of foreign insurance companies particularly from United Kingdom (UK) and India. The Insurance Company's Act of 1960, which was in force then, was based on the UK legislation. In 1978, the minister for finance who is responsible for the insurance sector issued an order stopping the operations of all foreign branch offices and further instructed that all insurance companies must be locally incorporated (Makove, 2006).

Early 1980s, the process of drafting a law to regulate the insurance sector was started by the government with the support of UNCTAD. In 1986, the Insurance Act was enacted with an enforcement date of 1<sup>st</sup> January 1987. The Insurance Act Cap 487 introduced the office of the Insurance regulator (Known as the Commissioner of Insurance) and further stipulated the various requirements for registration of the insurance companies, reinsurance companies, insurance brokers, insurance agents, loss adjusters, assessors, insurance surveyors and other service providers in the sector (Makove, 2006).

Historically, government systems in developing countries, as a form of national reinsurance capacity building, created and sanctioned by a law indigenous reinsurance companies to receive compulsory cession from insurance companies in the country concerned. In Africa, this happened in respect of Zimbabwe Reinsurance Corporation (Zim Re), Nigeria Reinsurance Corporation (Nigeria Re), Egypt Reinsurance Corporation

(Egypt Re) and Kenya Reinsurance Corporation (Kenya Re) (Government of Kenya, 2001).

By establishing Kenya Re, the Government of Kenya intended to address the prevailing unsatisfactory condition that was obtaining in the local insurance sector. It receives mandatory cessions from insurance companies. There are two types of mandatory cessions; one, a per policy cessions and secondly, a compulsory 18% share on all life and non-life reinsurance treaties of all insurance companies operating in Kenya (Commissioner of Insurance, 2006). The Corporation provides reinsurance and insurance services with estimated authorized capital of KShs. 2 billion and was a 100% government of Kenya owned until recently when it sold some of its shares through an IPO (Government of Kenya, 2004).

Kenya is considered as one of largest insurance markets in Africa, with two market levels. First, at the direct market level, the role of government in terms of ownership ended with the collapse of the Kenya National Assurance in 1996. At direct market level in Kenya, the insurance market is pluralistic in nature, while, secondly at the reinsurance level the market is semi monopolistic with the government exercising a limited monopoly restriction to legal cession for Kenya Re (Commissioner of Insurance, 2006). In 2006, Insurance Act Amendment Bill aimed at strengthening the regulation and supervision of the insurance was passed. This amendment is to allow conversion of the department of insurance into an autonomous supervisory authority (Kenya National Bureau of Statistics, 2007).

Currently Kenya has 45 insurance companies (direct writing companies), 4 reinsurance companies; (including Zep Re (PTA) and Africa Re which are regional bodies) Out of forty (40) direct writing companies, 22 are composite companies writing both life and non-life business, while 15 are involved in non-life business only and 2 are life offices. The non-life sector of business is therefore the most competitive with 37 insurance companies involved in it. On the side of the intermediaries involved in transacting of insurance business, there are 199 registered insurance brokers, 250 service providers and

2569 insurance agents, 29 Medical Insurance providers, 8 insurance loss Adjusters operating in Kenyan market (Kenya National Bureau of Statistics, 2007).

Globalization has brought in major increases in worldwide trade and changes in an increasingly open, integrated and borderless international economy. This has led to stiff competition in many sectors of the economy, the insurance sector included. Thus, the Insurance Act Cap 487 was amended in 1998 to facilitate gradual facing out of mandatory cessions for Kenya Re by the year 2011, or after privatization, whichever comes earlier (Commissioner of Insurance, 2006).

The Insurance Amendment Regulation of 1998 outlines the schedule on gradual removal of Reinsurance treaties. The environment in which Kenya Re is operating has fundamentally changed. These changes have brought pressure on Kenya Re to adapt new strategies to meet the new challenges facing it, thus it's expected that such internal adaptation are taking place in the company (Kenya National Bureau of Statistics, 1999).

Despite the several players in the reinsurance industry, this study is biased towards responses of Kenya Re in regards to the challenges of globalization of the reinsurance industry. Kenya Re therefore, should engage itself in strategies that will enable it to respond to the challenges and also act as a prerequisite to transformation into a truly regional body, proactive, an effective and efficient customer driven organization, in order to gain competitive advantage over their competitors besides the firm's success, and, indeed, even for its continued survival in reinsurance industry.

### **1.1.3 Kenya Reinsurance Corporation Limited**

Kenya Reinsurance Corporation (Kenya Re in short) is a state owned corporation that was established in 1970 under the state Reinsurance Corporation Act of the laws of Kenya Cap 485. Initially, the corporation was referred to as the State Reinsurance Corporation of Kenya. The name was changed to Kenya Reinsurance Corporation under the provision of 1977 statute Law (miscellaneous amendment) Act. The corporation's



function is to undertake and transact in any manner reinsurance and insurance business in and out of Kenya (Government of Kenya, 1970).

Specifically Kenya Re was established to pursue the following objectives: First and foremost, to increase retention capacity within the country so as to reduce the need to purchase reinsurance covers from external reinsurance; secondly, to help in regulating the insurance sector, (a function which is now performed by the office of the commissioner of insurance); thirdly, to contribute towards the growth and development of local expertise in insurance and reinsurance fields, and last but not least to generate funds for investment in the national economy.

Kenya Re's corporate vision reads: "to be a world class re-insurer and market leader offering quality reinsurance and ancillary services". The mission reads: "to provide quality reinsurance and insurance services to clients in Kenya, rest of Africa, Middle East Asia." The corporate core values include: committed to professionalism, customer satisfaction, quality service, development of human resource, social responsibility, concern for the environment and integrity.

In 1971, the Corporation commenced underwriting business, initially, underwriting fire risk. During the first year operation, it needed KShs. 5.9 millions as premium income and realized an underwriting profit of KShs. 325,818. In 1972, the corporation expanded its business portfolio when it started underwriting accidents class of business covering the whole range of risks such as burglary, cash in transit, personal accidents and workman's compensation.

Between 1973 and 1974, the Corporation commenced underwriting marine and aviation, motor and life classes of business. On 13<sup>th</sup> March 1997, Kenya Reinsurance Corporation was registered under the Companies Act (Cap.486). Its operations are however regulated by the Insurance Act Cap 487 of the laws of Kenya. The regulation spelled out the

conditions for the registration as a corporation, which was consisting of the following main elements:-

- i. Restructuring of Kenya Re which involves separation duties of Kenya Re and Commissioner of Insurance whereas Kenya re was register to provide a full range of reinsurance services to insurance companies in and out of Africa, while regulatory functions be vested and performed by the office of the commissioner of insurance.
- ii. Globalization, which led to the opening up of the market, also involves authorization of new participants of both local and foreign companies in the industry to increase customer's choice and accelerate investments. Economic reforms in Kenya combined with globalization of the insurance industry has exposed Kenya Re to stiff competition from experienced new licensed operator.

In 2000, the Corporation converted into a fully-fledged reinsurance offering the full range of reinsurance services to insurance companies in Africa, Middle East and Asia. It is involved in reinsurance, insurance, property management, and investment, with its principal market being the Kenyan insurance market. Kenya Re being a state owned corporation has not been spared either from these forces of globalization combined with trade liberalization, the fair trade practices as advocated by the World Trade Organization (WTO) and have led to the opening up of the Insurance market (Government of Kenya, 1999).

The increased pressure for globalization of the reinsurance industry has brought about many challenges in the reinsurance market, making the organization vulnerable, as the firms have to compete with other reinsurance companies in the industry on equal grounds. In light of the foregoing, the Insurance Act (Cap 487) was amended in 1998 to facilitate gradual removal of reinsurance treaties (Government of Kenya, 1995). As Kenya Re adjust to the loss of compulsory cessions as a result of globalization of sector, with the envisaged privatization it is anticipated the organization will seize this moment

to re-invent and repackage it's self, changing into a formidable competition is the reinsurance industry.

## 1.2 Research Problem

Turbulent environmental forces prevailing in the reinsurance industry combined with the fair trade practices as advocated by the World Trade Organization (WTO) have increased pressure for globalization of the reinsurance industry has led to opening up of the reinsurance industry, where compulsory cessions accorded to Kenya Re are no longer tenable. Therefore, in 2000, Kenya Reinsurance Corporation limited is an organization transiting from an assured market share monopolistically guaranteed by the law by way of mandatory cessions to freely competitive market, losing its monopolistic status over the reinsurance industry (Commissioner of Insurance, 2006).

Some of the obvious challenges include: -

- i. Increased competitions from the reinsurance companies operating in both Kenya and greater Africa. (Africa Re – 5 %, PTA (Zep Re) 10%),
- ii. the opening of the markets allows other players to seek alternative reinsurance locally, and
- iii. To gain competitive advantage over their competitors beside the firm's success and even assure its survival in the industry.

These challenges have forced firms to become more sophisticated in the way they deliver services to their customers. Thus Kenya Re needs to take a great stride to respond to these challenges of globalization in the reinsurance industry by coming up with specific strategies that will enable the firm to position itself to the challenges, also ensure its continued success and survival. Therefore, this study is important to determine the

strategies that the Kenya Re has put in place to respond to the challenges of globalization in the reinsurance industry.

