MICRO-INSURANCE STRATEGIES ADOPTED BY KENYAN INSURANCE COMPANIES TO CREATE SUSTAINABLE COMPETITIVE ADVANTAGE

BY

TIMOTHY MURURI NDIRANGU

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DECLARATION

I hereby certify that this research project is my original work and has not been presented for examination in any other university.

Signature……………………………………Date……………………………………

Timothy Mururi Ndirangu

D61/67479/2013

I hereby certify that this project has been presented for examination with my approval as University Supervisor

Signature……………………………………………Date………………………………

Ms. Caren Angima

Department of Business Administration,

School of Business, University of Nairobi

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ABBREVIATIONS AND ACRONYMS

AKI: Association of Kenya Insurers

CIC: Cooperative Insurance Company

GDP: Gross Domestic Product

IRA: Insurance Regulatory Authority

IRDA: Insurance Regulatory and Development Authority

MFIs: Microfinance Institutions

MIPs: Medical Insurance Providers

NGOs: Non-Governmental Organizations

SCA: Sustainable Competitive Advantage

SPSS: Statistical Package for Social Sciences

VRIN: Value, Rare, Imitable, Non-substitutable

VRIO: Value, Rare, Imitable, Organization

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DEDICATION

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ABSTRACT

The need for enhanced access to insurance at affordable rates to the lower end of the market has led to the establishment of micro-insurance business by Kenyan insurers. Following high administration costs, stiff competition, changing customer needs, new risks, lack of elaborate distribution and payment mechanisms in micro-insurance business, the insurance companies are required to adopt micro-insurance strategies that will create competitive advantage. The objective of the study was to determine micro-insurance strategies adopted by Kenyan insurance companies to create sustainable competitive advantage. The research adopted a descriptive survey research design whereby data was collected using self-administered questionnaires that were distributed to 15 insurance companies that offer micro-insurance products. The respondents were marketing manager, underwriting manager and/or supervisor from every company. Quantitative data collected was analyzed using descriptive statistics data analysis method while qualitative data analyzed using content analysis. Micro-insurance strategies revealed by the study include; cost leadership by the use of technology to lower administration cost, product differentiation, market focus, prudent underwriting, flexible payment of premium, thorough scrutiny of claims and efficient claims settlement, innovative distribution channels and customer education. Insurance companies offering micro-insurance products are advised to invest in research and actuarial services to improve pricing of products and on selection of risks, develop innovative distribution channels, adopt technology conscious partnerships, devise flexible premium payment terms to enhance control of micro-insurance risks, develop risk measurement models and the continuous monitoring of clients.

CHAPTER ONE

INTRODUCTION

1.1 Background

Strategic management is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives (Barnes, 2004) Chandler (1962) defines strategy as the determination of the basic long – term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. The essence of a strategy is the establishment of sustainable competitive advantage over rivals. Competitive advantage is generally conceptualized as the implementation of a strategy not currently being implemented by other firms that facilitates the reduction of costs, the exploitation of market opportunities, and / or the neutralization of competitive threats (Barney, 1991).

The theories applicable to this study include resource based view (RBV) and dynamic capabilities. The RBV provides that it is much more feasible to exploit external opportunities using existing tangible and intangible resources in a new way rather than trying to acquire new skills for each different opportunity (Werner felt, 1984). Tangible and intangible resources are given the major role in helping companies to leverage on their competition, achieve higher organizational performance which lead to competitive advantage. The theory of dynamic capabilities approach arose from a key shortcoming of the resource based view of the firm. Teece et al. (1997) defined dynamic capabilities as the ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environment. Capabilities enable firms to utilize their resources effectively in order to create competitive advantage.

Insurance companies operate within an external environment which is constantly changing and have no control over it. The external environment is characterized by turbulence associated with globalization, deregulation of markets, changing customer and investor demands and increased competition. Due to stiff competition, unprecedented pace of change, and need to offer solutions to low income earners and succeed in micro-insurance business, insurance companies have to continuously create new sources of competitive advantage. This can be achieved by formulating and implementing a winning strategy that fit the organization external and internal environment, create sustainable competitive advantage and improve the company performance (Thompson et al.,2007).

There were Fourty Nine (49) licensed insurance companies in Kenya as at the end of 2014 (AKI report 2014). 25 companies wrote non-life insurance business only, 13 wrote life insurance business only while 11 were composite (both life and non-life). Among the 49 insurance companies, only 15 are dealing with micro-insurance business. This study will focus on all the 15 insurance companies that offer life and general micro-insurance products in Kenya. These companies have their headquarters based in Nairobi County and branches opened across the country to enhance products distribution and market share.

1.1.1 Concept of Strategy

Johnson, Scholes and Whittington (2005) define strategy as ‘the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders' expectation'. There are three levels of strategies; corporate, business and functional (operational) level strategy. Corporate level strategy is concerned with the overall purpose and scope of an organization and how value will be added to the different parts of the organization. Business level strategy on the other hand is concerned with how a particular business unit will compete successfully in a particular market. Functional (operational) strategy is concerned on how the various functional areas contribute to achieving business and corporate strategy.

The term strategy can therefore be seen as an intended course of action taken by an organization to achieve its set corporate objectives. Strategy helps an organization to gain competitive advantage over its competitors. Pearce and Robinson (1997) argue that strategy can be used by an organization to build defenses against competitive forces or find positions in the industry where competitive forces are weakest. Strategy is about winning.

Strategy typically involves two major processes: formulation and implementation. Formulation involves analyzing the environment or situation, making a diagnosis and developing guiding policies. It includes such activities as strategic planning and strategic thinking. Implementation refers to the action plans taken to achieve the goals established by the guiding policy. Implementation of strategy is the most demanding and time consuming part of strategy management process. It involves staffing the organization with needed skills and expertise, creating a company culture and work climate conducive to successful implementation, budgets that steer ample resources and tying rewards and incentives directly to the achievement of performance objectives (Thompson et al., 2007).

Strategy implementation is the process that turns strategies and plans into actions to accomplish objectives. For it to be successful, the organization should build capability of carrying out the strategic plan, develop strategy supportive budgets and programs, instill a strong organizational commitment both to organizational and chosen strategy, link motivation and reward structures, develop an information and reporting system to track progress and monitor performance. The organization should exert internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed (Thompson and Strickland, 2007).

1.1.2 Micro insurance Strategies

Insurance is a risk transfer mechanism, whereby the individuals or business enterprise referred to as insured can shift some of the uncertainty of life on the shoulders of others referred to as insurers in return for a known premium (Vaughan, 2008). Micro-insurance refers to protection of lives and assets of low income earners against insurable risks by informal, semiformal and formal institutions according to the Indian Insurance Regulatory and Development Authority, IRDA (2004). It is the provision of insurance services to low income households, which serves as an important tool to reduce risks for the already vulnerable.

The need for enhanced access to insurance at affordable rates to the lower end of the market has led to the establishment of micro-insurance. Failure of informal schemes and government-led programs to address the population’s risk management needs has also opened a significant window of opportunity for micro-insurance. However, micro-insurance has been shunned by many insurers due to sophistication involved, with Ratio

Magazine (2010) reporting high administration costs, stiff competition and lack of elaborate distribution and payment mechanisms as the major challenges.

