STRATEGIC INNOVATIVE RESPONSES ADOPTED BY GENERAL INSURANCE FIRMS TO ELEVATE LOW INSURANCE SERVICE PENETRATION AND PERFORMANCE IN THE LOCAL INDUSTRY

BY
ANDREW NJUGUNA MWAURA

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION (MBA) DEGREE SCHOOL OF BUSINESS UNIVERSITY OF NAIROBI.

NOVEMBER, 2016

DECLARATION

I declare that this is my original work and has not been submitted for the award of any degree in any university.

Sign ………………………………………….Date ………………………………….

ANDREW NJUGUNA MWAURA

D61/74886/2014

This Research Project has been submitted for examination with my approval as university supervisor.

Sign ………………………………………….Date ………………………………….

PROF. VICTOR MONAYO

Lecturer, Department of Business Administration,

School of Business, University of Nairobi.

ACKNOWLEDGEMENT

I Glorify the Almighty God for giving me the strength, guidance and ability to complete this project. Secondly, my MBA project writing would not have been a success without the eminence support of my spouse Teresiah Njeri and my two sons Ernest Mwaura and Wayne Njoroge. Their contribution was great in terms of encouragement, prayers and forbearing with my absence from home as I am/was away studying in the college. I am also grateful to the community at large, who availed any relevant information needed in the writing of my Project. God bless you all.

Last but not least, I acknowledge my supervisior Professor Victor Monayo for his able guidance and wise counsel throughout my research project, thank you prof and may God bless you abundantly.

DEDICATION

My research project is dedicated to my two sons Ernest Mwaura and Wayne Njoroge, let them know that with hard work and trust in the Almighty God they can achieve everything and anything they target to achieve.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

Firms need to define their mission and vision and develop strategies that will ultimately result in competitive advantage (Pearce and Robinson 2003). A firm's survival in a changing and turbulent business environment is attached to its ability and capability to effectively and efficiently manage its resources relative to its strengths and weaknesses, explore opportunities and meet threats in the market place in its external environment. Porter (1985) indicates that a firm can shape its competitive position and industry attractiveness; firms can better or destroy its standing in the industry through the strategy it adopts. Competitive Innovative strategy then responds to environmental demands and attempts to fit with environment pressures relative to the firms resources; this constitutes the edge of competitive advantage. The greater importance for penetration of insurance in general and life aspects has been emphasized by various surveys in the economic sense of it. Penetration of Insurance has remained quite low in developing countries. Organizations need to act past tackling impediments currently experienced to increasingly improve the conditions that are always changing in the industry (Drucker 1993). Low insurance penetration can be attributed to many factors ranging from ignorance, religious beliefs, and negative perception of insurance related products, limited insurance channel structure, and low incomes.

Several theories can be advanced for this study, the popular ones being the resource based view which identifies firms competencies in terms of unique application and strengths. The proponents of the resource based view thus give more emphases to resources than capability (Muthui 2015). The other relevant theory to the study is the contingency theory. The theory emphasis on the firm's best way to utilize its resources relative to its social set up and environment. The theory proposed by Lawrence &Lorsh (1967) indicates that the theory addresses issues that are experienced in the execution of change programmes to enhance the quick penetration processes within the industry. Another relevant theory to study is the service quality of Gaps Model. This theory examines the causes of gaps on the part of the providers and tends to close these gaps so that the customer gaps will be eventually closed. The theory will give critical highlights on reasons of low services penetration takes place in the industry. Finally the Porters (1980) five forces model is quite relevant in the understated study. The theory examines the implementation of a competitive strategy in terms of industry opportunities and constraints. The study will adopt a descriptive cross sectional research design. A descriptive research design is conclusive and aims to describe the happening associated with a subject or estimate proportions. The study examines the who, what, where and how phenomenon. The descriptive attempts to describe possible behavior attitude, values and characteristics, Mugenda (2003). A descriptive research as the name implies aims to describe the characteristics of the population under study Queen (1999).

The study will target all the 35 firms in general insurance business hence will do a census. The primary data will be utilized. The data will be collected using questionnaires. The questionnaires will be administered through drop and pick method; emailed; the respondents will be senior executives in charge of marketing /operations/customer services and general claims.

Data will be analyzed using descriptive statistics. The results will be exhibited in form of charts, pie charts/graphs, figures and diagrams.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Firms need to define their mission and vision and develop strategies that will ultimately result in competitive advantage (Pearce and Robinson 2003). A firm's survival in a changing and turbulent business environment is attached to its ability and capability to effectively and efficiently manage its resources relative to its strengths and weaknesses, explore opportunities and meet threats in the market place in its external environment. Porter (1985) indicates that a firm can shape its competitive position and industry attractiveness; firms can better or destroy its standing in the industry through the strategy it adopts. Competitive Innovative strategy then responds to environmental demands and attempts to fit with environment pressures relative to the firms resources; this constitutes the edge of competitive advantage. The greater importance for penetration of insurance in general and life aspects has been emphasized by various surveys in the economic sense of it.

Penetration of Insurance has remained quite low in developing countries. Organizations need to act past tackling impediments currently experienced to increasingly improve the conditions that are always changing in the industry (Drucker 1993). Low insurance penetration can be attributed to many factors ranging from ignorance, religious beliefs, negative perception of insurance related products, limited insurance channel structure, and low incomes. Strategies to alleviate the constraints are diverse including consumer education channel improvements, industry review and general review especially of the products and their pricing strategy (AKI 2015).

Several theories can be advanced for this study, the popular ones being the resource based view which identifies firms competencies in terms of unique application and strengths. The proponents of the resource based view thus give more emphases to resources than capability (Muthui 2015). The other relevant theory to the study is the contingency theory. The theory emphasis on the firm's best way to utilize its resources relative to its social set up and environment. The theory proposed by Lawrence &Lorsh (1967) indicates that the theory addresses issues that are experienced in the execution of change programmes to enhance the quick penetration processes within the industry. Another relevant theory to study is the service quality of Gaps Model. This theory examines the causes of gaps on the part of the providers and tends to close these gaps so that the customer gaps will be eventually closed. The theory will give critical highlights on reasons of low services penetration takes place in the industry. Finally the Porters (1980) five forces model is quite relevant in the understated study. The theory examines the implementation of a competitive strategy in terms of industry opportunities and constraints.

The Kenyan insurance sector has been growing at steady rate despite low penetration rates in particular classes of industry products especially life insurance and other specialized insurance services like transit goods insurance, money insurance and domestic packages insurance. Changes proposed in the insurance bill 2003 were borne out of the need to align the industry along the legal framework with 2010 constitution. The penetration of life insurance in Kenya is 3% (AKI 2012 & Industry Survey).The low penetration of insurance services in Kenya according to Yaari (2009) are low income, low literacy rates and non awareness and benefits of insurance, Redja (2004) concludes that insurance firms have a tendency of slow claim settlements and complicated procedures, this has heavily affected the industry progress (AKI 2011 industry report). General insurance in Kenya has remarkably grown heavily due to government regulation on insurance issues related to motor transport, the high accident rates locally have also hurt the industry which has seen giant firms getting under receivership, while others completely wind up their businesses. The play ground for local industry players has been leveled through regulatory framework of association of insurance of Kenya, and government tight and regulatory policy guidelines.

1.1.1 Concept of Strategy

According to Pearce and Robinson (2011) strategy is an organization's plan for remaining competitive in the market place. Johnson and Scholes (2005) outlines that strategy is concerned with the way the direction of the firm's activities will facilitate competitive advantage through configuration of firm's resources within a difficult environment. Hence strategy becomes a governing tool in increasing afirm's adaptability to its immediate business environment by staking out a position in the market, retaining and attracting customers, successfully competing, implementing operations and achieving desired objectives.

Porter (1980) argues that without a strategy business firms cannot be sail through the turbulent environment and survive the competitive pressures. Thompson et al (2007) observes that a winning strategy must fit within the organization's external and internal environment which build a sustainable competitive advantage and improves the firms operations. Porter (1985) concludes that for firms to be sustaining and profitable, they must constantly adjust to their environment and keep up with the pace of competition, create new competitive space.

1.1.2 Concept of Innovative Strategy

According to Pavatt (2005) an innovation is coming up with new or significantly enhance product (goods and services) or process of coming up with new marketing method new organized business practices; Rastogi (2008) narrates that an innovation primarily focuses on the development of the products by a firm. This means essentially a new concept, process method. It is organizational renewal and development. Innovations are conjoint interplay of professional skills in the area of product development, production, and marketing. Innovations may also involve non trivial improvements and development of existing production processes and technologies, innovation denotes new and superior methods procedures, processes and approaches in various fields of management and administration. An innovative strategy is a unique strategy a new method of positioning oneself against the competition.