Kenya Reinsurance Corporation Ltd which was 100% owned by the Government of Kenya since inception until recently had not experienced any stiff competition. This has been due to the status it enjoyed of an assured market share monopolistically guaranteed. Hence, the organization has been perceived as inefficient and not a customer driven organization, as the management of company is not in position to make critical decisions without the approval by the government. The company is currently undergoing fundamental changes emanating from the onset competition.

Some scholars have concentrated specifically on strategic responses of various organizations to the changing competitive environment (Kombo, 1997; Njau, 2000; Kandie, 2001; Mwanthi, 2003; Mwarania, 2003; Migunde, 2003; Kiptugen, 2003 and Lengopito, 2004). These studies have given insight into the changing environmental conditions, and have established that organizations have to respond to the pressure exerted by the challenges poised by the changing environment such as increased competition, technological changes, and overstaffing, poor economic performance, among others.

They have broadly developed elements of strategic change management. However, there are a few studies, which have focused on other areas of the insurance sector, for example, health insurance. Lengopito (2004) studied on strategic responses to increased competition in the health care industry; the case of private health insurance sector, Insurance. Abdullahi (2000) studied the strategic responses by Kenyan insurance companies following liberalization. Mwarania (2003) studied responses by reinsurance companies in Kenya to changes in the environment, the case of Kenya Re.

Among these studies only one has focused on the reinsurance industry; that is, Mwarania (2003) dealt with the issue of responses by the reinsurance companies in Kenya to changes in their environment. However, the challenges of globalization to the



organization which is a critical element that affect the strategic management of an organization has not received the same attention as the other component. This study will therefore investigate the responses of the firm to the challenges of globalization in the reinsurance industry.

The study will address the following questions:-

- i. What are the challenges of globalization of the reinsurance industry facing Kenya Re?
- ii. How has Kenya Re responded to the challenges of globalization in the reinsurance industry?

### **1.3 Research Objectives**

- i. To establish the challenges of globalization of the reinsurance industry to Kenya Re.
- ii. To determine the responses of Kenya Re to the challenges of globalization of the reinsurance industry.

### **1.4 Significance of the Study**

This study will be of benefit to both the academia and practitioners, as both groups will have an insight into the nature of industry and for future reference in the research work. These findings will be useful to the government for the formulation of the policies and relevant regulation for the insurance sector. The study will also benefit various stakeholders; both local and foreign investors will use the findings by the study to evaluate their investment's portfolio, while the senior management and employees of Kenya Re will have an opportunity understand their organizational operations,

management and future survival. Other players in the industry may apply lessons learnt in responding to the challenges posed.

## LITERATURE REVIEW

### 2.1 The Concept of Strategy

As the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. According to Schendel and Hofer (1979) organizations respond to turbulence in the environment by formulating new strategies. These provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment.

As Thompson and Strickland (2003) says, organizations depend on the environment for their survival and therefore it is necessary for them to scan the environment in an effort to identify changing trends and conditions that could eventually affect the industry and adapt to them. Pearce and Robinson (2002) argues that the organization have to respond to the turbulence by crafting new strategies that they define as a large-scale, future-oriented plans for interacting with the environment.

Porter (1980) states that due to the fact that environment is constantly changing, it is imperative that an organization has to constantly adapt its activities to reflect to the new environment requirements. As past experience cannot be used to predict what to expect in the future, companies which would like to survive must adapt and adapt to the change. Kay (1995) argues that strategy is no longer about guessing or visioning because we are deluded if we think we can predict or worse control the future. It is about using careful analysis to understand and influence a company's position in the market place.

The major task of managers is to ensure survival of the companies they manage. In order to achieve success, the companies have to adequately adjust to most environmental challenges. Failure to do this will cause the companies to experience a big strategic

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 The Concept of Strategy

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Porter (1980) states that due to the fact that environment is constantly changing, it is imperative that an organization has to constantly adopt its activities to reflect to the new environment requirements. As past experience cannot be used to predict what to expect in the future, companies which would like to survive must adopt and adapt to the change. Kay (1995) argues that strategy is no longer about planning or visioning because we are deluded if we think we can predict or worse control the future. It is about using careful analysis to understand and influence a company's position in the market place.

The major task of managers is to ensure survival of the companies they manage. In order to achieve success, the companies have to adequately adjust to meet environmental challenges. Failure to do this will cause the companies to experience a big strategic

problem. Therefore strategy is a tool which offers significant help that enable the firm cope with turbulent environment facing the firms (Johnson and Scholes, 2003). This problem arises out of the mismatch between the output of the company and the demand in the market place.

Strategy is useful in helping managers tackle the potential problems that face their companies (Aosa, 1998). Strategy is the tool which offers help for coping with the turbulence confronted by the business firms. Strategy requires to be taken seriously as a managerial tool, not only for the firm but also for a broad spectrum of social organization (Ansoff and McDonnell, 1990).

Hamel (2000) argues that the best strategy is geared towards radical change and creating a new vision of the future in which you are a leader rather than a follower of trends set by others. It's all about winning. He further states that it's about winning strategy equal foresight and vision. Strategy therefore is concerned with the survival of the organization in the long term in the face of changing environmental conditions and situation. It is in essence a tool for guiding the organization forward and providing a framework through which it will operate.

According to Campbell *et al* (2002), one of the most important considerations in the implementation of the strategy is the extent to which the organization's activities are spread across geographical regions. Some businesses are entirely domestically based, others operate in many countries and yet others operate in almost all regions of the world. The development of an organization's global strategy, therefore, is concerned with global competence, global marketing and global configuration and coordination of its value-adding activities.

According to Levitt (1983), changes in technology, societies, economies and politics are producing a global village. This means that consumer's needs in many previously separated national markets were becoming increasingly similar throughout the world. With the development of the WTO (World Trade Organization) and its predecessor



GATT (General Agreement on Tariffs and Trade), has resulted in huge reduction in the barriers to trade between countries since the second world wars.

Most businesses are becoming more global. The value chains of businesses in many industries span the globe, and organizations concentrate some of their activities in locations where they hope to obtain cost, quality and other advantages. Other activities such as distribution are also often dispersed around the world. The way a business configures its activities across national borders can be an important source of competitive advantage. The spread of an organization's value-adding activities around the world also means that there are important advantages to be gained from effective integration and coordination of activities.

Thus, the formulation and implementation of strategies for the organization are core management functions and top management must be involved. Strategy formulation is however an intricate task for the organization's top management must be involved. On the role of the Chief Executive Officer (CEO), Aosa (1999) emphasized that it is the CEO who should be in charge of the whole process and ultimately accountable for the results for the organization. Adegbite (1986), however, found out in a study of companies quoted in the Nigerian Stock Exchange that the final responsibility for setting corporate objectives lay with the board although the ground work was in most cases done by the CEO.

Strategy formulation involves long-term decisions and is an important management tool. Diverse authors acknowledge these two factors. Johnson and Scholes (2003) defined strategy as the "direction and scope of an organization over the long term", which achieve advantage for the organization through its configuration of resources which a changing environment, and to fulfill stakeholders expectations. Strategy is a unifying comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization (Juach and Glueck, 1988).

The essence of strategy is to relate the organization to the changes in the environment (Ansoff, 1990). Organizations therefore have to respond to relevant strategies that match the changed environment. Failure to respond may lead to organizational decline or obsolescent. Strategy implementation has to be supported by resources and competencies of the organization. This make up the strategic capability. Just as there are outside influences on the organization and its choice of strategies, so there are internal influences.

This statement emphasizes that the environment is constantly changing and so it is

These comprise the organization's strengths and weaknesses (Johnson and Scholes, 2003). Thompson (1997) emphasizes on the internal processes that they says can add value to an organization. Porter (1998) also emphasizes on the importance of internal capability by pointing out that companies must be flexible to respond rapidly to competitive and market changes. They must nurture a few competencies in the race to stay ahead of the competition.

## 2.2 Challenges of Globalization

According to Vels (1999), Globalization forces has led to stiff competition in many sectors of the economy and has resulted to firms changing their activities in order to survive. The insurance sector has not been spared by the turbulence brought by forces of globalization hence increased competition.

where the further goes the globalization of the world economy is the integration of

In an environment that is dynamic, the firm finds it necessary not only to be focused but also to be flexible and adaptive. As they are forced to adopt more market driven strategic approached. The effect of globalization can be seen in the insurance and other public/social sectors as the government desires to divert from doing business and concentrate on its core mandate. The government therefore is in the process of privatizing most of the state corporations (Vels, 1999)

as made the business world into one small

The concept of strategy can be seen as a multidimensional aspect that embraces all the critical activities of the firm providing it with a sense of unity, direction and purpose as well as facilitating the necessary changes induced by its environment (Hax and Majluf, 1996). From the concept of strategy comes the aspect of strategic management, which can be defined as a set of decisions, and actions resulting in the formulation and

implementation of strategies designed to achieve the objectives of an organization (Pearce and Robinson, 2002). It involves the management of the strategies in order that they may deliver the intended results.

