COMPETITIVE STRATEGIES AND PERFORMANCE OF INSURANCE COMPANIES IN KENYA

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A RESEARCH PROJECT SUBMITTED TO SCHOOL OF BUSINESS IN PARTIAL FULFILMENT FOR THE REQUIREMENT OF THE AWARD OF MASTER OF BUSINESS ADMINISTRATION DEGREE (STRATEGIC MANAGEMENT OPTION) OF KENYATTA UNIVERSITY

FEBRUARY, 2020

DECLARATION

Declaration by the candidate

I the undersigned, declare that this is my original work and to the best of my knowledge has not been submitted to any other college, institution or university for academic credit.

Signature…………………………….……….......Date………………………………………

Austine Otieno Odhiambo

(D53/CTY/PT/29584/2014)

Declaration by the supervisor

I confirm that the work in this research project was done by the candidate under my supervision

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

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DEDICATION

I dedicate this research project to my wife Juliana and daughters Sophia and Roselyn for their love, care and support during my academic journey. Also thank my mother Sophia and family who have been with me through my studies by encouraging and supporting me through prayers.

ACKNOWLEDGEMENT

I take this opportunity to acknowledge Dr. Jane Wanjira due to her support during this study by making timely and straightforward remarks. I thank God for good health that enabled me to work on this project. Finally I acknowledge friends and family for the support and encouragement they offered through the academic journey.

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ABBREVIATIONS AND ACRONYMS

AKI	Association of Kenya insurers
ANOVA	Analysis of Variance
BSC	Balanced Score Card
GDP	Gross Domestic Product
IRA	Insurance Regulatory Authority
KES	Kenyan Shillings
NACOSTI	National Commission for Science and Technology and Innovation
RBC	Risk Based Capital
ROA	Return on Assets
SIG	Significance
STD DEV	Standard Deviation
TSE	Tehran Securities Exchange

OPERATIONAL DEFINITION OF TERMS

Assets	tangible and intangible property valued in monetary terms owned by an organization or individual.
Asset growth	value increment of a firm’s asset or investment in a period of time.
Competitive Strategy	firm’s offensive or defensive actions in response to industry competition and competitors.
Environment	external and internal factors that have direct or indirect influence on business entity or activities.
Equity	value of shares issued by a company or net of the total assets and its total liabilities.
Insurance	contract in which insured acquires financial surety from loses in return for payment of premium.
Market Share	percentage of total annual gross premium a company holds within Kenyan insurance market
Performance	firm’s profit and market share as measured by net profit and total annual gross premium respectively.
Premium	money paid in specified interval to insurance company by their clients for products purchased.
Profitability	a company’s ability to generate income and grow value of its shares.
Strategy	a designed road map for attaining a company’s long term objectives or goals.

ABSTRACT

Due to globalization and technological developments, global insurance industry is in upward trend. However, insurance penetration is still low in Kenya. Limited studies have been conducted on significant influence of competitive strategies on performance of insurance companies in Kenya. The general objective of this study was to evaluate influence of competitive strategies on performance of insurance firms in Kenya. The specific objectives were to determine the influence of differentiation, cost leadership and market development on performance of insurance firms in Kenya. The performance determinants were profitability measured by net profit and market share evaluated by total annual gross premium. This study was guided by balanced scorecard model, contingency theory, Ansoff growth matrix model and Porter's generic competitive theory. This study used descriptive research design. Target population was 55 registered firms as at 2017 provided by Insurance Regulatory Authority 2017 annual report. Stratified proportionate random sampling was used in selecting the respondents and Yamane Formula in determining the number of 110 target respondents. This study used structured questionnaire to collect primary data. The questionnaire was tested for face validity through expert judgment by the supervisor. Further pre-test of questionnaire was done on 10 respondents where there views were incorporated. For external and internal reliability, test-retest and Cronbach's Alpha was applied respectively. This study adopted Cronbach's Alpha value of 0.78 as cut off. Both inferential and descriptive data analysis was used then results were illustrated on tables. Pearson's correlation and multiple regression analyses were employed for inferential analysis. To establish the level of variation in the dependent variable in relation to independent variables variation, this study used analysis of variance. The study also utilized scientific package for social science seventeen as the analysis tool. The study findings indicate that independent variables had a positive significant correlation with the dependent variable. Differentiation had the highest correlation then cost leadership and finally market development. The findings further established that 50.2% ($R^2 = .0502$) of the change in the firm's performance was influenced by change in competitive strategies. This study thus concluded that: differentiation, cost leadership and market development strategies had a positive and significant influence on organizational performance of insurance companies in Kenya at 95% confidence level. In addition, the study concluded that the regression model applied was suitable at 95% confidence level with analysis of variance of F value of ($P<0.05$). This study recommends that the management of Kenyan insurance companies to continue applying competitive strategies to improve performance. The government through insurance regulatory authority should formulate favorable policies that support the insurance industry as a way of increasing their contribution to the gross domestic product (GDP). Insurance regulatory should also formulate regulations and standard to promote healthy competition and practices in the insurance industry. This study suggests future studies that incorporate business environmental factors as a moderating variable. The findings of this study provided valuable insight to the government on insurance policies formulation and regulation of insurance industry. The companies' management can utilize the findings of this study as a guideline on formulation and execution of competitive strategies

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Global insurance market is in upward trend with the growing middle class, improved infrastructure and technology. According to Association of Kenyan Insurers (2016) with globalization, insurance firms are repositioning to benefit from the opportunity through competitive strategies. Report further indicates that technology has reduced the cost of global business which has seen global insurance players focus on developing new markets and products to fit different global market segments. According to the Deloitte and Touché (2016), East African insurance industry is also experiencing major developments in the market trends and legislation through the East Africa Community.

According to Kampire (2012) East African Community has enabled seamless trade in different sectors insurance being one of them. According to Association of Kenyan Insurers (2016) the streamlining of trade tariffs has seen different regional insurance companies set up branches and operations in different regional markets. Britam Holdings Limited and Jubilee Insurance have set up branches in Tanzania, Burundi and Uganda. This has created competition and a company needs competitive strategies to remain relevant in a market. Kenyan insurance industry is also experiencing growth coupled with increased competition by entry of global insurance companies such as Sanlam and Old Mutual Group (Association of Kenyan Insurers, 2014). Despite the growth, most insurance companies are yet to experience adequate growth in profits and market share due to intense competition. Despite Kenya having 55 registered insurance underwriters as at 2017 (IRA), only ten (10) underwriters enjoy 60% of the market share. Many insurance companies have experienced stiff competition from major underwriters and are yet to experience significant growth or break even. The choice of competitive strategies a company adopts is heavily depended on its financial position, competition and industry regulation. Kenyan insurance firms in recent years applied different competitive strategies to gain competitive edge. With players increase in insurance sector the competition has greatly increased and the right blend of strategies is a key factor.

1.1.1 Competitive Strategies

Strategy is a long term roadmap of an entity for attaining competitive edge by synergizing its resources (Johnson and Scholes, 2008). Porter (1998) argues that strategy involves being unique, that is voluntary option of engaging in various activities to attain value. Firm's competition is composed of future possible market entrants and present competitors (Baumol, Panzar, and Willig, 1982). According to Ritika Tanwar (2013) a firm must initiate proactive and reactive approach to gain competitive edge. According to Porter and Miller (1985) an organization generates strategies in reaction to five key market drivers; possible market entrants, competition from current companies, alternative products and negotiating ability of clients and suppliers. Porter (1998) identified key strategic plans in a broader level; low-cost leadership, differentiation, and focus strategies. Cohen (2004) observes that the key driver in low-cost leadership is gaining significant cost minimization compared to market rivals and is reflected in cheap pricing of products by a company. This study adopted cost leadership as an independent variable. The key indicators for cost leadership were; lower pricing, minimized operational costs and fraud control. Cohen (2004) also defines differentiation as offering of distinct products which results in unique brand image of a firm from competitors. The differentiation indicators for this study were; operational hours, product customization, accessibility and uniqueness of company image. On the other hand Ansoff (1987) defines market development as building new markets for existing products by activating untapped market segments and accessing new geographic markets. The indicators for market development in this study were; number of branches, recruitment of sales agencies, introduction of new segments and product promotions.

