THE EFFECTS OF BLUE OCEAN STRATEGY ON ORGANIZATION PERFORMANCE: A CASE OF LIAISON GROUP INSURANCE BROKERS.

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF KENYATTA UNIVERSITY

DECEMBER, 2013
DECLARATION

I the undersigned, declare that this is my original work and has not been presented in any other university or college for examination purpose.

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

Signature: ___________________________ Date ___________________________
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This research project has been submitted with my approval as the Chairman, Business Administration department, School of Business, Kenyatta University.

Signature: ___________________________ Date ___________________________
Stephen Muathe (PHD, M.A)
DEDICATION

This research project is dedicated to my entire family. You have always been at my side during times of need and your constant encouragements have made me achieve this far.
ACKNOWLEDGEMENT

I am greatly indebted to my supervisor who has not tired from providing the much needed advice, direction and has constantly offered invaluable insights and constructive criticism. I thank the entire staff of the University who in different capacity contributed to the finalization of this project this far. To all of you; I salute you.
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ABSTRACT

In Kenya, over 75% of insurance companies employ red ocean strategies to outperform competitors and acquire many customers in the existing insurance market. Only less than 10% of insurance companies have attempted to implement blue ocean strategy by offering new insurance services in the target market and thus successful implementation of Blue Ocean strategy remains as a major hindrance to the growth and development of insurance industry in the country. The main objective of the research study was to investigate the effects of blue ocean strategy on organization performance in Liaison Group Insurance Brokerage. The study specifically aimed to; establish the effect of strategic leadership in Liaison Group Insurance Brokerage on organization performance; assess the effect of core competencies in Liaison Group Insurance Brokers on organization performance and determine the effect of organizational structure in Liaison Group Insurance Brokers on organization performance. The study population comprised of a total of 180 employees working at Liaison Group Insurance Brokers offices situated in Nairobi. The study adopted a probability sampling design by applying a stratified random sampling technique to select a sample size of 54 respondents. Questionnaires were used as the major data collection instruments and they were self-administered to the respondents in the sample size. A pilot study was undertaken to pretest the questionnaires for validity and reliability. The gathered data was analyzed using descriptive statistics and inferential statistics aided by Statistical Package for Social Scientists (SPSS). The findings were finally presented using tables and charts. The study is of significance to management of insurance brokerage firms, strategic managers and scholars since it will extend the knowledge base on the effects of Blue Ocean Strategy in on organization performance in Insurance firms in Kenya, A case of Liaison Group insurance Brokers. The concept of blue ocean strategy is relatively new to the majority of insurance companies in Kenya and the obtained findings will help to raise awareness among insurance managers unacquainted with the potential applications and benefits of blue ocean strategy in insurance industry. The study found out that absence of strategic leadership amongst the top management staff hampered implementation of blue ocean strategy in the organization and this negatively affected realization of increased organization performance. The study drew conclusions that, the major factors affecting implementation of blue ocean strategy and organization performance includes lack of strategic leadership, weak core competencies and application of poor organizational structure. The study recommendations were; recruitment of top managers with the ability to express strategic vision for the organization, motivate and persuade others to acquire that vision; recruitment of competent and professional trained staff on insurance matters and implementation of an effective organizational structure that support monitoring and coordination of blue ocean strategy implementation activities.
# LIST OF ACRONYMS/ABBREVIATIONS

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<th>Description</th>
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<td>ADC</td>
<td>Agricultural Development Corporation</td>
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<tr>
<td>BOS</td>
<td>Blue Ocean Strategy</td>
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<tr>
<td>SWOT</td>
<td>Strengths Weaknesses Opportunities and Threats</td>
</tr>
<tr>
<td>PEST</td>
<td>Political, Economic, Social, and Technological</td>
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<td>SBU</td>
<td>Strategic Business unit</td>
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## DEFINITION OF OPERATIONAL TERMS

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<td><strong>Blue Ocean strategy:</strong></td>
<td>Is a strategy that advises companies to go to a new market, which interest customers and avoid competition from the existing market.</td>
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<td><strong>Red Ocean:</strong></td>
<td>Represent to all the industries in existence today the known market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known.</td>
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<td><strong>Strategy Formulation:</strong></td>
<td>Refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision.</td>
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<tr>
<td><strong>Strategy Implementation:</strong></td>
<td>Is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives.</td>
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<td><strong>Strategic leadership:</strong></td>
<td>Strategic leadership refers to a manager’s potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision.</td>
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<td><strong>Core competency:</strong></td>
<td>Core competency is a unique skill or technology that creates distinct customer value.</td>
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<tr>
<td><strong>Product innovation:</strong></td>
<td>Product innovation is development of existing products in a way that adds more value to the customers than original products.</td>
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<td><strong>Organizational structure:</strong></td>
<td>Comprises of the activities such as task allocation, coordination and supervision, which are directed towards the achievement of organizational goals and objectives. It’s the viewing point or perspective through which individuals see their organization and its environment.</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Strategy is an action that managers take to attain one or more of the organization’s goals. Strategy can also be defined as a general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process (Cooper, 2009). According to Brandt (2008) a strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives. While planning a strategy it is essential to consider that decisions are not taken in a vacuum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers (Dennis, 2012).

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance (Dennis, 2012). Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as to maximize efficiency, quality, and customer satisfaction—the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees (Füller, 2010).

An organizational control system is also required. This control system equips managers with motivational incentives for employees as well as feedback on employees and organizational performance. Organizational culture refers to the specialized collection of values, attitudes, norms and beliefs shared by organizational members and groups (Dennis, 2012).
1.1.1 Blue Ocean Strategy

Blue Ocean strategy is a strategy that advises companies to go to a new market, which interest customers and avoid competition from the existing market. This strategy makes possible for companies, entrepreneurs to increase their chances of success. In order to maximize the efficiency of the strategy, it is better for companies to initiate it when the business starts. The earlier the firms pursue it, the more profits margin will be. Blue Ocean strategy can help companies to find new market in which they can capture more customers while improving cost structure (Gorrell, 2005).

Kim and Mauborgne (2005) introduced a Blue Ocean Strategy which led corporations create a new market to make competition irrelevant. Blue oceans strategy’s goal is to modify a product/service and establish a new market space by targeting new potential customers. In this market space, the competition will be irrelevant which will give a certain competitive advantage. By applying blue ocean strategy, a firm can get a new chance. Organizations need to enlarge their vision and go out of the red ocean and “swim” in the blue ocean, where the competition is irrelevant (Cooper, 2009).

According to Decker (2010), to create a blue ocean is a necessity for companies who want to move on. Several factors as globalization, technology, innovation, prices, and market shares are facts leading companies to choose their best solution: blue ocean strategy. The strategy is to create a new demand and go in another direction than competition.

Red oceans represent to all the industries in existence today the known market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here companies try to outperform their rivals to grab a greater share of product or service demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities or niche, and cutthroat competition turns the ocean bloody; hence, the term red oceans (Schreier, 2010).
According to Matzler (2009), Blue Oceans, in contrast, denote all the industries not in existence today the unknown market space, untainted by competition. In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set. Blue Ocean is an analogy to describe the wider, deeper potential of market space that is not yet explored (Arakji, 2007).

The high level of competition in insurance industry has influenced many insurance brokerage companies around the world to employ various strategies as an effort to overcome competition and gain a big market share (Dennis, 2012). However, most of the insurance companies have given much emphasis on red ocean strategies where they have succeeded in outperforming their rivals and gaining a competitive edge in the insurance market. Nevertheless, few insurance have succeeded in implementing blue ocean strategy by creating new demand in the uncontested insurance market and gaining higher profit margins. In USA, and Britain, over 40% of insurance companies have succeeded in formulating and implementing blue ocean strategy while in Africa less than 20% of insurance brokerage companies have succeeded in embracing the blue ocean strategy (Schreier, 2010).

1.1.2 Effects of Blue Ocean Strategy on Organization Performance, A case of Liaison Group Insurance Brokers.

According to Cranfield (2013) the proponents of the blue ocean strategy take the view that innovation should create new market space, tap into unsatisfied consumer demand, and find uncontested market space. In this way, competition can become quite irrelevant. Now blue ocean strategy has had a lot of enthusiasts and people like Starbucks and Dell have been cited as examples where company can get into territory that is uncontested and profitable. However, implementation of blue ocean strategy in many companies is hampered by many Determinants of Blue Ocean Strategy and their effects on Organization Performance such as lack of resources, lack of employee motivation and organization political issues.
In Kenya, many insurance brokerage firms have not effectively managed to embrace the concept of blue ocean strategy as a measure to overcome competition threats. According to Robert (2009) lack of effective strategic management practices hinders the success of blue ocean strategy in many insurance brokerage firms. The employed strategic management processes such as environmental scanning and strategy formulation affects development of effective blue ocean strategies such as new product development or innovation of the existing insurance products. According to Dorothy (2009) effects of Blue Ocean Strategy on Organization Performance such as lack of strategic leadership, weak organization core competencies and lack of good organizational structure greatly frustrates efforts aimed at enhancing implementation of blue ocean strategy.

In Kenya, the growth and development of insurance industry is determined by various effects of Blue Ocean Strategy on Organization Performance this impacts negatively on the performance of many insurance companies. There are a total of 43 licensed insurance companies offering similar products in the same target market hence leading to increased level of competition. Most insurance firms rely on red ocean strategy to outperform competitors as many insurance companies have not succeeded in embracing the blue ocean strategy (George, 2008).

Low penetration of insurance in the Kenyan market is influenced by lack of affordable and better insurance products, general lack of a savings culture among Kenyans, low disposable incomes for the majority of the population, with close to 50% of Kenyans living below the poverty line, inadequate tax incentives that could encourage the middle classes to purchase life insurance products, and a perceived credibility crisis of the industry in the eyes of the public particularly with regard to settlement of claims (Dorothy, 2009).

Many insurers are facing mounting skills shortages. Yet, investment in recruitment, training and career development often trails behind other financial sectors. The primary focus can often be short-term demands rather than securing the talent companies need to
meet longer term strategic objectives. Looking ahead, demographic shifts, evolving aspirations and accelerating globalization are set to transform the shape of the labour market and could make it even harder for insurers to attract and retain good people. In this competitive labour market, successful companies will need to develop a strategic approach to HR management capable of anticipating and responding to evolving business needs and workforce expectations (Robert, 2009).

1.1.3 Background on Insurance Brokerage Firms in Kenya

Insurance industry in Kenya is highly fragmented with about forty registered insurance companies writing long and short-term business. In 2003, two leading companies accounted for 20% of the short-term premium income, eight had shares ranging between 3.7% and 6.3%, adding to 37%, while the rest of the companies, controlled 43% of the market. There were twenty-one companies actively writing long-term business. The top five dominated the market with a share of 68% of the gross premium income. The life insurance sector is driven by two main lines of business; ordinary life and superannuation, which includes group life assurance and deposit administration (Olotch, 2012).