Therefore, for insurance companies to remain in existence and competitive in micro-insurance business, they have to devise and employ strategies that will sustain competitive advantage. Among the various strategies used in dealing with micro-insurance business in order to gain competitive advantage include; increased efficiencies in operations (cost leadership), prudent underwriting of micro-insurance products, enhancing customer service, educating the public through various platforms with a view of creating products awareness, product innovation (differentiation), tailoring products that meets the need of the target population, provision of education to employees about micro-insurance products, use of different distribution channels of micro-insurance products among others (Njuguna and Arunga, 2013)

1.1.3 Competitive Advantage

Competitive advantage is an organization's ability to perform in one or more ways that competitors will not and cannot match (Kotler, 2000) and is realized by the organization's strategies, the implementation of these strategies and the context in which competition unfolds. The target consumers will be the core and center of the organization's marketing strategy. The organization should identify the total market and divide it into smaller segments and it should select the segment(s) and focus on serving them. The organization then engages in marketing analysis, planning, implementation and control to find the best marketing mix and take action.

The challenge for any organization's strategy is to find a way of achieving sustainable competitive advantage over the other competing products and firms in a market. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth more for (Porter, 1985).

A long benefit period gives the firm sufficient time to earn above average profits and recoup on investments made to create the advantages and erosion period where the competitive advantage held by the firm is eroded due to imitation, duplication, new technology and attacks by rivals. A particular competitive advantage over rivals in one aspect of competition may help the firm better serve the customers in that particular aspect. To achieve persistent superior performance, a firm needs multiple competitive advantages. Beating rivals on multiple strategically important vectors is essential for a winning firm (Ma, 1997).

1.1.4 Micro-insurance strategies and Competitive advantage

Due to intense competition, low insurance penetration, price undercutting, similar products in the market and cost of available insurance products in the insurance business environment, the adoption of micro-insurance strategies is critical in gaining competitive advantage in the insurance industry. The insurance companies would use the three generic strategies model that entails; cost leadership, differentiation and customer focus with a view of gaining sustainable competitive advantage. The use of technology would contribute significantly in product innovation and cost reduction in operations and distribution of products, thus creating competitive advantage. Customer service can also be enhanced by creating products awareness through advertising and provision of education to both customers and employees about micro-insurance products.

1.1.5 Insurance companies in Kenya

Insurance companies in Kenya are registered and licensed by the Insurance Regulatory Authority (IRA) in accordance with the provisions of the insurance Act, Chapter 487 of laws of Kenya. IRA was created under the Insurance (Amendment) Act of 2006 and came into operation on 1st May 2007 (IRA, 2010). The authority was established with the mandate of regulating, supervising and developing the insurance industry. There is also self-regulation of insurance by the Association of Kenya Insurers (AKI) established in 1987 as a consultative and advisory body to insurance companies and registered under the Society Act Cap 108 of Kenyan law.

According to AKI's annual report (2014), there were Fourty Nine (49) insurance companies operating in Kenya. 25 companies wrote non-life insurance business only, 13 wrote life insurance business only while 11 were composite (both life and non-life). There were 198 licensed insurance brokers, 29 medical insurance providers (MIPs) and 5,155 insurance agents. Other licensed players included 133 investigators, 108 motor assessors, 25 loss adjusters and 24 insurance surveyors. The industry recorded gross written insurance premium of Kshs. 157.21 billion compared to Kshs. 130.65 billion in 2013, representing a growth of 20.3%. This growth in premiums in the Kenyan insurance market is supported by increasing awareness on the importance of insurance and increasingly innovative products and distribution channels among others. The gross written premium for non-life insurance was Kshs. 100.24 billion (2013: Kshs. 86.64 billion) while that for life insurance was Kshs. 56.97 billion (2013: Kshs. 44.01 billion). Non-life insurance premium grew by 15.6% while life insurance premium and contributions from deposit administration & investments/unit linked contracts grew by 29.4%.

Insurance penetration in Kenya currently stands at 2.93% compared to 3.44% in 2013, and is the fourth highest in Africa after South Africa, Namibia and Mauritius. This low penetration could be blamed on various factors including poor saving culture, low levels of disposable income, rebasing of GDP in 2014 and negative perception towards insurance. To address these challenges the Insurance Regulatory Authority (IRA) with the support of key stakeholders have initiated aggressive consumer education and awareness campaigns across Kenya. The campaigns are aimed at increasing public awareness on the need and benefits of insurance (IRA, 2014).

Despite the above initiatives the issue of affordability of insurance by low income earners, who constitute the largest segment of our society remains a major challenge. A majority of Kenyans live in poverty and view insurance as for the rich and not a necessity. This perception has led to the underdevelopment of insurance sector in the country considering that the majority of Kenyans are low income earners. Micro-insurance, therefore, presents itself as the most appropriate mechanism the insurance industry could use in making insurance affordable to low income earners. Just like traditional insurance, micro-insurance uses the same concept of covering risk that may occur due to unforeseen events.

The insurance Act provides for micro-insurance as a separate class of insurance business. The Kenya Policy Paper on Micro-insurance (2014), notes that despite piecemeal amendments that have been done to the regulations that govern insurance over the years, including defining micro-insurance and separating micro-insurance as a stand -alone class of insurance business, challenges in the regulation of micro-insurance persist. By giving insurance access to the low –income and economically vulnerable households, the micro-insurance agenda will support the government's financial sector policy objectives as outlined in the vision 2030. Compared to some other countries in Africa, the micro insurance market in Kenya is still under developed, although insurers are increasingly becoming active in tapping into these markets.

1.2 Research Problem

Micro-insurance strategies are meant to create sustainable competitive advantage to the insurance companies that are dealing with micro-insurance business. With the increased competition that the insurance companies are facing today, there is need for organization to adopt appropriate strategies to handle the pressure exerted on them by changes in both the internal and external environment (Oliver, 1991). A strategy encompasses a deliberate search for a plan of action that will develop a business competitive advantage and compound it (Henderson, 1989). Competitive advantage is achieved by companies through strategic planning and management which is a continuous process that evaluates, controls and examines the business, competitors and the industry at large and sets goals and strategies to overcome obstacles on their way to success (Porter, 1985)

The increasingly competitive environment in Fifteen (15) insurance companies in Kenya, that offer micro-insurance products has resulted in pressure to develop strategies that will create sustainable competitive advantage. There is potential for micro-insurance business to grow with an anticipation of more insurance companies venturing into it.

Consequently, every insurance company is on the verge of formulating and implementing a strategy that will enhance competitiveness.