Nelson (2008) asserts that the purpose of innovatinga product is to offer consumers with new incrementally enhanced products based on the advances in technology. It’s a means of reducing costs of manufacturing existing products. The service sector has process and service innovation(s). Organizations that embrace competitiveness should adopt innovative practices, policies, procedures as well as create a creative culture with the organization.

1.1.3 Organizational Performance

Performance in a firm comprises of three important areas of the outcomes of the firm, the return on investment(financial performance), sales and market share (market performance), added economic value, (shareholder returns). An organization’s performance encompasses of the actual results of a firm measured against the desired outputs (objectives and goals). Firm’s performance is the management practice of measuring inputs and outputs so that firms efficiency and effectiveness is maintained. Cameron &Whetten (1983) concludes that the ultimate goal of performance is to increase the firm’s productivity, effectiveness, efficiency and enable the firm to deliver quality service and other related products. Performance also is linked to target attainment, individual output, (Robert 2001). Key performance areas in an organization need constant review to enable the firm and remain competitive, Laferla (2008) outlines the seven key generic key performance areas in an organization which forms the backbone of most managerial positions, these include finance, customer, staff, suppliers, products and service, innovations and development, internal processes. Organization internal processes include information technology, security, new product development, administration, legal services, and research.

1.1.4 Strategic Responses

All firms being open systems get affected by changes in the business environment, externally and internally. These firms need to respond to these changes on time to remain competitive; changes in this business environment require strategies that will counter the forces within where the firm operates. Competitive strategies will determine the firm's position in the industry. Porter (1985) indicates that whether the profitability of a firm is below or above the industry average is determined by positioning. The bottom line of performance that is above average in the long haul is sustainability of competitive advantage.

According to Mutugi (2006) forces in the environment affect the type of goods or services developed by a firm; the positioning andsegmentation of market strategies, types of products offered, the choice of business to sell or acquire. These changes have an impact on the staff, clients and organization portfolio and can create numerous pressures on institutions trying to create self sufficiency. In response organizations are forced to devise strategies which will counter these environmental changes in form of strategic responses. This will create organization –environmental fit (Kambutho 2012).

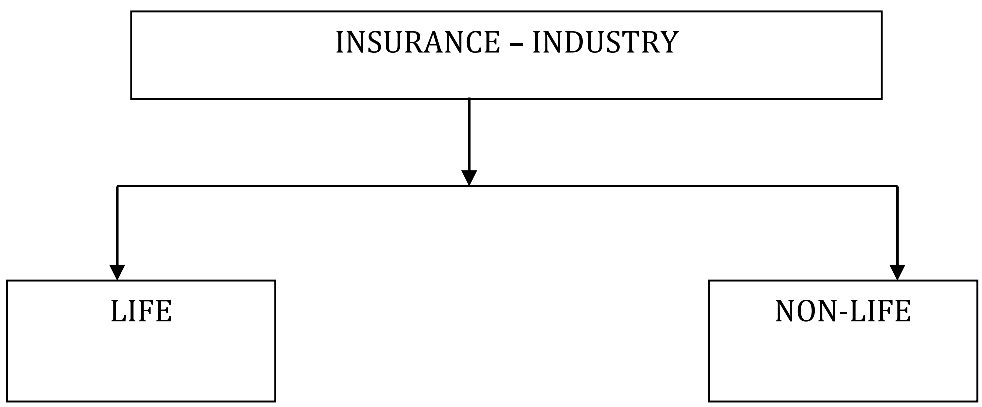
1.1.5 The Concept of Insurance

Insurance is a hedge against future risks. Life insurance is an agreement between a customer and the insurer that in the event of an eventuality or death, disease or disabilities the insured gets sum assured. Similar for properties (general insurance). The insurance Act Cap 487 of 1984 defines insurance as the business of taking up liability in way of insurance (compensation contingent upon the happening of a specified event) There are two categories of insurance life assurance dealing with human life and non life or general insurance which includes marine, properties, theft and fire as well as breakage (Charttarjee 2008).

There are some basic differences between the insurance classes. These differences have great implications in the service offer, design, segmentation, targeting positioning, marketing, pricing communications. These differences are the premiums paid in life assurance satisfy versatile needs, savings, investments risks. Non life insurance premiums have risks connotation; secondly on maturity there are returns in life insurance, unless and until the insurance policy is a parethic based also called term insurance. On the general insurance contract the assured does not get any refund upon maturity and the premium are usually lower. There are no returns in non life insurance; thirdly there is the element of fixed terms of contract of life insurance; in general insurance the policy is viable for a duration of one year. If the customer is again interested on renews the claim (Chartterjee 2008).

Insurance is a complicated product with high service and advice component. Consumers appreciate direct interaction and attach high value on reliability and brand names. Sellers utilize various channels to reach target audience like e-mail, telephone contacts and direct mail. Insurance as a service is sold through intermediaries (the agents).

Figure 1: Industry Analysis



Source: Researcher 2016

Key insurance functions are divided into internal functions to the organization are underwriting claims management, and investment. External to the organization customer management a channel of choice management (Chartterjee 2008).

1.1.6 The Insurance Industry in Kenya

The first insurance company was incorporated in Kenya was the pioneer general assurance society Ltdin 1930, followed by Jubilee Insurance Company 1937. The 3rd company insurance company was Pan African Insurance in 1946. Foreign insurance companies were incorporated in 1978.Currently there are 49 registered insurance companies in Kenya offering all classes of insurance general, life, and composite insurance services. The industry is regulated by insurance regulatory authority under insurance Act cap 487 of Kenya. penetration rates stands at 3.1% of the gross domestic project (GDP) this low penetration is a combination of various factors including poor saving culture, low income, negative perceptive on insurance matters (Insurance regulatory authority 2015).

Association of Kenya Insurers (AKI) is the umbrella body of all insurance firms and it was established in 1987 as an advisory and consultative body to insurance companies and it is registered under the Society's Act Cap 108 of the Laws of Kenya (wwwakisure.com). The insurance institute of Kenya (IIK) is the professional body of the industry and itdeals with training and professional education. Insurance Regulatory Authority (IRA) regulates, supervises, industry players. Statistics of the year 2015 report indicates that there are 49 registered licensed insurance firms , 22 medical insurance providers; (MIP), 170 insurance brokers, 123 insurance investigators, 8 risk managers, 101 motor accessors, 2 claim settlement agents, 22 insurance surveyors, 22 insurance loss adjusters; (Insurance regulatory authority 2015).

1.2 Research Problem

Multiple factors contribute to low insurance penetration in developing economies. These include poor customer education, poor customer relationship management; low income, attitude, and customs. Professionalism as being uphold to facilitate trust and confidence among clientele base. Distribution is the key to success of any insurance company. Effective marketing mix for insurance products/services is critical for all services providers especially channel members while distribution method of tied up agents would be the main distribution channel, insurance companies should innovate and come up with new ways of delivering the products to customers. Corporate agency, cooperative societies banc assurance, brokerage, e-insurance are some of the channels which can be adopted by insurers to reach wide market segments. In the current competitive scenario the key differentiator would be professional customer service in terms of quality of service, in terms of quality of advice on product choice along with policy servicing. Servicing should concentrate on improving the customer experience and maximizing consumer convenience. This therefore requires effective customer relations management systems that would ultimately create a sustainable competitive advantage and enhance long lasting relationship.

The local insurance firm's in general insurance business, current penetration rates are quite low. The industry has various challenges from premium rate undercutting, poor claims settlement, delays in processing urgent claims, lack of skills and fraud. Most of these insurance firms are in urban areas and services are poorly distributed within the set up.

International research has been undertaken in the field of insurance. Bhatt (2007) did a research of factors influencing the renewal of medical insurance policy in India; Sandhu (2011) undertook a study of customer's perception towards service quality of Life Insurance Corporation of India. Ayimey (2013) did a study ofstrategies of customer retention of Starlife Assurance company limited Ghana and SIC Life insurance Company limited. Local studies undertaken include Koima (2013) did a study on insurance firms focusing on the factors that influence its regional growth strategy. Ouma (2007) researched on the relationship between value chain and competitive advantage in the insurance industry in Kenya. Karuri (2010) investigated the factors influencing corporate image and identity among insurance companies. A case of C.I.C Insurance Masese (2013) did a survey on factors influencing insurance uptake in Kenya. The study focused on life insurance to service. Kiragu (2014) examined the challenges facing insurance companies in building competitive advantage in Kenya; the research question is "What are the strategic innovative responses adopted by general insurance firms to alleviate low insurance service penetration and performance in the local industry?"