1.1.2 Organizational Performance

Performance is the level of profitability, tapping new markets and appealing nature of products to clients (Hitt, Ireland, Sirmon and Trahms, 2011). Further, Bowlby (2012) holds that performance appraisal is practice centered and driven by synchronizing strategies with appraisal that leads to good judgment outcome and value. Performance accounts for market share, shares value addition and financial income (Richard, Devinney, Yip and Johnson 2009). According to Carton (2004) in finance performance is considered as the change of financial position or outcomes of a firm occasioned by management strategies and execution. According to Njenga (2014) gross profit is the measure of the monetary income from sales less direct costs while net profit takes into account all costs incurred by a firm. Establishing performance drivers is crucial since it aids in determining the variable of focus especially in economic down time (Gavera, Ilies and Stegerean, 2011).

In measuring organizational performance this study used profitability (net profit) and market share (total annual gross premium) as the key performance parameters. First, the industry regulator Insurance Regulatory Authority (IRA) and insurance companies in their annual publications use these indicators as basic performance measures. Second, was to ensure comparability of the results with the previous researches that in most cases used the same measures. There exist great disparity in performance among Kenyan insurance firms in consideration of market share and profitability. According to Insurance Regulatory Authority (2017) the disparity is attributable to strategic response to competition among the insurance firms. Therefore, this study sought to determine the competitive strategies and performance of Kenyan insurance firms.

1.1.3 Insurance Industry in Kenya

Insurance Regulatory Authority (IRA) is the body in charge of regulating insurance industry as stipulated in the Insurance Act Chapter 487 of Kenyan laws. IRA is a government body mandated to control and facilitate growth of Kenyan insurance sector. In 1987 Kenyan insurers founded association of Kenyan insurers (AKI) with key objective of aiding ethical practices amongst members, public awareness and development of insurance sector. As at 2017, a total of 55 companies were licensed to underwrite insurance business in Kenya (AKI 2017). According to Standard Investment bank (2013) report on Kenyan Insurance Industry, market share is split with five major insurers having 40% and 70% market share in general and life products respectively. Besides insurers, other players in the sector are reinsurers, risk managers, surveyors, loss adjustors, brokers and agents.

According to KPMG Kenya Insurance Survey Report (2016), Kenya is the East African leader in insurance market development with 3% penetration and 51 firms. Life assurance and general insurance penetration is 1.2% and 3% of the Kenyan GDP respectively according to Association of Kenyan Insurers (2013) report. Kamau (2017) identified key issues affecting Kenyan insurance industry as stiff competition and low penetration as the major factor. According to IRA industry report (2016) the key drivers of insurance growth in Kenya are; development of new products, improved regulation, banc assurance, increased public awareness and automation of business processes. However, according to IRA (2014) annual report some insurance companies don't possess the required capitalization levels to write major and emerging risks such as political violence and terrorism. This created the need for a study on Kenyan insurance sector.

1.2 Statement of the Problem

Low insurance penetration is indication of poor performance hence the necessity for application of effective competitive strategies. According to Chew, Yan and Cheah (2008) a firm should reorganize its strategies in response to competition and improve capacity in line with the requirements. Sumer, Ali and Bayraktar (2012) hold that in a growing economy, many firms wish to gain the largest market share to ensure they can generate enough profit to serve the purpose for their existence. Nazirah, Nur and Hassan (2014) sought to determine if competitive strategies influence performance of Malaysian quantity surveying firms. Significant influence of competitive strategies on performance was established. However, the study was conducted during economic depression in Malaysia. The study failed to provide insight on how the firms would adopt strategies and perform in an optimal or normal economic situation.

Studies have also been conducted in Kenyan insurance sector to provide knowledge on how competitive strategies influence organizational performance. For instance, Muia (2017) assessed significance of competitive strategies on performance. However, Muia viewed all the companies in same breath. The fact that different size and business line companies were viewed in the same breadth creates knowledge gap on how size and business line in insurance companies adopted competitive strategies influence their performance. This study applied survey design to help bring to light the specific research findings considering that different firms adopt different orientations. Kihanya (2013) through case study confirmed significance of integrated marketing communication tools on performance of Kenyan insurance firms. However, research only focused on marketing aspect in relation to strategies.

The aforementioned studies were survey based except Kihanya (2013). Despite different firms having different orientations and structures the companies were viewed in the same breadth. According to IRA (2014) Kenya insurance firms have reported mixed and inconsistent performance despite employing similar competitive strategies. Some firms have recorded improved performance while others have dropped despite Kenya economy experiencing stability through the period. Initial research findings provided minimal information on whether the firms were experiencing overall performance challenge or market penetration difficulties.

1.3 Objectives of the Study

1.3.1 General Objective

The aim of this study was to evaluate influence of competitive strategies on performance of insurance companies in Kenya.

1.3.2 Specific Objectives

Determine the influence of differentiation strategy on performance of insurance companies in Kenya.

Assess the influence of cost leadership strategy on performance of insurance companies in Kenya.

Evaluate the influence of market strategy on performance of insurance companies in Kenya.

1.4 Research Hypotheses

H_{01}: Differentiation strategy does not influence performance of insurance companies in Kenya

H_{02}: Cost leadership strategy does not influence performance of insurance companies in Kenya

H_{03}: Market development strategy does not influence performance of insurance companies in Kenya

1.5 Significance of the Study

To management of insurance companies, this study provides deeper understanding of competitive strategies and performance of Kenyan insurance sector. Further, it is significant for the managers in making informed decision in applying competitive strategies to improve firm's performance. This study is helpful to other scholars who may be focusing on understanding the competitive strategies and performance of firms in insurance sector. Notable significance is recommendation for area of further studies and use of the findings for empirical review. To government and insurance industry policy makers the findings of this study identify the influence of competitive strategies and performance of insurance firms. The results will enhances policy formulation especially in line with competition policies and in developing the insurance industry.

1.6 Scope of the Study

The focus of this study was on differentiation, cost leadership and market development and performance of Kenyan insurance firms. This study utilized questionnaires in collecting data. This study was limited to competitive strategies applied and performance for year 2015 to 2017 when Kenyan insurance industry experienced significant growth. The targeted population of this study was the insurance firms licensed by IRA as at 2017. The branch managers from the insurance companies were then sampled as respondents for filling the questionnaires. In sampling the study applied stratified proportionate random sampling design to select respondents. This study applied descriptive research design and positivist philosophy.

1.7 Limitation of the study

Some respondents were noncommittal to some of the questions asked especially what they considered sensitive and might place them at a disadvantage in the market. The limitation was resolved through reaffirming confidentiality to respondents and that information issued was to be limited to this study. This study focused on all licensed insurance companies across Kenya hence challenge of accessing respondents in remote areas. In resolving the challenge, questionnaires were administered by both email and pick up and drop methods to maximize the response rate.

1.8 Organization of the Study

This project is organized in five chapters. Chapter one presents; - background of study, introduction to competitive strategies, objectives of the study and overview of Kenya insurance industry. Chapter two focuses on theoretical and empirical review. It further elaborates on framework of the concept. Third chapter provides overview of research methodology. Fourth chapter presents the findings, discussion, and demographic information, descriptive and inferential analyses. Chapter five presents summary of findings, conclusions, recommendations and suggestion for further research.

CHAPTER TWO: LITRATURE REVIEW

2.1 Introduction

This chapter reviews available literature on competitive strategies and organizational performance. It encompasses the theoretical literature review, and empirical literature review and conceptual framework.

2.2 Theoretical Literature Review

This study was based on four major theories and models which are Porter's Generic Competitive Model, Igor Ansoff Growth Matrix Model, Contingency Theory and Balanced Scorecard (BSC) Model.

2.2.1 Porter's Generic Competitive Model

Porter (1998) modelled potentially successful strategies for creating a favorable position and outcompeting rivals in a business sector. The model is based on three broad strategies; differentiation, cost leadership and focus. In cost leadership a firm seeks competitive edge over the rivals through significant cost minimization. In cost leadership, firms requires strict cost management by minimizing expenditure on operations and promotions which is reflected in low pricing of products (Porter 1985). In cost leadership the business seeks cost advantage over its rivals in a sector.