The study of strategic management therefore, emphasizes on monitoring and evaluation of external opportunities and threats in light of corporation's strengths and weaknesses. This statement emphasizes that the environment is constantly changing and so it is imperative that an organization as to constantly adapt its activities to reflect the new environmental requirement. Having a strategy enables you to ensure the day-to-day decisions fit in with the long-term interest of an organization. Without a strategy, decisions made today would have a negative impact on future results (Bruce and Longdone, 2000).

## 2.2 Challenges of Globalization

According to Levitt (1983), Globalization is a powerful real aspect of the world system, which represents one of the most influential forces in determining the future course of the planet. It has many dimensions: economic, political, social-environmental, security and others. He further argues that globalization of the world economy is the integration of economies throughout the world through trade, financial flows, the exchange of technology and information, and the movement of the people. The extent of the trend towards integration is clearly reflected in the rising importance of world trade and capital flows in the world economy.

Friedman (2000) states that globalization as made the business world into one small village, which dictates that business, has to conform to what is largely accepted in other parts of the world. It further describes the ongoing global trend towards the free flow of trade and investments across borders and resulting integration of the global economy. Thomas Friedman in his book Lexus and Olive Tree wrote:-Globalization is not a phenomenon. It is not some passing trend. Today it is an overarching International

system shaping the domestic politics and foreign relations of virtually every country and need to understand it as such.

Globalization can be incredibly empowering and incredibly coercive; it can democratize opportunities and democratize panic. It makes whales bigger and minnows stronger. It leaves you behind faster and faster while homogenizing cultures, it also enables people to share their unique individuality further and wider as said by Friedman.

According to Ouattara (1997), the challenge facing the developing world, and African countries in particular, is to design public policies so as to maximize the potential benefits from globalization, and to minimize the downside risks of destabilization and/or marginalization. None of these policies is new, and most African countries have been implementing them for some time. In particular, sub-Saharan Africa has made substantial progress toward macroeconomic stability.

The degree of globalization of an industry can be assessed using Yip's globalization drivers framework (Yip, 1992). Yip developed the concept of total global strategy based upon his globalization drivers' framework. This strategy makes it possible to evaluate both the overall degree of globalization of an industry and which features of the industry are more or less global in nature.

Accordingly, Yip's globalization driver framework provides an extremely useful tool for analyzing the degree of globalization of an industry or market. Equally it makes possible an understanding of which particular aspects of an industry or market are global and which aspect are localized. Yip argues that to achieve the benefits of globalization, the managers of a world wide business need to recognize when the industry conditions provide opportunity to use global strategy levels.

Yip identified drivers that determine the nature and extent of globalization in an industry as market globalization driver, cost globalization driver, government globalization drivers, and competitive globalization drivers. Each of the drivers must be analyzed for



the industry and market under consideration and the result of the analysis will play an important role in assisting managers to form the global strategy of their organization. The result will help to determine which features of the strategy are globally standardized and which features are globally adopted (Yip, 1992).

Yip (1992) argued that successful global strategy must be based upon a comprehensive globalization analysis of the drivers. Managers of a global business must evaluate the globalization drivers for their industry market and must formulate their global strategy on the basis of this analysis. Yip went on to identify three stages in developing a total strategy as developing a core strategy, internationalizing the core strategy and globalizing the international strategy.

Once a business has developed core competence and strategies that can potentially be exploited globally, the decision must be made as to where and how to employ them. Managers must determine within which countries they will locate key value-adding activities of their business. They will seek to gain cost skills and resources advantages. They will attempt to locate activities in countries where there are production advantages to be gained. Once decision has been made as to which countries are to be entered and where value-adding activities are to be located, the task for the management becomes the determination of which method of development to employ to enter another country.

The business can choose either internal or external method of development of overseas markets. Internal methods are usually slower, but tend to entail lower risk. External method involves the business developing relationship with other businesses. Internal methods include direct exporting, overseas manufacturing, local assembly and establishing overseas subsidiaries. External methods include joint ventures and alliances, mergers and acquisition, franchising and licensing.

There are several models that explain the basis of global strategy. The framework developed by Porter (1986a, 1986b, 1990) and Yip (1992). Porter focuses on adopting the

generic strategy framework to global conditions and the role of configuration and coordination of the value-adding activities in securing global competitive advantage.

Porter (1980) argued that competitive advantage rests upon a business selecting and adopting one of the three generic strategies (differentiation, cost leadership or focus) to modify the five competitive forces in order to earn high profit than the industry average. Porter (1986a and 1986b) extended the generic strategy framework to global business. The model suggests that a business operating in international market has five alternatives that are global cost leadership, global differentiation, global segmentation, protection market and national responsiveness.

There are several sources of globalization over the last several decades. One such source has been technological advances that have significantly lowered the costs of transportation and communication and dramatically lowered the costs of data processing and information storage and retrieval. Electronic mail, the Internet, and the World Wide Web are some of the manifestations of this new technology (Intriligator, 2001)

A second source of globalization has been trade liberalization and other forms of economic liberalization that have led to reduced trade protection and to a more liberal world trading system. This process started in the last century, after World War II through the most-favored-nation approach to trade liberalization, as embodied in the 1946 General Agreement on Tariffs and Trade (GATT) and now in the World Trade Organization (WTO). As a result, there have been significant reductions in tariffs and other barriers to trade in goods and services.

The third sources of globalization has been changes in institutions, where organizations have a wider reach, due, in part, to technological changes and to the more wide-ranging horizons of their managers, who have been empowered by advances in communications. Thus, corporations that had been mainly focused on a local market have extended their range in terms of markets and production facilities to a national, multinational, international, or even global reach. These changes in industrial structure have led to

increases in the power, profits, and productivity of those firms that can choose among many nations for their sources of materials, production facilities, and markets, quickly adjusting to changing market conditions (Intriligator, 2001).

He further argues that the trend towards globalization, which is present in all significant business activities, has resulted into a dramatic increase in the intensity and diversity of competition. This increasing trend towards globalization stems from the pervasive forces of technology, which are reshaping industries and deeply affecting the ways to compete.

In an environment that is dynamic the firms find it necessary not only to be focused, but also be flexible and adaptive. Globalization has resulted into major increases in worldwide trade and exchanges in an increasingly open, integrated and borderless international economy, therefore, leading to stiff competition in many sectors of the economy, some directly and others indirectly. As a result many companies are facing greater challenges most of which are blamed on cut throat competition from the new entrants and has also made firms change their activities and also adopt more market driven strategic approaches in order to survive (Ellis and Williams, 1995).

### **2.3 Organizational Responses**

Ansoff and McDonnell (1990) see strategic management as a systematic approach to position and relate the firm to its environment in a way that will assure its continued success and make it secure from environmental surprises. Hamael and Prahalad (1989), perceived an organization as a foundation for sustained competitive advantage when it poses skills or resources that provide superior value to customers and that are difficult to imitate. In a turbulent environment, the more enduring advantage is ability to anticipate evolving customer needs and to generate new values creating capabilities based on that knowledge. And unless there is an advantage over competitors that is not easily duplicated or connected, long term profitability is likely to be elusive.

Aosa (1992) noted that the action of competitors have a direct impact on a firm's strategy. He further stated that strategy will only make sense if the markets to which it relates are known; and pointed out that the nature of the industry in which the company operates needs to be understood. The structure of an industry and trend in that industry will help the current and future attractiveness of that industry.

In the 1990's, many companies have acknowledged the critical importance of being customer oriented, customers pay attention to after sales services, and responsiveness of employers (Kotler, 1997). Hamamel and Prahalad (1989) noted that restructuring and re-engineering, while both are legitimate and important tasks, they have more to do with sharing today's business than with building tomorrow's industry. According to Aarker (1989), long-term success involves creating, managing and exploiting assets and skills that competitors find difficult to match or counter. This involves three steps:-

- i. Identifying relevant skills and assets by observing successful and unsuccessful firms, key customer motivations, large value added items, and mobility barriers,
- ii. Selecting those skills and assets that will provide an advantage over competitors, will be relevant and appropriate for the future, and will be feasible, sustainable and appropriate for the future, and
- iii. Develop and maintain those of competitors. He further observed that there are three basic ways to compete, namely, on the basis of delivery, quality and price.

Porter (1980) noted that competitive advantage is the ability of the firm to out perform rivals on the primary performance goal profitability. Hax and Majluf (1996) also argues that there is essence of business to create competitive advantage that comes in a number of ways such as low-cost production or market differentiation. Hill and Jones (2001) identified three elements that collectively lead to competitive advantage that creates value and they have called these elements the corporate strategic triangle: resource (company assets, skills and capabilities). Strategic business units and other key segment of the



society: structure, systems and processes. They argue that these three sides of vision, goal and objectives to produce competitive advantage that could lead to value creation. Bennet (1997), also emphasizes the importance of improving a company's image and points out that the first step in doing this is finding out where you are currently; which can be done by determining the target audience, especially the employees.

