

**AN INVESTIGATION OF THE STRATEGIES APPLIED BY HEALTH
INSURANCE COMPANIES TO IMPROVE PROFITABILITY
(A CASE OF RESOLUTION HEALTH EAST AFRICA LIMITED)**

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DEDICATION

To My wife Mwende and my entire family for encouraging especially my Dad and the late Ester Mwangeli for encouraging and supporting me throughout the study; always showing me the brighter side of life and helping me to believe in myself; reminding me that God will always be on my side and everything is possible.

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ABSTRACT

The study was aimed at investigating the strategies that are applied by Resolution Health East Africa Limited to improve profitability. The study focuses on the management and activities of Resolution Health East Africa Limited, and will include the staff and related activities in at the health institution.

The researcher adapted a descriptive research design as there are variables which cannot be quantified but can only be described. Through random stratified sampling method the researcher selected 31 out of total population of 62 staff members of the Resolution Health East Africa Limited Head offices in Upper Hill Nairobi. Data was collected through the administering of questionnaire to the respondents. Quantitative and qualitative techniques of data analysis was used to collect Data and the findings presented through charts, tables and graphs for simple understanding of the findings.

In order to survive and remain profitable in the competitive environment, it becomes necessary for the threatened companies to be aggressive in their search and development of strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages held. Strategic deployment of competitive strategies is a fundamental function for every company. Any company that fail to adopt a competitive strategies will continuously experience heavy financial loses. Insurance companies with strong financial background have long realized this key operational aspect and their strategy is to deploy various based on prevailing demands. Success of any insurance company depends on implementation of deployed competitive strategies. Successful strategies lead to superior profitability and sustainable competitive advantage. The ability of a insurance company to command a competitive advantage depends on the sustainability of the competitive advantages that it commands.

The study also concludes that corporate growth and development strategies applied by the insurance company affect its profitability to a great extent. The study further concludes that market focus strategies employed by the insurance company enhance its profitability to a very great extent. The study finally concludes that application of differentiation strategies as a competitive strategy affects the profitability of the insurance company to a very great extent. From the study findings, the study recommends that in order to

maintain its competitiveness in the insurance industry, the insurance company should offer their products and services at a lower price than its competitors.

TABLE OF CONTENTS

Declaration.....	i
Dedication.....	ii
Acknowledgement.....	iii
Abstract.....	iv
Table Of Contents.....	vi
List Of Tables.....	ix
List Of Figures	x
Operational Definition Of Terms.....	xi
List of Abbreviations.....	xii

CHAPTER ONE

1.1 Introduction	1
1.2 Background	1
1.3 Statement of the Problem	4
1.4 Objectives of the Study	4
1.5 Research Questions.....	5
1.6 Significance of the Study.....	5
1.7 Limitations of the study	5
1.8 The scope of the Study	6

CHAPTER TWO

2.0 LITERATURE REVIEW	7
2.1 Introduction	7
2.2 Theoretical Literature Review	8
2.3 Critical Review	19
2.4 Summery	19

2.5 Conceptual Framework.....	20
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CHAPTER THREE

3.0 RESEARCH DESIGN AND METHODOLOGY	22
3.1 Introduction.....	22
3.2 Research Design	22
3.3 Target Population	22
3.4 Sample Design And Procedure	22
3.5 Data Collection Instruments And Procedures	23
3.6 Data Analysis and presentation.....	23

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction	25
4.2 Presentation of Findings	25
4.3 Summary of Data Analysis	39

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction	41
5.2 Summary of Findings	41
5.3 Conclusions	42
5.4 Recommendations	43
5.5 Suggestion for further Study.....	44
REFERENCES	45

APPENDIX I: Letter of authorization

APPENDIX I: Questionnaire

LIST OF TABLES

	Page
Table 3.1 Sample Size	23
Table 4.1 Response rate.....	25
Table 4.2 Response in terms of gender	26
Table 4.3 Response according to education level	26
Table 4.4 Response according to management level	27
Table 4.5 Working Experience.....	28
Table 4.6 Does cost leadership affects organizations profitability at Resolution....	29
Table 4.8 Response on whether growth and development has affected perform....	31
Table 4.10 Response on whether differentiation affect organizations performance...32	32
Table 4.11 Response on whether Resolution Health had performed well in the	33
Table 4.12 Response on how the respondents rated the Resolution Health perfor.....	34
Table 4.13 Response on whether market focus affects organizations performance.....	35
Table 4.14 Response on how the respondents rated the Resolution Health perform...36	36
Table 4.16 Regression Model Summary	38
Table 4.1 Regression Coefficient's results.....	38