It's further stated by Porter (1985) that in differentiation, a company picks a line of uniqueness, valuable to clients in the market, especially when the target customers are price insensitive. Differentiation may be applied in product, delivery channels, marketing and a wide range of business lines. Differentiation involves both product or service and customer to business relationships. Focus is the third generic strategy in Porter's model. According to Pearce and Mital (2008) focus is applied by a firm in either differentiation, cost leadership or jointly in a specific narrow market segment. The choice of market segment can be based on products, demographics, competition or combination of a range of factors.

A firm is 'stuck-in-the-middle' when it's unsuccessful in all generic strategies (Porter, 1985). Being "stuck-in-the-middle" is considered a sign of indecisiveness in strategic choice. Firms "stuck-in-the-middle" risks low profitability. Porter's Generic Competitive Theory explained two independent variables of this study; differentiation and cost leadership strategies. The theory was relevant the two key strategies; differentiation and cost leadership which formed part of independent variables in the conceptual framework in this study.

2.2.2 Ansoff Growth Matrix Model

Igor Ansoff (1987) modeled a matrix of four strategic quadrants for business growth. First quadrant is market penetration which is applied when a current product with defined markets require further growth in market share. In product development companies that enjoy large market share opt to launch new products to promote growth. Product development is best suitable for companies that enjoy brand loyalty but current products have attained saturation point. The third quadrant in the matrix is diversification. Diversification is a form of strategy suitable for firms that seek to improve performance through venturing in new products and markets (Ansoff, 1965).

The fourth quadrant is market development. According to Ansoff (1987) market development is defined as building new markets for existing products by activating untapped market segments and accessing new geographic markets. According to McCarthy (1960) geographical expansion for existing products and activation of dormant markets are the key plans in executing market development strategy. Market development involves introducing present products into new market segments. Ansoff's growth matrix explains a key independent variable in this study; market development on its influence on organizational performance. Ansoff's model is significant for this study since it explains market development which was a key independent variable in this study.

2.2.3 Contingency Theory

The contingency theory was initiated by Burns and Stalker in the year 1961. The theory holds that a match between organizational management structure and specific contingencies will positively influence firm's performance. The theory states that organizational performance has a positive linear relationship with the fit. Further, Galbraith (1973) observes two basic assumptions of the theory as absence of perfect way of organizing and whichever way of organizing cannot be similarly effective. The primary contingency factors are; environment, technology, size and strategy.

A firm's size influences the degree of bureaucracy within itself. The level of bureaucracy and organizational structure in turn influences organizational change and adaptation to contingencies. The ability of an organization to cope, survive and make progress with technology determines how effective it is in sustaining fit. According to Porter (1980) there is need of formulating strategy is relating company to its contingencies to create fit. The strategies should consider the resource strength and weakness of the organization and analyze to determine the extent to which it can accommodate the opportunities and strengths originating from the contingencies. The influence of formulated strategies on firm's performance is greatly influenced by the fit with environment (Thompson & Strickland, 2007).

Despite the milestones in strategy management, the theory possesses some shortcomings. Fullerton, Shoven, King and Whalley (1981) argue that the assumption of linear variable relationships and symmetrical outcome is not always the case. Contingency theory was relevant to this study as it is based on strategic match with the competition drivers. This study hypothesized that if strategies applied by the firms don't fit the competition environment then the performance improvement is least possible. The theory also take into account the fact that different companies have differing orientations, strengths, weakness and structure which influence strategies influence on organizational performance which was a vital consideration for this study.

2.2.4 Balanced Scorecard (BSC) Model

BSC Model is performance tool invented by Robert Kaplan and David Norton in *1992*. Balance Scorecard enables organizations to translate their mission, vision and strategy to measurable performance. The four key focuses for BSC are; customer perspective, financial, learning and growth and intra-business process (Kaplan and Norton, 1996) balance scorecard focuses on four key performance indicators; financials, internal-business processes, learning and growth and customer perspective. These performance indicators form integral part of the organizations' performance.

Dimension on financial performance is obtained from profitability parameters such net profit. In customer dimension, a firm determines potential market segment to compete and appropriate performance parameters for customers in the segments. The learning and growth perspective provides an avenue on how to achieve mission through ability to change and improve. According to Kaplan & Norton (1992) internal processes are ways of attaining performance goals. Balance scorecard model offered a conceptual reference since it explains performance which is the dependent variable of this study.

2.3 Empirical Literature Review

2.3.1 Differentiation Strategy and Organizational Performance

Githumbi and Ragui (2017) determined influence of differentiation on performance of large rice processing plants. Focus was on product, physical and service differentiations. The findings demonstrated that service and product differentiation significantly influenced performance of rice firms. The study failed to take into account consumer perspective such as; consumer behavior, brand loyalty and product quality which greatly influence market share. The small sample size of 53 respondents compared to the population size probably increased the margin of error. Khaled (2012) studied differentiation strategy and performance of Jordanian industrial firms. The study found insignificant influence of differentiation on performance of the firms. According to the study, Jordanian companies were yet to fully exploit differentiation strategy and this could explain the finding which contradicts most of previous studies. This study focused on a relatively mature industry that has experienced significant level of differentiation.

Mwanzia (2015) assessed level of application and influence of differentiation on market share of Kenyan based tea export companies. The study concluded that the firms had extensively adopted differentiation strategy. However, the influence of differentiation strategy was minimal. The export firms focus on different markets that are relatively heterogeneous with different attributes. This study was based on Kenyan insurance firms operating in relatively homogeneous market. Besides, the study only focused on market share as a performance parameter. This study focused on additional performance parameters; profitability and market share.

Shafiwu and Mohammed (2013) determined a positive relationship between product differentiation and performance of Ghanaian petroleum sector. Only Total Ghana was selected for the research. The study might not reflect true picture of the industry due to small sample size that could have open a potential bias in the study. The study was based on petroleum industry which trade on goods unlike insurance sector which provides service. Kamau (2013) using non-experimental survey design study observed positive co-relation between differentiation and performance. This study focused on insurance market which has differing orientation with fast moving goods retail market.

2.3.2 Cost Leadership Strategy and Organizational Performance

Gorondutse and Gawuna (2017) observed significant positive influence of cost-leadership on performance of Nigeria based hotels. Customer perspective and attributes such as consumer behavior and loyalty were not captured. This study incorporated consumer perspective that was missing in the previous studies. Atikiya, Mkulu, Kihoro and Waiganjo (2015) established a significant influence of cost-leadership on performance of manufacturing companies based in Kenya. This study was based on insurance sector which was significant in checking consistency of the results across industries.

Nyauncho and Nyamweya (2015) demonstrated significant influence of cost-leadership on performance of Eldoret based liquid petroleum gas firms. However, only accounting parameters was considered in assessing performance. This study applied both accounting and market based performance parameters. Hashem, Hamid and Samira (2012) determined influence of cost-leadership on performance of forty five Tehran Security Exchange (TSE) listed companies for a seven year period. The results identified positive relationship of the variables. The sampling of firms in different industries with differing business environment is a limitation in generalizing the outcome. This study focused on a single industry which is Kenyan insurance industry.

Hamid, Negar, Somayeh and Masoud (2014) determined cost-leadership and performance of selected Tehran Security Exchange (TSE) listed companies for a four year period. The study employed accounting based indicators of performance and established negative influence of cost leadership on performance. The finding is inconsistent with Hashem, Hashem, Hamid and Samira (2012). The inconsistency is attributable to differing performance measure basis (market-based and accounting-based) employed by the two studies. This study employed both market and accounting based performance measures employed by the two previous studies to harmonize the inconsistency.

2.3.3 Market Development Strategy and Organizational Performance

Muga (2016) established a significant influence of market development on performance of Kenyan based pharmaceutical firms. However, the study was based on multinational companies which experiences relatively different market dynamics with local companies. This study was based on insurance companies operating in relatively homogenous industry. Mbithi, Muturi and Rambo (2015) found insignificant influence of market development on performance of Kenyan sugar companies. Market development was the only independent variable considered. This study was based on multiple strategies to offer further findings in relation to additional variables.