By world standards, the Kenya insurance market is very small in terms of premium income. It is however one of the leading markets in Africa occupying the 7th position going by the 2003 statistics published in “Sigma”. It ranks fourth in terms of insurance penetration after South Africa, Mauritius and Zimbabwe with a rate of 3.09%. Life and non-life corresponding rates were 0.81% and 2.28% respectively. In 2003 the market premium was Kshs 27.9 billion (US$ 411 million), which grew to Kshs 32.60 billion (US $ 446.60 million) the following year, with a breakdown of Kshs 9.97 billion and Kshs 22.63 billion for long and short-term business, respectively (Olotch, 2012).

According to a list published by the Commissioner of Insurance, there are over two hundred registered insurance brokers currently operating in the market and one thousand (1000) registered insurance agents. The market also has about two hundred and fifty
(250) registered surveyors, loss adjusters and investigators, in addition to five qualified actuaries working in the industry. Eagle Africa Insurance brokers, Chancery Wright Insurance Brokers Limited, Aon Kenya Insurance Brokers Ltd and Liaison Group insurance brokers are some of the leading insurance brokers in Kenya (Africa-re.com, 2013).

Chancery Wright Insurance Brokers Limited is an Insurance brokerage and consultancy firm established in 1991 with the goal of making insurance services accessible to customers. Since then, Chancery Wright has undergone significant growth with a branch network in Nairobi, Mombasa and a wholly owned subsidiary in Uganda. Chancery Wright is a Kenyan insurance broker with a global reach. It has correspondent reciprocal broking arrangements with several international insurance brokers. The company market share is estimated to be over 12% in Kenya (Chancery Wright Insurance Brokers, 2013).

Aon Kenya (Aon Kenya Insurance Brokers Ltd), a member of Aon Corporation Inc. is a market leader offering insurance broking, risk management, actuarial consulting, medical scheme administration and medical fund management, life and pension administration, and employee benefits consulting services to medium and large organizations. Aon Kenya is the largest brokerage firm in Kenya whose size gives them undue advantage over others to compete on the same footing. Despite the intense competition that exists in the insurance broking sector, Aon has managed to keep top position. The market share of Aon Kenya in the insurance brokerage sector is estimated to be over 14%. The last two years showed significant growth for Aon Kenya, with improved revenues and margins and increased vertical market and product expansion (Miano, 2007).

1.1.4 Liaison Group Insurance Brokers
Liaison Group insurance brokers is a leading insurance brokerage firm engaged in Risk management, insurance broking, human capital benefits, health care management and pension consulting. Since 1981, Liaison has been at the forefront of risk and pension services consulting in Africa. Through a comprehensive suite of service offerings,
Liaison is wholly and exclusively engaged in supporting its clients in building and maintaining robust risk management. The overall management of insurance programmes including underwriter matching and claims administration. The company has got a total of 180 employees in Kenya working in its main departments namely; Risk management, insurance broking, human capital benefits, health care management, pension consulting, marketing, human resource management and finance department (Liaison Group Insurance Brokers, 2013). Its branch network extends to the entire Eastern Africa region namely; Uganda, Tanzania, Rwanda and South Sudan. The study intends to gather data from employees working in these departments in order to establish the effects of Blue Ocean Strategy on organization performance.

1.2 Statement of the Problem

Over 75% of insurance companies employ red ocean strategies to outperform competitors and acquire many customers in the existing insurance market (George, 2008). Only less than 10% of insurance companies have attempted to implement blue ocean strategy by offering new insurance services in the target market and thus successful implementation of Blue Ocean strategy remains as a major hindrance to the growth and development of insurance industry in the country (Martin, 2009). According to Philip (2007) strategic leadership is a key notable problem in many local insurance brokerage firms since many top insurance managers lacks potential to express vision for the organization and fails to create a working environment that allows employs to apply their creative ideas in the execution of organization job task functions. Availability of core competencies in many insurance firms remains as a major challenge as most staff are not professionally trained in insurance matters (Robert, 2009). This leads to new product innovation problems that greatly affect development of products with higher demand in the insurance market (Michael, 2010). During strategy implementation, designing actions plans for guiding strategy implementation process is key problem facing many insurance firms in Kenya (Anderson, 2010).

Despite the role that blue ocean strategy can play in promoting the growth and
development of insurance industry in Kenya, previous studies by past researchers only highlighted strategy implementation problems and hence have not fully addressed the issue of offering a practical solution on how insurance firms should succeed in implementing the blue ocean strategy. This has left a major knowledge gap on how insurance companies should embrace a blue ocean strategy. The study therefore intended to address the effects of blue ocean strategy on organization performance with a specific reference to Liaison Group insurance Brokers.

1.3 Objectives of the Study

1.3.1 General Objective
The main objective of the research study was to investigate the effects of blue ocean on organization performance, a case of Liaison Group Insurance Brokers.

1.3.2 Specific Objectives
The study specifically aimed to achieve the following objectives

1. To establish the effect of strategic leadership on the blue ocean strategy in Liaison Group Insurance Brokers and its effect on organization performance.
2. To assess the effect of core competencies on the blue ocean strategy in Liaison Group Insurance Brokers and their effect on organization performance.
3. To determine the effect of organizational structure on the blue ocean strategy in Liaison Group Insurance Brokers and its effect on organization performance.

1.4 Research Questions
This study aimed to answer the following pertinent questions emerging within the domain of the problem statement;

1. Does strategic leadership affect the blue ocean strategy in Liaison Group Insurance Brokerage and organization performance?
2. Do core competencies affect the blue ocean strategy in Liaison Group Insurance Brokerage and organization performance?
3. Does organizational structure affect the blue ocean strategy in Liaison Group Insurance Brokerage and their effect on organization performance?
1.5 Significance of the Study

This research is of significance to management of insurance brokerage firms as it will extend the knowledge base on the effects of Blue Ocean Strategy on Organization Performance with reference to Liaison Group Insurance Brokers. The concept of blue ocean strategy is relatively new to the majority of insurance companies in Kenya and the obtained findings will help to raise awareness among insurance managers unacquainted with the potential applications and benefits of blue ocean strategy in insurance industry. The obtained findings will help Liaison company management to formulate and implement new product and marketing policies that will lead to realization of increased revenue. The study is of great significance to strategic managers at Liaison Group Insurance Brokers since the obtained findings will help managers to understand the major problems impeding implementation of blue ocean strategy in the organization.

The study recommendations will provide a guiding framework on steps to be followed during implementation of Blue Ocean strategy. The study is of great significance to other scholars since it will contribute to new body of knowledge on the effects of Blue Ocean Strategy on Organization Performance in insurance firms in Kenya. Future scholars will find the study material important in their studies since they will have a ready source of literature review. The study findings will help scholars and researchers to understand the concept of blue ocean strategy and this will assist as a guiding framework in developing various policies related with marketing of insurance products. The study report will act as reference and stimulate the interest among academicians and this will encourage further researches on the effects of Blue Ocean Strategy on Organization Performance in insurance industry.

1.6 Scope of the Study

The study will be undertaken at the Liaison Group Insurance Brokers head offices situated in Nairobi. The study population will comprise of the 180 staff working at Liaison Group Insurance Brokers offices. These will include 40 management staff, 60 middle level management staff and 80 lower management staff. The study will narrow it
research undertakings in gathering data on the major effects of Blue Ocean Strategy in on Organization’s Performance in reference to Liaison Group Insurance Brokers.

1.7 Limitations of the Study

A major limitation experienced cases of non-cooperative respondents. This led lead to some of the respondents not filling or completing the questions or some issues being misunderstood, inadequate responses to questionnaires and unexpected occurrences like respondents going on leave before completing the questionnaire. This was mitigated through constant reminder to the respondents during the period they were having the questionnaire. Descriptive research is flexible in that it requires the initial study (the tools and administration of tools) to remain unchanged throughout data collection (Mugenda and Mugenda, 2003).

The use of questionnaire as the main data collection instrument was key limitation. In order to assure manageability of the collected data, the study only used a survey questionnaire that relied on self-report responses. However, the problem with using such questionnaire is that it was based on the assumption that participants would respond to the questions in an honest and accurate manner. Nevertheless, it is not always the case that participants answer in an honest manner. This is because participants often gave answers that they believe to be desirable (Donald & Grant-Vallone, 2002).

1.8 Assumptions of the Study

In undertaking the research study, it was assumed that the major effects of Blue Ocean strategy on Organization’s Performance. Includes; strategic leadership, core competencies and organization’s structure.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter explores the existing literature on the effects of Blue Ocean Strategy on Organization Performance in reference to Liaison Group Insurance Brokers. The chapter reviews theoretical literature, empirical literature on determinants of blue ocean strategy and organization performance. The chapter also explains the conceptual framework and discusses the research gaps.

2.2 Theoretical Literature
This section reviews relevant theories in relationship to the effects of blue ocean strategy and organization performance.

2.2.1 Resource Based Theory
According to Resource Based Theory resources are inputs into a firm's production process; can be classified into three categories as; physical capital, human capital and organizational capital (Crook, 2008). A capability is a capacity for a set of resources to perform a stretch task of an activity. Each organization is a collection of unique resources and capabilities that provides the basis for its strategy and the primary source of its returns. In the 21st-century hyper-competitive landscape, a firm is a collection of evolving capabilities that is managed dynamically in pursuit of above-average returns (Sherry, 2005). Thus, differences in firm's performances across time are driven primarily by their unique resources and capabilities rather than by an industry's structural characteristics (Crook, 2008). The study will use this theory to establish the capacity of the organization to meet the resources for facilitating effective implementation of blue ocean strategy.

2.2.2 Competency-Based Theory
Competency-Based Theory defines competencies as behavioral skills combined with technical knowledge and skills that will serve as indicators of success in a position. A
competency is an underlying characteristic of an individual that is causally related to a criterion-referenced effective and/or superior performance in a job situation (Griffith, 2005). Developing a competent work force requires decades. Performance management Systems are typically based on personal competencies that distinguish high from average performance for successful managers. These personal competencies are derived from values and core competencies of the organization (Marquardt, 2009).

Competency-based variables are those which involve achievement orientation, customer service orientation, analytical and learning capability, and teamwork and cooperation. Competencies can also be considered as a yardstick for monitoring and evaluating individual/organizational performance and improving their competitiveness. Firms utilize competence to reach set goals, regardless of whether it is reduced costs or competitive advantage. Additionally, the results of the study are in line with, which emphasizes the need to have the map for all achievement received that could enhance both the employees and organizational performance. Furthermore, report that organizations use core competency based systems are referred to as visionary or high performance organizations (Chiem, 2008).

2.3 Empirical Literature
This section discusses past studies on blue ocean strategy, strategic leadership, core competencies and organizational structure.

2.3.1 Blue ocean strategy
The key aim of blue ocean strategy is to create value innovation driving costs down while simultaneously driving value up for buyers. Value innovation is the cornerstone of blue ocean strategy. Value innovation is achievable only when a company’s utility, price and cost structures are properly aligned. This whole system approach makes the creation of blue oceans sustainable because it integrates all the firm’s functional and operational activities (Bonn, 2008).
Most corporate strategy has its roots in military strategy. Therefore, chief executive “officers” sitting in the corporate “headquarters” think about what their customer-facing people at the “front lines” are doing. Warfare has always been centered on confronting an opponent and fighting over a given piece of land. In this type of scenario, winning market share is everything. This is classical red ocean thinking (Ericsson, 2009).