Kenya Re, therefore, must reinvent and repackage itself, changing into a formidable competition in the industry. It will require an application of various strategies approaches to be viable, proactive and efficient customer service oriented. This may include the use of effective communication systems (modern IT) customer responsiveness strategies, repackaging of the existing products to meet the need for both the local and international clients, by offering improved quality service delivery, and overcoming political interference.

From this perspective emerges the fundamental framework, organizational responses that addresses the organization as a whole with two main areas of attention: first, strategic responses, under which falls corporate-level responses, whereby the corporate perspective encompasses those tasks that need the fullest scope to be addressed properly. They deal, primarily, with the issue pertaining to the definition of the overall mission of the firm, the validation of proposals emerging from business-level and operational responses, the identification and exploitation of linkage between distinct businesses related unit and the allocation of resources with strategic priorities (Hill and Jones, 2001).

The business perspective includes all the activities necessary to enhance the competitive position of each individual business unit within its own industry. The operational perspective deals with developing the necessary operational competences in finance, administrative infrastructure, human resource, technological, procurement, logistics, manufacturing, distribution, marketing, sales and service needed to sustain competitive advantage.

### 2.3.1 Strategic Responses

Pearce and Robinson (2002) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. Therefore it is a reaction to what is happening in the economic environment of organizations. Porter (1980) argues that the knowledge of the underlying sources of competitive pressure provides the ground work for strategic agenda in action. According to Ansoff and McDonnell (1990), when firms are faced by unfamiliar changes, they should revise their strategies to match the turbulence level.

Pearce and Robinson (2002) says that there is need to adopt new strategies that match the challenges from the environment. Reengineering, downsizing, self-management and outsourcing are some of the dominant strategies that have been used for restructuring in the 1990's. Ansoff and McDonnell (1990) asserts that the management system used by a firm is a determining component of the firm's responsiveness to environment changes because it determines the way that management perceives the environment, diagnosis their impact on the firm, decides what to do and implements the decisions.

Burnes (2000), the concern in real time responses is to minimize the sum to total losses and restore profitability to ensure organization's success in a turbulent and surprising environment. He also observed that unstable and unpredictable conditions in which organizations have to operate today means that the ability to think strategically and manage strategic change successfully is key competitive strength for a sustainable competitive advantage. Real time strategic issue responses are necessary to facilitate the firm's preparedness in handling the impending issue, which may have profound impact on the firm.

Global trends have had adverse effect on many sectors, the insurance sector included. Every organization has to develop strategies that will enable it fit within the environment it operates in. this is necessary because the environment is dynamic, multi-faceted and complex; as a result of which organizations have to plan how to respond to the challenges

posed by it. An organization can either plan on how to cope with the many changes brought about by the environment or handle them as they emerge (Ellis and Williams, 1995).

In view of the foregoing, strategies to be adopted within the reinsurance industry should reflect and underscore the macroeconomic, social, political events in Kenya as well as the increasing pressure of globalization and fair trade practices as advocated by the World Trade Organization (WTO), and policies within and outside the sector in determining its key elements. Thus, Kenya Reinsurance Corporation is bound to engage the various strategies reported by researchers (to realize an effective and efficient service delivery) in order to maintain their market position and market share in the industry.

Hill and Jones (2001) states that strategic choice is a process of choosing among the alternatives generated by a SWOT analysis. The strategic alternatives generated can encompass business level, function level and global strategy. They also noted that by planning, an organization is able to identify the problems and plan how to solve them by using appropriate strategies. An organization's strategy depends on where it wants to go and how it intendeds to get there. This applies to both levels of strategy under the strategic responses: that is, corporate-level strategy and business-level strategy. At each level of strategy there are responses that have to be adopted to ensure organizational success. The responses as follows: -

#### **i. Corporate-level Responses**

Corporate level responses is the first level of strategy at the top of the organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product/services or business units and how resources are to be allocated between the different parts of the organization (Hill and Jones, 2001).

Corporate strategy is at the level of whole organization. Many organizations (especially larger one consist of a number of businesses) which are linked together to varying degrees in terms of ownership, objective, product, management, marketing and finance among other. The degree of linkage can vary significantly from corporation and corporation. In terms of strategy, the degree of integration, coordination and commonality between the individual businesses can also vary enormously (Hill and Jones, 2001).

Concentrating on single business lets a company focus its total managerial, financial, It depends on the extent to which knowledge and core competence can be shared across the various businesses that comprise the organization (Andrew, 1987). The company's corporate strategy should help in the process of establishing a distinctive competence and competitive advantage at the business level. There is a very important link between corporate-level and business level (Johnson and Scholes, 2003).

At a general strategic level, Ansoff and McDonnell (1990) suggests three reasons why firms diversify. The objectives can not be achieved by continuing to operate in their existing market. Corporate strategy defines the scope of the firm in terms of industries and a market competes. Corporate strategy decision includes investments in diversification, vertical integration, acquisitions, and joint ventures, the allocation of resources between the different businesses of the firm, and divestments (Grant, 1998).

Corporate strategies are the different corporate-level strategies that companies pursue in order to maximize their value. To create value, a corporate strategy should enable a company, or one or more of its business units, to perform one or more of the value creation functions at a lower cost, or perform one or more of value creation functions in a way that allows for differentiation and premium price (Hill and Jones, 2001).

Thus a company's corporate strategy should help in the process of establishing a distinctive competency and competitive advantage at the business level. Therefore there is a very important link between corporate-level strategy and competitive advantage at the business level. By establishing credible commitments or by taking hostages,



companies may be able to use long-term contracts to realize much of the value associated with vertical integration (Hill and Jones, 2001).

Johnson and Scholes (2003) emphasize the growing importance of just-in-time inventory systems as a way of reducing costs and enhancing quality is increasing the pressure on companies to enter into long-term agreements in a wide range of industries. Concentrating on single business lets a company focus its total managerial, financial, technological, and physical resources capabilities on competing successfully in just one area. It also ensures that the company sticks to doing what it knows best.

Vertical integration can enable a company to achieve a competitive advantage by helping build barriers to entry, facilitating investments in specialized assets. Protecting product quality, and helping improve scheduling between adjacent stages in the value chain. The strategic out-sourcing of non-core value creation activities may allow a company to lower its costs, better differentiate its product offering, and make use of scarce resources, which also enabling it to respond rapidly to changing market condition ( Hill and Jones, 2001).

Diversification can create value through the pursuit of a restructuring strategy, competency transfers, and realization of economies of scope. Related diversification is preferred to unrelated diversification because it enables a company to engage in more value creation activities and is less risky. If a company's skills are not transferable, the company may have no choice but to pursue unrelated diversification (Johnson and Scholes, 2003).

Strategic alliance can enable companies to realize many benefits of related diversification without having to bear the same level of bureaucratic costs. However, when entering into an alliance, a company does run the risk of giving away key technology to its partner. This risk can be minimized if a company gets credible commitment from its partner (Hill and Jones, 2001).

## ii. Business-level Responses

According to Thompson and Strickland (2003), business-level responses refers to plans of action the strategy manager adapt for using a company's resources and distinctive competences to gain a competitive advantage over it's rival in the market or industry. Companies therefore pursue a business level strategy to gain a competitive advantage that allows them to out perform rivals and achieve above average returns.

Business strategy is concerned with how the firms compete with a particular industry or market. If the firm is to prosper within an industry, it must establish a competitive advantage over its rivals. Hence, this area of strategy is also referred to as competitive strategy (Grant, 1998). He also states that business level refers to that organizational level at which the responsibility for the formulation of a multi functional strategy for a single industry or product-market area is determined.

The formulation of business level strategy means matching the opportunities and threats in the environment to the company's strengths and weakness by making choices about products, markets, and distinctive competencies, as well as investments necessary to pursue the choices. All companies must develop business strategy if they are to compete effectively and maximize their long-term profitability.

Much strategic decision-making takes place at the level of the business or SBU. This is within a context set by the strategic level that allows considerable strategic, according to whether or not there is potential for synergy and economies of scale and scope. Core competences in marketing, finance, sourcing and distribution can be shared across the whole corporation, but each business is likely to require certain distinctive competence particular to its own local geographic, competitive or industry condition (Andrew, 1987).

The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises which tend to be larger. It differs from corporate strategy in that whereas corporate strategy involves decisions about the entire

organization, strategic decision under the business units are basically concerned with how customers' or clients' needs can best be met. According to Johnson and Scholes (2002), "business unit strategy is about how to compete successfully in particular markets".

Companies choose to pursue a generic business-level strategy in order to gain competitive advantages that allow them to out perform rivals and achieve above average returns. There are three basic generic competitive approaches: cost leadership, differentiation, and focus; which can also be combined in different

### 2.3.2 Operational Responses

Porter (1998), views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. Hence operational issues are mostly concerned with certain broad policies and policies for utilizing the resources of a firm to the best support of its long term competitive strategy.

According to Johnson and Scholes (2003), operational responses is the third level of strategy, at the operating end of the organization, concern with how component part of the organization delivers effectively the corporate and business level strategies in terms of resources, processes and people. Thus operational strategy looks at how corporate/business level strategies can be translated into concrete operational functions and processes in areas like marketing, research and development, manufacturing, materials management, human resources and finances.