Several scholars have carried out studies on the micro-insurance sector internationally. However, these studies have focused on different contexts. For instance, National Insurance Commission of Ghana (2012) carried out research on micro-insurance as a means of insurance sector development, Ahuja and Guha – Khasnobis (2005), conducted a study on micro-insurance in India focusing on trends and strategies for further extension, Radeva (2012) focused on performance measurement and long term balance between financial and social performance in health micro-insurance in India. Ramesh and Nishant (2006) conducted a study on the factors affecting demand for health insurance in a micro-insurance scheme in India. There are also a number of studies that have been done locally in the area of insurance and micro-insurance. Namely; Obura (2014) focused on the effects of product pricing on the growth of micro-insurance by insurance underwriters in Kenya, Onduso (2014) did a study on factors influencing penetration of Micro-insurance in Kenya, Njuguna and Arunga (2013) carried out research on risk management practices by service providers of micro-insurance, Mangwana (2012) studied on evaluation of sustainability of biashara salama micro-insurance policy at CIC Insurance group limited, Kenya.

From the above, there is no research that has been done to determine micro-insurance strategies employed by Kenyan insurance companies to create sustainable competitive advantage. It is in this light that the study sought to fill the existing gap. The study therefore undertook to answer the following research question; what are the micro-insurance strategies employed by Kenyan insurance companies to create sustainable competitive advantage?

1.3 Research Objective

The objective of this study was to determine micro-insurance strategies adopted by Kenyan insurance companies to create sustainable competitive advantage

1.4 Value of the Study

The findings of this research will be beneficial to scholars and researchers as it will add to the existing body of knowledge in the field of micro insurance. Since micro-insurance is an emerging market, the study will provide a platform for further studies in regards to micro-insurance strategies.

Players in the micro insurance sector would get ideas on the various micro-insurance strategies they can adopt to enable them create competitive advantage. The findings of this study will be valuable to insurance companies in Kenya as they will understand and appreciate the benefits of micro-insurance strategies in creating sustainable competitive advantage.

Policy makers including the Insurance Regulatory Authority (IRA) and Association of Kenya Insurers (AKI) would also be informed of the micro-insurance sector dynamics and the strategies that are appropriate in creating sustainable competitive advantage. The findings will also be of importance to the government through the regulatory authorities in formulating insurance policies and regulations that will enhance micro-insurance penetration in Kenya which will directly increase the country’s Gross Domestic Product (GDP) thus aiding the economic pillar of development.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter is to highlight the work that other scholars and researchers have done on micro-insurance strategies. The chapter presents various views and perspectives of different scholars, which are based on the research objective. Theoretical foundations on micro-insurance, concept of strategy, micro insurance strategies and competitive advantage are reviewed under this chapter.

2.2 Theoretical foundation

The study will borrow from the resource-based view (RBV) theory and dynamic capability theory. The RBV as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible and intangible resources at the firm’s disposal (Werner felt, 1984). According to RBV proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. Resources are given the major role in helping companies to achieve higher organizational performance.

There are two types of resources: tangible and intangible. Tangible assets are physical things and they include; land, buildings, machinery, equipment and capital. Physical resources can easily be bought in the market so they confer little advantage to companies in the long run because rivals can soon acquire the identical assets. Intangible assets on the other hand, are everything else that has no physical presence but can still be owned by the company. They include brand reputation, trademarks and intellectual property. Unlike physical resources, brand reputation is built over a long time and is something that other companies cannot buy from the market. Intangible resources usually stay within a company and are the main source of sustainable competitive advantage.

To transform a short-run competitive advantage into a sustainable competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991).

The first assumption of RBV is that resources must be heterogeneous in that skills, capabilities and other resources that organizations possess differ from one company to another. If organizations would have the same amount and mix of resources, they could not employ different strategies to outcompete each other. What one company would do, the other could simply follow and no competitive advantage could be achieved. Therefore, RBV assumes that companies achieve competitive advantage by using their different bundles of resources. The second assumption of RBV is that resources are not mobile and do not move from company to company, at least in short-run. Due to this immobility, the companies cannot replicate rival's resources and implement the same strategies. Intangible resources such as brand equity, processes, knowledge or intellectual property are usually immobile.

Rugman and Verbeke (2002) argued that to have the potential to generate competitive advantage, a firm resource must have four attributes: it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment; it must be rare among a firm's current and potential competition; it must be imperfectly imitable; and there cannot be strategically equivalent substitutes for this resource. However, resources themselves do not confer any advantage for a company if they are not organized to capture the value from them. Only the firm that is capable to exploit the valuable, rare and imitable resources can achieve sustainable competitive advantage (Rothaermel, 2012).

The dynamic capabilities approach arose from a key shortcoming of the resource based view of the firm. Teece et al. (1997) defined dynamic capabilities as the ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environment. Capabilities enable firms to utilize their resources effectively. An example of a capability is the ability to bring a product to the market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate. The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage (Porter, 1980)

The applicability of the firm's bundle of resources and capabilities to a particular industry setting, will determine its competitive advantage. Dynamic resources help a firm adjust its resource mix and thereby maintain the sustainability of the firm's competitive advantage (Barney, 1986). RBV emphasizes resource choice or the selecting of appropriate resources while dynamic capabilities emphasize resource development and renewal. In conclusion, from a resource-based perspective, sustainable competitive advantage is the outcome of resource selection, accumulation and deployment (through organization capabilities) and is based upon the premise of firm's resource heterogeneity.

2.3 Micro-insurance strategies

One early definition of strategy was provided by an American business historian, Chandler (1962), defines strategy as the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out those goals. Strategy helps in providing the long term direction of a firm. This provides a perspective for various diverse activities over time, which enables organizations perform current activities at the same time viewing in terms of long term implications for the probable success of the organization.

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Stiff competition in the insurance industry and the need to achieve competitive advantage by insurance companies dealing with micro-insurance, has led to the following strategies; cost leadership, efficient distribution channels, customer education, prudent underwriting, differentiation, product innovation, flexible payment of premium, market focus, and niche marketing.

Cost leadership is based on lower overall costs than competitors. Firms that achieve low cost leadership generally make low cost relative to competitors the theme of their business strategies. The firm opens up a sustainable cost advantage over competitors and uses that lower cost as a basis for either underpricing the competitors and gaining a larger market share at their expense or earning a higher profit margin by selling at the going price (Brooks 1993).

Distribution channel in micro-insurance is one of the methods the insurance companies are using to enhance growth of micro-insurance business. The models used in distributing micro-insurance products must be pragmatic, cost effective and transparent. The main models involve use of local community organizations, Community-Based Organizations, Microfinance Institutions (MFIs), Non-Governmental Organizations (NGOs) and or Cooperative Societies (Garand and Wipf, 2006). This would reduce the transaction costs hence competitive advantage since these institutions would distribute the products in mass.

Differentiation strategies are marketing techniques used by insurance companies to establish strong identity in a specific market, also called segmentation strategy. Using this strategy, an insurance company will introduce different varieties of the same basic product under the same name into a particular product category and thus cover the range of products available in that category (Njuguna and Arunga, 2013)

With customers asking for increased levels of customization, product innovation is one of the best strategies for insurance companies to increase their market share. This also creates increased efficiency as companies can maintain reduced unit costs, offer improved services, can increase flexibility to pay increased commissions and generate higher sales. Information technology could help significantly to reduce costs and improve the viability of micro-insurance, as it has for microfinance.