1.3 Research Objectives

The research aims to accomplish the following objectives:

(i) To establish the strategic responses adopted by insurance firms to improve slow penetration of insurance services in the local industry

(ii) To examine the performance of these general insurance firms in the industry

1.4 Value of the Study

The study will benefit the stakeholders and investors in understanding the key reasons accelerating low services adoption. The study will be of great benefit to the individual firms in general insurance as the firms will step up these strategies to cope up with challenges to make uptake a success.

To the academics the study will enable the professionals in the education field a source of inspiration and motivation to undertake further research into the area. This will then prepare policy guidelines for stakeholders and the government.

Existing Insurance firms may come up with new strategies to improve their operations the research will help them understand issues surrounding their businesses, i.e the level of competitive pressures, the strength of each particular firm(s) and the nature of their clientele. This will assist them make informed decisions.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter outlines literature review relating to core issues in insurance industry. It covers the theoretical foundations of the study; porters (1980) the forces of competitive advantage; resource based theory, and gaps model of service, quality & contingency theory; strategic responses; competitive advantage, risk management process.

2.2 Theoretical foundations of the study

The following theories are quite relevant in support of this study, porters five forces model, gaps model of service quality, resource based theory.

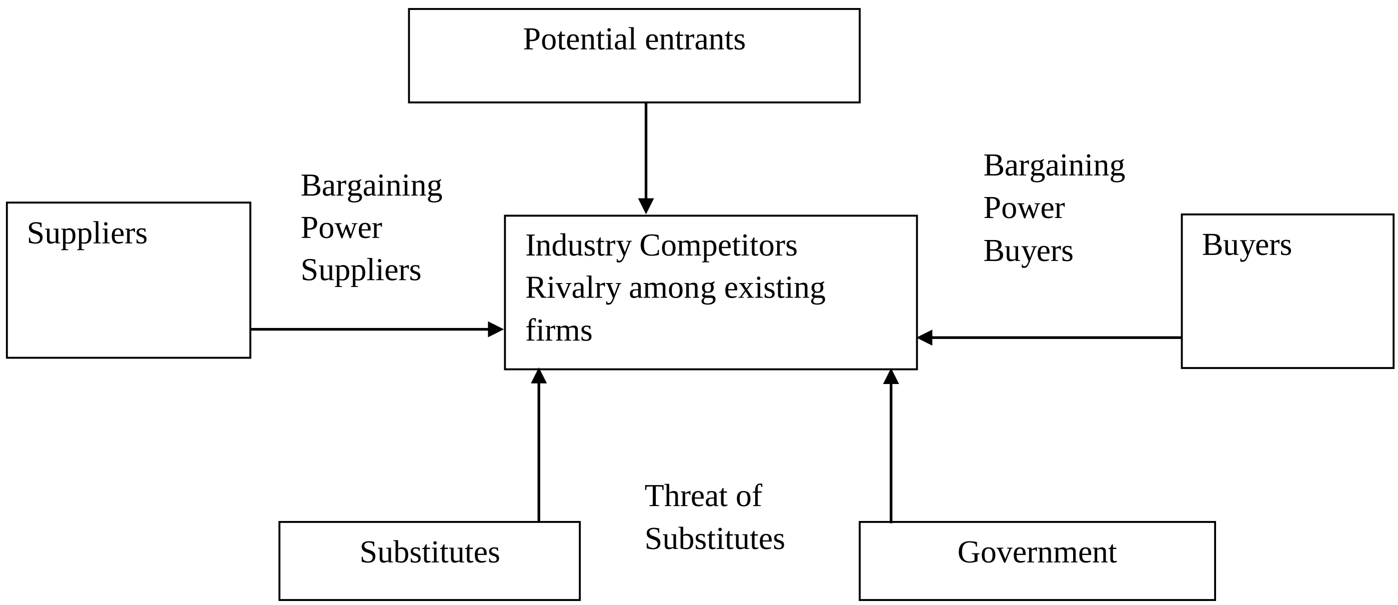
2.2.1 Porter's five forces model of competitive advantage

The model proposes that industry attractiveness is determined by the strength of five forces of competitive pressure in the industry. These arerivalry within the industry, threats of new entrants,bargaining power of suppliers and bargaining power of buyers threat of substitutes. To survive a firm has no position itself strategically and managements understanding of the business environment, Porter (1980) argues that the importance of designing a competitive strategy is relating the firm to the environment. Industry analysis should be undertaken to identify various opportunities and threats the firm is facing in its strategy formulating and implementation. The purpose of industry analysis is to understand the forces behind the industry any alterations or changes in the features of each of these forces generate new opportunities and threats.

Threat of substitutes exists when a service demand is affected by a substitute service; substitutes narrow the potential returns of an industry by limiting the ceiling of firms in the industry charge. Substitutes availability gives customers choice in terms of price, performance and service quality. (Thomson & Strickland 1989). Threat of new entrants to the industry also enhances capacity building, new technology, the extent of this threat depends on the existence of barriers of entry accompanied by the reaction of the members of the industry. Entry of new players' performance (Rowe et al 1994). Industry attractiveness is the reflection of potential market of good performance and profitability. The five forces of competitive pressure influence industry profitability as they influence costs, price, and required investment(s) in the industry. The stronger the forces collectively the lower the profitability of the industry and vice versa (Wheelan& Hunger 1995).

Good returns are noted in attractive industry, clear barriers to entry, reasonable market growth, no threat of substitution, low bargaining power of buyers and low bargaining power of suppliers.(Kath 1995) disrupt prices , reduces profits and renders entry barriers irrelevant (Keegan 1995).High profits will always attract new corners to come into the industry motivating them to committee resources to overcome barriers of entry. Powerful suppliers can affect the profitability in the industry by threatening the rise of prises or reduce quality of purchased services/goods. Koima (2003) notes that the insurance industry seems to have little innovation in product development and design. The government influence comes in the form of laws and regulation, thus drastically affects business operations, Wheelan & Hunger (1990) argues that due to the regulation forces of any government the Porters Model is interfered with in terms of operation. Grant (2000) argues that the Model has immense limitations because it doesn't take into account the characteristics of competition.

Figure 2: Researchers version of Porters Model



Source: Researcher (2014)

2.2.2 The Resource Based Theory and Positioning Theory

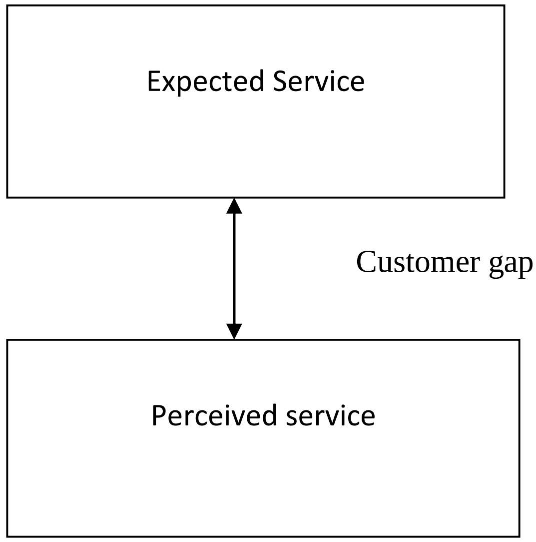
The school of thought popularized by Porter (1980) looks at the firm as concerned with realizing strategic fit within its environment, that the evaluation of competitive forces operating within that particular environment (Porter five forces) to assess how best the firm can function and compete. The RBV Model of Pearce & Michael (2006) indicates that an organisation's competitive advantage is in the kind of resources it has. The concept of dynamic capability is closely related to this kind of school of thought. Teece (2007) indicates that a firm must have unique capabilities to cope up with dynamism of the environment and succeed in its operations. This clearly explains why some firms have successful business ventures while others fail to even take off.

Strategic innovative response implies the reaction or direction of firm will undertake to suit environmental demands where it operates (Divedi 2001). This reactionary move enables the firm to re-organize itself and position itself relative to the environment Pearce & Robinson (2005) to ensure survival and prosperity, only those firms which create a strategic fit between their operations and the environment can succeed in the current business scenario (Grant 2002).

2.2.3 The Gaps model of Service Quality

Impactful services marketing is an intricate understanding that entails different strategies, tasks and skills, executives of service organizations must understand the unique aspects of these services. The gaps model of service quality examines two critical gaps existing in any service set up, that's the customer gap (that is the difference between customer perceptions and expectations which constitutes of points of reference of standards. It constitutes of what the customer believes and should happen.