Even though strategies may be focused on a given function, as often as not they embrace two or more functions and require close cooperation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals. Strategic management is therefore wide and complementary, other types of management are like operations management and financial management, which are basically in the operational level of the organization. They focus on the short-term and aim at achieving

efficiency in the use of resources and maximizing the returns for the stakeholders in the organization (Hill and Jones, 2001).

Operational responses at the operating end of the organization, within the strategy of business, each area of value-adding activity or operational area (design, procurement, production, marketing, distribution, finance, information systems among others) will need to design and implement a strategy that supports the overall strategy of the organization. Operational strategy is very important in the successful implementation of business strategy and its fine-tuning or tactical management (Andrew, 1987).

According to Hill and Jones (2001), efficiency, quality, innovation and customers' responsiveness are all important elements in obtaining a competitive advantage. They are the generic building blocks of competitive advantage that a company can adopt regardless of its industry or the product or service it produces. Together these factors help a company create more value by lowering costs or differentiating its products from those of competitors, which enables the company to outperform its competitors. Achieving superior efficiency requires an organization-wide commitment and an ability to ensure close cooperation among functions top management by exercising leadership and influencing the infrastructure, plays a major role in this process.

Thus a company can increase efficiency through a number of steps which includes exploiting economies of scales and learning effects, adopting flexible manufacturing technologies, reducing customer defection rates, implementing Just-in-time systems, getting the Research and Development functions to design production that are easy to manufacture, upgrading the skills of employees through training, introducing self management teams, linking pay to performance, building a company wide, commitment to efficiency through strong leadership, and designing structures that facilitate cooperation among different functions in pursuit of efficiency goals.

Superior quality can help a company both to lower its costs and differentiate its product and charge a premium price. Achieving superior quality demands an organization-wide



commitment to quality and clear focus on the customer. To achieve superior innovation, a company must build skills in basic and applied research, design good processes for managing development projects and achieve close integration between the different functions of the enterprise, primarily through the adoption of a cross-function product development teams and partly parallel development processes (Johnson and Scholes, 2003).

Achieving superior customer responsiveness often requires that the company achieve superior efficiency, quality, and innovation. To achieve superior customer responsiveness, a company needs to give customers what they want when they want it. It must ensure a strong customer focus, which can be attained through leadership; training employees to think like customers; bring customers into the company by means of superior market research; customizing the unique groups; and responding quickly to customers' demands (Hill and Jones, 2001).

The interview guide used had entailed the various aspects of the study, which include the objective, mission, vision of the organization, the challenges (both internal and external), customer care, organizational structure, and strategic management issues among others that could appear relevant to the study.

### 3.2 Data Collection

Primary data was collected from the senior managers of Kenya Re, selected from various departments of Kenya Re, strategy and business, administration, human resources, public relation, and finance department among others. The chosen respondents were those holding key departmental positions and the ones who are spear-heading the company.

## CHAPTER THREE

# RESEARCH METHODOLOGY

### 3.1 Research Design

This study is a case study; it seeks to achieve the objectives of the study, which is to establish the challenges posed by globalization of the reinsurance industry to Kenya Re and also to determine the responses of the organization to these challenges. This method if used would help in establishing facts on the ground. This research was conducted through a case study. A case study was chosen because it enabled the researcher to have an in-depth understanding of the behavior pattern of the Kenya Reinsurance Corporation.

A case study design is most appropriate where a detailed analysis of a single unit of study is desired as it provides focused and detailed insight to phenomenon that may otherwise be unclear. The importance of a case study is emphasized by Young (1960) and also by Kothari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. It's a method that drills down, rather than cast wide.

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While the transition process continues, fundamental changes have taken place over the last ten years.

## DATA ANALYSIS AND FINDINGS

The method used was through personal interviews. An interview guide (Appendix 1) with open ended questions was used. This enabled oral administration of questions in a face to face encounter therefore allowing collection of in depth data. Cooper and Schindler (1998) emphasize the value of personal interview when they stated that it enables in depth and detailed information to be obtained.

### 3.3 Data Analysis

Data collected was summarized and analyzed according to the identified study themes; namely, forces and challenges of globalization, strategic objectives, strategies adopted to respond to the challenges and various organizational responses. The data collected which is qualitative in nature, was analyzed using conceptual content analysis which is best suited method of analysis. Conceptual content is defined by Frankfort-Nachmias and Nachmias (1996) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends.

According to Mugenda and Mugenda (2003), the main purpose of content analysis is the study of existing information in order to determine factors that explain a specific phenomenon. To conduct the conceptual content analysis, the data collected was coded on the theme basis of strategic responses, the challenges of globalization, vision, strategies adopted to respond to the challenges and various organizational responses, levels of competition and implementation in as far as globalization of the industry is concerned. The method does not restrict respondent to answers and has potential of generating more information in much detail. This method had been used previously in similar case studies (Nyamache, 2003; Mbogo, 2003 and Mutuku, 2004).

# CHAPTER FOUR

## DATA ANALYSIS AND FINDINGS

### 4.1 Introduction

This chapter presents the analysis of the data collected and its interpretation. The study focused on two major objectives which were to establish the challenges of the reinsurance industry to Kenya Re and also to determine the responses of the organization to the challenges. Personal interviews which were conducted with the senior managers of Kenya Re selected from various departments of the company enabled collection of primary data. An interview guide was designed for purposes of the interview. The interview guide used comprised of mainly open-ended questions.

The data was mainly analysed by content analysis, which sought an objective, systematic, and qualitative description of a manifest content of communication between the researcher and representatives of the organization under study, and the results are provided. Various issues regarding globalization have been analysed which include changes in the firms' objectives, mission statement, vision, goals, and corporate plans in response to the challenge of globalization. Responses of the firm in question to the challenges have also been analysed.

### 4.2 Company Bio-Data

The findings indicates that the organization continue to attract, develop and retain a pool of qualified and experienced staff so to maintain their competitive edge. The analysis of the company's employees age structure was done. The study involved a total of 61 staff of the organization. Figure 1 presents the details.



**Figure 1: Age structure of employees**

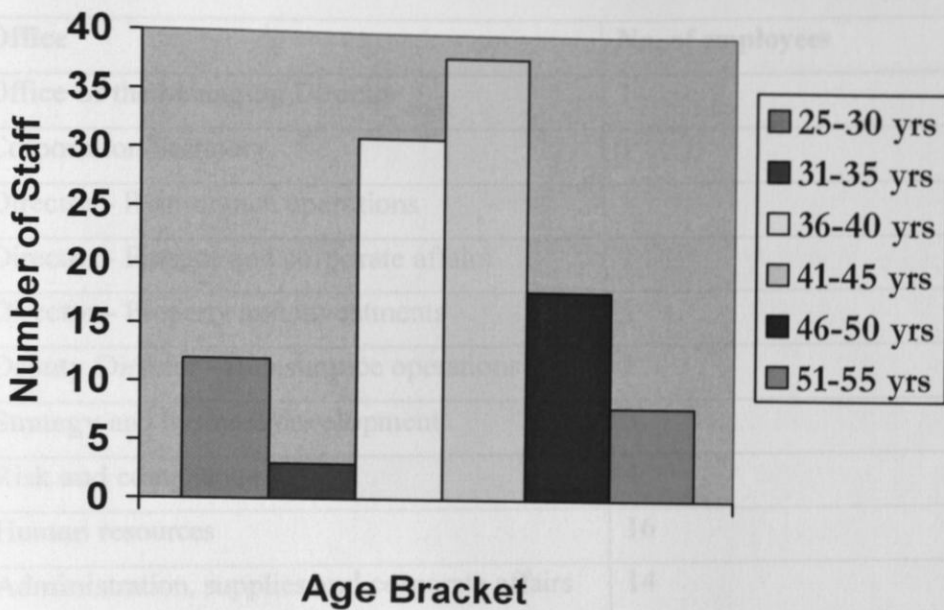


Figure 1 shows that majority of the employees (38) are aged between 41 and 45 years, and 30 employees are between 36 and 40 years whereas only 3 employees are aged between 31 and 35 years while 12 are aged between 25 and 30 years. 8 employees are aged between 51 and 55. This analysis portrays that majority of employee will reach retirement age at more or less the same time. Thus the organization needs to put in place a succession program to address this issue.