Nyaga (2016) did a study on Equity bank to determine influence of competitive strategies on performance. Equity bank had applied majorly market development strategy by diversifying its branches within and across borders; the many branches indicated increase in in market share and size. The study also established that market development strategy significantly influenced the bank's performance. This study was based on Kenyan insurance sector that experience low penetration to establish if the trend observed is consistent. Mulandi (2005) in studying market development strategy by Kenya Airways established a significant positive influence of market development strategies on performance. Due to small sample used and major reliance on secondary data created potential for bias in generalization of findings. This study utilized a larger sample and primary data for improved objectivity.

2.4 Summary of Literature and Research Gap

Previously a number of authors have investigated different aspects of insurance industry as illustrated in Table 2.1, there was still little research done and evidence on the competitive strategies and performance of insurance firms. This was especially true for Kenyan insurance industry where most of the studies relied on secondary data. Initial studies viewed the firms in the same breadth without considering that different firms have different orientations depending on line of business. Therefore a major knowledge gap existed on how competitive strategies influenced performance of Kenyan insurance firms with considerations of existing range of orientation.

Table 2.1: Summary of Literature Review and Research Gaps

Authors	Focus Of Study	Findings	Knowledge Gap	Focus Of Current Study
Gorondutse and Gawuna (2017)	Cost leadership influence on performance of Nigeria based hotels.	Established significant positive influence of cost leadership on performance	The study missed the customer perspective and attributes such as consumer behavior and loyalty.	This study incorporated customer perspective such as customer loyalty.
Nyaga (2016)	Competitive strategies and Kenyan banks performance.	Market development strategy significantly influenced the performance of Equity Bank.	Performance of a firm in low penetration industry such Kenyan insurance.	This study focused on Kenyan Insurance sector with low penetration to observe possible consistency.
Muga (2016)	Influence of the market development strategies on performance of Kenyan based multinational pharmaceutical firms.	Established a positive influence of market development on performance of Kenyan based pharmaceutical firms.	The study was based on multinational companies which experiences relatively different market dynamics with local companies.	This study focused on homogenous Kenyan insurance industry to determine consistency of results.
Mbithi, Muturi and Rambo (2015)	Influence of market development strategy on performance of Kenyan sugar farms.	The study found insignificant influence of market development on performance of Kenyan sugar firms	Knowledge gap on how multiple strategies would influence the performance of a firm.	This study extended the model by additional variables.

Authors	Focus Of Study	Findings	Knowledge Gap	Focus Of Current Study
Nyauncho and Nyamweya (2015)	Effects of cost leadership strategy on performance of liquid petroleum gas firms in Eldoret.	Study concluded that cost-leadership possess positive influence on performance of Eldoret based liquid petroleum gas companies.	The study only used accounting parameters in assessing performance.	This study applied both accounting and market based performance parameters.
Atikiya, Mkulu, Kihoro and Waiganjo (2015)	Influence of cost-leadership on performance of Kenyan based manufacturing companies	Significant influence of cost-leadership on performance of Kenyan based manufacturing companies.	The study was based on manufacturing industry hence need for the study in other sectors.	This study focused on Kenyan insurance industry.
Mwanzia (2015)	Level of application and influence of differentiation on market share of Kenyan based tea export companies.	Tea export firms had extensively adopted differentiation strategy. However, influence of differentiation strategy on performance of firms was insignificant.	How differentiation would influence performance in a relatively homogeneous market with consideration of both account-based and market-based performance parameter.	This study focused on additional performance parameters; profitability and market share.
Githumbi and Ragui (2014).	Influence of differentiation on performance and of rice processing plants.	The study established significant influence of service and product differentiation on performance of rice firms	The study failed consider to consumer perspective such as; consumer behavior and brand loyalty	This study incorporated customer perspective during data collection through the questionnaire.

Authors	Focus Of Study	Findings	Knowledge Gap	Focus Of Current Study
Hamid, Negar, Somayeh and Masoud (2014)	Influence of cost-leadership on performance of selected Tehran Security Exchange (TSE) listed companies for a four year period.	In general, cost leadership strategy has minimal influence on organizational performance.	The study only employed accounting based indicators of performance.	This study focused on both accounting and market based performance parameters.
Kamau (2013)	Influence of differentiation on sales performance of Nakuru based supermarkets.	Differentiation strategy significantly influences sales performance.	The study focused on a small retail market segment which is relatively homogeneous.	This study focused on a large heterogeneous insurance market.
Shafiwu and Mohammed (2013)	Influence of product differentiation on performance of Ghanaian petroleum sector.	Determined a positive significant influence of product differentiation on performance of Ghanaian petroleum sector.	Only Total Ghana was selected for the study. The study might not reflect true picture of the industry due to small sample size that could have open a potential bias in the study.	This study selected all Kenyan insurance companies.

Authors	Focus Of Study	Findings	Knowledge Gap	Focus Of Current Study
Khaled (2012)	Differentiation and organizational performance of Jordanian industrial companies.	Differentiation strategy has insignificant influence on organizational performance.	Study can be conducted in differentiation matured industry to understand the influence of the strategy on performance	This study focused on a mature insurance industry experiencing differentiation.
Hashem, Hamid and Samira (2012)	Influence of cost-leadership on performance of forty five Tehran Security Exchange (TSE) listed companies for a seven year period.	The result indicated a positive significant influence of cost leadership on performance of firms.	The sampling of firms in different industries with differing business environment is a limitation in generalizing the outcome.	This study focused on a single industry which is Kenyan insurance industry.
Mulandi (2005)	Market development strategy and performance of Kenya Airways.	Significant positive influence of market development and performance.	The study fully relied on secondary data which is static and small sample size.	This study used primary data to determine the consistency of the results.

2.5 Conceptual Framework

Conceptual frameworks is graphic or a narrative showing the key variables or constructs to be studied and the presumed relationships between them (Miles and Huberman, 1994) . In bridging the research gap identified, this study used a conceptual framework as shown in Figure 2.1. The conceptual framework of this study was composed of independent variable and dependent variable. The performance parameters were profitability (net profit) and market share (annual total gross premium). The independent variable was competitive strategies; differentiation, cost-leadership and market development.