Figure: 3. The customer gap



Researcher(s) 2014

To close customer gaps, the model suggests that the provider gap need be closed. These gaps occur in the organization providing the service. Four exist in any organization. Gap one is not knowing what the customer expects generated by inadequate marketing research, lack of upward communication, insufficient relationship, lacking administration recuperation; Gap 2 includes not selecting the right administration plans and models brought about by poor administration outline, nonattendance of client driven guidelines, improper physical confirmation and administrations capes; Gap 3 not conveying to administration plans and models created by insufficiencies in human asset strategies; Customer inability to attempt their parts, issues with administration middle people, inability to match free market activity. Gap 4 not coordinating execution to benchmarks, caused by lake of marketing communication; over promising, inadequate horizontal communications; absence of customer driven expectations. (Zeithamel et al 2008).

Closing these gaps involve strategies which will facilitate that process. The Model starts where the way toward enhancing administration quality starts. The firm need to focus on the customer and have customer driven business strategies, managerial applications like adoption of market research orientation, service recovery, integrated service communications, effective management of customer expectations, effective alignment with service intermediaries, presence of customer driven standards, effective human resource policies, systematic service design, appropriate physical evidence among others. (Zeithmal et al 2008)

2.2.4 Contingency Theory

Contingency theory is an organisational theory that claims that there is no most ideal approach to arrange an organization, to lead an organization, or to settle on choice in a social set-up. Rather, the ideal strategy is dependent upon the inward and outer circumstance of the organisation and nature. Some focal premises of organisational theory can comprehend centre issues for executing successful group policing programs. The term organisational theory was initially proposed by Lawrence &Lorsch (1967). The presumptions that constitute the focal premises of the organisational theory can be used to address the issues that are experienced in the execution of progress projects in the organisation, for example, rebranding.

The primary presumption challenges the customary view that specific general standards and standards can be connected to organizations in all times and places. The second supposition challenges the tried and true way of thinking of early financial experts that organisational structure is not significant to authoritative execution. Today, it is normally held that organization structure is connected with the execution of the strategy (Axelrod, 2012). The third supposition is especially critical in that it clarifies the vast majority of the variables that prompt to issues in the usage and utilization of progress projects. As pushed by Todnem (2005), organizations are as fruitful as they are adjusting to their surroundings. While executing a change program, particular elements of nature and attributes of the organization are regularly not considered, which is a noteworthy danger to the accomplishment of the program.

Contingency theory, despite the fact that having a few qualities, for the most part misses the mark in attempting to clarify why some change projects or practices are successful in a few circumstances yet not others (Lawler and Worley, 2012). It is additionally scrutinized that it doesn't correspond well with other standard association change programs. Contingency theory additionally neglects to sufficiently clarify what ought to be done about a specific change program or circumstances jumble in the organization.

2.3 Factors Influencing Positive Uptake of Insurance

Insurance is a contractual obligation between the policy holder and the insurer (firm) depending on the cover or contract there are conditions, rules and regulations governing effective successful organizations need train their service personnel that’s the sales forces to undertake relevant insurance related programmes if they have to perform effectively. Other measures to improve insurance uptake include improvement of existing product bundles both physical and psychological attributes meant to increase buyer satisfaction, firms should be innovative enough, differentiate their product offerings from the competition and succeed there competitive scenario.

Firms should also improve their customer relationship practices and increase their activities in the area of co-operate insurance business transactions (KPMG) the esteem for the policy holder is gotten from genuine claim occasion, rather it's the esteem got from significant serenity, experienced by policy holder due to negative or unfavourable results created by death of the life assured. (Yaari 2009). Records from statistics reveal that 55% of the population in poor developing nations has not realized the need for insurance services. Insurance uptake is very low. KPMG (2004) report indicates that poverty, ignorance, unawareness and lack of motivation as principal causes low insurance adaption process. Social responsibility, finally consumer educations are also critical. Use of technological applications can be very productive.

2.4 Strategic Responses

Ansoff and McDonell (1990) have indicated that strategic reactions include changes to the organizations behaviour. Such behaviour takes a lot of dimensions depending on the firms capability and adaptability to the immediate environment. Thompson et al (1997) explains that strategic adoptions as changes that take place over time to the strategies and objectives of an organization. Changes can be revolutionary evolutionary.

Firms restructuring is a process management uses to signify the act of reorganizing management activities the act of restructuring has many dimensions, some notable ones being reorganizing legal ownership structures; All these changes come into play due to growing size are complexity of internal operations and growth of turbulence of the firms environment.

2.4.1 Strategic Advances & Collaborations

Johnson et al (2009) derives an alliance as a situation where at least two organizations share assets and exercises to seek after a technique; this has been comply motivated by complex and ever changing business environment and inadequacy of internal competencies for most business firms. The need to acquire materials, markets, finance easy access to markets have all accelerated the alliance types of business arrangement. Alliance differ in their complex quality from basic two accomplice unions co-delivering an item to one of different accomplices giving complex arrangements and products. Kale and Singh (2009) indicates that the higher level of complementarily of resources amongst partners, the higher the probability of success. Shar and Shaminathan (2008) conclude that this complementarily of resources is Rey to alliance formation.

2.4.2 Sustainable Competitive Strategies

Porter (1985) explains the three generic strategies which firms can adapt to achieve competitive status in the industry. These are cost leadership differentiation and focus. A firm can decide to become a low cost producer in focus sphere the firm specializes on serving particular niche market, formerly ignored by big industry players or segments with growing potential differentiation strategy ceils for technique service or product attributes. Differentiation strategy tends to follow a pattern of valued attributes which consumers prefer.

A firm implements a particular competitive strategy when it seeks to achieve superior economic performance while in competition with other firms in the industry (Barney 2007) are parties in the industry let it be shareholders stakeholders among others have an influence on the kind of a strategy a firm will adopt (Johnson & Scholes 1994)

Johnson and Scholes (2002) argues that competitiveness arises out of what the firm offers to their customers in terms of their needs and wants. Porter (1985) winds up the discussion by observing that competitive strategy plans to build up a productive position against the powers that decide industry rivalry.Barney (2007) singles out that competitive advantage is possible when it easy to create more economic value in terms of goods and services the firm undertakes.

2.4.3 Consolidation and Product Market Development Option(s)

Firms undertake the consolidation and market development as options towards strategic responses to enable the firm attain competitive in the industry. Johnson and Scholes (2008) explains that a consolidation move is the place organisations ensure and reinforce their present markets with current items. It requires innovation and improvement of organizations products and services; and involves utilization of available organization resources and capabilities. Consolidation strategy requires downsizing or withdrawing firm certain activities markets. It may also involve maintenance of market share in existing markets. Firms can also adopt a market penetration strategy thus aspect involves gaining of the market share. This approach might be reliant on development rate, asset issues, lack of concern of market pioneers. Johnson and Scholes (2009).

2.4.4 Product market Development & Diversification Approaches

Product improvement is where a firm conveys changed or new products to existing markets. Kurtz and Borne (2009) indicates reasons for product development option is viable when there's a desire to grow; enhancement of the company's position in the markets; and optimal use of company's resources; these is also an urgent need to product mix management, the blend of product lines and individual product offerings creates a competitive edge over the competition changes in the business environment may warrant new' products & services. New products may be required for survival and may be achieved with existing capabilities. Other notable causes of new product development is the changing customer tastes and preferences core competence exploitation, and need to maintain performance levels within the organization's competitive environment. (Kurtz and Boon 2009) Market development is where existing products are offered in new markets.

According to Johnson and Scholes (2008) firms may choose their market coverage this is precipitated by absence of opportunities in the current market: capability and market considerations may be the motivating factors to adopt these strategy. Firm's should guard against credibility and desires as they endeavour to enter new markets.

Diversification is characterized as a system that removes the organization from both its present markets and products. The move to diversify will increase diversity. The type of diversification is dictated by organizational resources capabilities, competitive environment; firm's key adopt related diversification is strategy development beyond current products and markets but within the capabilities or value networks of the organization; vertical integrations backward or forward integration into adjacent activities in the value network; backward integration is development into activities concerned with the inputs into the company's current business; forward integration is development into activities which are concerned with the company's outputs; Horizontal integration is development into activities which core complementary to present activities (Whittngton et al 2008)

2.4.5 Business Process Re-Engineering (BPR)

Business Process Re-Engineering is the procedure whereby organizations can significantly enhance proficiency and quality and effectiveness by concentrating on clients and procedures that have value creation. Drucker (1989) recommends that the number of levels in the organization ought to be few. Too many levels of reporting relationship creates difficulties in achieving organizational objectives. The spirit of restructuring is that other functions in the value chain are critical than others. For BPR to be effective there should be reduction in costs and increase in quality and service level.