In today’s business environment, however, there are some very unique the effects of Blue Ocean on Organization Performance. Industrial productivity has been enhanced by technology in all industries, meaning supply exceeds demand right across virtually all market segments. As trade barriers fall and globalization takes firmer hold, niche markets with high pricing are becoming extinct. Worldwide demand for many products is falling in sync with falling populations in many developed markets (Goldman, 2010).

As a result, profit margins are shrinking, price wars are becoming more frequent and there has been accelerated commoditization of many products. To avoid having to compete aggressively for share of existing markets (red oceans), more and more companies are going to attempt to create new market space that is uncontested (blue oceans) and therefore potentially highly profitable (Ellen, 2012).

According to Filho (2009) Examples of some highly successful blue ocean strategies include; Apple Computer capturing a 60% share of the digital music industry with its i-Pod digital music player and iTunes digital music store. Ford introducing the Model T in 1908 at half the price of existing automobiles. CNN introducing real-time news that is playing 24/7 in 1980. Cirque du Soleil introducing a new touring show in 1984 that is part-circus and part-entertainment, and in less than 20-years achieving a level of revenue that took traditional circus companies more than one hundred years to achieve. Japanese automakers introducing small, fuel-efficient cars to the U.S. marketplace in the 1970s. Dell Computer Corporation applying a direct sales made-to-order business model to the personal computer industry in the mid-1990s.
The launch of the twenty-four-screen Megaplex in the United States in 1995 by American Multi-Cinema Inc. By offering superior seating, better sight and impressive sound capabilities, the Megaplex brought people back to the movie theater at a time when VCRs and home theaters were believed to reign supreme (Whittington, 2009).

All blue oceans moves succeed because they are focused more on value innovation and less on beating an established competitor. Value innovation is a simple concept to understand: Value innovation occurs whenever companies align innovation with utility, price and cost benefits for customers. Companies that achieve value innovation pursue differentiation and low cost simultaneously. It means to grow the market significantly by converting noncustomers into customers. The key to achieving this is to offer customers features and elements which have never before been available at an affordable price. Over time, as economies of scale come into effect, costs will then be reduced still further (Hughes, 2010).

Blue Ocean Strategy” (BOS) framework comprises of a set of tools developed by Kim and Mauborgne by ex post studying over 150 cases, from 30 industries, the result of which was published most extensively in the book “Blue Ocean Strategy” in 2004 (Kim and Mauborgne, 2004). This work was quickly picked up by a wide audience, considering its selection as the “Wall Street Journal Bestseller” and “BusinessWeek Bestseller” 2007. The two authors hold the 5th position of the 2009 “Thinkers 50”-list. Reputable companies as Coca-Cola, Deloitte, Procter & Gamble, and HP are using the BOS to search and to investigate new business areas. So far publications on the BOS-framework were backward-looking, with the disadvantage of ex-post interpretations, instead of recognizing market opportunities ex ante. Is the BOS-framework strong enough to show ex ante new, uncontested market opportunities in the highly competitive environment (Emiel, 2012).

In brief, Kim and Mauborgne (2007) simplified the world by classifying or labeling businesses as either in the Red Ocean or the Blue Ocean. The Red Ocean implicates
strong competition and low or declining profits, because markets are densely populated and saturated. All market-niches and spaces seem to have been taken already (Hughes, 2010). The opposite is the Blue Ocean, “all the industries not in existence today” (Kim and Mauborgne, 2004), where markets are not well developed, industry boundaries are not given, and hence competition is absent or weak. Here, high growth rates may be expected. An example is the de facto creation of the European no frills/low budget airline-market by following the effective Blue Ocean-strategy by Southwest Airlines in the USA. The BOS is not about blind spots or misperceptions in an industry, but about recognizing and realizing the untapped potential of new market spaces, making competition irrelevant (Morrison, 2008).

2.3.2 Strategic leadership and blue ocean strategy

Strategic leadership basically means using strategy in the management of workers. The main strategy usually employed is to motivate workers to take the initiative to improve their productive input into the company. Strategy involves thinking and planning, while leadership inspires others to take the appropriate action. This management model trains and encourages employees to best prepare the company for the future (Ericsson, 2009). Leaders who are strategic are always looking ahead and analyzing the present in terms of preparation for what may come for the business. Awareness is a big part of this leadership style, but it must be followed up with well thought out action. Strategic leaders are adaptable and growth-oriented. They take responsibility for getting things done by training employees to think and act more effectively to achieve the best result possible for the company (Goldman, 2010). Productivity is a main goal of strategic leadership. It's not about merely increasing the amount of work done, however, but strategic productivity or working harder for reasons best for the company. Although the strategic style of leadership always keeps the best interests of the business in mind, it's also appreciative of employees' unique talents and efforts (Bonn, 2008).

Strategic leadership provides the vision and direction for the growth and success of an organization. To successfully deal with change, all executives need the skills and tools
for both strategy formulation and implementation. Managing change and ambiguity requires strategic leaders who not only provide a sense of direction, but who can also build ownership and alignment within their workgroups to implement change. Leaders face the continuing challenge of how they can meet the expectations of those who placed them there (Bonn, 2008). Addressing these expectations usually takes the form of strategic decisions and actions. For a strategy to succeed, the leader must be able to adjust it as conditions require. But leaders cannot learn enough, fast enough, and do enough on their own to effectively adapt the strategy and then define, shape and execute the organizational response. If leaders are to win they must rely on the prepared minds of employees throughout the organization to understand the strategic intent and then both carry out the current strategy and adapt it in real time. The challenge is not only producing a winning strategy at a point in time but getting employees smart enough and motivated enough to execute the strategy and change it as conditions change. This requires the leader to focus as much on the process used to develop the strategy, the human dimension, as the content of the strategy the analytical dimension (Ericsson, 2009).

There is a growing recognition that the most important problems in strategic management are not related to strategy formulation, but rather strategy implementation. Putting the strategy into effect and getting the organization moving in the direction of strategy accomplishment is a critical phase of strategic management process (Hughes, 2010). This is the strategy implementation stage. It is a process by which strategies and policies are put into action through development of programs, budgets, and procedures. Leadership and specifically strategic leadership has been identified as one of the key drivers of effective strategy implementation. The leadership's role is all important because its agenda for action and conclusion about how hard or fast to push for change are decisive in shaping the character of the implementation and moving the process along. Strategic leadership is the ability to influence a group towards the achievement of goals, and successful strategy implementation thus depends upon the leadership skills of working through others, organizing, motivating, culture building, establishing strategic controls,
and creating strong fits between strategy and how the organization does things to ultimately achieve organizational goals (Chepkirui, 2012).

A study by Chepkirui (2012) on the role played by strategic leadership in strategy implementation at the Agricultural Development Corporation (ADC) found out that strategic leadership plays a very critical role in the effective implementation of strategy at the corporation. Its role stirs commitment among people within the organization to embrace change and implement strategies intended to achieve the strategic vision. Strategic leadership role in strategy implementation include determination of strategic direction, building an organization, shaping effective organizational culture, effective management of organization's resource portfolio, enforcement of ethical compliance, communicating strategy, development of short-term objectives and operational plans as well as establishment of balanced organizational controls, to mention a few. The recommendations made by this study will be valuable to the organization under study, the government, scholars, academicians, and any other organization or individual who may want to use the information obtained from the study.

2.3.3 Core competencies and blue ocean strategy
Core competencies can be defined as the unique combination of the resources and experiences of a particular firm. It takes time to build these core competencies and they are difficult to imitate. Critical to sustaining these core competencies makes their durability and life span is longer than individual product or technology life-cycles, as are the life spans of resources used to generate them, including people. In transparency, it is difficult for competitors to imitate these competencies quickly. Immobility these capabilities and resources are difficult to transfer (Tovstiga, 2010).

Capability-based strategies are based on the notion that internal resources and core competencies derived from distinctive capabilities provide the strategy platform that underlies a firm's long-term profitability. Evaluation of these capabilities begins with a company capability profile, which examines a company's strengths and weaknesses in four key areas: managerial, marketing, financial and technical (Porter, 2008).
Then a Strengths Weakness Opportunities and Threats (SWOT) analysis is carried out to determine whether the company has the strengths necessary to deal with the specific forces in the external environment. This analysis enables managers to identify: external threats and opportunities, and distinct competencies that can ward off the threats and compensate for weaknesses (Porter, 2008).

The picture identified by the SWOT analysis helps to suggest which type of strategy, or strategic thrust the firm should use to gain competitive advantage. Schulman (2007) identified four principles that serve as guidelines to achieving capability-based competition: Corporate strategy does not depend on products or markets but on business processes. Key strategic processes are needed to consistently provide superior value to the customer. Investment is made in capability, not functions or SBUs. The Chief executive officer (CEO) must champion the capability-based strategy (Tovstiga, 2010).

Capability-based strategies, sometimes referred to as the resource-based view of the firm, are determined by those internal resources and capabilities that provide the platform for the firm's strategy and those resources and capabilities that are the primary source of profit for the firm. A key management function is to identify what resource gaps need to be filled in order to maintain a competitive edge where these capabilities are required (Porter, 2008).

Building an organization capable of good strategy execution entails three types of organization-building actions: staffing the organization, assembling a talented, can-do management team, and recruiting and retaining employees with the needed experience, technical skills, and intellectual capital, building core competencies and competitive capabilities that will enable good strategy execution and updating them as strategy and external conditions change, and structuring the organization and work effort, organizing value chain activities and business processes and deciding how much decision-making authority to push down to lower-level managers and frontline employees (Thomas, 2007).
Building core competencies and competitive capabilities is a time-consuming, managerially challenging exercise that involves three stages: developing the ability to do something, however imperfectly or inefficiently, by selecting people with the requisite skills and experience, upgrading or expanding individual abilities as needed, and then molding the efforts and work products of individuals into a collaborative group effort; coordinating group efforts to learn how to perform the activity consistently well and at an acceptable cost, thereby transforming the ability into a tried-and-true competence or capability; and continuing to polish and refine the organization's know-how and otherwise sharpen performance such that it becomes better than rivals at performing the activity, thus raising the core competence (or capability) to the rank of a distinctive competence (or competitively superior capability) and opening an avenue to competitive advantage. Many companies manage to get through stages 1 and 2 in performing a strategy-critical activity but comparatively few achieve sufficient proficiency in performing strategy-critical activities to qualify for the third stage. (Mcgraw, 2013).

Strong core competencies and competitive capabilities are an important avenue for securing a competitive edge over rivals in situations where it is relatively easy for rivals to copy smart strategies. Anytime rivals can readily duplicate successful strategy features, making it difficult or impossible to out strategize rivals and beat them in the marketplace with a superior strategy, the chief way to achieve lasting competitive advantage is to out execute them (beat them by performing certain value chain activities in superior fashion). Building core competencies and competitive capabilities that are difficult or costly for rivals to emulate and that push a company closer to true operating excellence is one of the best and most reliable ways to achieve a durable competitive edge (Schein, 2008).