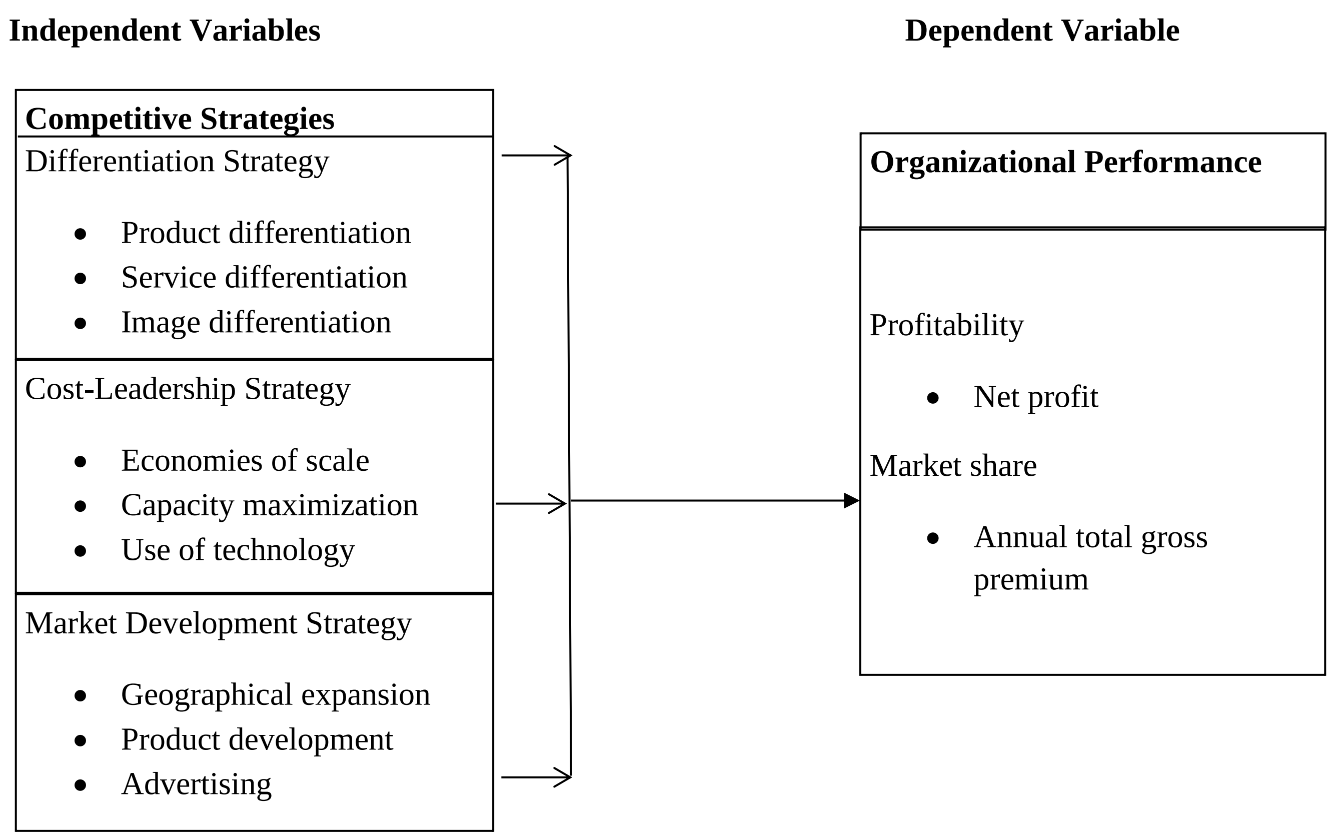

Figure 2.1: Conceptual framework.

Source (Author) 2019

As illustrated in Figure 2.1 independent variables were presumed to have a linear relationship with performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents research methodology adopted for this study. The main sections captured are philosophy, design, empirical model, population of study, sampling, data collection instruments, data collection procedure, validity and reliability, data analysis and presentation.

3.2 Research Design

This study applied descriptive research design. Cooper and Schindler (2014) argue that descriptive studies try to discover answers to the questions who, what, when, where and sometimes how. For the study to collect substantial information about the population, descriptive design was used. Descriptive design enabled collection of large data and multiple orientations in data analysis.

3.3 Target Population

Population is the total combination of units of study a research is based on (Cooper and Schindler, 2014). The target population of this study was the fifty five (55) insurance companies registered by the regulator (IRA) as at February, 2017. Considering the small population size a census was adopted for this study.

3.4. Sample Size and Sampling Design

This study applied census hence the sample size of the study was all the registered insurance companies in Kenya by IRA as at 2017. This was due to the small population size. However, in selecting respondents stratified proportionate random sampling was employed for this study. The respondents were grouped according to line of business of the specific insurance firm; life, general and reinsurance business.

According to Caemmerer & Wilson (2010), effective strategy execution and customer feedback is majorly conducted at organizational branches. Therefore, selecting branch managers as respondents was considered suitable. The study applied Yamane (1967) formula to calculate the number of respondents which could accurately represent the total 150 branch managers (IRA, 2017) in Kenya.

$n= N / (1+N (e) 2)$ Whereby;

n = Sample Size

N = Total Population

e = Precision Level (taken as 5% at 95% confidence)

Considering total branch managers number of *450*, the sample size was computed as follows:

$n= 150/ (1+ (150*(0.05)^2)$ n is thus approximately 110

The sampling of the respondents is illustrated in Table 3.1.

Table 3.1 Sampling frame

Business Strata	Companies Frequency	Percentage	Respondents (Branch Managers)
General Insurance	38	69%	76
Life Assurance	14	25.5%	28
Reinsurance	3	5.5%	6

Source: Adopted from Insurance Regulatory authority (2017)

The branch managers were selected through stratified proportionate random sampling from the insurance companies based on the frequencies of the strata as indicated in Table 3.1. The line of business was used in stratifying the respondents.

3.5 Data Collection Instrument

Use of questionnaire is amongst the best ways of obtaining information from respondents (Kothari, 2004). Data was obtained using structured questionnaire that offered a brief introduction and further sections captured variables; cost leadership, differentiation, market development and performance. The first section was demographic and operational traits of the insurance company and respondents while the second part covered the independent variables. The third part obtained information on the firm's performance; net profit and total annual gross premium for the three years (2015 – 2017).

3.6 Validity and Reliability of Research Instrument

3.6.1 Pilot Study

Before the actual research pilot test was done to assess respondents' ability in answering questions and suitability of questionnaire in collecting the required data. According to (Fink, 2001), a minimum of 10 questionnaires should be pre-tested. Ten branch managers were selected randomly from branches in Nairobi County at pilot study to pre-test the questionnaires. The questionnaire was amended in consideration of the pilot study feedback.

3.6.2 Validity

Validity is the extent to which a unit of a test element represents the content it's intended to measure (Borg and Gall, 1989). This study adopted faces and construct validity. According to

McKenzie (2003), construct validity is the level at which a test measures the concept or theory that it is designed to measure. Ten questionnaires were pre-tested by branch managers. The selected managers went through the questionnaires to verify the language used and the suitability of the questions and their suggestions were incorporated to improve the questionnaire. The managers were appropriate for ensuring construct validity because they take part in strategy execution in insurance companies. Face validity is the degree to which a way of measurement appears “on its face value” to determine the variable of focus. Questionnaire was further tested by the supervisor through expert judgment to confirm the face validity.

3.6.3 Reliability

Guion, (2002) defines reliability as the extent of consistency of research outcome in a period of time, which is reproducing similar results using similar methodology. This study adopted test-retest reliability by administering the same questionnaire multiple times in different time span. Test-retest checked external reliability through consistency of the respondents’ response across time.

Alpha is a significant method for testing questionnaires (Tavakol and Dennick, 2011). In gauging internal reliability this study applied Cronbach’s Alpha (α) with a 0.7 acceptance level. This study applied a cut – off value of 0.7 alphas (α). Any figure above 0.7 was considered acceptably reliable.

3.7 Data Collection Procedure

This study used Kenyatta University introduction letter for booking appointments with the respondents from the insurance companies. The appointments respective dates were followed by phone call, email or visit to the respective branches. The questionnaires were then administered in three ways; self-administering, mail in incases of remote areas and through drop and pick where the respondent was busy or not easily accessible. This was to improve the response rate especially in busy branches where management had limited time. It took the researcher twenty one days to collect the data. The filled in questionnaires were thereafter collected and coded for statistical analyses.

3.8 Data Analysis and Presentation

Inferential and descriptive analysis was adopted for this study. Further, a 5-point Likert scale (1 not at all, 2 very little, 3 to some extent, 4 great extent, 5 to very large extent) coding was utilized. Multiple linear regressions were used to inference influence of competitive strategies on performance. To achieve its major objective, this study applied regression Model 3.1. This study also adopted Statistical Package for Social Science (SPSS) *17* as the analytical tool.

This study applied quantitative research method that involved modeling and analyzing multiple variables.

The multiple regression analysis model:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ ………………………………….Model 3.1

Where:

Y - The value of the dependent variable (Organizational Performance)

ε - Error term assumed to be constant

α - constant term

β_1, β_2, β_3, β_4 - coefficient terms of differentiation, cost-leadership and market development strategy respectively.

3.8.1 Diagnostic Tests

Before conducting regression analysis of the data this study checked for conformity to regression assumptions. According to Montgomery and Peck (1982) key regression assumptions have to be taken into account when applying multiple regressions. The key assumptions of regression are linear relationship, multicollinearity, normally distributed data and homogeneity of variance assumptions.

Multiple regression models linear relationship between independent and dependent variables. The linear relationship is assessed through scatter plots. This study used linear scatter plot to check for assumed linear relationship.

Multicollinearity is the presence of near-linear relationships within independent variables (Montgomery and Peck, 1982). Multicollinearity can lead to incorrect estimation of regression results. In consideration of that, this study applied correlation analysis to check for multicollinearity.

The normal distribution assumption states that a set of data upon which statistical test of significance is to be used have to exactly or approximately normally distributed. According to Royston (1981) Shapiro Wilk's test considerably offers the best test of normality of distribution of data, for sample sizes between 3 and 50 but can be extended up to n = 2000. This study checked for normality of data distribution through Shapiro-Wilk Test.