Many Customers are skeptical about paying premiums for intangible product with future benefits that may never be claimed and they often do not trust insurance companies. Some insurance firms provide information and education campaign among low –income households on the need for risk protection through such schemes as micro-insurance and to differentiate micro-insurance from the conventional insurance products. For example, VimoSEWA (India) realized that its claims rates were much lower than they should have been, so it increased efforts to educate policyholders about claims process.

Insurance policies must be easy to understand, particularly in places where levels of insurance illiteracy, or indeed illiteracy in general, are high. For a micro-insurance scheme to succeed, it needs to satisfy, among other conditions; comprehensibility and understandability by the clients (Morelli et al., 2010). To overcome income variability and enhance profit growth, micro-insurance providers have been required to design premium payment methods that ensure maximum collection.

Market focus strategies are based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to customers (Stone, 1995). A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy the rest of the market. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes.

Insurance companies carry out research on micro-insurance markets by assessing the size of geographical region, number of potential clients, culture and capacity to pay. Adequate market research helps to determine the potential markets and identify those segments of the market that have specific usage and attitude problems with respect to micro-insurance. The findings are also used by the insurance companies to devise plans of coming up with insurance products that satisfy the anticipated varying needs of the clients, thus gaining market share in the region (Njuguna and Arunga, 2013).

Developing a strategy has never been more challenging than in the current economic climate. Concerns about the availability of finance, the ability to keep up with technology, the threat of rising inflation, the difficulty in retaining customers in increasingly competitive markets, the ability to retain talent are the types of problems insurance companies may face when developing their future strategies. The evaluation and selection of strategic options is an important aspect of the strategic management process, it is essential if companies are to maintain or enhance their competitive position.

2.4 Competitive Advantage

Competitive advantage is generally conceptualized as the implementation of a strategy not currently being implemented by other firms that facilitates the reduction of costs, the exploitation of market opportunities, and / or the neutralization of competitive threats (Barney, 1991). If a firm possesses resources and capabilities which are superior to those of competitors, then as long as the firm adopts a strategy that utilizes these resources and capabilities effectively and efficiently, it should be possible for it to establish a competitive advantage that ultimately results in superior value creation. Porter (1985) identified two basic types of competitive advantage: cost advantage and differentiation advantage. These two advantages are known as positional advantages since they describe the firm’s position in the industry as a leader in either cost or differentiation.

According to Sadler (2003), the sustainability of competitive advantage depends on three major characteristics of resources and capabilities: durability, transferability and replicability. It is arguable to suggest that competitive advantage is at the heart of a firm's performance as it is concerned with the interplay between the types of competitive advantage, cost, differentiation and scope of the firm's activities. The value chain plays an important role to diagnose and enhance competitive advantage (Porter, 1985).

To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will perceive as superior value. This entails either a good quality product at a low price or a better quality product that is worth paying more for. Rao (2005) argue that competitive advantage enjoyed by a firm has three stage life cycle consisting of; build up period where strategic moves are successful in producing competitive advantage; benefit period where fruits of competitive advantage are enjoyed. A long benefit period gives the firm sufficient time to earn above average profits and recoup on investments made to create the advantage and erosion period where the competitive advantage held by the firm is eroded due to imitation, duplication, new technology and attack by rivals. To achieve persistent superior performance, a firm often needs multiple competitive advantages. Beating rivals on multiple strategically important vectors is essential for a winning firm (Ma, 1997).

In creating a competitive advantage, a firm needs the ability to make good use of resources, defined as capability to handle a given matter, and , as the ability grow over time, to utilize available resources to create new resources such as skills or to open new doors to the development of new types of products. A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player. A competitive advantage is meaningful if it is related to an attribute valued by the market. Some examples of such attributes are product quality, price and after-sale services.

Firms obtain sustainable competitive advantage by implementing strategies that exploit their internal strengths through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses. The concept of sustainable competitive advantage appeared already in 1984, when Day suggested certain types of strategies to “sustain competitive advantage”. The term SCA was proposed by Porter in 1985, when he discussed the basic types of competitive strategies firms can follow (low cost, differentiation and focus) to achieve SCA.

Analyzing sources of competitive advantage the special emphasis should be given to the capabilities. Ulrich and Lake (1991) contend that three traditional means of gaining competitive advantage (financial, strategic and technological capabilities) describe only a portion of what managers need to do. They stress organizational capability as a critical source of competitive advantage which is based on the premise that organizations do not think, make or allocate resources, but people do. According to Hoffmann, (2000), a firm is said to have sustainable competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy.

2.5 Empirical Studies and Research Gaps

Several studies have been carried out in the area of micro-insurance and competitive advantage, both internationally and locally. Njuguna and Arunga, (2013), undertaken a research to establish the risks inherent in the micro-insurance business and recommended a number of strategies that insurers can adapt to be able to manage the sector efficiently. According to Ahuja & Guha – Khasnobis, (2005), insurance is fast emerging as an important strategy ever for the low-income people engaged in a variety of income generation activities and who remain exposed to a variety of risks mainly because of absence of cost-effective risk hedging instruments. Karlijn M. and Peter G., (2011) researched on informal trust building factors that affect demand for micro-insurance and concluded that sickness, age, education, membership of loan from the insurance providers, financial status and credit constraints, risk aversion and location are important explanatory factors for demand.

Gitau (2013), conducted a study on strategies adopted by Kenyan insurance companies to alleviate low insurance penetration and one of the strategies mentioned is micro-insurance business. Marucha (2012), researched on core competencies and competitive advantage of insurance firms in Kenya and recommended cost leadership, differentiation and focus as the main source of competitive advantage. From these studies, no research has been done on micro-insurance strategies that create competitive advantage, thus the need for this study to fill the existing gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on research design, methods of data collection, population and sample size, and data collection instruments and procedures.

3.2 Research Design

A research design is the conception structure within which research is conducted and constitutes blueprint for collection, measurement and analysis of data (Kothari, 2004). This study adopted a descriptive survey research design. The descriptive survey method was preferred because it ensures complete description of the situation, making sure that there is minimum bias in the collection of data (Kothari, 2004). This method is deemed as an efficient way to obtain information needed to describe opinions and views of micro-insurance strategies employed by Kenyan Insurance Companies to create sustainable competitive advantage.

3.3 Population of the study

Mugenda and Mugenda (2003) define population as the entire group of individuals, events or objects having a common observable characteristic. The target population in this study consisted of Fifteen (15) Kenyan insurance companies that offer micro-insurance products, with headquarters in Nairobi. The study therefore was a census survey where all units from the population of interest were analyzed. The main advantage of census survey is that the whole population is involved and therefore, there are no random errors or systematic errors caused by the sampling itself. Kothari (2004) points out that when the universe is a small one, it is of no use resorting to a sample survey

3.4 Data collection

Both primary and secondary data were used in the research. A questionnaire that contains both closed and open-ended questions was used as the primary data collection instrument. The questionnaire was administered in two ways that is; personal interview and mail survey through drop and pick method. Mail survey was used where respondents were very busy or not available for personal interview. The target respondents were two managers or supervisors in each insurance company, working in the underwriting and marketing departments for the Fifteen (15) insurance companies, making a total of thirty respondents. These respondents were believed to have the required information for the study. The questionnaire was divided into two parts. The first part sought background information of the respondents, while the second and subsequent sections were designed to collect qualitative and quantitative data. The secondary sources comprised of the strategic plans, business documentaries, media reports and industry's annual reports such as AKI & IRA reports on micro-insurance strategies.