The last aspect of organizational structure is the removal of structural barriers and the establishment of a learning organization. Learning organization is one which continuously improves the organization by quickly making and refining the abilities required for disappointment achievement. Johnson and Scholes (2002) characterizes a learning organization as one equipped for consistent organization from the assortment of information experience and aptitudes of people in a culture which supports common questioning and challenge around a mutual vision. Technological change is a critical force of competition. It creates competitive edge for a firm in an industry. Porter (1985) outlines that technological change especially information technology greatly alters the rule of competitive atmosphere. Information supports and upgrades each action in the organization and can be a wellspring of increased value and thus competitive advantage.

2.5 Management of Risk

Risk management is a process that identifies risk, evaluates, selects risk management techniques and implements and reviews decisions & (Trieschmann et al 2009). The measure of target hazard show in a circumstance some of the time alluded as the level of hazard is the scope of fluctuation around the normal misfortunes. Which are ascertained utilizing the possibility of misfortune idea by method of the following formula.

$$\text{Objective Risks} = \frac{\text{Probability variation of actual from expected losses}}{\text{Expected Loses}}$$

Integrated risk administration and enterprise management reflect the goal to deal with all types of dangers paying little respect to types. To implement the risk strategies and programmes most firms have risk department charged with that mandate. Risk management is assigned to the risk manager who oversees the activities regardless of source of risk some of the activities include creating worker security programs; looking at arranged mergers, and acquisitions examination of investment opportunity and purchase of insurance to protect all kinds of risks and setting up pension plans for employees. (Trischmann et al 2009).

According to Sommer et al (2009) risk identification and exposures misfortune is the most essential component of hazard administration process. A misfortune introduction is a potential misfortune that might be connected with a particular kind of hazard. Misfortune introduction is arranged in an indistinguishable route from immaculate dangers; that is whether it's property, obligation, life, well being, or loss of pay risks. Management can embrace different philosophies utilized by hazard chiefs; this entails misfortune presentation agendas, money related explanations investigation, stream diagrams, contract examination, on location assessments and factual investigation of past misfortunes. (Trieschmann et al 2009)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research guide which will be utilized to undertake the study. It includes the research design, the population, the sample size, the data collection and data analysis.

3.2 Research Design

The study will adopt a descriptive cross sectional research design. A descriptive research design is conclusive and aims to descriptive the happening associated with a subject or estimate proportions. The study examines the who, what, where and how phenomenon. The descriptive attempts to describe possible behavior attitude, values and characteristics, Mugenda (2003). A descriptive research as the name implies aims to describe the characteristics of the population under study Queen (1999).

3.3 Population

A populace is the total of the considerable number of cases that comply with some assigned arrangement ofspecifications (Hoyle et al 2002). The study will target all the 35 firms in general insurance business hence will do a census.

3.4 Data Collection

The primary data will be utilized. The data will be collected using questionnaires. The questionnaires will be administered through drop and pick method; emailed; the respondents will be senior executives in charge of marketing /operations/customer services and general claims.

3.5 Data Analysis

Kothari (2004) characterizes data analysis as the calculation of specific measures alongside looking for examples of connections that exists among data groups. Zikmind (2003) outlines that data analysis is utilization of thinking to comprehend and decipher information that has been recorded.

Data will be analyzed using descriptive statistics. The results will be exhibited in form of charts, pie charts/graphs, figures and diagrams.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the findings and results obtained from field responses in line within objectives of the study which were to establish the strategic responses adopted by insurance firms to improve penetration of insurance services in the local industry and to examine the performance of these firms related to the adoption rates process. Descriptive cross sectional research design was adopted for this study pie charts, graphs, tables were used to present the findings. The first section analyses the background information of the respondents and firms. The rest of the sections present findings that are relevant to the subject under study.

4.2 Response Rate

Table 4.1: Response Rate

Response Category	Frequency	Percentage
Response	100	71%
Non response	40	29%
Total	140	100%

The study sent 140 questionnaires to different firms (see appendix III) out of which 100 were returned filled which represents a 71% response rate. The response was representative. According to Mugenda and Mugenda (1999) 50% is adequate for analysis and reporting, a response rate of 60% is good while the response rate of 70% is considered excellent.

4.3 General Information of the Respondents

The study sought to determine the respondent’s position in the company, level of education and duration of service.

4.3.1 Position in the Firm

The researcher sought to know the respondents position in the firm. This analysis gave a broad view of the nature and seniority of respondents contacted.

Table 4.2 Respondents Position

Category	Frequency	Percentage
Marketing Executives	20	20%
Operation Managers	15	15%
Customer Service Managers	20	20%
General Claims Managers	45	45%
Total	100	100%

From the analysis 45% of the respondents came from the general claims department. This is quite impressive and it also reflects that the quality of information sought is quite relevant as per the objective of the study. The study revealed that 15% of the respondents came from the operations management department 20% from customer service; This information classification is quite evident that right information was solicitated from the relevant parties since customer care personnel have the highest level of customer contacts, its evident that right reasons could be sought and revealed through various measures of probing the customers, 20% of the respondents came from marketing department.

4.3.2 Level of Education

The researchers sought to understand the level of education of the respondents the results are highlighted in the table below.

Table 4.3 Level of Education

Category		Frequency	Percentage
Post graduate		50	50%
University Level		37	37%
Tertiary College		13	13%
Secondary Level		0	0%
	Total	100	100%

Source (Researcher 2016)

The analysis indicate that 50% of the management positions are held by postgraduate degree holders; which translates to a high caliber of manpower within the industry sector; The respondents with middle colleges level of education were of the lowest percentage 13% compared with 37% of the respondents with degree level of education.

4.3.3 Duration of Service in the Firm

The researcher sought to understand the respondent's rate of service in the organization the details are hereby indicated below.

Table 4.4 Duration of Service

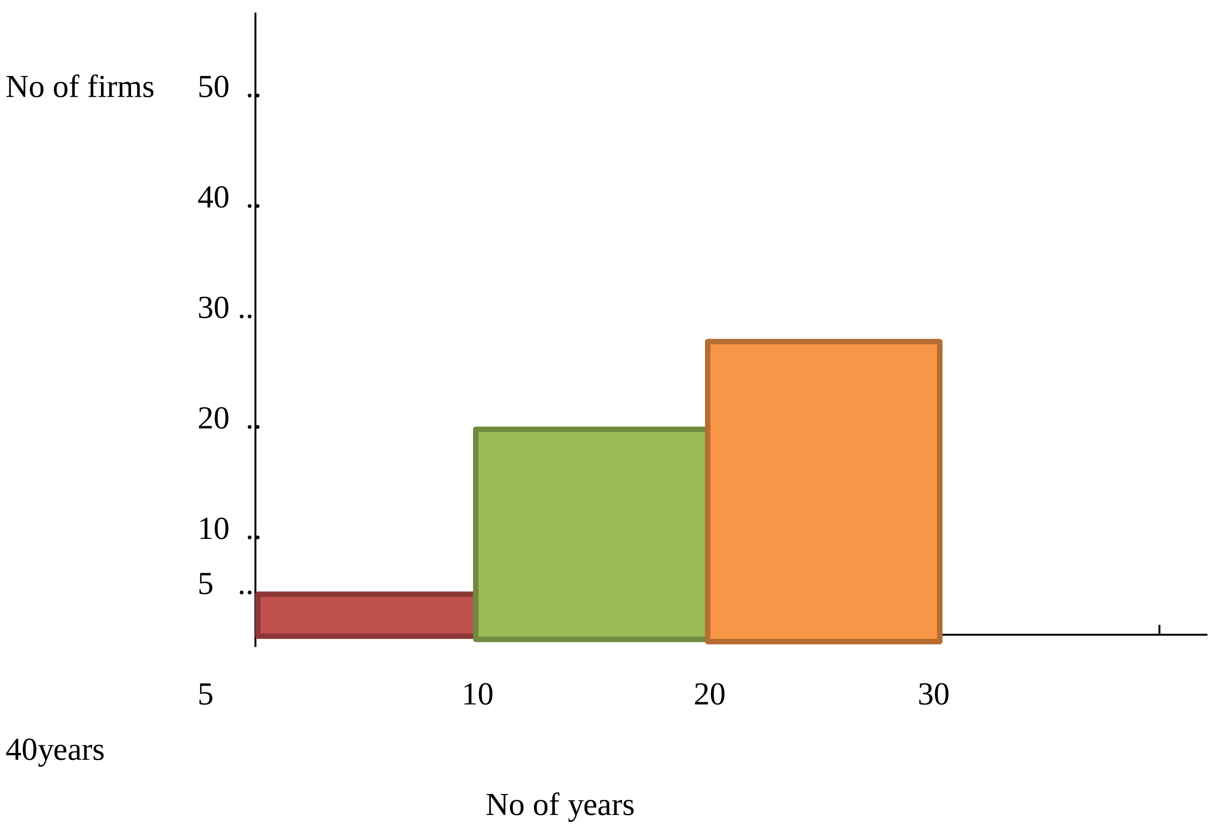
Category		Frequency	Percentage
Less than 5 years		20	20%
5 – 10 years		35	35%
Over 10 years		45	45%
	Total	100	100%

From the findings its clear that most of the respondents have worked for quite a good number of years in the industry. 45% of the respondents have worked for over ten years. Which indicates that the quality of solicited information of high quality and quite indicates the trends in terms of causes and related factors.