In correlations and regressions homogeneity of variance in arrays refers to the assumption that, within the population, the variance of dependent variable for each value of independent variable is constant (Salkind, 2010). According to Morton and Alan (1974) Levene’s test on deviations from the median often emerges as the recommended procedure over a broad range of conditions. Therefore this study applied Levene's Test to confirm the homogeneity assumption.

3.9 Ethical Considerations

This study adhered to ethical approach in research. The respondents' privacy, confidentially, integrity and anonymity were maintained throughout this study period. The researcher also issued letter of introduction and research permit from Kenyatta University to respondents. Drop and pick method further offered respondents chance to fill the questionnaires at their private time and space. Further, this study complied with the guidelines and regulatory requirements in relation to research in Kenya.

CHAPTER FOUR: DATA ANALYSIS, DISCUSSION AND INTERPRETATION

4.1 Introduction

Chapter four presents data analysis, discussion and interpretation of the results obtained from the field work on competitive strategies and performance. This section further presents reliability test, response rate, respondents' demographic information, descriptive and inferential analyses.

4.2. Reliability Test

This study tested for reliability through repeat trials. To confirm reliability Cronbach's Alpha score was tabulated and results illustrated in Table 4.1.

Table 4.1: Reliability Test

Variables	Number of Questions	Alpha Score	Comment
Differentiation Strategy	12	0.81	Reliable
Cost Leadership Strategy	12	0.80	Reliable
Market Development Strategy	12	0.78	Reliable

Source: Survey Data, (2019)

The acceptable alpha score for research instrument to be considered reliable is 0.70 and above (Mugenda and Mugenda, 2003). The acceptable alpha score for the questionnaire in this study was 0.7 which was within statistically acceptable range as shown in Table 4.1; therefore the questionnaires used had the capability of producing reliable results.

4.3 Response Rate

This study targeted fifty five insurance firms licensed by IRA as at 2017 from which one hundred and ten respondents were considered and issued with questionnaires. The findings of the response rate were as indicated in Table 4.2.

Table 4.2: Response Rate

Strata	Target Number of Respondents	Actual number of Respondents	Percentage of Response Rate
General Insurance	76	56	70
Life Assurance	28	20	25
Reinsurance	6	4	5

Source: Survey Data, (2019)

In response rate, general insurance companies had 70% of total respondents each out of the total number who responded while life assurance and reinsurance had 25% and 5% respectively as illustrated in Table 4.2. The aggregate response rate of 72.72% shown in Table 4.2 was concluded as excellent considering Mugenda and Mugenda (2008) which considers response rate of 70% to be excellent.

4.4 Demographic Information

4.4.1 Gender of the Respondents

The questionnaire captured respondents' gender which was recorded in Table 4.3. The male respondents were 76.25% as compared to their female counterparts who were 23.75% of all the respondents in this study.

Table 4.3 Gender of Respondents

Group	Frequency	Percentage
Male	41	76.25
Female	34	23.75
Total	**80**	**100.0**

Source: Survey Data, (2019)

As illustrated in Table 4.3 senior management in insurance companies is male dominated. The finding is in contrast to the Kenyan Constitution promulgated in 2010 which requires that both electoral and appointment positions should have at least one third of either gender. However, this study did not focus on specific companies' policies to determine whether the requirement of one third gender rule is applied at overall organizational or positions level and criteria used in selecting branch managers.

4.4.2 Duration of employment at Insurance Company

Respondents stated duration of employment at the respective insurance companies and illustrated in Table 4.4.

Table 4.4: Duration of employment at the Insurance Company

Duration	Frequency	Percentage
0 - 10	18	22.5
11 - 20	53	66.25
21 - 30	6	7.5
Over 30	3	3.75
Total	**80**	**100**

Source: Survey Data (2019)

As illustrated in Table 4.4 greatest percentage of the respondents (66.25%) recorded that they had worked in the licensed insurance firms for 11-20 years. Following were respondents who indicated that they had 0-10 years of experience with the companies at 22.5%. Distant third and fourth were respondents with 21-30 and over 30 years of experience with 7.5% and 3.75% respectively. With 77.5% of total respondents having over ten years of experience with the respective firms, the study thus demonstrated that the sampled respondents were well experienced to offer accurate data. Despite lack of security of tenure, majority of branch managers had stayed longer with the current employer which is an indication of good performance.

4.4.3 Years of Operation of Insurance Company

This study sought to identify the duration the companies had been in operation as illustrated in Table 4.5.

Table 4.5: Company's years of operations

Years in operation	Frequency	Percentage
0 – 10 Years	13	16.25
11 – 20 Years	41	51.25
21 – 30 Years	18	22.5
Over 30 Years	8	10
Total	80	100

Source: Survey Data (2019)

As illustrated in Table 4.5 majority of the firms, 51.25% had operated for 11-20 years while 22.5% had been in operations between 21-30 years. The results further indicated that 16.25% and 10% of the insurance companies had been in operations for 0 – 10 years and over 30 years respectively. This demonstrated that majority of the insurance companies have been in operations long enough and stabilized on strategy application which is important in making inferences from this study.

4.4.4 Geographical spread of the Insurance Company

The study considered it necessary to establish the geographical distribution of the insurance companies. The results are illustrated in Table 4.6.

Table 4.6: Distribution of company geographical spread

Geographical Spread	Frequency	Percentage
National	53	66.25
Regional	13	16.25
Continental	9	11.25
Global	5	6.25
Total	80	100

Source: Field Data (2019)

From the research findings illustrated in Table 4.6, 66.25% of firms were national followed distant second and third were insurance firms that were regional and continental at 16.25% and 11.25% respectively. The least number of respondents indicated that their firms are global at 6.25%. The high number of national companies can be attributed to high capital and regulatory requirements involved in cross border expansions. Regional presence was second and can be attributed to harmonization of trade regulations among regional trading blocs such as Common Market for East and Central Africa (COMESA) and East Africa Community (EAC) that has enabled seamless trade among member state.

4.4.5 Ownership Structure of the Insurance Company

From the results shown in Table 4.7, most of the firms are locally owned at 56.25% followed by a blend of both local and foreign ownership at 40% and the last category consist of those that are foreign owned at 3.75%.

Table 4.7: Distribution of form of ownership

Status	Frequency	Percentage
Locally Owned	45	56.25
Foreign Owned	3	3.75
Both Local and foreign	32	40
Total	80	100

Source: Field Data (2019)

According to Companies Act 2015 of Kenyan Laws a company registered locally must reserve a percentage of ownership to a Kenyan or Kenyan entity. The law also provided transition period for pure foreign companies to provide shares to Kenyan investors and explains the few exceptions noted in the study. The finding on type of ownership of insurance firms shown in Table 4.7 is aligned to Companies Act 2015 requirements.

4.5 Descriptive Analysis

4.5.1 Differentiation Strategy

This study assessed the influence of differentiation strategy on performance through different differentiation indicators as shown in Table 4.8

Table 4.8: Differentiation Strategies

Differentiation Strategies	N	Mean	Std Dv
Offering long operational hours	80	3.08	0.58
Product development based on customer specifications.	80	2.90	0.77
Offering after sales services	80	3.44	0.73
Offering unique product features	80	3.00	0.82
Well positioned and easy to access products	80	2.78	0.82
Building unique image of the company through media campaigns	80	3.35	0.90
Aggregate	80	3.10	0.77

Source: Survey Data (2019)

Based on the results illustrated in Table 4.8, the aggregate mean and standard deviation for indicators of differentiation strategy were 3.10 and 0.77 respectively. The overall mean response is approximated to 3.0 (to great extent) on the 5-point. Likert Scale. It was further observed that the standard deviation was small compared to the mean revealing a wide variation in application of differentiation strategy amongst insurance firms. These findings were consistent with Ouma

(2014) that established a consistent application of differentiation strategies by Kenyan insurance firms. The finding is further supported by Kamau (2017) who confirmed use of differentiation strategy by Kenyan life assurance companies.

4.5.2 Cost Leadership Strategy

This study also assessed the influence of cost leadership strategy on performance through cost leadership drivers as shown in Table 4.9.