3.5 Data analysis

The study generated qualitative and quantitative data. Descriptive statistics data analysis method was applied to analyze quantitative data. Data obtained from the questionnaires was processed through editing and coding and then entered into a computer for analyzing using descriptive statistics with the help of statistical package for social sciences (SPSS). Descriptive statistics helped to compute means, frequency and standard deviation.

Descriptive analyses are important since they provide clues regarding the issues that should be focused on leading to further studies (Mugenda & Mugenda, 2003).

Qualitative data was analyzed using content analysis. The findings were then presented inform of frequency tables, percentages, pie charts and bar charts since they are user friendly and gives a graphical representation of different responses given by the respondents. The findings were also meant to inform the researcher of the perceived importance of each of the identifiable strategies across the respondents.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter deals with data analysis, findings and discussions on research findings. The purpose of this study was to determine micro-insurance strategies adopted by Kenyan insurance companies to create sustainable competitive advantage. Among the variables investigated were cost leadership, product differentiation/innovativeness, market focus strategy, prudent underwriting, use of technology, customer education, niche marketing and flexible payment of premium. The study targeted 15 insurance companies that offer micro-insurance products. Respondents were marketing managers, underwriting managers and underwriting supervisors. The data that was collected from the respondents was analyzed and presented using tables, frequencies and percentages.

4.2. Profile of the Respondents

4.2.1 Response Rate

A total of 30 questionnaires were issued out to 15 insurance companies. The completed questionnaires were edited for completeness and consistency. Out of 30 questionnaires issued, 26 questionnaires were received fully filled and ready for analysis. The returned questionnaires represented 86.7% response rate which was deemed to be adequate in the realization of the research objective. Mugenda and Mugenda (2003) stated that a response rate of 50% and above is good for statistical reporting.

4.2.2 Length of service with organization (years)

The results below indicate the number of years the respondents had worked with the insurance firms in respect to which they were providing information.

Table 4. 1: Length of service with the company

No. of years	Frequency	Percent
Less than 3 years	7	26.9
3-5 years	16	61.5
6-10 years	1	3.8
More than 10 years	2	7.7
Total	**26**	**100.0**

The results presented in table 4.1 shows that the number of years of service in the current organization varied from a period of less than 3 years to over 10 years. The results also showed that 61.5% of the respondents had worked in the insurance industry for 3-5 years, 26.9% had worked for less than 3 years, 7.7% had worked for more than 10 years and 3.8% had worked for between 6-10 years. Since the majority of the respondents have worked for 3-5 years in the company, they are able to appreciate the importance of micro-insurance strategies and how to employ them to achieve and gain sustainable competitive advantage against their competitors.

4.2.3 The department in which the respondents were working

Respondents were asked to give information on which department they were working in. This is because the process of formulation and implementation of strategies in an insurance company mainly involves staff working in underwriting and marketing departments.

Table 4. 2: Department of Respondents

Department	Frequency	Percentage
Underwriting	11	42.3
Marketing	15	57.7
Total	**26**	100.0

The results presented in table 4.2 above, indicates that the majority of the respondents (57.7%) were from marketing department while 42.3% of the same respondents were from underwriting department. The findings show a balanced participation of the targeted respondents.

4.2.4 Distribution of the respondents by position in the organization

This section of the questionnaire sought to establish the current job position the respondent holds in the organization. The main aim was to assess their capacity to answer the questions by virtue of their position since it is expected that top manager, line manager and supervisor are well versed with information on micro-insurance strategies adopted by the insurance company as compared to other categories of staff in the organization. The result is represented in Table 4.3

Table 4. 3:Position held in the Organization

Position	Frequency	Percentage
Top Manager	2	7.7
Line Manager	14	53.8
Supervisor	10	38.5
Total	**26**	100.0

From the Table 4.3, it is clear that majority of the respondents (53.8%) were line managers while 38.5% of the respondents were supervisors. Only 7.7% of the respondents were top managers in the insurance companies. All the categories of the targeted respondents in the study participated reflecting a balanced view of the issues in question.

4.3 Micro-insurance business

Micro-insurance business refers to the protection of low- income earners against specific perils in exchange for regular premium payments. It seeks to reach out to customers that are not yet served by the existing conventional insurance.

4.3.1 Length of operation by the targeted Kenyan insurance companies

The question sought to establish the number of years the insurance companies have been in operation in Kenya. The aims were to assess their capacity in terms of resources, to assess their understanding in the dynamism of Kenyan insurance industry and also in the insurance regulation.

Table 4. 4:Length of operation by the targeted Kenyan insurance companies

No. of Years	**Frequency**	**Percentage**
6-10 Years	1	3.8
11-15 Years	3	11.5
Over 20 Years	22	84.6
Total	**26**	100.0

The results presented in table 4.4 shows that the majority of the targeted Kenyan insurance companies (84.6%) have been in operation for over 20 years. 11.5% of the same targeted companies have been in operation for 11-15 years and only 3.8% have been in operation for 6 – 10 years. The findings clearly shows that the companies are in better position to expand their business operations, design new insurance products, devise strategies to overcome industry's challenges since they have what it takes for them to do so.

4.3.2 Length of time the companies have been in micro-insurance business

The question sought to establish the duration the insurance companies have been in micro-insurance business.

Table 4. 5:Length of existence of micro-insurance business in insurance companies

No. of Years	Frequency	Percent
Less than 3 Years	7	26.9
5 Years	4	15.4
More than 5 Years	15	57.7
Total	**26**	100.0

The results in Table 4.5 indicated that 57.7% of the targeted insurance companies have been operating micro-insurance business for more than 5 years. This implies that they must be in possession of micro-insurance strategies which enable them to achieve sustainable competitive advantage over their competitors.

4.3.3 Micro-insurance products

On the question of the kinds of micro-insurance products that the insurance companies offers, it was found that different products are offered depending on the target clientele. The common products are livestock insurance, crop insurance, health insurance, life insurance products, personal accident covers, disability insurance, pension schemes and products targeted to small traders and M-pesa agents.

4.3.4 Mode and frequency of premium payment

The common modes of payment for the insurance premiums were through electronic cash transfer, more specifically M-pesa, insurance premium financing (IPF), cheque and check-off. The M-pesa cash transfer has increased financial services and in recognition of the same, the insurers have identified this opportunity to tailor products which payment of premiums is made through the M-pesa. This payment system is found to be a preferred mode for micro-insurance products to the majority of low income earners. It was found that the targeted insurance companies are using several and different modes of premium payment with a view of making it flexible and convenient for their customers and also to ensure maximum collection of premiums. Also from the data collected, it was noted that the frequency of premium collection is monthly for life insurance products and annually for non-life insurance products.