Structuring the organization and organizing the work effort in a strategy-supportive fashion has five aspects: deciding which value chain activities to perform internally and
which ones to outsource; making internally performed strategy-critical activities the main building blocks in the organization structure; deciding how much authority to centralize at the top and how much to delegate to down-the-line managers and employees; providing for internal cross-unit coordination and collaboration to build and strengthen internal competencies/capabilities; and providing for the necessary collaboration and coordination with suppliers and strategic allies (Mcgraw, 2013).

2.3.4 Organizational structure

Organizational structure refers to the outcome of the combination of all the ways in that work can be divided into various tasks, the coordination of which must subsequently be ensured (Claver-Cortés et al., 2007). Rowland (2008) in his research on the relationship between organizational structure and function of knowledge transfer process call the structure as a relationship flow.

Wang and Ahmed (2009) believe that for the structure of knowledge-based organizations it must be created in higher levels of structural dimensions. This level includes trust-based relationship, externally-oriented interactive relationship, emotionally-inclusive relationship. They stressed the importance of interaction and fluidity as a structural requirements needed for effective knowledge management. Hence, they believe that the position of knowledge-based structures is distinct, apart from the mechanical or organic structures. In traditional structures too many organizational layers and very high chain of commands (decisions are made at the top of the chain of command and transferred to lower levels). This kind of communication/decision making can significantly slow organizational processes, which can be very detrimental to the organization (Rowland and Syed, 2008).

Lord and Ranft (2009) argue that these structures prevent the knowledge transfer among different parts of organization and cause limited access to the accumulated knowledge by other division of the corporation and thus the employees needs cannot be satisfied
Rowland (2008) believe that effective communication from top to bottom and from bottom to top could improve the company's ability to benefit from their current knowledge.

Most studies examine organizational structure from a traditional viewpoint, with centralization and formalization as the two critical structural dimensions (Tata & Prasad, 2008). Centralization refers to a hierarchical level that has the authority to make a decision within an organization. Formalization refers to written documentation, rules, and procedures in the organization that affect the communication of knowledge (Smith, 2009). Centralization is generally considered to hinder interdepartmental communication; frequent sharing of ideas, and knowledge application, to the contrary, decentralization is a structural factor that aids the sharing of knowledge through an emphasizing of empowerment and information sharing with other employees (Hurley, 2005).

According to Lord and Ranft (2009) there are two opposing views regarding the relationship of formalization and knowledge application in a firm. Formalized structures can be less flexible, prohibiting the acquisition and utilization of knowledge. The absence of a formal structure tends to allow organization members to communicate and interact with one another to create knowledge. Conversely, formalization systemizes information collection and dissemination, and helps to identify storage of strategic issues. Rigid structures are argued to encourage behaviors in which organizational units are rewarded for hoarding information (Claver-Cortés et al., 2007).

Smith and Schurink (2005) suggests that an organisation’s knowledge base should be seen as a valuable asset and managed accordingly, influencing organisational structures and affecting organizational change and development. This requires different approaches, as well as structural, paradigm and behavioral changes in people and the organization where each business unit should take ownership of the knowledge in their midst and optimally manage it to improve performance. The work environment needs to be...
restructured and reorganized to ease access to and link employees with one another to provide for knowledge sharing (Tata & Prasad, 2008).

2.3 Summary and Gaps to be filled by the Study

The literature review of the study indicated that different researchers have made numerous attempts to explain blue ocean strategy in various industrial sectors but there lacks a specific study on the effects of Blue Ocean Strategy on Organization Performance in insurance brokerage firms in Kenya. This has hence led to development of major knowledge gap on the effect of strategic leadership, core competencies and organization structure on blue ocean strategy implementation. This study therefore aims to fill the missing gap by narrowing its research undertakings on the effects of Blue Ocean Strategy on organization performance, a case of Liaison Group insurance Brokers.
2.4 Conceptual Framework

The conceptual framework is used to show the relationship between the research variables. In this study the independent variables are; strategic leadership, core competencies and organization structure. The dependent variable is organization performance.

The constructs on the relationship between the research variables are presented in figure 2.1

Source: Author (2013)

Fig 2.1 Conceptual Framework
2.4.1 Strategic Leadership
Strategic leadership refers to a manager’s potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision. Strategic leadership can also be defined as utilizing strategy in the management of employees. It is the potential to influence organizational members and to execute organizational change (Cooper, 2009). Strategic leaders create organizational structure, allocate resources and express strategic vision. Strategic leadership requires the potential to foresee and comprehend the work environment. It requires objectivity and potential to look at the broader picture. Strategic leaders encourage the employees in an organization to follow their own ideas. Strategic leaders make greater use of reward and incentive system for encouraging productive and quality employees to show much better performance for their organization (Füller, 2010). Lack of strategic leaders in many insurance firms discourages team work, lowers the level of employee motivation and affects development of ideas that could lead to introduction of new products in the market hence affecting of Blue Ocean strategy.

2.4.2 Core Competencies
Core competency is a unique skill or technology that creates distinct customer value. The organizational unique capabilities are mainly personified in the collective knowledge of people as well as the organizational system that influences the way the employees interact. As an organization grows, develops and adjusts to the new environment, so do its core competencies also adjust and change. Thus, core competencies are flexible and developing with time (Schreier, 2010). Core competencies do not remain rigid and fixed. Core competencies help in creating and developing products. Core competencies decide the future of the organization. Core competencies give way to innovations since using core competencies, new technologies can be developed and new insurance products can be designed (Matzler, 2009). Most insurance firm’s lacks professional trained insurance staff and this weakens the organization core competencies. The organization human resources thus lack capacity to effectively impellent blue ocean strategy.
2.4.3 Organizational Structure

Armstrong M (2002) defines an organization structure as a framework for getting things done. It consists of units, functions, divisions, departments and formally constituted work teams into which activities related to particular processes, projects, products, markets, geographical areas or professional discipline are grouped together. The type and nature of organizational structure determines how authority flows in the organization and how employees are allocated various job task functions. Weak and ineffective organizational structures affects allocation of strategy implementation job task functions and effective monitoring of the employees. Strategy implementation functions are thus poorly executed and this hampers successful implementation of blue ocean strategy and realization of increased organization performance.

2.4.4 Insurance Regulatory Framework

The Insurance Regulatory Authority (IRA) is the body that regulates the running and proper functioning of insurance firms in Kenya. To ensure that the industry reaps the benefits from a globally competitive financial services sector, the sector has to remain efficient, flexible and responsive to emerging trends like effective in addressing identified problem and efficient in maximizing benefits to the economy.

Regulations used for the insurance industry in Kenya include the Insurance Act Cap 487 and its accompanying Schedules and Regulations. Circulars and Guidelines are normally issued by the Commissioner of Insurance/Chief Executive Officer of IRA detailing provisions that insurance/re-insurance companies and intermediaries need to comply with. These rules are issued with an expectation of compliance that is done through surveillance and inspections.

In this study, the Insurance regulatory framework is our intervening variable; however it was not used further in the study.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter explains the methodology to be applied in order to execute the study. The chapter covers the research design, target population, sampling procedure, data sources and instruments, data collection procedure and highlights the data analysis and presentation methods and ethical standards.

3.2 Research design
The study applied a descriptive research design. According to Sekeran (2003), descriptive research design is a non-experimental in that it deals with the relationships between non-manipulated variables in a natural rather than laboratory setting. Since the events or conditions have already occurred, the researcher selects the relevant variables for an analysis of their relationships. Descriptive design also involves hypothesis formulation and testing and uses the logical methods of inductive-deductive reasoning to arrive at generalizations of findings. Descriptive design also employs methods of randomization so that error may be estimated when inferring population characteristics from observations of samples and the variables and procedures are described (Cooper and Schindler, 2003). The study considered this design appropriate since it supported application of stratified random sampling technique to obtain information from few respondents in order to have a general view of the effects of Blue Ocean Strategy on Organization Performance in insurance brokerage companies in Kenya in reference to Liaison Group Insurance Brokers.

3.3 Study Population
Morris (2001) defines population as the total collection of elements about which the study make some inferences. The study population comprised of a total of 180 employees
working at Liaison Group Insurance Brokers headquarter offices situated in Nairobi. The organization structure and strategic location in Nairobi made it suitable to gather reliable and accurate information on the effects of Blue Ocean Strategy on Organization in Kenya with specific reference to Liaison Group Insurance Brokers. The study targeted 180 staff since they are the ones mostly involved in the execution strategic management practices and thus stands high chances of providing the study with reliable information on strategy implementation (Liaison HRM, 2012). The list containing the number of employees was obtained from the organization Human Resource department and it formed the basis of the sampling frame for the study. The study population was thus divided into three categories as shown in Table 3.1.

### 3.3.1 Study Site

The study site was Liaison Group Insurance Brokers headquarter offices situated in Nairobi.

<table>
<thead>
<tr>
<th>Department</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td>40</td>
</tr>
<tr>
<td>Middle level management</td>
<td>60</td>
</tr>
<tr>
<td>Lower management</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>180</strong></td>
</tr>
</tbody>
</table>

Source: Liaison HRM (2013)

### 3.4 Sampling and Sampling Procedure

Sampling is the practice concerned with the selection of individual observations intended to yield some knowledge about a population of concern especially for the purpose of statistical inference (Mugenda 2003). The sample size is a representative of the target population. The study adopted a probability sampling design by applying a stratified random sampling technique to select a sample size of 54 respondents. Stratified random sampling is the process of selecting a sample in such a way that identified subgroups in the population are represented in the sample in the same proportion as they exist in the population (Patton, 2002), while a simple random sample is one in which each and every member of the population has an equal and independent chance of being selected as
respondents (Mugenda and Mugenda, 2003).

Stratified random sampling technique was deemed appropriate since the researcher does not know the population sample and therefore just chose the respondents at random (Mugenda and Mugenda, 2003). Stratified sampling was used to group the respondents in the study population into three subgroups or strata’s namely; top management, middle level management and lower management and random sampling was then be used to pick 30% of the respondents from each population subgroup. This is in tandem with Mugenda and Mugenda (2003) that a sample size that is 30% of the study population facilitates gathering of adequate data that can be generalized to reflect the opinion of the entire population on the study problem. The sample size and selection criterion is presented in Table 3.2.

**Table 3.2 Sample Size**

<table>
<thead>
<tr>
<th>Department</th>
<th>Population</th>
<th>Sample Ratio</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td>40</td>
<td>0.3</td>
<td>12</td>
</tr>
<tr>
<td>Middle level management</td>
<td>60</td>
<td>0.3</td>
<td>18</td>
</tr>
<tr>
<td>Lower management</td>
<td>80</td>
<td>0.3</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>180</strong></td>
<td><strong>0.3</strong></td>
<td><strong>54</strong></td>
</tr>
</tbody>
</table>

Source; Liaison HRM (2012).

### 3.5 Research Instruments

The study main source of data was from the Liaison Group Insurance staff that formed the study respondents. The main data collection instruments were the questionnaires containing both open ended and close ended questions with the quantitative section of the instrument utilizing a Likert-type scale format. The Likert-type format was selected because according to Kiess & Bloomquist (2009), this format yields equal-interval data, a fact that allows for the use of more powerful statistical statistics to test research variables. Questionnaires were preferred since according to Kothari (2006) the information obtained from questionnaires is free from bias and researchers influence and thus accurate and valid data was gathered.
A pilot study was undertaken to pretest data collection instruments for validity and reliability. According to Sekeran (2003), a pilot study is necessary for testing the validity and reliability of data collection instruments. Joppe (2000) explains reliability of research as determining whether the research truly measures that which it was intended to measure or how truthful the research results are. Pilot study is thus conducted to detect weakness in design and instrumentation and to provide accurate data for selection of a sample (Cooper & Schindler, 2003).