Table 4.9: Cost Leadership Strategy

Cost Leadership strategies	N	Mean	Std Dv
Charging lower price than our competitors	80	3.49	0.81
Continuously implement fraud control	80	4.21	0.73
The company minimizes its procurement cost	80	4.16	0.65
The company conducts service costing	80	4.10	0.70
Continuously utilize economies of scale	80	4.20	0.70
Reduced labor input through automation and technology	80	4.30	0.70
Aggregate	80	4.08	0.72

Source: Survey Data (2019)

Results illustrated in Table 4.9 showed overall mean and standard deviation for indicators of cost leadership strategy as 4.08 and 0.72 respectively. The overall mean response is approximated to 4.00 (to great extent) on the 5-point Likert Scale. Standard deviation was large compared to the mean revealing a wide variation in application of differentiation strategy amongst insurance firms. The results were consistent with Kamau (2017) who established a wide variation in application of differentiation strategies by Kenyan life assurance firms. Mukya (2017) also confirmed the use of cost leadership strategy by Kenyan insurance firms which is coherent with the findings of this study.

4.5.3 Market Development Strategy

Respondents indicated application of market development on organizational performance through market drivers as in Table 4.10

Table 4.10: Market Development Strategy

Market Development Strategies	N	Mean	Std Dv
The company has opened branches in various major towns in Kenya	80	3.06	0.98
The company has opened branches in other countries	80	1.81	1.31
The company has recruited agencies to help in marketing and selling	80	3.80	0.90
Engaged in product promotions through media campaigns	80	3.18	0.86
Introduced new demographic market segments.	80	2.95	0.59
Introduced new institutional market segments.	80	2.69	0.85
Aggregate	80	2.92	0.92

Source: Survey Data (2019)

As indicated in Table 4.10, the aggregate mean and standard deviation for drivers of differentiation strategy were 2.92 and 0.92 respectively. The overall mean response was approximated to 3.0 (to some extent) on the 5-point Likert Scale. The finding is supported by Mutua (2016) who established wide application of market development strategies by Kenyan insurance firms. However, Kamomoe (2014) found minimal use of market development strategies by Kenyan insurance firms. The contradiction can be attributed to difference in timelines of carrying out the two studies.

4.6 Inferential Analysis

This study applied Pearson's correlations and regression analyses to compute and analyze data. The following sections present the analyses.

4.6.1 Correlation Analysis

The correlation findings revealed a strong positive correlation between performance and differentiation ($r=0.709$, $p<0.00$), a strong positive correlation between performance and cost leadership ($r= 0.592$, $p<0.00$), and a strong positive correlation between performance and market development ($r=0. 559$, $p<0.00$) as illustrated in Table 4.11.

Table 4.11: Correlations Coefficients

		Organizational Performance	Differentiation Strategy	Cost Leadership Strategy	Market Development Strategy
Organizational Performance	Pearson Correlation	1			
Differentiation Strategy	Pearson Correlation	.709**	1		
Cost Leadership Strategy	Pearson Correlation	.592**	.570**	1	
Market Development Strategy	Pearson Correlation	.559**	.642**	.599**	1
	Sig. (2-tailed)	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed)

Source: Survey Data (2019)

The findings showed that with every improvement in differentiation, cost leadership and market development there was a positive increase in performance. According to Farrar and Glauber (1967), simplest way of assessing multicollinearity is tabulating correlation coefficients between two independent variables. This study conducted Pearson Correlation of the predictor variables and the results indicated highest correlation coefficient of .709 as illustrated in Table 4.11. Correlation coefficient above 0.8 is a sign of multicollinearity (King'oo, 2015). All the predetermined variables had coefficients < 0.8 which proved absence of significant multicollinearity and demonstrated reliable predictor variables.

4.7 Regression Analysis

4.7.1 Diagnostic Tests

Before conducting regression, this study checked conformity of the data to regression assumptions. Scatter diagram was used in testing for linear relationship. The relationship between the dependent and outcome variable was a linear relationship which conforms to linear relationship assumption. This study further checked for multivariate normality through Shapiro-Wilk Test and results indicated in Table 4.12.

Table 4.12: Shapiro-Wilk Test

Strategy	Statistic	df	Sig
Differentiation	.764	1	.627
Cost Leadership	.819	1	.862
Market Development	.965	1	.837

Source: Survey Data (2019)

The result illustrated in Table 4.12 indicates that all the variables have p value above 0.05 ($p>.05$) hence insignificant. This confirms that the data followed normal distribution. This study further checked for homogeneity of variance through Levene's test and results indicated in Table 4.13.

Table 4.13: Levene's Test

Strategy	Levene Statistic	df1	df2	Sig
Differentiation	1.02	1	79	.450
Cost Leadership	1.46	1	79	.210
Market Development	1.22	1	79	.340

Source: Survey Data (2019)

As illustrated in Table 4.13 Levene's test showed that the variances were insignificant across the independent variables since all the p values were above 0.05 ($p>0.05$). This confirmed homogeneity assumption.

After the regression assumption tests, this study applied regression analysis result indicated in Table 4.14. The R^2 was 0.502 hence 50.2% of change in the firm's performance was attributable to variations in competitive strategies.

Table 4.14: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.702[a]	.502	.491	.186	.52126

a. Predictors: (Constant), Differentiation, Cost leadership, Market development
b. Dependent Variable: Organizational Performance

Source: Survey Data (2019)

An ANOVA was done between influence of differentiation, cost leadership and market development on performance at 95% confidence level. Significance of the regression model applied was 0.0015 and results shown in Table 4.15.

Table 4.15: ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.553	1	8.553	5.022	.0015[a]
	Residual	64.714	79	1.703		
	Total	73.247	80			

a. Predictors: (Constant), differentiation, cost leadership, and market development
b. Dependent Variable: Organizational Performance

Source: Survey Data (2019)

The F value (F = 5.022) confirmed significance (Sig. F< 0.05). The result also confirmed the model is fit. This study assessed regression coefficients and results indicated in Table 4.16.

Table 4.16: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig
(Constant)	1.324	.301		4.285	.002
Differentiation	.101	.176	.0254	.694	.022
Cost Leadership	.087	.247	.636	.256	.028
Market Development	.104	.154	.183	.776	.038

Dependent Variable: Performance

Source: Survey Data (2019)

This study identified a positive significant influence of competitive strategies on performance of insurance firms in Kenya. As illustrated in Table 4.16, t-value of constant (t = 4.285) showed significance at .000 per cent level (Sig. F< 0.05), hence confirmed positive fit. The results showed the variables were statistically significant ($p<0.05$). According to beta results the model was interpreted as:

$Y_0 = 1.324 + 0.101 (X_1) + 0.087 (X_2) + 0.104(X_3) + e$

The findings also showed that differentiation strategy has a positive significant ($p=0.022 <.05$) influence on performance of insurance companies in Kenya. With all other variables held at zero, a unit change in differentiation would lead to 0.101 increases in performance of insurance firms. The result is supported by Githumbi and Ragui (2014) that identified a positive significant influence of differentiation strategy on performance of large Kenyan rice processing firms. The finding is further supported by Mukya (2017) who established significant influence of differentiation strategy on performance of Kenyan insurance firms. The finding by Ouma (2014) also confirms significant influence of differentiation strategy on performance of Kenyan insurance companies.

This study found a positive significant ($p=0.028 <.05$) influence of cost leadership on performance insurance companies in Kenya. Unit change in cost leadership leads to 0.087 increase in performance of insurance companies in Kenya. The result is in line with Kamau (2017) that established positive significant influence of cost leadership on performance of life assurance companies in Kenya. Nyauncho and Nyamweya (2015) also determined a significant positive influence of cost-leadership strategy on performance of liquid petroleum gas companies in Eldoret. However, finding by Mukya (2017) revealed minimal influence of cost leadership on performance of Kenyan insurance firms. The contradicting results can be attributed to difference in performance parameters by the two studies as Mukya only considered financial performance.