4.3. 4 Number of Years of Firms Operation

The study sought to establish the extent and level of years the firms have been in operation. It was established that majority of the insurance firms have been inexistence for over 20 years of operation. Some have been in operation for between 10 – 20 years and few have been in operation for more than five to ten years. This pattern clearly indicates that majority of the insurance firms have rich information about market trends and were alike to share the ultimate information relative to the adoption process. The information derived links the firm and the practices and clearly indicates the experience the firm has had in the industry.

Figure 4: Number of years of firms operation



4.4 Strategy Innovative Responses

The study sought to understand the various innovative responses the firms have adopted to increase the level of insurance products adoption in the local market; Various response inputs were obtained from different firms who indicated the factors which have encouraged quick adoption of insurance related services; the prime factors which have contributed to high uptake include general consumer awareness programmes, on the risks associated with non insurance of business premises. The otherfactors mentioned is the close proximity insurance agents to the target markets with the industry.

The proximity of these agency serving the needs of its immediate clientele means that the services have close knit connection with the right customers; technology and its related applications have also led to accelerated growth in the insurance sector through E-related practices of information flow and advertisements of insurance products; The use and adoption of E-Marketing channels have also greatly assisted the insurance salespersons in their effort to reach the targeted segments of the market clientele. Excellent customer care centers and services have also doubled as effective methods to promote the insurance products & services alike.

Service/ product improvement with customized prefentials have also encouraged the insurance uptake in particular sectors of the economy, cases of new customized approach services include insurance for transit monies, valuable items, and even special covers for individual attachments KIME (2004) report indicates that poverty ignorance, unawareness, lack of motivation as principal causes of low insurance adoption process. Insurance firms must improve to these stated variables if uptake is to take any positive shape. Social responsibility coupled with consumer education are also some of the uptake factors.

Relationship marketing practices are also a progressive source of positive insurance uptake; Bitman & pandit (2008) outlines some relationship marketing strategies which firms can adapt to increase their uptake processes. This strategies include financial bonds, customization bonds and social bonds, all these can act as switching barriers which can dictate retention core service provision is the genesis of effective retention practices or schemes or strategy which firms can adopt this strategy must be linked to service quality of organizations. This aspects relates well with the competitiveness in the industry; According to Porter (1980) competitive strategy involves finding a position in the industry where the company can best defend itself against competitive forces or can influence items in their favor.

According to Porter (1979) there are five forces that determine competition in the industry. These are rivalry among competitor's threat of new entrants, threat of new substitutes, bargaining power of buyers and suppliers; the strongest competitive force determines the profitability in the industry. Insurance firms must also adjust to follow or improve on their competitiveness if meaningful differentiation is to take place.

Porter (1980) concludes that a firm can change its industry structure through the adopted strategies and change the industry attractiveness.

4.5 Factors Enhancing Competitive Advantage

In this section the researcher sought to establish the extent to which the following statements on factors enhancing competitive advantage are rated on a likert scale of 1 – 5 with 1 = Not at all; 2 = Little extent; 3 = Moderate extent; 4 = Great extent; 5 = Very great extent; The responses are highlighted below mean (weighted average) and standard deviation were used to analyze the data.

The analysis indicate the following as per the table

Table 4.5 Competitive Advantage Factors

Factors Influencing Competitive Advantage	Mean	STD Deviation
Being a low cost provider	3.73	.487
Customer Services	3.41	.123
Quality	3.12	.520
Location	3.83	.123
Risk	3.29	1.435
Supportive structures	2.99	.457
Technology	2.76	.575
Innovation	3.84	.487
Leadership	3.21	.741
Others	3.0	.740

Source Researcher 2016

From the analysis the responses were rated as follows; firms being low cost providers M = 3.73, SD = .487; Customer services (M = 3.41, SD = .123); Service quality (M = 3.12, SD = .520); Risk (M = 3.29, SD = 1.435); Supportive structures (M = 2.99, SD = .457); Technology (M = 2.76, SD = .487); Leadership (M = 3.21, SD = .740).

The analysis undertake clearly indicates that all the factors have almost equal strength when it comes to competitive advantage, the insurance firms need to improve on all these factors if competitive advantage is to be a achievable; mean duration for innovation of 3.84 and being a low cost provider 3.73 seem very closely related and are strong points in competitive advantage.

4.6 Innovation Strategy Applications

The study sought to understand the level of innovation strategy on the following areas, technology applications, customer care, product/ service; Human resources and marketing.

Table 4.6 Application of Innovative Responses

Statement	Mean	SD
Technology	4.06	.253
Customer care	3.78	.694
Product/ service	3.09	.756
Human Resource	3.31	.507
Marketing	3.20	.509

Source Researcher (2016)

The respondents rated the use of technology as best innovative strategy with a mean of 4.06, SD of .253; followed by customer care M = 3.78, SD = .756, marketing practices & Skilled manpower applications have close ratings of M = 3.31 and 3.20 with SD of .507 and .509; this clearly indicates that the insurance services seek to improve their uptake through use of technological applications. Using of E-channels to market & reach the clientele with relevant services and products.

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The last decade has witnessed the growth of insurance services in the industry. A number of factors have been identified as causes of low adoption process which includes culture, low income and general awareness of the processes at large. The aim of the study was to identify the strategic responses adopted by general insurance firms to alleviate low insurance service penetration and performance to the local industry. As noted in the research methodology, the study relied on primary data and secondary data to assurers the research question in bid to realize the objective(s).

The primary data was collected using questionnaires that natured a response rate which was quite an impressive response rate registered, considering the number of firms consulted and the positive outcome received. The preliminary data analysis focused on the response rate, number of years in operation.

5.2 Summary of Findings

The study established that there was a low uptake of insurance products in the market. The study indicated that general insurance services were more lucrative than life insurance in terms of firms income and operations; Most of the firms in general insurance had potential business in corporate institutions, and non-government organizations. These sectors provided almost three quarters of the industry business; the other quarter of the business could be attributed to the individual persons who undertake insurance related covers for their business(s) and goods in transit; and even household goods.

The study found that most of the insurance firms relied both on direct and agent based approaches when it comes to selling of insurance services. Key players in the sector are insurance firms re-insurance firms intermediaries like brokers, agents, risk managers, or loss adjusters and other insurance service providers. The industry has a regulator the insurance regulatory authority (2010) the task of thin body is mandated to training and professional education.

The study established that the low adoption of insurance products and services arose due to lack of adequate awareness and customer education. Hawey(1995) indicates that information is an asset. The study revealed that insurance firms need to do a lot more effort in terms of sensitizing the general public on the importance of these services relative to the negative publicity which seems to determine the low uptake process. The results further indicate that organizational information is characterized under accountability information, management information, business process information, human resource information, customer information and supplier information is rated very valuable.

The study also established that use of innovative responses like unique product/ service offers human resource utilization and training updated and current marketing skills like interactive marketing, buzz marketing and viral marketing, use of technology as e-channels of customer reach seem popular this is closely in line with Wright (2006) who indicates that consumer attitude towards product heavily influences how they adopt through building marketing campaigns. Wrights references to the analysis of consumer utilization of the various e-banking alternate channels offerings, like online banking access, use of ATM automated teller machines, and other online channels like facebook, WhatsApp all encourage quick adoption of information. The same trend can be related to insurance firms.

Further to the findings the study noted that most of the urban Centre's and persons hereby referred as customers had a high patronage or preference for insurance products. Based on the analysis undertaken most respondents indicated that lack of awareness, difficult of accessing insurance services, low insurance education information contributed to show uptake of the services. Based on the deeper analysis it revealed that the urban customers had more access to modern and electronic means of conversions and information flows, compared with the rural customers who rely on print media and broadcast media to receive information about the services.

The study further indicated that insurance advertisements were very minimal on print and broadcast, this also put the rural segment quite highly disadvantaged. The study also identified various challenges which the industry is experiencing currently, this include low consumer awareness, low income per capital, culture effects, lack of proper customer education, limited insurance availability centres; especially in relation to the rural segments. The respondents indicated several measures to avoid the challenges the notable one's being the need for insurance firm's to be aggressive in terms of publicity and networking to enable the clientele understand the nature and importance of insurance services.