3.5.1 Piloting

3.5.1.1 Validity

To establish the validity of the data collection instruments, the research instruments will be given to 5 research consultants. The research consultants were expected to tick if the item in the questionnaires addresses the effects of blue ocean strategy on organization performance, a case of Liaison Group Insurance Brokerage. The content of the responses given by the research consultants was checked against the study objectives and rated using a scale of 1(very relevant) to 4 (not very relevant). The Content Validity Index was used to determine the validity by adding up all the items rated using a scale of 3 and 4 by the research consultants and dividing the total sum by the total number of items in the questionnaires. A context of validity coefficient index of 0.75 was obtained and this was in tandem with Joppe, (2000) that a coefficient of at least 0.70 is acceptable as a valid research and thus the research instruments were considered to be valid for the study.

3.5.1.2 Reliability

To measure the reliability of the data collection instruments an internal consistency technique Cronbach's alpha was computed using SPSS. The pilot study involved issuing of the questionnaires to five respondents in a different insurance firm. The data obtained from these respondents was analyzed using SPSS Cronbach's alpha. According to Zinbarg (2005), cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability. An alpha coefficient higher than 0.75 indicates that the gathered data has a relatively high internal consistency and could be generalized to reflect
opinions of all respondents in the target population (Joppe, 2000). Data reliability played an important role towards generalization of the gathered data to reflect the true characteristics of the effects of blue ocean strategy on organization performance, a case of Liaison Group on Insurance Brokerage.

3.6 Data Collection Procedures

The study collected primary data which was the actual information that was obtained for the purpose of the research study. Primary data was gathered through the use of questioning method in form of a semi structured questionnaire (open and close ended questions). The questionnaires were self-administered to a total of 54 respondents and later picked for data analysis.

3.7 Ethical Standards

To comply with all research ethical standards, permission to conduct the study obtained from the Liaison Group insurance brokers head offices where the researcher presented an authority letter from the University detailing the academic purpose and intention of the study. The researcher sought appointments with the respondents and upon their consent; he will proceeded to issue questionnaires for data collection. The researcher upheld moral obligation to treat the information with utmost propriety due to sensitivity of the information to be collected. Since some of the respondents were reluctant to disclose some information, the researcher reassured the respondent’s high level of confidentiality of the information given.

3.8 Data Analysis and Presentation

Since the study generated both quantitative and qualitative data. Descriptive statistics data analysis method was applied. Data obtained from the questionnaires was processed through editing and coding and then entered into a computer for analysis using descriptive statistics with the help of Statistical Package for Social Sciences version 17, which offers extensive data handling capabilities and numerous statistical analysis procedures that analyses small to very large data statistics (Bell, 2007). Descriptive
statistics helped to compute measures of central tendencies and measures of variability (Bell, 2007). Descriptive analyses are important since they provide the foundation upon which correlational and experimental studies emerge; they also provide clues regarding the issues that should be focused on leading to further studies (Mugenda and Mugenda, 2008). Further inferential statistics was done using regression analysis to establish the relationship between the research variables. The findings were presented using tables and charts. Qualitative data drawn from open-ended question in the questionnaire was analyzed through summarising the set of observations drawn from the respondents. Common set of observation were assigned numerical value and entered into the SPSS computer system.

**3.9 Expected Output**

The study was expected to generate descriptive data that demonstrating respondent’s opinion on the effects of Blue Ocean Strategy on Organization Performance in Kenya in reference to Liaison Group Insurance Brokers. The study findings showed the effects of blue ocean strategy, namely, strategic leadership, core competencies and Organizational structure.
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction
This chapter describes the processes, techniques and procedures applied to analyze, present and interpret data gathered using the questionnaires. The chapter explains descriptive statistics data analysis methods that helped compute response percentages, means scores and standard deviation on effects of Blue Ocean on organization performance, a case of Liaison Group Insurance Brokers. The analyzed results are presented in cross tabulation tables and figures.

4.2 Response Rate
To establish the actual number of the respondents who submitted back the questionnaires for data analysis, analysis of the response rate was conducted as shown in Table 4.1. Table 4.1 thus presents that the response rate was 89.74% of the total sample size and the non response was 11%. The response of 89% facilitated towards gathering sufficient data that was generalized to reflect the opinions of respondents on effects of Blue Ocean on organization performance, a case of Liaison Group Insurance Brokers. This was in tandem with Mugenda and Mugenda (2008) that a response rate above 50%, 70% and 80% of the total sample size contributes towards gathering of sufficient data that could be generalized to represent the opinions of respondents in the target population on the study problem.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>48</td>
<td>89</td>
</tr>
<tr>
<td>Non Response</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100</td>
</tr>
</tbody>
</table>
4.3 Pilot Test Results

4.3.1 Validity

To establish the validity of the data collection instruments, the research instruments were given to 5 strategic managers in different insurance companies. The strategic managers were expected to rate the relevance to which the items in the questionnaires addressed the effects of blue ocean on organization performance. The content of the responses given by the strategic managers was checked against the study objectives and rated using a scale of 1(very relevant) to 4 (not very relevant). The Content Validity Index was used to determine the validity by adding up all the items rated using a scale of 3 and 4 by the strategic managers and dividing the total sum by the total number of items in the questionnaires. A content of validity coefficient index of 0.75 was obtained and this was in tandem with Joppe, (2000) that a coefficient of at least 0.70 is acceptable as a valid research and thus the research instrument were considered to be valid for the study.

4.3.2 Reliability Analysis

To measure the reliability of the data collection instruments an internal consistency technique Cronbach's alpha was computed using SPSS. The pilot study involved questionnaires from 15 respondents in different insurance companies. The data obtained from these respondents was analyzed using SPSS Cronbach's alpha. According to Zinbarg, (2005) Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability. The table 4.2 indicates that the obtained data was reliable since data obtained from all independent variables had a value of 0.860 to 0.932 and this was above 0.75 satisfying Zinbarg (2005) that an alpha coefficient higher than 0.75 indicates that the gathered data had relatively high internal consistency and could be generalized to reflect opinions of all respondents in the target population on effects of blue ocean on organization performance, a case of Liaison Group Insurance Brokers.
Table 4.2  Reliability Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach's Alpha Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>x1</td>
<td>.928</td>
</tr>
<tr>
<td>x2</td>
<td>.860</td>
</tr>
<tr>
<td>x3</td>
<td>.932</td>
</tr>
</tbody>
</table>

4.4 Personal Information

On personal information the response was as follows’;

4.4.1 Age

Figure 4.1 depicts that majority (44%) of the respondents were in the age category of 31-40 years, 21% were in the age category of 45-50 years, 19% were in the age category of 18-30 years and 17% were in the age category of above 51 years.

![Figure 4.1 Age](image)

4.4.1 Highest Education Level

The study sought to establish the highest education level held by the respondents in order to ascertain if they were equipped with relevant knowledge and skills on blue ocean
strategy. From the study findings as indicated in figure 4.2, majority (52%) of the respondents were university graduates followed by 33% who indicated to have college diploma education level and 15% who had secondary education level and additional professional education qualifications like Certified Public Accountants and Certified Financial Analysis (CFA), Chartered institute of Marketing (CIMA) and insurance certification professions. This concurred with Joppe (2000) that during research process, respondents with technical knowledge on the study problem assists in gathering reliable and accurate data on the problem under investigation. This demonstrated that most of the organization employees were qualified professionals with technical knowledge and skills on the study problem and thus provided the study with reliable information on the effects of Blue Ocean on organization performance, a case of Liaison Group Insurance Brokers.

![Figure 4.2 Highest Education Level](image-url)

**Figure 4.2 Highest Education Level**
4.4.2 Working Experience

The study further found out it was important to determine how long the respondents had been working in insurance industry. This was to ascertain to what extent their responses could be relied upon to make conclusions for the study, based on their working experience. From the study findings as indicated in Figure 4.3, majority (42%) of the respondents had a working experience of 6-10 years, 25% had a working experience of 11-15 years, 19% of the respondents had a working experience of less than 5 years and finally 15% of the respondents had a working experience of 16 years and above. This was in tandem with findings by Braxton (2008) that respondents with a high working experience assist in providing reliable data on the problem in hand since they have technical experience on the problem being investigated by the study. This indicates that 50% of the respondents had worked in the insurance industry for a long time and thus understood technical issues on the effects of Blue Ocean on organization performance, a case of Liaison Group Insurance Brokers.

![Working Experience](image)

**Figure 4.3  Working Experience**
4.5 Effect of Strategic Leadership on the Blue Ocean Strategy in Liaison Group Insurance Brokers and Its Effect on Organization Performance

4.5.1 Extent to Which Strategic Leadership Factors Affect Blue Ocean Strategy and the Organization Performance

The study sought to establish the extent to which strategic leadership factors affected implementation of blue ocean strategy in Liaison Group Insurance Brokers and organization performance. By using a scale of 1 to 5; (1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent), respondents were requested to rate the extent to which strategic leadership factors affect blue ocean strategy and the organization performance.

From the findings in table 4.3 majority (46%) of the respondents indicated that to a large extent management potential to express a strategic vision for the organization affects blue ocean strategy and organization performance, 40% to a very large extent, 8% to a small extent and 6% to moderate extent. Majority (56%) of the respondents indicated that the nature of the employed leadership styles affects blue ocean strategy and organization performance to a large extent, 29% to a very large extent and 15% to a moderate extent.

Majority (44%) of the respondents indicated that to a large extent proper allocation of duties and responsibilities affects blue ocean strategy and organization performance, 40% to a very large extent, 8% to a moderate extent and 4% to a small extent. Majority (44%) of the respondents also indicated that to a large extent lack of understanding of the nature of work environment affects blue ocean strategy and organization performance, 40% to a very large extent, 10% to a moderate extent and 6% to a small extent.

Majority (67%) of the respondents expressed that to a large extent lack of team work affects blue ocean strategy and organization performance, 23% to a very large extent, 10% to a moderate extent. Majority (52%) of the respondents further indicated that to a large extent low level of employee motivation affects blue ocean strategy and
organization performance, 31% to a very large extent, 13% to a moderate extent and 4% to a small extent. Majority (46%) of the respondents finally indicated that to a large extent lack of development of new ideas affects blue ocean strategy and organization performance, 42% to a very large extent, 6% to a moderate extent and 6% to a small extent.

Table 4.3 further depicts that all the strategic leadership factors had mean score of between 4.104 to 4.229 and this demonstrates that to a large extent management potential to express a strategic vision for the organization; the nature of the employed leadership styles affects; proper allocation of duties and responsibilities; lack of understanding of the nature of work environment; lack of team work; low level of employee motivation and lack of development of new ideas affects blue ocean strategy and organization performance. These findings echoed findings by Chang (2009) that effective implementation of blue ocean strategy and realization of increased firm’s performance is determined by management capability to express a strategic vision for the organization; the nature of the employed leadership styles; proper job description and allocation of duties; proper understanding of the nature of work environment; working in teams and development of new ideas affects blue ocean strategy and performance of many insurance firms.