4.3.5 Current trend in uptake of micro-insurance products

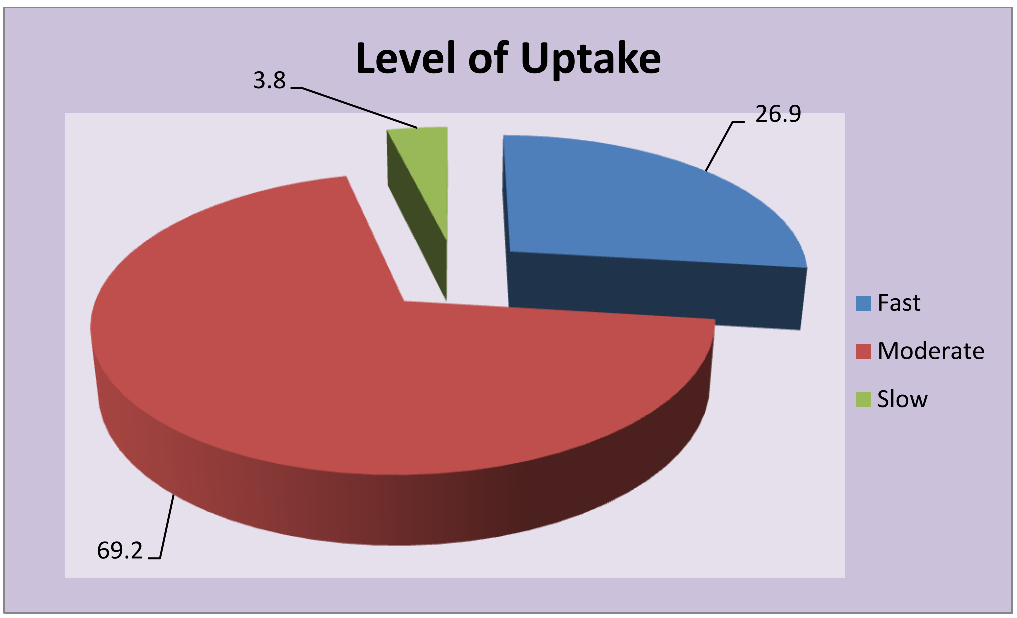
The study sought to find out the current trend in uptake of micro-insurance products in the market in order to determine the viability of the strategies adopted by the targeted insurance companies.

Table 4. 6:Trend in uptake of micro-insurance Products

Uptake	**Frequency**	**Percent**
Fast	7	26.9
Moderate	18	69.2
Slow	1	3.8
Total	**26**	**100.0**

From the findings on table 4.6 and figure 4.1 below, it is clear that the majority of the respondents (69.2%) indicated the trend of uptake of micro-insurance products as being moderate. 26.9% of the respondents indicated the trend being fast and 3.8% of the same respondents indicated it as slow. The results are the reflection that the strategies adopted by the insurance companies offering micro-insurance products are viable and necessary for the business growth. The gradual increase of gross written premium on micro-insurance products offered by different insurer every year reflected the actual trend of uptake of micro-insurance products.

Figure 4. 1: Trend in uptake of micro-insurance Products



4.4 Micro-insurance Strategies

Micro-insurance strategies have been necessitated by several factors such as intense competition, low insurance penetration, price undercutting, similar products in the market and cost of available micro-insurance products. The primary aim of adopting these strategies is to achieve sustainable competitive advantage.

4.4.1 Current Micro-insurance Strategies adopted by Kenyan insurance companies to create sustainable competitive advantage

When asked to comment on the current micro-insurance strategies adopted by the insurance companies towards achieving sustainable competitive advantage, respondents indicated the following strategies:

Cost leadership, which is achieved when production cost (input cost) incurred by a firm is low relative to competitors in the same line of business. The insurance companies that have adopted this strategy are able to achieve sustainable cost advantage over their competitors and use that lower cost as a basis for either under pricing the competitors or gaining a larger market share and higher profit margin at their expense

Insurance companies use product differentiation/innovativeness strategy as a marketing technique to establish strong identity in a specific market by introducing different varieties of the same basic product under the same name into a particular product category and thus cover the range of products available in that category. For example, an insurance company offering the same product with the competitors but with enhanced benefits such as extended coverage and policy limits.

Market focus strategies are based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the products or by special attributes that appeal to customers. The insurance companies adopting this strategy understands that customers' segments are different, for example a buyer segment that demands unique products attributes or/ and a buyer segment whose needs are less costly to satisfy. Having identified the segments, the insurance companies are able serve their customers with products that meets their needs thus increasing market share.

Prudent underwriting is also one of the micro-insurance strategies adopted by insurance companies by ensuring comprehensibility and understandability of the insurance policies offered. This strategy has been found to encourage customers in desiring to know more about the products and finally buying them. To overcome income variability and enhance profit growth, micro-insurance providers have come up with different and flexible premium payments methods that ensure maximum collection.

Insurance companies are taking advantage of the modern technology, in the area of production, advertising, research, communication and distribution of micro-insurance products. This strategy has really helped in lowering production costs and designing innovative micro-insurance products. Customer education strategy has also been used by insurance companies by providing information and education campaign among low-income households on the need for risk protection through such schemes as micro-insurance. Educated customers develop positive attitude and appreciates the benefits of insurance

4.4.2 Micro-Insurance Strategy Implementation Level

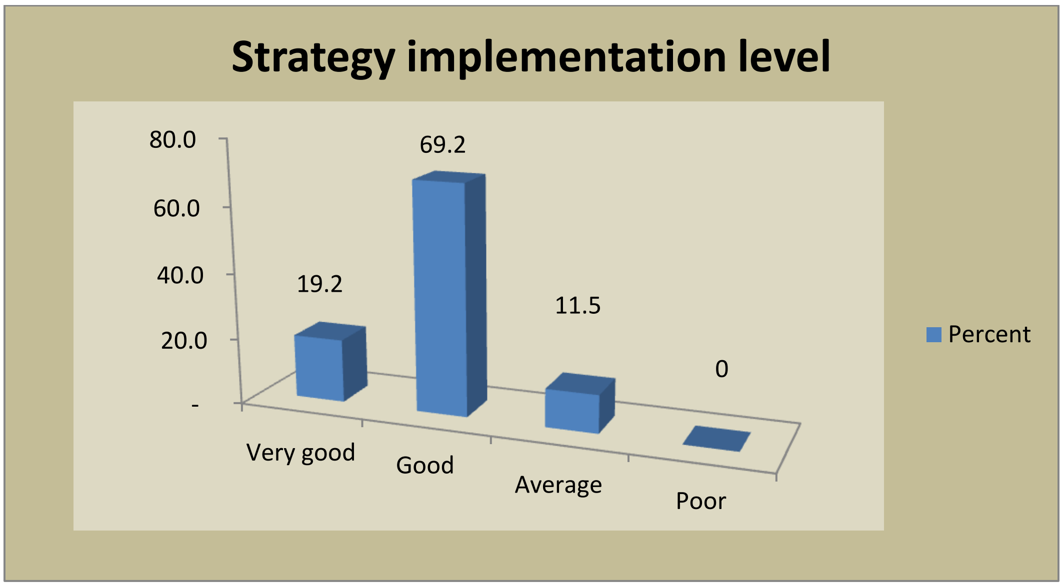
From the study results on table 4.8, majority of the respondents (69.2%) indicated that the level of implementation of the strategies was good. 19.2% of the respondent indicated the implementation level as very good and 11.5% of the same respondents indicated it as average. Further from the findings, the majority of the respondents stated that the level of strategies implementation lead to a profit growth rate of approximately 30%.