Technology was cited as the greatest ingredient towards success of organizations in a competitive market environment, Davis (1993) indicated that there's a strong relationship between users beliefs about a technology's usefulness and the attitude and intention to use the technology, Quintane et al (2011) argues that consumer perception is highly influenced by the information made available on the usefulness practicality and convenience of the IT systems. They positively argue that these need to communicate effectively to consumer using non-technical terms as a crucial driving adoption, awareness is also highlighted as being driven through non marketers controlled sources; coupled by particular relevant information technology solution.

5.3 Conclusions

From the study findings the analysis of the study concludes that the importance of consumer or customer awareness in terms of insurance services, it also was established that urban segment of customers are the majority and heavy users of insurance services compared to the rural market segment. The study revealed and concluded that modern information flow and communication tools need be enhanced among the clientele to improve the insurance uptake.

The study also concluded a positive relationship between general insurance awareness in terms of products available and its subsequence uptake. Culture was noted to be persistently indicated as a contributor to slow uptake. Appropriate innovative strategies need be put in place to improve the current insurance uptake trends. Use of modern marketing techniques. The studies indicated that those insurance firms with strong enabled innovation strategies are likely to secure competitive advantage and create more value to the services of the clients and stakeholders. Technology management of a company consists of the taking after two essential components; the organization's capacity to see the requirement for change in its innovation base. This observation is a part of the organization's impression of its focused surroundings, and the organization's capacity to actualize the apparent prerequisites of change(s).The viable execution of such changes, in any case, relies upon the quality of an organization's culture (Rastogi, 1990, 1991). In this specific circumstance, R and D and engineering can't be isolated from the core business basic leadership by a venture. To do as such, would make an obstruction of opportunities. Without a solid culture of efficiency, perfection and development, securing and utilization of prevalent equipment independent from anyone else can't create an economical upper hand.For obtaining sustainable competitive benefits, continuous improvements in both structural and infra-structural elements need to be made in tandem, in a mutually supportive manner. The guiding impulse here is provided by the firm’s business strategy.

Business strategy and technology management examines the relationship of the company’s programmes of managing technology to its business strategy (Erickson et al 1990). Rey issues which must be addressed include the clarity of product and market strategy; in terms of attribute & which these services or products have in terms of accomplishing the goals; It also examine the level of technology support to the product and market strategy in terms of those which have competitive advantage in existing market the strategy should also address the R & D (Research and development) programme for developing the capabilities that can support the product market; and finally there's need to have R & D staff who access the firms key customers.

The various factors facilitating technology management need special preference and attention, Peters and Waterman (1982) indicate that the most important overall factor underlying the effectiveness of an organization as a whole is its culture, Giffi et al (1990) terms them as the areas of greatest impact on success of technology implementation, these areas can be summed as follows; top management view point, nature of technology decisions, the focus of technology development , the technology justification process, the implementation process.

The study indicates that innovation is critical for organizational success. Innovation primary focuses on the development of products by a firm. Product development implies creation of something new and developing a business around it. Innovation references newness with respect to customer markets, as well as the producing organization. It means organizational renewal. (Rastogi 2008).

Innovation involves a conjoint inter play of professional skills in the areas of product development skills involved new concepts and insights in the field design. Materials and components, production skills require experience and know how in the field of techniques, engineering, operations and processes. Marketing skills are concerned with recognition of consumers/ customer needs, understanding emerging trends and shifts and cultivation of customer contact; innovations are the basis of the company's growth. Entrepreneurship is the basis of innovation.

The study revealed need for technovation approach to its innovative responses. Technovation focuses on the creation and development of new technology, its radical, scope and impact. Its pursuit is associated with high levels of technological and marketing uncertainty, it creates new products, new methods, new processes systems and services. Technovation is complex, uncertain and disorderly process. It involves multilateral interactions of individual competence creativity and motivation, organizational leadership, policies and value systems, strengthening of productivity norms within an organizations culture. Organizations are settings of this interaction policy parameters of systems design for fostering innovation in organizations. A number of studies done by Drucker 1985, Peter and Waterman (1982) Quinn 1985, Robert (1991) all are remarkably convergent in this context.

5.4 Recommendations

The study prescribes that the insurance firms need to develop high innovation and match the same to customer service and industry trends. There's need to adopt and encourage self serving technologies especially when it involves customers accessing to various insurance related activities like renewal of policy and updatement of their own data.

The study also recommends that insurance services be given a boost and be quite integrated at grassroots level., trying to link the common customers. Extensive and the services through easily accessible outlets. Customer and general consumer awareness programme is mandatory for effective results. The study also recommends that insurance education as a subject be introduced towards the end of primary education and be part of the curriculum of secondary education. This will facilitate effective information and greater general awareness.

Another notable recommendation which can be put forward is that the insurance firms recognition and subsequent initiation of a marketing strategy and a CRM (Customer relationship Management). CRM recognizes the importance of initiating, enhancing and maintaining relationships with ones customers. The customer service delivery function revolves around CRM and focuses on satisfying customers, creating customer loyalty, and creating commitment between the company and the customers.

All firms that have adopted CRM orientation recognize the importance of providing quality service in order to maintain high levels of customer satisfaction. It is recommended that the firms initiate customer bonding strategies and improve satisfaction levels within the customer clientele; The study further recommends potential treatment of customers, rewarding, customization and personalization. This will greatly improve and boost the customer morale and satisfaction and well encourage the uptake of insurance services.

The study also recommends the practice of management of migration that’s the reduction and reversing downward migration. Migration is the change in customer value overtime and downward migration characterizes customers who buy less. The study recommends that the study takes care of reasons leading to downward migration like, dissatisfaction, attraction to a better attribute mix offered by alternate service providers; change of the product life cycle.

The study also recommended online customer management practices to create a meaningful customer base segments for effective marketing practices. Customer data bases can be used to identify the trends in buyer behaviour and act to manage it towards company interests.

5.5 Further Research

The study recommends that further research need to be undertaken using specific companies as case studies to facilitate in-depth approach and information relative to the purpose of the study. The study recommends that insurance firms try to get closer to the clients through partnership with agencies or agents who can sign fully undertake their processes and enable the client to achieve immediate response and customer satisfaction. The study also recommends that apart from the understanding the causes of low adoption of insurance services among firms the insurance companies, the study should also examine possible ways of making technology more relevant and responsive to customer demand and requirements.

REFERENCES

Aki (2011) *Insurance Industry reportes*: Association of Kenya Insurers

Ansoff H.I & McDonnel E.J (1990*) Implementing of Strategic Management practices 2nd Edition* Prentice Hall

Aswani (2010) *Effects of marketing Strategies on Performance of Insurance Companies in Kenya*. Unpublished MBA Project University of Nairobi.

Axetrod R.H (2012) *Terms of Engagement changing the way we change organizations* Thousand Oaks Berret Publishers

Ayimey K.E (2013) *Customer Retention Strategies of SIC Life Insurance Company and Star Life Assurance Company*; Limited in Ghana. An Exploratory Assessment*; Journal of Social Sciences 5 (5) 163 – 167*

Bhett R. (2007) *Factors affecting Renewal of Health Insurance in India*. Indian Institute of management.

Camecon K &Whetten (1983) *Organizational Effectiveness one model or several in Camenon&Whetten D. (Eds) a comparison of multiple methods*NewYork Academic Press.

Cooper & Schindler (2003).*Business Research methods & (8th Edition)* New Delhi Tata McGraw Hill

Davis F.D (1993) *User Acceptance of Information technology: system characteristics, User perceptions, and behavioural impacts, international Journal* of man machines studies 38,475 – 487

Giffi et al (1990) *world class manufacturing national centre* for Manufacturing Sciences Homewood L

Hawley R. (1995) information as an asset; the board agenda a consultative report Hawley committee publishers 237 – 239

Hays Wheelwright & Clarke K. (1990) *Dynamic Manufacturing, Creating a learning organization* the free Press.

Hoyle RH; Harns M.J. & Judd CM (2002) *Research Methods in Social Relations 7th Edition*. Thompson learning Academic Centre.