LIST OF FIGURES

	Page
Figure 2.5 Schematic Conceptual Framework.....	20
Figure 4.1 Response rate.....	25
Figure 4.2 Response in terms of gender	26
Figure 4.3 Response according to education level	27
Figure 4.4 Response according to management level	28
Figure 4.5 Working Experience.....	29
Figure 4.6 Does cost leadership affects organizations profitability at Resolution....	30
Figure 4.8 Response on whether growth and development has affected perform....	31
Figure 4.10 Response on whether differentiation affect organizations performance...32	
Figure 4.11 Response on whether Resolution Health had performed well in the	33
Figure 4.12 Response on how the respondents rated the Resolution Health perfor...34	
Figure 4.13 Response on whether market focus affects organizations performance....35	
Figure 4.14 Response on how the respondents rated the Resolution Health perfo....36	

OPERATIONAL DEFINATION OF TERMS

Competitive strategy

The four generic business strategies suggested by Michael Porter that could be adopted in order to gain competitive advantage. The four strategies relate to the extent to which the scope of businesses' activities are narrow versus broad and the extent to which a business seeks to differentiate its products (Porter,1996).

Cost leadership

This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Porter, 1979). In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Malburg, 2000).

Differentiation

Aaker (1984) defines a differentiation strategy as one in which a product is different from that of one or more competitors in a way that is valued by the customers or in some way affects customer's choice. A successful differentiation strategy allows firm to earn above the average returns.

Focus strategy

In this strategy the firm concentrates on a select few target markets (Porter, 1979). It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market.

LIST OF ABBREVIATION

CEO	Chief Executive Officer
NRB	Nairobi
IT	Information Technology
MIP	Medical Insurance Provider
U.S	United States
U.K.	United Kingdom
WFM	Workforce Management

CHAPTER ONE

1.0 Introduction

This chapter will contain the background of the study, statement of the problem, objectives of the study, significance and limitations that may be faced during data collection. The chapter will also show the scope to be covered by the study.

1.1.1 Background of the study.

Any business must have a good strategy for every function in the organization in order to realize high levels of performance and profitability. According to Norman and Gaither (2004), Business strategy is a long-range of game plan of an organization and provides a road map on goals to achieve the corporate mission. These strategies are embodied in the companies' business plan, which includes a plan for each functional areas of the business, including production, operations, marketing and finance. Promotion activities that falls under the marketing departments needs well developed strategies that are able to help the organization realize its goals and objectives both at the functional level and overall organization level.

Strategic goals describe the significant results to be achieved by the agency over the next few years. They "explain why the process exists/should exist in the organization, and why it should be driven in a certain way." Strategic goals have to do with the highest level needs of the business. In most cases, the highest level goal of a business is to achieve i.e. to maintain some constancy. Enterprise survives by maintaining certain relations with some entities in their environment and avoiding others. That is, they regulate their relationships with, for example, customers, employees, suppliers, investors, government agencies, competitors etc (Albert, 2002).

There is need for the organization to develop strategies that focuses on selling existing products into existing markets and increasing the market shares of the organization whether the organization operates locally or internationally. According to Brown (2000) Market penetration seeks to achieve four main objectives: Maintain or increase the market share of current products – this can be achieved by a combination of competitive

pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling, Secure dominance of growth markets, Restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors, Increase usage by existing customers – for example by introducing loyalty schemes

To be competitive enough in the ever competitive market there is need for the organization to put in place the strategies required to perform well in the market. In cost leadership, a firm sets out become the low cost producer in its industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average (Husband and Mandal , 1999).

Resolution health is a operating in a very competitive market with more and more players entering the market and therefore calls for good strategies in its operations. Any health insurance provider that does not develop good strategies operates at a disadvantage. These strategies should be unique to the organization for them to work properly and they should place the organization in a competitive edge with its competitors. According to Arnsoff (1999), In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions it to meet those needs. It is rewarded for its uniqueness with a premium price.

Kenya has had a history of health financing policy changes since its independence in 1963. Recently, significant preparatory work was done on a new Social Health Insurance Law that, if accepted, would lead to universal health coverage in Kenya after a transition period. Questions of economic feasibility and political acceptability continue to be discussed, with stakeholders voicing concerns on design features of the new proposal

submitted to the Kenyan parliament in 2004. For economic, social, political and organizational reasons, a transition period will be necessary, which is likely to last more than a decade. However, important objectives such as access to health care and avoiding impoverishment due to direct health care payments should be recognized from the start so that steady progress towards effective universal coverage can be planned and achieved (Carrin and James,2007).