Table 4. 7:Level of Strategies implementation

Level of implementation	Frequency	Percent
Very good	5	19.2
Good	18	69.2
Average	3	11.5
Poor	0	-
Total	**26**	**100.0**

The same information is represented in figure 4:5 below:

Figure 4. 2: Level of Strategies implementation



4.4.3 Extent to which micro-insurance strategies are adopted to create sustainable competitive advantage

The researcher investigated on the extent to which these micro-insurance strategies are adopted to create competitive advantage, using a scale of 1-5, where1 = no extent and 5= very great extent.

Table 4.8:Extent to which adoption of micro-insurance strategies creates sustainable competitive advantage

Micro-insurance competitive strategies	1	2	3	4	5	Mean	Standard deviation
Cost leadership	0	2	13	6	5	3.54	0.66
Product differentiation/innovativeness	1	-	4	6	15	4.31	0.85
Market focus	0	-	7	11	8	4.04	0.77
Prudent underwriting	2	1	3	10	10	3.96	0.75
Use of Technology	1	2	2	8	13	4.15	0.8
Customer education	1	2	6	12	4	3.50	0.65
Niche Marketing	1	4	6	9	5	3.38	0.64
Flexible payment of premium	0	3	4	10	9	3.96	0.75

The study sought to find out the extent that the companies adopted the micro-insurance competitive strategies to create sustainable competitive advantage. According to the findings, niche marketing had the lowest mean of 3.38 as compared to cost leadership (3.54), product differentiation/innovativeness (4.31), market focus (4.04), prudent underwriting (3.96), use of technology (4.15), customer education (3.50) and flexible payment of premium (3.96).

The possible explanation is that the companies do not compete with other firms on niche marketing as it chooses the other strategies to achieve sustainable competitive advantage. Product differentiation/innovativeness (4.31) seems to be the main strategy that the company employs as compared to others. This implies that the companies put more inputs and emphasis on products and services it gives to its clients. The findings also indicated that the respondents were in general agreement as the standard deviation was below 1 for all of them.

4.4.4 Distribution Channels of Micro-insurance products

On distribution channels of micro-insurance products, the study findings indicate that insurance companies use a combination of various distribution channels which includes; agents, brokers, banc assurance, partnership, mobile phone, internet, affinity e.g supermarkets, M-pesa agents and direct sales. Table 4.10 presents the findings.

Table 4. 9:Distribution channels

Distribution Channels	**Frequency**
Agents	23
Brokers	22
Banc assurance	26
Partnership	15
Mobile Phone	14
Internet	16
Affinity e.g Supermarket	18
Direct sales	21
M-pesa agents	17

Banc assurance was noted to be the most frequently channel of distribution used by the companies followed by agents, brokers and direct sales. The implication is that the insurance companies are targeting to reach out to large numbers of customers using the most efficient and common channels of distribution. The least used channels of distribution include; mobile phone, partnership, internet, M-pesa agents and affinity e.g supermarket. This shows that the insurance companies have not explored much in these channels.

4.4.5 Other strategies that would assist in creating sustainable competitive advantage

When asked to state other strategies that would assist in gaining competitive advantage, the results were as outlined in the table below.

Table 4. 10: Other micro-insurance strategies that would assist in gaining competitive advantage

Strategies	Percent
Public education through advertising via social media	87%
Efficient claim settlement	91%
Cross-selling with other products	79%
Network marketing, use of social networks, door to door marketing and internet	55%
Research and development	55%
Customer centricity	81%

From the findings, 91% of the respondents rated efficient claim settlement, 87% rated public education through advertising via social media as the major competitive strategies that should be adopted. 81% of the respondents felt that adoption of customer centricity and cross-selling (79%) strategies would contribute greatly to achieving sustainable competitive advantage. Another 55% of the respondents indicated that network marketing and research & development would go a long way to enhance competitive advantage by the insurance companies.

4.5 Discussion of Results

The research project was aimed to determine the micro-insurance strategies adopted by Kenyan insurance companies to create sustainable competitive advantage. According to Ratio Magazine (2010), it was found that micro-insurance business has been shunned by many insurers due to sophistication involved; high administration costs, stiff competition, lack of elaborate distribution channels and payment mechanisms. Due to this, it is important that micro-insurance strategies are adopted by insurance companies offering micro-insurance products in order to gain competitive advantage.

Among the strategies established by the findings include; cost leadership, product differentiation/innovativeness, niche marketing, customers' education, use of technology, prudent underwriting, market focus, efficient distribution channels and flexible payment of premium. The formulation and implementation of these strategies depends on the company's resources acquired, both tangible and intangible resources. Further, it was noted that insurance companies are using a combination of the strategies to a different extent but the most used strategies are product differentiation and flexible payment of premium which has been facilitated by enhanced technology.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The chapter provides the summary of the findings from chapter four, and it also gives the conclusions, limitations and recommendations of the study based on the objectives of the study.

5.2 Summary of the findings

The objective of the study was to determine micro-insurance strategies adopted by Kenyan insurance companies to create sustainable competitive advantage. The study found that there exist a relationship between micro-insurance strategies and sustainable competitive advantage. An increase in gross written premium on the micro-insurance products offered and achieving a profit of over 30% every year is a clear indication that there is a high purchase of the product. This would mean that there is product awareness, good customer service and effective distribution channels.

The study also found that there are various micro-insurance products offered by different insurers and they include; agriculture insurance, property insurance, personal accident insurance, health insurance, life insurance, disability insurance, pension among others. From the findings, it was noted that the insurance companies use a combination of different strategies in designing and distributing the micro-insurance products, the main aim being to create sustainable competitive advantage.

The major micro-insurance strategies adopted by the insurance companies include; cost leadership gained by the use of technology, product differentiation/innovativeness, customer education by creating public awareness of the products via advertising on social media, niche marketing, flexible payment of premium, prudent underwriting, efficient claims scrutiny and settlement, cross-selling, research and development among others. The study further indicated that micro-insurance products were distributed to the customers through different channels which include; banc assurance , agents, brokers, MFIs such as Faulu Kenya, direct sales, partnership, affinity e.g supermarkets among others. The most used channel of distribution is banc assurance followed by agents.

It is evident from the study that every insurance company had a variety of modes of premium payment which suits the capability and convenience of customers. These modes include; M-pesa, cheque, check-off, insurance premium financing (IPF) and cash. The most used modes of payment by low income earners residing in rural areas are cash and M-pesa since customers do not require to have a bank account or even travel to where these other services are offered. Competitive micro-insurance strategy, efficient distribution channels and flexible premium payment mode contribute significantly to gaining sustainable competitive advantage.