Insurance Regulatory Authority (2011) *Life Insurance Industry Statistics Report for the year 2012 Vol. 20 No. 3 PP 201 – 2014*

Johnson G; Scholes K. & Whittington R.*Exploring corporate strategy texts cases 11th edition Prentice Hall International*

Kale P. & Sigh H (2009) Building firm capabilities through learning.The role of alliance learning Process.In alliance Capability and firm level alliance success. *Strategic Management Journal 28 (10) 981 – 1000*

Karuri (2010)*factors influencing corporate image and industry among Insurance Companies a case study of CIC Insurance.* Unpublished MBA Project University of Nairobi

Kiragu (2014) *challenges facing insurance companies in building competitive advantage in Kenya* Unpublished Project MBA – University of Nairobi

Kitua (2009) *The Internet as a source of Competitive advantage for insurance firms in Kenya.* Unpublished MBA Project University of Nairobi

Kurtz Ol& Boone L.E (2009) *Principles of marketing 12th Edition*Akash Press

Kothari CR (2004) *Research Methodology and techniques*.Prakshan 2nd Edition PHI

Larferla Ray (2008) *The Management Edge Leading Edge Strategies & achieving sustainable results* 5252 publications NBI

Lawler EE & Worley C.P (2012) *Built to change Howly achieve sustained effectiveness* London Jossey – Bass

Lawrence and Lorsch J. (1967) Differentiation and integration in complex organizations *Administrative Science Quarterly 12, 1 – 30*

Masese (2013) *Factors Influencing the uptake of Insurance sector in Kenya*. Unpublished MBA Project University Nairobi.

Mugenda&Mugenda (2003) *Research Methods.Qualitative and Quantitative Approach* Acts Press.

Muthini 2015*Innovative responses adapted by NIC bank to gain competitive advantage in the local Banking Industry*.Unpublished MBA Project. University Nairobi

Mutugi SM (2006) *Responses of Micro finance Institutions in Kenya to the turbulent business environment.* Unpublished MBA Project University of Nairobi

Nelson RR (2008) *What enables rapid economic Progress*.

Ouma (2007*) The Relationship between value chain in the Insurance Industry in Kenya* – Unpublished University of Nairobi Project.

Pearce J.A & Robinson R.B (2003) *Strategic Management, Formulation Implementation and Central 6th Edition* N.Y Richard/ Irwin MCGraw Hill.

Peter S.T & Waterman R. (1982) in search of excellence Harper Row New York 1982

Porter (1980) *Competive strategy techniques for analysing Industries and Competitors.*The free Press.

Porter M (1985) *Competitive advantage; creating and sustaining superior performance* N.Y USA Free Press.

Quee W.T (1999) *Marketing Research – 3rdedition* Butter &WorthHeineman Oxford

Quinn J. *Managing Innovation Controlled chaos*, Harvard Business Review may – June 1985

Rastogi PN (2008) *Global Competitiveness policies & procedures* Allied Press Bombing India

Rastogi P.N 1990 flexible manufacturing systems ISTE Mysore

Redja (2004) *Principles of Risk Management and Insurance 9th Edition* N.J. Pearson Education Books.

Roberts E (1991) *Entrepreneurs in High Technology*, Oxford University Press

Robert K (2001) *The balance Scorecard, translating into strategy Action*. Havarrd Business School.PressBoston

Shah &Shaminathan (2008) *In analysis of Competitive advantage gained due to Mergers and acquisitions*. A case of British American Investment Company Ltd Doctoral Dissertation (USIUA)

Sodhu H.S (2011) Customers Perceptions towards Service quality of Life Insurance Corporation of India. *A factor Analystic approach research Vol 2 No 18*

Thompson AA & Strickland JJ (1995) *Crafting and implementing Strategy text and reading* – Chicago. Richard Irwin.

Todnem BR (2005) Organizational change management.*A critical review Journal of change management 5 (4) 369 – 380*

Vambulta CM (2012) *Strategic responses of First Assurance Company Ltd to Competitive Environment in the Insurance Industry Kenya.*

Yaari (2009) uncertain lifetime life insurance and theory of the consumer "*Review of Economic Studies Vol 32 PP 137 – 150 Robin & Coulter" (1996)*

Zikmind W.G (2003) *business Research Methods 7th Edition.* USA. Thompson learning South Western Division.

APPENDICES

Appendix I: Introduction Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE 2/11/2016

TO WHOM IT MAY CONCERN

The bearer of this letter ANDREW NJUGUNA MWAURA

Registration No. D61/74886/2014

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.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
15 NOV 2016
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

Appendix II: List of Licensed Insurance Companies in Kenya

1. AAR Insurance Kenya Limited
2. Africa Merchant Assurance Company Limited
3. AIG Kenya Insurance Company Limited
4. APA Insurance Limited
5. APA Life Assurance Limited
6. British American Insurance Limited
7. Cannon Assurance Company Limited
8. CFC Life Assurance Limited
9. CIC General Insurance Limited
10. CIC Life Assurance Limited
11. Continental Reinsurance Limited
12. Corporate Insurance Company
13. Directline Assurance Company Limited
14. East Africa Reinsurance Company Limited
15. Fidelity Shield Insurance Company Limited
16. First Assurance Company
17. GA Insurance Limited
18. GA Life Assurance Limited
19. Gateway Insurance Company
20. Geminia Insurance Company
21. ICEA LION General Insurance Company
22. ICEA LION Life Assurance Company Limited
23. Intra Africa Insurance Company Limited
24. Invesco Assurance Company Limited
25. Kenindia Assurance Company Limited
26. Kenya Orient Insurance Limited
27. Kenya Reinsurance Corporation Limited
28. Madison Insurance Company Limited
29. Mayfair Insurance Company Limited
30. Mercantile Insurance Company Limited

31. Metropolitan Life Insurance Company
32. Occidental Insurance Company Limited
33. Old Mutual Life Insurance Company Limited
34. Pacis Insurance Company Limited
35. Pan Africa Life Assurance Limited
36. Phoenix of East Africa Insurance Company Limited
37. Pioneer Assurance Company Limited
38. Real Insurance Company Limited
39. Resolution Insurance Company Limited
40. Takaful Insurance of Africa Limited
41. Tausi Insurance Company Limited
42. The Heritage Insurance Company Limited
43. The Jubilee Insurance Company Limited
44. The Kenyan Alliance Insurance Company Limited
45. The Monarch Insurance Company Limited
46. Trident Insurance Company Limited
47. UAP Insurance Company
48. UAP Life Assurance Limited
49. Xplico Insurance Company

Appendix III: Questionnaire

TOPIC: STRATEGIC INNOVATIVE RESPONSES ADOPTED BY INSURANCE FIRMS TO ALLEVIATE LOW INSURANCE PENETRATION AND FIRMS PERFORMANCE IN THE LOCAL INDUSTRY

PART A: BACKGROUND INFORMATION

1. Name of respondent ____________________
2. Duration of service in the firm ____________________

   b) Position in the firm ____________________
3. Academic qualifications ____________________

   ____

SECTION B: ORGANIZATIONAL DEMOGRAPHICS

4. Name of insurance firm ____________________
5. Line of insurance business

   General [ ]

   Life [ ]

   Composite [ ]

   Reinsurance [ ]
6. How long has the company been in operation

   Below 5 years [ ]

   6 – 7 years [ ]

   7 – 12 years [ ]

   12 – 20 years [ ]

   Over 21 years [ ]

SECTION C: STRATEGIC & INNOVATIVE RESPONSES

7. What factors have enhanced or accelerated the uptake of insurance

   ____
8. To what extent does your firm have each of the following competitive advantages? Use a 5-Point Scale, where 1= Not at all, 2= Little extent, 3=

Moderate extent, 4= Great extent and 5= Very great extent (Tick in the appropriate column)

Factors influencing competitive advantage	1	2	3	4	5
Being the low provider					
Service offered					
Quality					
Location					
An embedded customer base					
Innovation					
Technology					
Leadership					
Support structures					
Risk					
Total					

9. To what extent does your firm have each of the following competitive advantages? Use a 5-Point Scale, where 1= Not at all, 2= Little extent, 3= Moderate extent, 4= Great extent and 5= Very great extent (Tick in the appropriate column)

Factors influencing competitive advantage	1	2	3	4	5
A cost leader					
Unique product					
Strong research and development capabilities					
Location					
Holding an intellectual right					
Network effect					
Monopoly					

Marketing strategy					
Holding exclusive re-selling or distribution rights					
High Switching costs					
Redefining customer value					

10. Other factors that influence competitive advantages in the firm is not in the list above (Kindly add below).

    a) ____

    b) ____

    c) ____

11. To what extent has the insurance company focused its innovation strategy on the following areas?

Strategies	Extreme extent	Large extent	Moderate extent	Not at all
Technology				
Customer care				
Product				
Human resources				
Marketing				

1. Any other (please specify?)

    ____

    ____

    ____

    ____

12. Rate on how the insurance company has used the following generic competitive strategies to gain the innovative advantage.

Strategies	Extreme extent	Large extent	Moderate extent	Not at all
Differentiation				
Cost leadership				
Market focus/ Niche strategy				

13. Have other firms in the industry implemented these innovative strategies and how successful have they been?

____

____

____

____

14. Please rate on how the innovation strategies adopted have contributed to the firms profitability

Innovation Strategies	Very greatly	Greatly	Moderate	Not at all
Technology				
Quality customer care				
Product differentiation				
Human resource management				
Marketing strategy				