Further results of this study showed significant ($p=0.038 <.05$) positive influence of market development on performance of insurance companies in Kenya. Single unit improvement in market development corresponded to 0.104 improvement in performance. The result is supported by Mulandi (2005) that established a positive significant influence of market development strategy and performance of Kenya Airways. Mutua (2016) also determined that market development influence performance of Kenyan insurance firms to a great extent. However, Kamomoe (2014) found insignificant influence of market development on performance of Kenyan insurance firms. The difference in the findings is attributable to different timelines the studies were conducted.

4.7.2 Test of Hypotheses

To achieve its objectives, this study conducted test on null hypotheses. This study relied on the regression results in testing for the null hypotheses and conclusions indicated in Table 4.14.

Table 4.17: Test of Hypotheses

Hypothesis	Test	Results	Remarks
H_{01}: Differentiation does not influence performance of insurance companies in Kenya	Regression .022	Significant	Rejected
$H_{02:}$ Cost leadership does not influence performance of insurance companies in Kenya	Regression .028	Significant	Rejected
$H_{03:}$ Market development does not influence performance of insurance companies in Kenya	Regression .038	Significant	Rejected

Source: Survey Data (2019)

At a significant level of 95%, all the independent variables were significant thus ($p<0.05$) for all the variables in this study. As illustrated in Table 4.17 all the null hypotheses were rejected.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter five presents summary of the findings, conclusions and recommendations of this study in line with the objectives.

5.2 Summary of Findings

The general objective of this study was to determine the influence of competitive strategies on performance of Kenyan insurance firms. The specific objectives were to determine influence of differentiation, cost leadership and market development on performance. The results established that R^2 was 0.502 hence 50.2% of the variation in the insurance firm's performance was explained by the variations in the competitive strategies. The correlation analysis findings showed a significant positive correlation between competitive strategies and performances of Kenyan insurance firms. Differentiation, cost leadership and market development were statistically significant ($p<0.05$). Differentiation strategy had a positive significant influence on performance of the insurance firms. The correlation between differentiation and performance was also positive. This study further established a positive significant influence of cost leadership on performance of insurance companies that was attributed to reduced cost of operations. The correlation between cost leadership and performance of insurance companies was positive. Market development showed a positive significant influence on performance of Kenyan insurance firms. Further the correlation between market development and performance was positive.

5.3 Conclusions

This study achieved its major objective. The Insurance firms in Kenya have applied different strategies to remain competitive in a market that has experienced lower penetration with a majority of the market share dominated by few insurance firms. These were differentiation, cost leadership and market development strategies in maximizing performance. However, the competitive strategies applied resulted in different levels of variation with respect to specific strategy. Therefore, this study concludes that competitive strategies are key in influencing performance.

5.4 Recommendations of the study

This study recommends that Kenyan insurance firms to adopt market development strategies such as competitive pricing and differentiation of their products. The insurance companies should further focus on cost minimization strategies to help in minimizing operational costs. This is supported by the results of this study which indicated positive influence of competitive strategies on performance of Kenyan insurance firms.

This study further recommends that government through insurance regulatory authority (IRA) formulate favorable policies that support the insurance industry as a way of increasing their contribution to the gross domestic product (GDP). Favorable policies such as market based pricing may help start up and small insurance firms compete with major companies through competitive pricing. In addition, IRA should set regulations and standards to ensure healthy competition and ethical practices in insurance industry such as risk based supervision model.

5.5 Suggestion for further study

This study focused on the influence of competitive strategies on performance. However, the study did not consider the contribution of business environment on application of competitive strategies. This study suggests for future studies that incorporate business environment as a moderating variable.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Dear respondent,

RE: RESEARCH PARTICIPATION AS A RESPONDENT

I'm a master's student at Kenyatta University. I am carrying out a research project as requirements for the course. I kindly ask for your participation by filling in the questionnaires with correct answers.

The collected information will be only utilized for research work. I will highly appreciate your kind assistance.

Yours faithfully

Austine Odhiambo.

APPENDIX II: QUESTIONNAIRE

A STUDY ON COMPETITIVE STRATEGIES AND PERFORMANCE OF INSURANCE COMPANIES IN KENYA

This questionnaire is designed to obtain information from insurance companies' Branch Managers on the competitive strategies of the insurance firms in Kenya. Kindly respond to the various statements and questions according to the guidelines provided in each section

SECTION A: ORGANIZATION AND RESPONDENT BIO-DATA

1: Gender: male [ ] Female [ ]

2: How many Years have you worked at the company?

1- 10 [ ] 11-20 [ ] 21-30 [ ]

31-40 [ ] 40-50 [ ]

3: Insurance company line of business (Tick as appropriate)

Life Assurance [ ] General Insurance [ ] Reinsurance [ ]

4: Years of operation of insurance company in Kenya (Tick as appropriate)

0 – 10 Years [ ] 11 – 20 Years [ ] 21 – 30 Years [ ] Over 30 Years [ ]

5: Geographical spread of the insurance company (Tick as appropriate)

National [ ] Regional [ ] Continental [ ] Global [ ]

6: Insurance company ownership categories (Tick as appropriate)

Locally Owned [ ] Foreign Owned [ ] Local and Foreign [ ]

Section B: Strategies used by the company.

Using a scale of 1 to 5, where 1= not at all, 2= very little, 3= to some extent, 4= to a great extent and 5=to a very large extent, please indicate how these strategies have been adopted by your company.

7: SECTION B II: DIFFERENTIATION STRATEGIES

Differentiation Strategies	**1**	**2**	**3**	**4**	**5**
Offering long operational hours					
Product development based on customer specifications.					
Offering after sales services					
Offering unique product features					
Well positioned and easy to access products					
Building unique image of the company through media campaigns					

8: SECTION B III: COST LEADERSHIP STRATEGIES

Cost Leadership strategies	**1**	**2**	**3**	**4**	**5**
Charging lower price than our competitors					
Continuously implement fraud control					
The company minimizes its procurement cost					
The company conducts service costing					
Continuously utilize economies of scale					
Reduced labour input through automation and technology					

9: SECTION B I: MARKET DEVELOPMENT STRATEGIES

Market Development Strategies	**1**	**2**	**3**	**4**	**5**
The company has opened branches in various major towns in Kenya					
The company has opened branches in other countries					
The company has recruited agencies to help in marketing and selling					
Engaged in product promotions through media campaigns					
Introduced new demographic market segments.					
Introduced new institutional market segments.					

10: SECTION C: PERFORMANCE OF THE INSURANCE FIRMS.

Kindly provide your company's Net Profit in KES for the last three financial years by ticking appropriately.

YEAR	**2015**	**2016**	**2017**
Profit (Loss)			

Kindly provide your company's annual total gross premium in Kenyan Shillings (Million) for the last three financial years

YEAR	2015	2016	2017
Annual total gross premium in Kenyan Shillings (Million)			

Appendix III: Kenyatta University Research Approval Letter

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Dean, Graduate School

DATE: 2nd May, 2019

TO: Odhiambo Otieno Austine
C/o Business Administration Dept.

REF: D53/CTY/PT/29584/2014

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 18th April, 2019 approved your Research Project Proposal for the M.B.A Degree Entitled, **"Competitive Strategies and performance of insurance companies in Kenya"**.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University's Website under Graduate School webpage downloads.

Thank you.

JACKSON LUVUSI
FOR: DEAN, GRADUATE SCHOOL

c.c. Chairman, Business Administration Department.

Supervisors:

1. Dr. Jane W. Njuguna
C/o Department of Business Administration
Kenyatta University

JL/ik

Appendix IV: NACOSTI Authorization Letter

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone:+254-20-2213471,
2241349,3310571,2219420
Fax:+254-20-318245,318249
Email: dg@nacosti.go.ke
Website : www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/19/18036/31746**

Date: **23rd July, 2019.**

Austine Otieno Odhiambo
Kenyatta University
P.O. Box 43844-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Competitive strategies and performance of insurance companies in Kenya."*** I am pleased to inform you that you have been authorized to undertake research in **all Counties** for the period ending **23rd July, 2020.**

You are advised to report to **the County Commissioners, and the County Directors of Education, all Counties** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

Kalerwa
GODFREY P. KALERWA., MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioners
All Counties.

The County Directors of Education
All Counties.

National Commission for Science, Technology and Innovation is ISO9001: 2008 Certified