5.3 Conclusion of the Study

The aim of a company should not be to gain a short –term victory over its competitors but rather to build a sustainable competitive advantage. Based on the findings, the study concludes that sustainable competitive advantage in micro-insurance business by insurance companies is achievable by the adoption of competitive strategies. The study demonstrated that the company's resources are the bases of competitive advantage since they contribute significantly to the process of formulating and implementing competitive strategies. To achieve competitive advantage, a number of micro-insurance strategies were judged crucial. They include; product differentiation, cost leadership, flexible payment of premium, efficient claims settlement, efficient distribution channels, use of technology among others.

5.4 Limitation of the Study

Time was a key limitation during data collection and analysis. Some respondents were reluctant to fill in the questionnaires which limited the extent of information availed to researcher. They were not willing to give out the data in regards to micro-insurance strategies adopted due to fear of competition from other competitors and also due to the feeling that the information is confidential. This posed a major challenge based on the data validity and reliability.

Also the study focused on insurance companies offering micro-insurance products and left out the distributors of the products like the brokers, MFIs and agents who would have had some inputs based on the feedback they get from customers as they sell products, and also from their own experience in the industry. There is a possibility that some of the micro-insurance strategies that could have been brought out by other players in the industry were left out.

5.5 Recommendations of the study

Based on the findings, discussion and conclusions the study recommends that, in order to create sustainable competitive advantage in micro-insurance business, there is need for concerted efforts by the insurance companies, in implementing various competitive strategies. The evaluation and selection of strategic options is an important aspect of the strategic management process, it is essential if companies are to maintain or enhance their competitive position. Insurance companies need to venture into research and development with the aim of identifying customers' needs and expectations and later on design innovative products that meets the needs. Public education needs to be carried out on the available micro-insurance products in the market and their benefits in risk management. Finally, the insurance companies should seek to exploit all sources of competitive advantage in order to create a unique strategy that will make things happen differently.

5.6 Recommendation for further Research

The study was undertaken on the micro-insurance strategies adopted by Kenyan insurance companies to create sustainable competitive advantage. To this end, therefore, other studies should be carried out in insurance companies offering several other classes of business apart from micro-insurance products to find out if the same results would be obtained and whether the micro-insurance strategies are the same to those offering different classes of business.

5.7 Implication for policy and practice

From the findings, the policy makers including Insurance Regulatory authority (IRA) and Association of Kenya Insurers (AKI) would be informed of the micro-insurance strategies adopted by Kenyan insurance companies and also on the extent to which they are used in creating sustainable competitive advantage. The policy makers would then be in a position to disseminate this information to other players in the insurance industry by holding seminars and workshops.

Players in the micro-insurance business in Kenya would benefit from the understanding of different strategies that are currently used in designing innovative micro-insurance products, distributing the products etc, all with the aim of creating sustainable competitive advantage. The findings would also be valuable to other players the insurance industry since they will get ideas on the available strategies and their applicability in order to enhance business performance.

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APPENDICES

APPENDIX I – Student Introduction Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 04/09/2015

TO WHOM IT MAY CONCERN

The bearer of this letter NDIRANGU TIMOTHY MURURI

Registration No. D61/67479/2013

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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 your assistance to enable him/her collect data in your organization.

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.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
04 SEP 2015
MBA OFFICE
P.O. Box 30197 – 00100, NAIROBI

APPENDIX II – Questionnaire

Part A. Respondents profile

Kindly fill in all the questions either by ticking ( ) in the boxes or writing in the spaces provided.

1. Name (Optional)……………………………………………………………………….
2. Name of the insurance company………………………………………………….
3. Number of years in the company

Less than 3 years ( )   3 – 5 years ( )

6-10 years ( )   more than 10 years ( )

4. Indicate the department\section of the company you are currently working in……………………………………………………………
5. Position held in the organization

Top manager ( )   Line manager ( )   Supervisor ( )

Part B. Micro-insurance business

6. For how long has your insurance company been in operation in Kenya?

a) Less than 5 years ( )   d) 16 – 20 years ( )

b) 6 – 10 years ( )   e) over 20 years ( )

c) 11 – 15 years ( )

7. For how long has your company been in micro-insurance business?

a) Less than 3 years ( )   b) 5 years ( )   More than 5 years ( )

8. What kind of micro-insurance products does your company sell?..
....

9. What mode of premium payment?

a) Cash ( ) d) Check-off ( )

b) Cheque ( )

c) Others (Specify)……………………………………………………………………….

10. What is the frequency of premium collection for your micro-insurance products?

    a) Daily ( ) c) Monthly ( ) e) Annually ( )

    b) Weekly ( ) d) Semi-annually ( )

11. What has been the trend in uptake of your micro-insurance product(s) over the past (say 5 years) ?

a) Fast ( ) b) Moderate ( ) c) Slow ( )

12. Who are your main competitors?…………………………………………………

13. Please indicate the gross written annual premium

2010……………………………………………..Kshs

2011……………………………………………..Kshs

2012……………………………………………..Kshs

2013……………………………………………...Kshs

2014………………………………………………Kshs

14. What would you say about your micro-insurance product(s) in terms of market share?...

....

Part C Competitive strategies

1. What are the current micro-insurance competitive strategies adopted by your company?...

.......…………………………………………………………………………………

………………………………………………………………………………….....

2. When were the strategies formulated?...
3. What would you say is the level of implementation?

a) Very good ( )   b) Good ( )   c) Average ( )   d) Poor ( )

4. eIn your view, to what extent has adoption of current strategies led to company profit? Please tick the appropriate box for each year.

a) 10% ( )   b) 20% ( )   c) 30% ( )   d) over 30% ( )

5. To what extent do you use the following channels in distribution of your micro-insurance products?

a) Agents ( )   e) Partnership ( )   h) Affinity e.g Supermarket ( )

b) Brokers ( )   f) Mobile phone ( )   i) Direct sales ( )

c) Banc assurance ( )   g) Internet ( )   j) M-pesa Agents ( )

d) Others ( )

Please specify…………………………………………………………………………

6. To what extent does the company employ the following competitive strategies to counter competition from your competitor? Use a scale of 1-5 where 1= no extent and 5 = very great extent

Competitive strategies	1	2	3	4	5
Cost leadership					
Product differentiation/innovation					
Market focus strategy					
Prudent Underwriting					
Use of Technology					
Customer education					
Niche marketing					
Flexible payment of premium					

7. Please indicate other strategies that in your view would assist in gaining competitive advantage by micro-insurance products providers.

…………………………………………………………………………………………

……………………………………………………………………………………

Thank you for your participation.

APPENDIX III- List of Insurance Companies

1. British American Insurance Company Ltd
2. CIC Group Insurance Company Ltd
3. Madison Insurance Company Ltd
4. Kenya Orient Insurance Company Ltd
5. APA Insurance Company Ltd
6. Jubilee Insurance Company Ltd
7. Heritage Insurance Company Ltd
8. Liberty Life Assurance Company Ltd
9. ICEA LION General Insurance Company Ltd
10. AIG Insurance Company Ltd
11. Pan Africa Life Insurance Company Ltd
12. Pacis Insurance Company Ltd
13. Pioneer Insurance Company Ltd
14. AAR Insurance Company Ltd
15. UAP Insurance Company Ltd

Sources:

Insurance Regulatory Authority (IRA), (2014); *The performance of micro-insurance business in Kenya. (Unpublished)*