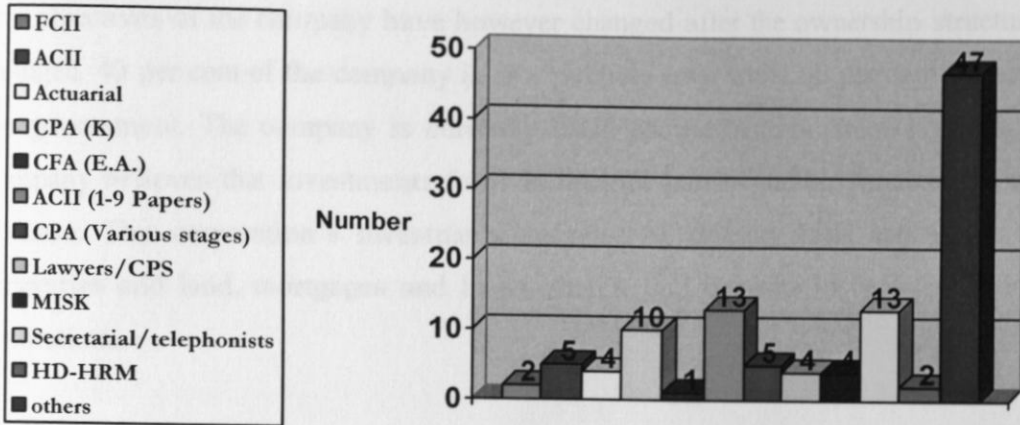
The study also revealed that the organization strive to attract and retain skilled and motivated staff by offering competitive incentives and rewards to staff and training in the relevant field. There are 111 employees in the organization and 16 of them are in the Human Resource division. 14 are in the administration, supplies and corporate affairs while 12 are in the international business unit. The analysis further revealed that some divisions have more employees in place and there is need to reduce the level of staff and only retain a small number in order for the company to pay the remaining staff well and motivate them. The rest of the analysis of distribution of employees by division is as shown in Table 1.

**Table 1: Distribution of staff by division**

<b>Office</b>	<b>No. of employees</b>
Office of the Managing Director	1
Corporation Secretary	1
Director - Reinsurance operations	1
Director - Finance and corporate affairs	1
Director - Property and investments	1
Deputy Director - Reinsurance operations	1
Strategy and business development	3
Risk and compliance	4
Human resources	16
Administration, supplies and corporate affairs	14
Local business units	10
International business unit	12
Life business unit	7
Pensions unit	2
Property management	11
Investments division	5
Legal division	4
Finance	9
Information technology	5
<b>Total</b>	<b>111</b>

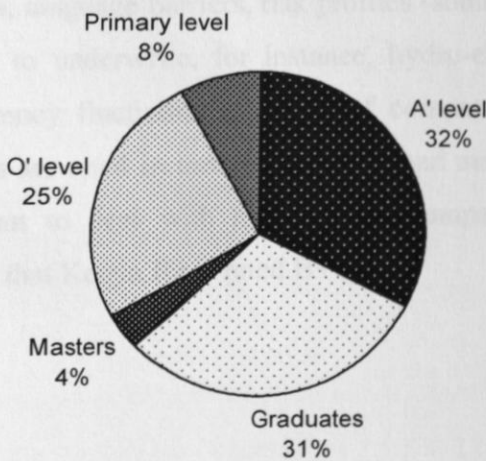
Figure 2 shows the distribution of staff by professional qualification. 10 employees are CPA (K) holders while 5 are in various stages of CPA. Only 1 is a CFA (EA) holder while 5 are ACII holders. There are 4 lawyers and 2 ICPS holders. 47 of the employees have qualifications other than the ones in the chart. The organisation lacks foreign language (such as Arabic) and engineering staff to enable them tackle language barrier and engineering business underwriting. There is need for the organisation to hire the much needed technical staff in those areas.

**Figure 2: Distribution of staff by professional qualification**



The analysis in Figure 3 shows the educational level of employees in the organization. From the analysis, there are only 4 masters' holders and 34 graduates. A' level holders are 36 while O' level holders are 28. The rest are at primary level. The analysis shows that many employees were skilled in various professional and educational areas, but foreign language (such as Arabic) and engineering skilled staff are still lacking.

**Figure 3: Distribution of staff by educational qualification**



### 4.3 Challenges of Globalization and the Organization's Responses

The objectives of the company have however changed after the ownership structure was changed. 40 per cent of the company is now publicly own while 60 per cent is owned by the government. The company is currently listed on the Nairobi Stock Exchange. The company believes that investments form an integral part of the corporation's source of revenue. The corporation's investment comprise of treasury bills and bonds, rental properties and land, mortgages and loans, shares, and deposits in banks and financial institutions.

To increase gross premiums in new and existing markets in Kenya and in the rest of Kenya Re benchmarks itself against other organizations internationally. The respondents were in agreement that the company benchmarks itself against Africa Re in Africa and other international reinsurance companies. The organisation had previously had bad publicity related to fraud and irregularities. However, the findings revealed that corrective measures, including litigation process against the perpetrators, were taken to address the situation.

The researcher sought to obtain information on the challenges of globalization facing Kenya Re. The respondents identified increased competition from other well established operators after the loss of mandatory cessions as the major globalization challenge facing Kenya Re. Other challenges identified were liberalization of the market, rapid technological changes, language barriers, risk profiles (some businesses require technical background in order to underwrite, for instance, hydro-electric power companies) of other firms and currency fluctuations. Rating of companies was also identified as a challenge. Companies are rated in order to compete and maintain their market positions. Clients normally want to deal with highly rated companies (that is, "AAA"). The respondents also said that Kenya Re is rated B+ (plus).



### 4.3.1 Planning and Strategy

Due to the challenges of globalization, majority of the respondents observed that although the organization undertakes planning and strategy, and that the goals and the objectives of the organization have changed over the last ten years and are currently entrenched in the five year rolling plan that was rolled out recently. From the company's strategic plan (Kenya Reinsurance Company, 2007), the new objectives of the organization are:

- i. To increase gross premiums in new and existing markets in Kenya and in the rest of Africa, Middle East and Asia beyond the year 2011.
- ii. To achieve international customer service standards.
- iii. To continuously improve investment portfolio in accordance with local and international insurance industry standards and the legal requirements.

In order to meet the objective of increasing the gross premium, the company intends to increase gross written premiums from the local market by 5% and international market by 10% annually. The customer focused orientation involves three strategies:

- i. Intensify marketing activities locally and internationally through market penetration, market development and participating in product development strategies.
- ii. Increase the level of customer service and focus in all departments of the organization.
- iii. Emphasize and intensify personal selling in Kenya Re's marketing communication strategy.
- iv. Pursue and take up competitive quotes in all markets.

The researcher also sought to obtain information on the levels of autonomy in strategic decision making in the organisation. According to the responses, there are three levels of strategic decision making in the organisation: these are the Government (for policy

issues), management and board and departmental levels. The organization has also set up objectives for each department to meet and forecasts for each department for the entire period. Tactics to meet those strategies have also been laid down to help departments meet their objectives. The departments in the organization are: reinsurance operations department, property and investment division, human resource division, information and communication technology and finance division.

The finance division provides professional accounting, budget coordination and costs control services and financial reports to all stakeholders. The division is however faced with internal, social, political as well as economic challenges. The internal challenges include low level of computerization in some areas such as budget control and payment processing, training and exposure, job designation, improving current grade of rating, unclear reporting lines and reengineering the payment process. The first step was to have their accounts audited to assess their financial strength. KPMG, an independent audit firm, was contracted on behalf of the Controller and Auditor General to audit the financial statements of the company.

In response to the identified challenges of globalization, the organization has purposed to:

- i. Achieve its corporate mission, Kenya Re adopted a customer-focused approach and being committed to growth, profitability and satisfactory returns to shareholders through professionalism and use of modern technology.
- ii. Handle the issue of foreign currency fluctuations, Kenya Re has opened a foreign currency account in Europe (UK).
- iii. Open branch offices locally and internationally (Rest of Africa, Middle East, and Asia).
- iv. Reduce the staffing levels in order to offer more efficient and effective service so as to ensure that they realize their survival, profitability and public image goals which have become extremely important to the company.

Despite reduction in staffing levels, the company has focussed on employing underwriters from other foreign countries like French speaking countries, Arab speaking

countries and other foreign countries to overcome the problem of language barrier in the international market. Some of the foreign clients feel comfortable dealing with one of their own hence the reason for the company to employ citizens of those nations. For businesses that are technical in nature like those in the aviation industry, Kenya Re has resorted to employing technical staff including engineers as underwriters.

The company has also decided to re-insure with other insurance companies both locally and internationally in a bid to bring the service closer to the client. The company believes that local insurers understand the situation on the ground therefore eliminating false claims and in the process acting as a check and balance. The respondents also cited the fact that the organization has embarked on training of the organization staff on new developments in the insurance industry. Kenya Re has also embarked on training the staff of other insurance companies by accepting them on its attachment program.

The company has also responded to the challenges of globalization by bringing in modern technology equipment and programmes to enable the organization link with its branches overseas and the clients abroad. The company has also responded to the challenges by establishing its own programmes which link all the staff in the organisation for easy access of information at any time anywhere. Hence, the staff members are able to transact the business on behalf of the company at any time from wherever they are. The company has also responded to these challenges by adopting strategies such as using quarterly performance reports, online budget control, e-commerce, enhancement of team work, equipping staff with necessary skills and training and exposure and upholding highest standards of ethics.

The company is also offering training to the local insurance companies in the market and partnering with them so as to remain competitive in the market. The introduction of attachment programmes for the staff of other organisations and offering of scholarship to those seeking further degrees is also strategies that Kenya Re has adopted. The company has also geared all its efforts to provide customer oriented services. Another strategy that the company is using is organising seminars, workshops and forums for insurance

companies. This enriches the organisations that attend to be abreast of others in terms of issues of customer needs.