A health financing system review is an important process to assess a country's current health financing situation and the way it functions and performs. This not only includes the assessment of resource mobilization, but also comprises of the system's pooling and purchasing functions as well as questions of efficiency and equity. The Department of Health Systems Financing has developed an analytical approach and framework that can help guide such a systematic health financing system review including a health financing performance assessment. Such a detailed understanding provides the basis to explore and propose adequate health financing options and changes within the health financing system to enhance health financing performance and ultimately to move (more rapidly) towards universal coverage or maintain it in the longer run(World Health Report ,2010).

With over 45,000 active policy holders, Resolution Health has learned to adapt in this constantly changing society, and has developed products that are effective and relevant to their members. Resolution Health has over 350 medical service providers all across East Africa, a strong network of hospitals, clinics and doctors. Resolution Health has almost 300 external agents & brokers who believe in their brand and sell our product. An in-house sales team of 105 business consultants and a staff team (non sales) of 95 people. Resolution Health has a wide range of product offerings with plans for in-patient and outpatient.

Through a strong brand and consistent product innovation the organization needs to consider ways in which it can raise its customer base through more agents and brokers especially in areas that are not yet covered by the organizations operations in the region and beyond. The organization requires good strategies that are not only objective but realistic in order to increase its profitability in an ever increasing competitive market.

1.2 Statement of the Problem

Good and effective strategies are important to any organization that is keen on its performance and profitability. If any health insurance provider is going to compete well in the industry it must put in place strategies that are able to help the organization perform well. There is need for the organization to develop effective cost leadership, cooperate growth and development strategies. For any organization to continuously perform well in the market then it is important that it develops uniqueness and differentiation in terms of product and service and more than ever strategically the focus on the ever competitive market (Phillips and Peterson, 2001).

Resolution health is operating in an ever increasing competitive market with many players entering the market which may affect the profitability of the organization. Therefore effective strategies are crucial for the achievement of organizations goals and objectives in terms of profitability. This study seeks to investigate the strategies applied by Resolution Health to improve profitability.

1.3. Objectives of the Study

1.3.1 General Objective

To investigate the strategies applied by Resolution Health to improve profitability.

1.3.2. Specific Objectives

- (i) To determine how cost leadership affect organizations profitability at Resolution Health.
- (ii) To find out the effect of growth and development on organizations profitability.
- (iii) To determine how differentiation affect profitability at Resolution Health.
- (iv) To determine how market focus affect organizations profitability at Resolution Health.

1.4. Research Questions

- i) What are the effects of cost leadership on organizations profitability?
- ii) How does growth and development affect profitability at Resolution Health?
- iii) What are the effects of differentiation on organizations profitability?
- iv) How does market focus affect profitability at Resolution Health?

1.5. Significance of the Study

The findings of this research will benefit several people in many ways.

1.5.1. The Management of Resolution Health

The findings of this research will help the management of Resolution Health to develop good strategies in order to raise their levels of performance and profitability in the institutions. The study will help the organization to evaluate its exiting strategies and identify its weaknesses and develop ways in which it can improve its profitability.

1.5.2. The Other Health Insurance Providers

The study will benefit the Health Insurance Providers given that it will provide them with a good strategy for the development of the Health Insurance Providers in Kenya. It will provide them with a model that is not only successful but also appropriate to the institutions and is able to improve the overall performance of the organizations.

1.5.3 To the Researcher

This study will help the researcher in completion of his Masters Degree at Kenyatta University as its completion is a requirement for the awarding of a Masters Degree certificate in Strategic management and subsequent graduation from the institution.

1.5.4. Other Researchers

The findings of this research will be used as reference by other researchers when they are carrying out research on related issues and will provide them with relevant information to complete their studies on strategies that are applied by Health insurance providers to improve profitability.

1.6. Limitation of the Study

Some of the questions given were not returned and others were not fully filled, this limited the researcher as it was not possible to fill in the missing information without understanding their mind of the non-respondents.

The insurances rigid policies and regulations posed a limitation as the respondents were not free enough to answer questions.

1.7. Scope of the Study

The aim of the study was to investigate the strategies that are applied by Resolution Health to improve organizations profitability. The study mainly focused on the staff and the activities of Resolution Health and included; lower level managers, middle level managers and senior managers.

The study was conducted using descriptive research design at Resolution Health Nairobi head office.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains a review of the past studies and the conceptual framework that provides a schematic relationship between the variables under investigations. The purpose of the review is to examine the available studies from other scholars and researchers who have done studies on the same subject under investigation. The literature available will provide a guideline to this study and offer a critical analysis of this past studies in order to avoid the duplication of previous work.