Finally table 4.5 presents that all the standard deviation of all the strategic leadership factors was between .5696 and1.0156. This implies that respondents rated all the strategic leadership factors in the same way and there were no many respondents with different views on the extent to which strategic leadership factors affects blue ocean strategy and organization performance. Standard deviation describes how much variation or diversity there is in a distribution. Standard deviation increase or decrease based on how closely the scores cluster around the mean. Standard deviation provides an indication of how far the individual responses to a question vary or deviate from the mean. It tells the researcher how spread out the responses are from the mean, and explains if the
respondents’ responses are concentrated around the mean, or scattered far & wide (Kothari, 2006). If the standard deviation and variance are each greater than 1 it means that the respondents had divergent views and if they are each less than 1, then this means that the respondents had similar opinions on the issues concerned (Dempsey, 2003).

For each of the strategic leadership factors the standard deviation was less than 1 and this was a clear indication that respondents rated the strategic leadership factors in the same way. These findings collate with literature review where Phillip (2011) used a questionnaire to survey the role of blue ocean strategy on performance of Malaysian insurance. The study findings showed that issues such as management potential to express a strategic vision for the organization; application of effective leadership styles; understanding of the work environment; team work; employee motivation and development of new influenced successful implementation of blue ocean strategy and realization of increased organization performance.

Table 4.3 Strategic Leadership Factors Percentage, Mean and Standard Deviation Results

<table>
<thead>
<tr>
<th>Strategic Leadership Factors</th>
<th>N</th>
<th>1- Not at all</th>
<th>2- Small extent</th>
<th>3- Moderate Extent</th>
<th>4- Large extent</th>
<th>5- Very Large extent</th>
<th>Mean</th>
<th>Std deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Management potential to express a strategic vision for the organization affects blue ocean strategy and organization performance</td>
<td>48</td>
<td>-</td>
<td>8</td>
<td>6</td>
<td>46</td>
<td>40</td>
<td>4.167</td>
<td>.8832</td>
</tr>
<tr>
<td>2) The nature of the employed leadership styles affects blue ocean strategy and organization performance</td>
<td>48</td>
<td>-</td>
<td>-</td>
<td>15</td>
<td>56</td>
<td>29</td>
<td>4.145</td>
<td>.6519</td>
</tr>
<tr>
<td>3) Proper allocation of duties and responsibilities affects blue ocean strategy and organization performance</td>
<td>48</td>
<td>4</td>
<td>4</td>
<td>8</td>
<td>44</td>
<td>40</td>
<td>4.104</td>
<td>1.0156</td>
</tr>
</tbody>
</table>
4) Lack of understanding of the nature of work environment affects blue ocean strategy and organization performance

5) Lack of team work affects blue ocean strategy and organization performance

6) Low level of employee motivation affects blue ocean strategy and organization performance

7) Lack of development of new ideas affects blue ocean strategy and organization performance

<table>
<thead>
<tr>
<th></th>
<th>Factor Description</th>
<th>N</th>
<th>Mean</th>
<th>Std Dev</th>
<th>Median</th>
<th>Mode</th>
<th>Range</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Lack of understanding of the nature of work environment affects blue ocean strategy and organization performance</td>
<td>48</td>
<td>4.166</td>
<td>.8588</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Lack of team work affects blue ocean strategy and organization performance</td>
<td>48</td>
<td>4.125</td>
<td>.5696</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Low level of employee motivation affects blue ocean strategy and organization performance</td>
<td>48</td>
<td>4.104</td>
<td>.7784</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Lack of development of new ideas affects blue ocean strategy and organization performance</td>
<td>48</td>
<td>4.229</td>
<td>.8312</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.5 Effect of Competencies on the Blue Ocean Strategy in Liaison Group Insurance Brokers and Its Effect on Organization Performance

4.5.1 Extent to Which Strategic Competencies Factors Affect Blue Ocean Strategy and the Organization Performance

In determining the extent to which core competencies factors affected blue ocean strategy and the organization performance, Table 4.4 below depicts that all the core competencies factors had a mean score of 4.21, 4.166, 4.167, 4.229 and 4.270 respectively. This therefore implies that majority of respondents indicated that all the core competencies factors affected implementation of blue ocean strategy and organization performance to a large extent. This is depicted by 48% of the respondents who indicated that the level of information technology application affects blue ocean strategy and organization performance to a very large extent, 38% to a large extent, 10% to a moderate extent and 4% to a small extent.

Similarly, 50% of the respondents indicated that lack of effective human resource development practices hinders improvement of the organization core competencies and this negatively affects blue ocean strategy and organization performance to a large extent, 35% to a very large extent, 10% to a moderate extent and 4% to a small extent. 48% of
the respondents indicated that lack of allocation of enough financial resources affects blue ocean strategy and organization performance to a very large extent, 29% to a large extent, 15% to a moderate extent and 5% to a small extent.

Further, 40% of the respondents indicated that lack of Talent management practices affects blue ocean strategy and organization performance to a large extent, 40% to a very large extent, 8% to a moderate extent and 4% to a small extent. Finally, 56% of the respondents indicated that lack of Talent management practices affects blue ocean strategy and organization performance to a large extent, 35% to a very large extent and 8% to a moderate extent. These findings were in line with findings by Arthur (2009) that core competencies factors that influences implementation of blue ocean strategy in insurance firms and realization of increased organization performance includes the level of information technology application, use of effective human resource development practices, allocation of enough financial resources and implementation of talent management practices and hiring of professional trained insurance staff.

Table 4.4 also shows that the standard deviation of all the core competencies factors was between .6098 and .9749 and this implied that majority of the respondents rated the core competency factors in the same way only few respondents expressed different opinions. According to Joppe (2000) a standard deviation greater than 1 means that the respondents had different opinions and a standard deviation less than 1 means that the respondents gave similar opinions on the questions asked in the study. The study therefore deduced that the level of information technology application, effective human resource development practices, lack of allocation of enough financial resources, lack of talent management practices and lack of professional trained insurance staff affects implementation of blue ocean strategy and organization performance.
Table 4.4 Competencies Factors Percentage, Mean and Standard Deviation Results

<table>
<thead>
<tr>
<th>Core competencies factors</th>
<th>1-Not at all</th>
<th>2-Small extent</th>
<th>3-Moderate Extent</th>
<th>4-Large extent</th>
<th>5-Very Large extent</th>
<th>Mean</th>
<th>Std deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) The level of information technology application affects blue ocean strategy and organization performance</td>
<td>-</td>
<td>4</td>
<td>10</td>
<td>38</td>
<td>48</td>
<td>4.291</td>
<td>.8240</td>
</tr>
<tr>
<td>2) Lack of effective human resource development practices hinders improvement of the organization core competencies and this negatively affects blue ocean strategy and organization performance</td>
<td>-</td>
<td>4</td>
<td>10</td>
<td>50</td>
<td>35</td>
<td>4.166</td>
<td>.7809</td>
</tr>
<tr>
<td>3) Lack of allocation of enough financial resources affects blue ocean strategy and organization performance</td>
<td>-</td>
<td>8</td>
<td>15</td>
<td>29</td>
<td>48</td>
<td>4.167</td>
<td>.9749</td>
</tr>
<tr>
<td>4) Lack of Talent management practices affects blue ocean strategy and organization performance</td>
<td>-</td>
<td>4</td>
<td>8</td>
<td>48</td>
<td>40</td>
<td>4.229</td>
<td>.7784</td>
</tr>
<tr>
<td>5) Lack of Professional trained insurance staff affects blue ocean strategy and organization performance</td>
<td>-</td>
<td>-</td>
<td>8</td>
<td>56</td>
<td>35</td>
<td>4.270</td>
<td>.6098</td>
</tr>
</tbody>
</table>
4.6 Effect of Organizational Structure on the Blue Ocean Strategy in Liaison Group Insurance Brokers and Its Effect on Organization Performance

4.6.1 Extent to Which Organizational Structure Factors Affect Blue Ocean Strategy and the Organization Performance

The study sought to establish the extent to which organizational structure factors affected implementation of blue ocean strategy in Liaison Group Insurance Brokers and organization performance. By using a scale of 1 to 5; (1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent), respondents were requested to rate the extent to which organizational structure factors affect blue ocean strategy and the organization performance.

From the findings in table 4.5, majority (50%) of the respondents indicated that to a large extent lack of effective organizational structure affects monitoring and coordination of blue ocean strategy implementation activities and this affects organization performance. On the same factor, 36% indicated to a very large extent, 8% to a moderate extent and 6% to a small extent. Majority (52%) of the respondents indicated that to a large extent organizational structure that does not support teamwork and delegation of duties affects blue ocean strategy and organization performance. On the same factor, 29% indicated to a very large extent, 13% to a moderate extent and 6% to a small extent.

Further, majority (44%) of the respondents indicated that to a large extent application of rigid organisation structure hinders knowledge sharing amongst the staff and this affects blue ocean strategy and organization performance. On the same factor, 40% indicated to a very large extent, 10% to a moderate extent and 6% to a small extent. Finally, majority (46%) of the respondents indicated that to a large extent organization culture affects blue ocean strategy and organization performance. On the same factor, 33% indicated to a very large extent, 15% to a moderate extent and 6% to a small extent. Table 4.5 also shows that all the organizational structure factors recorded a mean score of 4.167 and 4.041 and this implies that all the organizational structure factors affects implementation
of blue ocean strategy and the organization performance. These findings echoed finding by Thomas (2007) that successive implementation of blue ocean strategy and improvement of organization performance is hindered by use of ineffective organizational structure that does not support monitoring and coordination of blue ocean strategy implementation activities, lack of team work and use of rigid organisation structure that hinders knowledge sharing amongst the staff.

Finally, table 4.5 shows the standard deviation results of all the organizational structure factors was less than 1. This demonstrates that all the respondents rated the organizational structure factors in the same way and there were no many respondents with divergent views on the extent to which organizational structure factors affect blue ocean strategy and the organization performance. This concurred with polit (2004) that standard deviation that is less than 1 is a clear indication that the respondents gave similar responses on the issues investigated by the study. The study therefore alluded; lack of effective organizational structure affects monitoring and coordination of blue ocean strategy implementation activities; use of organizational structure that does not support teamwork and delegation of duties; application of rigid organisation structure that hinders knowledge sharing amongst staff affects implementation of blue ocean strategy and the organization performance.