#### **4.3.2 Competition**

The researcher sought to obtain information on what strategies the company had adopted as a result of challenges of globalization to ensure that they remain competitive in the market. The respondents were in agreement that the capitalization level was increased from 1.5 to 2 billion shillings to enable the company accept more business, as stability of the company to accept more business is a key concern and that level of capitalization cushions the firm against any eventualities. The company has also devised marketing strategies to counter competition.

#### **4.3.3 Technological Issues**

The study revealed that technology is one of the major challenges of globalization which has led to the company adopting modern IT and interlinked departments. The company is currently investing in new modern machinery in order to compete effectively in the liberal market and avoid obsolescence. As the ICT department strives to be a first class ICT service provider to the corporation and insurance industry, it is dogged by several challenges including the entrants into the market of competitors use latest IT and more efficient machines, having to continuously train the staff on the use of modern technology, constantly maintaining systems to meet users needs and maintaining the network infrastructure and securing it from any external threat.

The company has further responded to the challenges by setting up strategies to aid in system specific applications and disaster recovery and business continuity planning. For system specific applications, the company has placed computer systems such as Remas that process business data in specific areas. The Remas system addresses deficiencies of life business. This has replaced the old system and improvements are continually being made. The company has also resorted to improve on core areas of reporting on voids and



percentage occupancy in the tenancy system. This is done by identifying vendors and assessing their software for further improvement.

The department has also decided to have one financial system to replace Informix database applications and COBOL programming language that processes all the information. For disaster recovery, the organization evaluates business processes and establishes measures that will enable it to survive a disaster and establish normal business operations within the shortest time period possible. The plan ensures that critical operations can resume normal processing within a reasonable time.

#### **4.3.4 Marketing Issues**

As the challenges of globalization set in and premiums started falling, the company had to reinvent itself and market their services in order to remain relevant and boost their confidence as important players in the reinsurance industry. Globalization in the reinsurance business has therefore affected the way the company markets itself. Before the advent of globalization, the company never marketed itself.

Globalization has also had a major impact on the organization by changing the attitude of the company in terms of marketing and other issues in the business world. For instance, the company has had to move away from tax collecting business. The company has focused on opening local, regional, and international branches. It intends to employ locals in those regional branches to transact business on behalf of the company. The company also intends to buy shares in companies where it has interests outside the country to increase its market share. Asked about their perception of the reinsurance market in Kenya, the respondents agreed that the market is indeed growing both locally and internationally in terms of premium and profits.

In response to the challenge of globalization, Kenya Re has to try and change its image in order to build the customers confidence and restore the past glory that was enjoyed under the monopolistic era, undertakes public awareness. From the responses, marketing is

done at two levels: the CEO level and the managers' level. At the managers' level, the managers gather market intelligence. Issues of marketing have revolved around settlement of claims. First and foremost, the organisation has a turnaround time of 24 hours and strives to make prompt payment for claims and other services.

Another marketing strategy the firm has endeavoured to use to define its role, develop suitable process and procedures for use of a wide range of marketing mix such as use of brochures, calendars and diaries to market itself to its clients. Consequently promotion has been extensively expanded to the use of both print and electronic media, use of bill boards in addition to shows and exhibitions and public relations. The company also makes planned market visits to assess situations on the ground. The respondents also stated that the company trains staff of other insurance companies on attachment basis as a marketing strategy. They also hold social evenings for the clients and prepare gifts to the clients during such occasions. They also hold forums for clients to attend for marketing purposes.

The findings indicated that the challenges of globalization has led to the company introducing engineering risk covers and employing engineers to enable the organization participate in this highly technical business. The company also covers the aviation industry with the help of experts in this field. The risk is also spread across various reinsurance companies across the globe. Majority of the respondents also argued that capitalization level can hinder the organization from taking up some business as some businesses are highly risky and need large capital base to insure.

The marketing strategies the company has chosen in response to the challenges of globalization can be explained as follows:

*i. Market penetration strategy*

This strategy is met by strengthening the marketing department. The company also established a marketing information intelligence unit to collect relevant marketing information for use by the company. This strategy is also met by creating new and

utilizing existing broker network. The firm also pursues direct marketing, advertises in insurance and reinsurance journals and publications and has scheduled market visits.

ii. *Market development and identifying new products*

The company meets this strategy by direct marketing, opening regional offices, performing market visits and marketing communication via press conferences, brochures and websites. The activities here also involve market entry and participation in Africa, Middle East and Asia.

iii. *Customer management*

In order to build and maintain healthy customer relationship, the company achieves this strategy by employing tactics such as prompt response to business offers, prompt settlement of balances due to clients, quick response to technical queries, prompt acknowledgement of intimated claims, and closely maintaining competitive performance.

iv. *Customer service*

As an organization, the company ensures strict adherence to the service charter by continuing to provide products and customised services. It also established a suggestion box for customers to use for help or any suggestion. The company also meets this objective by making sure that the treaty slips are signed within 12 hours of receipt. Relationship managers are also appointed to follow up on particular clients' issues.

v. *Customer win back strategy*

This strategy is done by responding to any customer complaint quickly and constructively. The company also uses empathetic listening techniques, accepts responsibility for their mistakes and has even adopted the adage "customer is King". The company wins customer loyalty by offering superior services, giving value

adding services to clients (for instance, risk surveys and information on website) and developing data base for each client and availing information online.

vi. *Building, maintaining and improving relationships*

This is done by conducting marketing seminars where the company sensitizes the market on issues and enhance its presence. The company also organises market cocktails to bring together key outward insurance business decision-makers in the insurance industry in an informal setting. This also helps create a market presence.

vii. *Golf tournaments*

The company also organises golf tournaments as a way of outdoor interaction between clients and the organization. It uses them as an opportunity for outdoor advertising. Golf tournaments are also part of the company's support to sporting activities.

viii. *Prudent underwriting*

This involves reducing acceptance on unprofitable business, risk management, claims management measures and controls, doing ratings and premiums to charge, profitability analysis, and retrocession protection.

ix. *Relationship building with internal and external clients*

All members of staff are trained to be customer-focused. This is also done by attaching employees outside the organisation. Another tactic here is partnership with external clients, major brokers and key players.

#### **4.3.5 Political Environment**

Majority of respondents observed that political instability that is still rampant in Kenya and other African countries can eventually affect credibility of Kenya Re because international customers may want to reinsure with companies operating in stable and predictable countries. Therefore Kenya Re can be disadvantaged vis-à-vis its competitors



with origins in politically stable and predictable countries. And generally African countries are still considered to be unstable and unpredictable regarding economic policies and governance.

#### 4.3.6 Economic Challenges

The findings indicate that the challenges of globalization have not spared the organization from economic challenges such as public and business partners' perception (being state owned), currency stability resulting in foreign exchange losses, competition (new entrants to the industry), and loss of Compulsory Treaty by the end of year 2006. These linkages and potential instabilities imply great potential mutual vulnerability of interconnected economies.

#### 4.3.7 Factors Hindering the Organisation's Response

The respondents identified some of the key factors that have hindered Kenya Re from responding to the challenges of globalization in the reinsurance industry. One of the greatest factors identified was the rating of the organisation based on competition. Higher commission rates charged by insurance companies for insurance covers were also identified as a major factor hindering response to some of the challenges faced. Other factors identified were under-cutting, politically connected companies, government policy, organization culture, country rating, and lack of capacity to handle some technical businesses.

## CHAPTER FIVE

### CONCLUSION

#### 5.1 Summary, Discussions and Conclusions

This chapter presents a summary of the research projects whose main objectives were to establish the challenges of globalization of the reinsurance industry to Kenya Re and also determine the responses of the organisation to these challenges. Based on the findings, this chapter discusses the challenges, responses and gives the limitations of the study and recommendations for further research and policy and practices.

The study found out that Kenya Re faces many challenges that are as a result of globalization. These include loss of mandatory cessions, liberalization of the market, competition, rapid technological changes, rating of companies, language barriers, risk profile and fluctuation of the currency. These challenges can be summarised into Planning and strategy, competition, technological issues, marketing issues, internal, political environment, social and economic challenges. The social challenges include the Aids scourge which threatens the human resource and translates to higher social responsibility costs.

The objectives of the Kenya Re have however changed after the ownership structure was changed. 40% of the company is now publicly owned while 60% is owned by the Government. The company is currently listed in the Nairobi Stock Exchange. Hence Kenya Re is a company transiting from an assured market share monopolistically guaranteed by the law by way of mandatory cessions to freely competitive market. It is the consensus of all the respondents that Kenya Re has faced strong competition as a result of the partial loss of mandatory cession and opening up of the reinsurance market, which has made the corporation vulnerable as it has to compete with the other reinsurance companies for the same insurance market.

Kenya Re has had to adopt strategies in order to survive in the competitive reinsurance industry. From the findings, the company has responded both strategically and operationally strategic responses being the long-term and embrace the organization as a whole, while the operational are the departmental activities of any organisation. The two kinds of responses are seen as interrelated since there has to be harmony between the two.