Table 4.5 Organizational Structure Factors Percentage, Mean and Standard Deviation Results

<table>
<thead>
<tr>
<th>Organizational Structure Factors</th>
<th>1-Not at all</th>
<th>2-Small extent</th>
<th>3-Moderate Extent</th>
<th>4-Large extent</th>
<th>5-Very Large extent</th>
<th>Mean</th>
<th>Std deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Lack of effective organizational structure affects monitoring and coordination of blue ocean strategy implementation activities and this affects</td>
<td>-</td>
<td>6</td>
<td>8</td>
<td>50</td>
<td>36</td>
<td>4.145</td>
<td>.8248</td>
</tr>
</tbody>
</table>
2) Organizational structure that does not support teamwork and delegation of duties affects blue ocean strategy and organization performance

3) Application of rigid organisation structure hinders knowledge sharing amongst the staff and this affects blue ocean strategy and organization performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Performance</th>
<th>Strategic leadership</th>
<th>Core competencies</th>
<th>Organizational structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.956**</td>
<td>.870**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Strategic leaders</td>
<td>Pearson Correlation</td>
<td>.956**</td>
<td>1</td>
<td>.910**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

4.7 Correlation Analysis

Pearson correlation was carried out to determine how the research variables related to each other. Pearson's correlation reflects the degree of linear relationship between two variables. It ranges from +1 to -1. A correlation of +1 means that there is a perfect positive linear relationship between variables (Sekaran, 2003). As presented in Table 4.6 all the independent variables had a strong positive correlation with organization performance (p-values < 0.01).
The table 4.6 demonstrates that strategic leadership had strong positive correlation with implementation of blue ocean strategy in Liaison Group Insurance Brokers and organization performance \((r = 0.956)\). This correlation was found to be statistically significant at 95.6% significance level \((p\text{-value} = 0.000)\). Core competencies had strong positive correlation with implementation of blue ocean strategy in Liaison Group Insurance Brokers and organization performance \((r = 0.870)\). This correlation was found to be statistically significant at 87% significance level \((p\text{-value} = 0.000)\). Organizational structure had strong positive correlation with implementation of blue ocean strategy in Liaison Group Insurance Brokers and organization performance \((r = 0.913)\). This correlation was found to be statistically significant at 91.3% significance level \((p\text{-value} = 0.000)\). The strong correlation indicates that effective implementation of Blue Ocean strategy and organization performance is greatly affected by strategic leadership, core competencies and organizational structure.

### 4.8 Regression Analysis Independent Variables

In this subsection, multiple regression analysis was used to determine whether independent variables strategic leadership \((X_1)\), core competencies \((X_2)\) and organizational structure \((X_3)\) simultaneously affects the dependent variable \((Y)\) organization performance. As a result, the subsection examines whether the multiple regression equation can be used to explain the effects of Blue Ocean on organization performance.
The model used for the regression analysis was expressed in the general form as given below:

\[ Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \hat{\epsilon} \]

For this model, organization performance was used as the dependent variable (Y) and independent variables included X1, X2 and X3. The relationships between the dependent variable and independent variables, and the results of testing significance of the model were also respectively interpreted. In interpreting the results of multiple regression analysis, the three major elements considered were: the coefficient of multiple determinations, the standard error of estimate and the regression coefficients. R squared was used to check how well the model fitted the data. R squared is the proportion of variation in the dependent variable explained by the regression model (Sekaran, 2003). These elements and the results of multiple regression analysis were presented and interpreted accordingly in table 4.7.

As can be observed in table 4.7 the value of R-squared is .914 which is close to 100 and this implies that the regression model can be used to explain effects of Blue Ocean on organization performance. This concurred with Mugenda and Mugenda (2003) that R-squared is always between 0 and 100%: 0% indicates that the model explains none of the variability of the response data around its mean and 100% indicates that the model explains all the variability of the response data around its mean. In general, the higher the R-squared, the better the model fits the data. Table 4.7 presents the model of the effects of Blue Ocean on organization performance with the coefficient of determination R2 = 0.914 and R = 0.956 at 0.05 a significant level. The coefficient of determination indicates that 95.6% of the variation on implementation of blue ocean strategy and organization performance can be explained by strategic leadership (X1), core competencies (X2) and organizational structure (X3). The remaining 5.4% of the variation on implementation of blue ocean strategy and organization performances affected by other variables not included in the model. This shows that the model has a good fit since the value is above 75%. 

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Table 4.7 Regression Model on Effects of Blue Ocean on Organization Performance.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.956a</td>
<td>.914</td>
<td>.908</td>
<td>.14830</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), x1, x2, x3

The study further used one way Analysis of Variance (ANOVA) in order to test the significance of the overall regression model. Green & Salkind (2003) posits that one way Analysis of Variance helps in determining the significant relationship between the research variables. Table 4.8 hence shows the regression and residual (or error) sums of squares. The variance of the residuals (or errors) is the value of the mean square which is 3.427. From the table 4.8 the predictors X1, X2 and X3 represent the independent variables, notably; strategic leadership (X1), core competencies (X2) and organizational structure (X3) as the major factors affecting implementation of blue ocean strategy and organization performance. As can be observed in the table 4.8 of the Analysis of Variance (ANOVA) for regression coefficients. The results demonstrate the significance of the F statistics is 0.00 which is less than 0.05. This therefore implies that there is a significant relationship between strategic leadership (X1), core competencies (X2) organizational structure (X3) and organization performance.

Table 4.8 also reports the summary ANOVA and F statistic which reveals the value of F (155.833) being significant at 0.00 confidence level. The value of F is large enough to conclude that the set of independent variables; strategic leadership (X1), core competencies (X2) and organizational structure (X3) are the major factors affecting implementation of blue ocean strategy and organization performance. The table 4.8 further provides the data to compute R2 which is SS-regression divided by SS-Total =R2. SS-regression/SS-Total 10.282/11.250=.914.
### Table 4.8 Summary of the Analysis of Variance on Effects of Blue Ocean on Organization Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>10.282</td>
<td>3</td>
<td>3.427</td>
<td>155.833</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>.968</td>
<td>44</td>
<td>.022</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>11.250</td>
<td>47</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), x1, x2, x3
b. Dependent Variable: y

Table 4.9 presents the results of the test of beta coefficients which indicates that the significant relationship between strategic leadership (X1), core competencies (X2) organizational structure (X3) and organization performance is positive. The coefficient significance of strategic leadership (X1) is .968, core competencies (X2) is .531 and organizational structure (X3) is .449 which are significantly greater than zero since the significance of the t statistics 0.00 is less than 0.05.

### Table 4.9 Coefficients of Effects of Blue Ocean on Organization Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.161</td>
<td>.203</td>
<td>.795</td>
</tr>
<tr>
<td></td>
<td>x1</td>
<td>.968</td>
<td>.151</td>
<td>.956</td>
</tr>
<tr>
<td></td>
<td>x2</td>
<td>531</td>
<td>.153</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>x3</td>
<td>449</td>
<td>.210</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: y

* 1% level of confidence  
**95% level of confidence

From the regression findings, the equation is:
Y = 0.161 + 0.968X_1 + 0.531X_2 + 0.449X_3.

The data findings hence shows that a unit change in strategic leadership will lead to a 0.968 change in organizational performance in an organization; a unit change in core competencies will lead to a 0.531 change in organizational performance in an organization; a unit change in organizational structure will lead to a 0.449 change in organizational performance in an organization.

At 1% and 95% level of confidence strategic leadership (X1), core competencies and (X2) organizational structure (X3) was 0.00 which was less than 0.05. This implies that strategic leadership, core competencies and organization structure affects organization performance since the significance values are less than 0.05, the coefficients were significant.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter gives a summary of the major findings on effects of Blue Ocean on organization performance, a case of Liaison Group Insurance Brokers. The chapter draws the study conclusions, discusses major recommendations and highlights suggestions for further studies.

5.2 Summary of Findings
The study investigated the effects of Blue Ocean on organization performance using a case of Liaison Group Insurance Brokers in Kenya. The study found out that successful implementation of blue ocean strategy had a positive impact on organization performance but effective implementation of blue ocean strategy was negatively hampered by lack of strategic leadership, weak core competencies and use of ineffective organizational structure.

5.2.1 Strategic Leadership
The study found out that absence of strategic leadership amongst the top management staff hampered implementation of blue ocean strategy in the organization and this negatively affected realization of increased organization performance. The study identified that lack of strategic leadership created unsupportive environment for the implementation of blue ocean strategy since there lacked effective organizational structure, proper allocation of organization resources and top managers lacked to express strategic vision of the organization. The top management lacked potential to foresee and comprehend the work environment and failed to encourage the employees in an organization to follow their own ideas. The study noted that the major strategic leadership factors that affected implementation of blue ocean strategy and realization of increased organization performance included; management potential to express a strategic vision for the organization; the nature of the employed leadership styles affects; proper
allocation of duties and responsibilities; lack of understanding of the nature of work environment; lack of team work; low level of employee motivation and lack of development of new ideas affects blue ocean strategy and organization performance. These findings were in agreement with findings by Chang (2009) that effective implementation of blue ocean strategy and realization of increased firm’s performance is determined by management capability to express a strategic vision for the organization; the nature of the employed leadership styles; proper job description and allocation of duties; proper understanding of the nature of work environment; working in teams and development of new ideas affects blue ocean strategy and performance of many insurance firms. The study therefore alluded that issues such as management potential to express a strategic vision for the organization; application of effective leadership styles; understanding of the work environment; team work; employee motivation and development of new ideas influenced successful implementation of blue ocean strategy and realization of increased organization performance.

5.2.2 Core Competencies

Successful implementation of Blue Ocean strategy was found to be dependent on the nature and characteristics of the organization core competencies on the blue ocean strategy in Liaison Group Insurance Brokers and their effect on organization performance. Core competencies are unique skills or technology that creates distinct customer value. The organization was found to lack more unique capabilities interims of employee’s knowledge and this hampered development of new ideas, innovation and new product development hence making it difficult for the organization to introduce new products in the market. The study revealed that the key notable core competencies factors that affected implementation of blue ocean strategy and organization performance included; the level of information technology application, use of effective human resource development practices, allocation of enough financial resources and implementation of talent management practices and hiring of professional trained insurance staff. These findings were in line with findings by Arthur (2009) that core competencies factors that influences implementation of blue ocean strategy in insurance
firms and realization of increased organization performance includes; the level of information technology application, use of effective human resource development practices, allocation of enough financial resources and implementation of talent management practices and hiring of professional trained insurance staff. The study therefore deduced that the level of information technology application, effective human resource development practices, lack of allocation of enough financial resources, lack of talent management practices and lack of professional trained insurance staff affects implementation of blue ocean strategy and organization performance.

5.2.3 Organizational Structure

Organizational structure was found to play an important role in facilitating successful implementation of blue ocean strategy and realization of increased organization performance. The study established that the major organizational structure issues that affected implementation of blue ocean strategy and organization performance included; use of rigid organizational structure which affected monitoring and coordination of blue ocean strategy implementation activities and sharing of knowledge amongst the organization staff and use of organizational structure that does not support teamwork and delegation of duties. These findings echoed finding by Thomas (2007) that successive implementation of blue ocean strategy and improvement of organization performance is hindered by use of ineffective organizational structure that does not support monitoring and coordination of blue ocean strategy implementation activities, lack of team work and use of rigid organisation structure that hinders knowledge sharing amongst the staff. The study therefore alluded; lack of effective organizational structure affects monitoring and coordination of blue ocean strategy implementation activities; use of organizational structure that does not support teamwork and delegation of duties; application of rigid organisation structure that hinders knowledge sharing amongst staff affects implementation of blue ocean strategy and the organization performance.
5.3 Conclusion

The main objective of the research study was to investigate the effects of Blue Ocean on organization performance with specific reference to Liaison Group Insurance Brokers. Based on the analyzed findings, the study drew conclusions that, the major factors affecting implementation of blue ocean strategy and organization performance includes strategic leadership, core competencies and organizational structure.