Kenya Re adopted quite a number of strategic responses in its attempt to compete effectively in the insurance industry and maintain its market share. Intensive strategies were adopted after the amendment of the Insurance Act (Cap 487) was amended in 1998 to facilitate gradual removal of reinsurance treaties. This enabled the organization to become fully-fledged reinsurance company offering the full range of insurance services to insurance in Africa, Middle East, and Asia.

To deal with the challenges of globalisation facing the firm, it has laid out response strategies to counter the wave of globalization. Kenya Re has opened a foreign account in Europe (UK) to alleviate the problem of foreign currency fluctuations. For technical businesses, the company has employed highly professional staff such as engineers who understand technical issues thus making the firm be able to engage in these technical businesses. The organisation also trains the staff on new developments both in technology and the core business aspects. The company reinsures with other companies locally and internationally. Specifically, the organisation intends to set up branches in other parts of the world and also employ locals in those areas to transact business on behalf of the company.

The marketing strategies adopted in response to the challenges of globalisation are in an attempt to try and change its image, in order to build the customers confidence on the organisation and restore the past glory that was enjoyed during the monopolistic period. The various marketing strategies adopted include market penetration, market development and identifying new products, customer management, customer service, customer win back strategy, and building, maintaining and improving relationship.

Organize golf tournaments, prudent underwriting, and relationship building with internal and external clients.

Operational response to the challenges of globalisation adopted by the organization includes introduction of new range of reinsurance services to the reinsurance companies based on the risk cover. The company has undergone ownership and management changes which were caused by the political interference. Aggressive advertising and marketing were also operational move that gave rise to the strategic responses like the market and product development strategies. Quality improvements and cost cutting ventures as well as public awareness programs are also some of operational responses by the company.

Kenya Re boasts of its unique network of IT facilities throughout the company as a result of globalisation. The company has no limit of time transacting business by use of both computer networks and telephone facilities which are highly depended on by its clients. The clients take pride of its structures that are well coordinated and ensure an automatic receipt of information. 24 hours turnaround is also introduced.

Kenya Re has faced strong competition as a result of the partial loss of mandatory cession and opening up of the reinsurance market, which has made the corporation vulnerable as it has to compete with the other reinsurance companies for the same insurance market. Coupled with recent bad publicity on the company, this impacted negatively on its public image due to allegations of mismanagement. This affected the confidence in the market. However, prompt corrective measures were taken in order to restore the lost customer confidence.

More frustrations set in when the new entrants resort to use strategies such as: lowered commissions of the products, lack of consistent policy concerning the premium charged per cover, undercutting, rating of companies based on competition, and high commission rates in order to beat competition. Disasters such as terrorism, tsunami, aviation accidents, and earthquakes have had a negative impact on the industry.



From the foregoing discussion, the following conclusions are drawn. Kenya Re has adopted both operational and strategic responses in order to survive in the turbulent environment brought in by globalization of reinsurance industry. The strategic responses adopted are mainly the intensive, defensive strategies and to some extent the generic strategies. The responses are basically reactive and not proactive as should be the case.

At present Kenya Re facilities across the country are worth approximately Ksh12 billion. However, most of the facilities are real estate and not branch offices, defeating the advantage of economies of scale that Kenya Re enjoys over its competitors. What Kenya Re can do is to take advantage of its facilities spread across the country to put a mechanism in place that will enable them open branches in the country.

Organisation continually face continued changing environmental conditions, which they should prepare themselves to deal with. There is great need for managers to understand this state of affairs in order to steer their organizations to success.

Organisation should endeavour to plan both strategically and operationally in order to avoid inability to adopt to and adjust to the management to plan with the future in mind to ensure that the strategy formulated are beneficial to the company's success in the long run. There should also be continuous review and feedback to ensure effective planning in future.

Globalisation should be viewed constructively and positively. This is the only way that organizations will stay prepared to handle all the challenges they may encounter in such environment. They should not try to resist change but adopt them accordingly. In an environment that is dynamic that firms find it necessary not only to be focussed, but also be flexible and adoptive.

## 5.2 Limitations of the Study

This study focused on the responses of Kenya Re to the challenges of globalization of the reinsurance industry, which may have failed to capture all the responses from firms in the industries as a whole.

Secondly, the time allocated for this research is limited hence hampering the observation the research would have undertaken, considering the latest change of ownership and management, which has just taken place in the organization.

## 5.3 Recommendations for Further Research

The privatization process taking place in the Kenya Re is still in the infancy stage with the major reforms yet to be undertaken. The Kenya Re' corporate plan in place is a rolling plan which they will revisit yearly (Kenya Reinsurance Company, 2006; Kenya Reinsurance Company, 2007). It is therefore difficult at this stage to evaluate the success of the implementation of the corporate plan. It is therefore recommended that a further study be undertaken in future to see how the implementation is being carried out.

A possible study would be on the responses by reinsurance companies to the challenges of globalization of the reinsurance companies. Considering that this was a case study, which may not have taken consideration the wide scope of the industry.

More research needs to be done in the insurance industry to determine if these factors apply to the whole insurance industry in Kenya. This was a case study thus the findings might not apply to all insurance companies in Kenya. More research also need to be done to find out if the strategies of the insurance companies in Kenya have a positive impact on their profitability and employee motivation.

## 5.4 Implications for Policy and Practice

Kenya Re should adopt quality optimization programmes with continued focus on customer care services accompanied by quality service delivery. They should also establish a research and development unit to keep the company abreast on the developments in the dynamic market. The company should also embark on increased investment in IT technology while policy constructs and other documents delivery should be automated.

Kenya Re management should also ensure that the strategies they choose do not have a negative impact on their financial resources as a lot of financial resources shall be required to implement the chosen strategies. There is need to lobby for full privatization of the company so as to de-link the operations of the company from government to allow the company be run on a commercial basis.

There is need to reduce staff to a level commensurate with the company size in terms of numbers of lines and revenue. Bureaucratic processes and procedures have hampered the speed of doing things, which is not in line with the running of private sector business. The attitude and culture of the employees has not changed from the public sector to private sector culture and the company is still government controlled. There is therefore need for a culture transition program in order to sensitize staff on the change to a private sector environment.

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It is required to submit as part of higher coursework assessment a research dissertation related to a 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.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you

UNIVERSITY OF NAIROBI  
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# APPENDIX 1: LETTER OF INTRODUCTION



## UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS

### MBA PROGRAM - LOWER KABETE CAMPUS

Telephone: 4184160 Ext. 208  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE 11/09/07 .....

### TO WHOM IT MAY CONCERN

The bearer of this letter AWINO MARY AILEEN .....

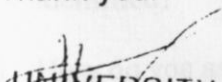
Registration No: D61/P/8335/04 .....

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a 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.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

  
UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
**J.T. KARIUKI**  
CO-ORDINATOR, MBA PROGRAM  
P.O. Box 30197  
NAIROBI



## APPENDIX 2: INTERVIEW GUIDE

### INTERVIEW GUIDE

This interview guide is designed to collect views on responses of Kenya Reinsurance Corporation to the challenges of globalization of the reinsurance Industry. The information collected will be used strictly for academic purpose only and will be treated with utmost confidence. Your views and opinions will assist the researcher to come up with to come up with useful information on the strategies adapted by the Kenya Re in the advent of globalization of the reinsurance industry.

### SECTION A: CHALLENGES OF GLOBALIZATION

1. What are the challenges of globalization facing Kenya Re?
2. Can you please explain in details how the organization has responded to the challenges identified?
3. What is the organization intending to do in future about the challenges that have not been responded to?
4. How has Kenya Re responded to the challenges of globalization?
5. What factors have hindered the efforts in responding to the challenges in the reinsurance industry?
6. What are the challenges, in order of importance facing Kenya Re after the liberalization of the Reinsurance Industry?
7. Can you explain in details how the organization has responded to the challenges identified?
8. How do you asses the responses of the organization?
9. How has Kenya Re responded to the challenges of economic liberalization?

## **SECTION B: PLANNING & STRATEGY**

10. What are the goals of the organization before and after globalization and liberalization of the reinsurance industry? Explain any changes.
11. What are the objectives of the organization before and after globalization of the reinsurance industry? Explain if there have been changes.
12. Does the organization develop strategic plans and when was the first such plan developed?
13. What are the levels of autonomy in strategic decisions in the organization?
14. Does your organization benchmark it's self , against any similar organization either locally or abroad?  
  
If so, how; if not, why.

## **SECTION C: COMPETITION**

15. What strategies do you adopt to remain competitive in the market?
16. What challenges does your organization face as a result of increased competition?
17. How does the organization respond to the increased competition?

## **SECTION D: TECHNOLOGY**

18. What challenges does the organization face with the rapid changes in technology?
19. How does the organization respond to changes in Technology?
20. In terms of adopting new technologies, does the company lag or lead its competitors?

## SECTION E: MARKETING ISSUES

21. Explain in details the organization's marketing strategies.
22. How has the challenge of globalization affected the organization's marketing strategy?
23. Explain the impact of liberalization on the organization's marketing strategy.
24. In your estimate, how large is the Re-insurance business/market in Kenya and is it growing or decreasing?
25. What is the organizations market share? Are you happy with it? If so, why? If not, what strategies do you have to increase it