Strategic leadership affects implementation of the blue ocean strategy and realization of increased organization performance in Liaison Group Insurance Brokers. Strategic leadership entails a manager’s potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision. Lack of strategic leaders in the organization hinders management ability to create strategic vision of the organization, discourages team work, lowers the level of employee motivation and affects development of ideas that could lead to introduction of new products in the market and this hampers implementation of Blue Ocean strategy and realization of increased organizational performance. To effectively employ strategic leadership in order to support implementation of blue ocean strategy in the organization, top managers should be in position to express a strategic vision for the organization; employ effective leadership styles; understand the work environment; encourage team work; motive employees and encourage development of new ideas.

The nature and characteristics of the organization core competencies determines the ability of the organization to effectively implement blue ocean strategy and realize increased organization performance. Core competencies are the set of the organization unique skills that makes the organization to have a unique customer value in the target market. Core competencies give way to innovations since using core competencies, new technologies can be developed and new insurance products can be designed. Lack of professional trained insurance staff weakens the organization core competencies and this affects effective implementation of blue ocean strategy and realization of increased organization performance. The organization management can improve on core
competencies by increasing the level of information technology application, application of effective human resource development practices, allocation of enough financial resources, and use of talent management practices and recruitment of professional trained insurance staff. These will greatly support effective implementation of blue ocean strategy and realization of increased organization performance.

Organizational structure determines how the organization management functions are executed and monitored by the top management staff. Organization structure consists of units, functions, divisions, departments and formally constituted work teams into which activities related to implementation of blue ocean strategy are grouped together. The type and nature of organizational structure determines how authority flows in the organization and how employees are allocated various job task functions. Weak and ineffective organizational structures affects allocation of strategy implementation job task functions and effective monitoring of the employees. Strategy implementation functions are thus poorly executed and this hampers successful implementation of blue ocean strategy and realization of increased organization performance. To effectively support implementation of blue ocean strategy the organization management should apply an organizational structure that support teamwork and delegation of duties and apply flexible organisational structure that support knowledge sharing amongst staff.

5.4 Recommendations

To enhance effective management of the effects of blue ocean strategy and realization of increased organization performance, the study gave the following recommendations;

5.4.1 Strategic Leadership

To help in the application of strategic leadership in the organization, the organization should recruit top managers with the ability to express strategic vision for the organization, motivate and persuade others to acquire that vision. The managers should have the potential to influence organizational staff to accept organizational change. Top managers should be in a position to employ flexible organizational structure, have
potential to effectively allocate organizational resources to all organization departments and have potential to foresee and comprehend the work environment. Managers should also employ effective leadership style like participative leadership style, encourage teamwork, and employ knowledge management practices, encourage innovation and new product development activities. These will influence successful implementation of blue ocean strategy and realization of increased organization performance.

5.4.2 Core Competencies
To improve on organization core competencies in order to support successful implementation of blue ocean strategy and realization of increased organization performance. The organization management should recruit competent and professional trained staff on insurance matters, teamwork should be encouraged and innovation should be highly encouraged in order to assist in development of new insurance product. The organization management should also increase on the level of information technology application, employ effective human resource development practices, allocate enough financial resources and employ talent management practices.

5.4.3 Organizational Structure
To improve on organizational structure in order to support successful implementation of blue ocean strategy and realization of increased organization performance. The organization management should implement an effective organizational structure that support monitoring and coordination of blue ocean strategy implementation activities; use of organizational structure that supports teamwork and delegation of duties and apply flexible organisational structure that supports knowledge sharing amongst staff. The organization management should also reduce the management risk by incorporating Blue Ocean implementation into organization’s ongoing processes. Make providing great customer experiences as the main business. Teach employees to think out of the box all the time and make sure that they are empowered to improve the processes. Make problem solving a team effort that every employee want to participate in.
5.5 Suggestions for Further Studies

The study investigated the effects of Blue Ocean on organization performance using a case of Liaison Group Insurance Brokers. The study specifically drew emphasis on strategic leadership, core competencies and organizational structure. This limited the scope of the study as only three variables were included and data was gathered in one insurance brokerage firm. Further studies are therefore encouraged to help in exploring other effects of blue ocean strategy that affect the performance of insurance brokerage firms. Further studies would help in determining if the investigated effects of Blue Ocean strategy also affect the performance of other insurance brokerage firms in Kenya.
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http://erepository.uonbi.ac.ke/handle/123456789/13306


APPENDIX I: INTRODUCTION LETTER

THE RESPONDENTS,
LIAISON GROUP I.B LTD,
P.O BOX 58013-00200,
NAIROBI - KENYA.

Dear Sirs,

REF: COLLECTION OF DATA

I’m a student at Kenyatta University pursuing a Master of Business Administration in Strategic Management. I’m currently undertaking a research project on “The effects of Blue Ocean Strategy on Organization Performance A Case of Liaison Group Insurance Brokers.” which is a requirement for the award of the degree. I’m therefore seeking your assistance in filling the questionnaire attached.

All the information given will be held confidentially and will only be used for educational purposes.

Thank you and I look forward to your assistance.

Yours faithfully,

JULIUS KITHEKA
APPENDIX II: RESEARCH QUESTIONNAIRE

Instructions (tick where appropriate)

SECTION I

Background information

Fill in the provided spaces

1. Age:
   - ☐ 18-30 yrs
   - ☐ 31-40 yrs
   - ☐ 41-50 yrs
   - ☐ Above 51 yrs

2. Education level
   - ☐ Primary level
   - ☐ Secondary level
   - ☐ College level
   - ☐ University level
   - ☐ Other specify……………………

3. Working experience
   - ☐ Less than 5 years
   - ☐ 6-10 years
   - ☐ 11-15 YEARS
   - ☐ 15 Years and above
SECTION II

Strategic Leadership

(i) By using a scale of 1 to 5; (1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent), rate the extent to which the following strategic leadership factors affect blue ocean strategy and the organization performance.

<table>
<thead>
<tr>
<th>Strategic Leadership factors</th>
<th>1-Not at all</th>
<th>2-Small extent</th>
<th>3-Moderate Extent</th>
<th>4-Large extent</th>
<th>5-Very Large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>8) Management potential to express a strategic vision for the organization affects blue ocean strategy and organization performance</td>
<td></td>
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<tr>
<td>9) The nature of the employed leadership styles affects blue ocean strategy and organization performance</td>
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<tr>
<td>10) Proper allocation of duties and responsibilities affects blue ocean strategy and organization performance</td>
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<td>11) Lack of understanding of the nature of work environment affects blue ocean strategy and organization performance</td>
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<tr>
<td>12) Lack of team work affects blue ocean strategy and organization performance</td>
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<tr>
<td>13) Low level of employee motivation affects blue ocean strategy and organization performance</td>
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<td>14) Lack of development of new ideas affects blue ocean strategy and organization performance</td>
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</table>

(ii) Suggest how the organization management should apply strategic leadership in order to support blue ocean strategy and help in improvement of the level of organization performance?

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SECTION III

Core Competencies

(i) By using a scale of 1 to 5; (1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent), rate the extent to which the following core competencies factors affect blue ocean strategy and the organization performance.

<table>
<thead>
<tr>
<th>Core competencies issues</th>
<th>1-Not at all</th>
<th>2-Small extent</th>
<th>3- Moderate Extent</th>
<th>4- Large extent</th>
<th>5-Very Large extent</th>
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</thead>
<tbody>
<tr>
<td>6) The level of information technology application affects blue ocean strategy and organization performance</td>
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<td>7) Lack of effective human resource development practices hinders improvement of the organization core competencies and this negatively affects blue ocean strategy and organization performance</td>
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<td>8) Lack of allocation of enough financial resources affects blue ocean strategy and organization performance</td>
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<tr>
<td>9) Lack of Talent management practices affects blue ocean strategy and organization performance</td>
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<tr>
<td>10) Lack of Professional trained insurance staff affects blue ocean strategy and organization performance</td>
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</tbody>
</table>

(ii) Suggest how the organization management should improve on core competencies in order to support blue ocean strategy and help in improvement of the level of organization performance?

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SECTION IV

Organizational Structure

(i) By using a scale of 1 to 5; (1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent), rate the extent to which the following organizational structures affect blue ocean strategy and the organization performance.

<table>
<thead>
<tr>
<th>Organizational Structure</th>
<th>1-Not at all</th>
<th>2-Small extent</th>
<th>3-Moderate Extent</th>
<th>4-Large extent</th>
<th>5-Very Large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5) Lack of effective organizational structure affects monitoring and coordination of blue ocean strategy implementation activities and this affects organization performance</td>
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<td></td>
<td></td>
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<tr>
<td>6) Organizational structure that does not support teamwork and delegation of duties affects blue ocean strategy and organization performance</td>
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<tr>
<td>7) Application of rigid organisation structure hinders knowledge sharing amongst the staff and this affects blue ocean strategy and organization performance</td>
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<tr>
<td>8) Organization culture affects blue ocean strategy and organization performance</td>
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</tbody>
</table>

(ii) Suggest how the organization management should improve on organizational structure in order to support blue ocean strategy and help in improvement of the level of organization performance?

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# APPENDIX III: RESEARCH PLAN

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>✓ Development of Concept Paper</td>
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<tr>
<td>✓ Proposal writing Proposal Presentation</td>
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<td>✓</td>
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<tr>
<td>✓ Correction</td>
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<tr>
<td>✓ Data collection</td>
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<tr>
<td>✓ Data Analysis</td>
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<td>✓</td>
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<tr>
<td>✓ Report writing</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>✓ Writing of the research report</td>
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<td></td>
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<td>✓</td>
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<tr>
<td>✓ Presentation of the project</td>
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<td>✓</td>
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<tr>
<td>✓ Corrections</td>
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<tr>
<td>✓ Submitting the research project report</td>
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<td>✓</td>
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</tbody>
</table>
APPENDIX IV: BUDGET ESTIMATES

<table>
<thead>
<tr>
<th>ITEM</th>
<th>QUANTITY</th>
<th>UNIT COST (KSHS)</th>
<th>TOTAL COST (KSHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stationary</td>
<td>5 reams</td>
<td>500</td>
<td>2,500</td>
</tr>
<tr>
<td>Traveling (Fuel)</td>
<td>21 kms (6 days)</td>
<td>1000</td>
<td>6,000</td>
</tr>
<tr>
<td>Typing services</td>
<td>80 pages (5 copies)</td>
<td>10</td>
<td>4,000</td>
</tr>
<tr>
<td>Binding</td>
<td>80 pages (5 copies)</td>
<td>100</td>
<td>500</td>
</tr>
<tr>
<td>Photocopying</td>
<td>80 pages (5 copies)</td>
<td>2</td>
<td>800</td>
</tr>
<tr>
<td>Lunch</td>
<td>6 lunches</td>
<td>300</td>
<td>1,800</td>
</tr>
<tr>
<td>Data collection and analysis</td>
<td></td>
<td></td>
<td>70,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>85,600</strong></td>
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</tbody>
</table>