2.1.2 Profile of Resolution Health East Africa Limited

Resolution Health East Africa Limited entered the Kenyan market in 2002 as the first company to be registered as a Medical Insurance Provider (MIP) under the new Insurance Act. Resolution Health utilizes managed care principles to provide access to comprehensive health care. By spreading the risk across a wide base, members get products with wide range of benefits at premiums they can afford. This is achieved by managing members' health care budget through structures that control delivery costs.

By transferring risk to re-insurers, Resolution Health concentrates on actual health care management. In addition Resolution Health has professional indemnity insurance which ensures members are fully protected. With over 45,000 active members in its fold, they have learned to adapt in this constantly changing society, and develop products that are effective and relevant to its members. Resolution Health has over 350 medical service providers all across East Africa, a strong network of hospitals, clinics and doctors. Resolution Health has almost 300 external agents & brokers. An in-house sales team of 105 business consultants and a staff team (non sales) of 95 people. Resolution Health has a wide range of product offerings with plans for in-patient and outpatient. Their products meet most of the requirements by providing unique cover options either for an individual or for an organization.

The organization is geared towards providing security by way of comprehensive and affordable healthcare solutions to meet their members' needs in a personalized and efficient manner whilst exceeding all stakeholders' expectations and to be a world class medical insurer and the market leader in medical Insurance in East Africa.

2.2 Theoretical Review of Literature

2.2.1 Cost Leadership

Cost of service and goods that are provided by the organization determines whether the targeted customers will purchase the products and services or not. Malburg, (2000) states that Porter's generic strategies known are also known as cost leadership. This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Porter, 1987, 1996; Cross, 1999). In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Malburg, 2000).

The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider only activities that they have cost advantage (Malburg, 2000). For an effective cost leadership strategy, a firm must have a large market share (Hyatt, 2001). There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials (Malburg, 2000).

Although Porter (1985) purports that only one firm in an industry can be the cost leader, the firm can consider the cost difference between a firm and competitors in order to try and offer even better and competitive ones, Understanding the components of the overall product is crucial in designing the best prices for the organizations products and services, the best strategic choice is the low cost leadership role (Malburg, 2000).

There are many benefits that come with reduced cost and cost leadership in the market. Firms do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share (Porter, 1987). Lower prices lead to higher demand and, therefore, to a larger market share (Helms et al., 1997). As a low cost leader, an organization can present barriers against new market entrants who would need

large amounts of capital to enter the market (Hyatt, 2001). The leader then is somewhat insulated from industry wide price reductions (Malburg, 2000). The cost leadership strategy does have disadvantages.

This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market, (David, 2000).

According to Davis and Dess, (1984) firms often drive their cost lower through investments in efficient-scale facilities, tight cost and overhead control, and cost minimizations in such areas as service, selling and advertising. They often sell no-frills, standardized products to the most typical customers in the industry. Thus, the primary thing for a firm seeking competitively valuable way by reducing cost is to concentrate on maintaining efficiency through all activities in order to effectively control every expense and find new sources of potential cost reduction.

The actual basis of cost leadership competitive advantage is lower overall costs than competitors on the same goods and services. This requires the firm to: be better than rivals on efficiency and cost control and continuously seek creative and innovative ways of cutting costs. Successful low cost producers achieve cost advantages by exhaustively pursuing cost savings throughout the activity cost chain. A cost leadership strategy is designed to produce goods or services more cheaply than competitors by stressing efficient scale of operation. When a firm designs, produces, and sells a comparable product more efficiently than its competitors as well as its market scope is industry-wide, it means that the firm is carrying out the cost leadership strategy successfully (Brooks, 1993).

According to Hambrick (1983) the main dimension of the cost leadership strategy is efficiency, the degree to which inputs per unit of output are low. Efficiency can be

subdivided into two categories: cost efficiency which measures the degree to which costs per unit of output are low, and asset parsimony which measures the degree to which assets per unit of output are low. Together, cost efficiency and asset parsimony, capture a firm's cost leadership orientation. To the extent that firms following an efficiency strategy succeed in deploying the minimum amount of operating costs and assets needed to achieve the desired sales, they would be able to improve their financial performance.

Any company that has chosen the price as its action parameter must understand its area of operations and the cost reduction that can be achieved on the product. It is a sound standard product/service cleared of unnecessary costly functions and characteristics and satisfies basic needs and gives the customer a high utility value for his money compared to the other offers within the business. A broad segment of the customers are potential buyers ([www bookman.com](http://www.bookman.com)).

All resources, energy and creativity of the company are steered towards reduction of costs which is its primary competence. Key disciplines are deciding, control and exploitation of large-scale production. Companies continuously seek areas which can be exploited for cost reductions and following become competition advantages and they continuously initiate projects to enlarge the efficiency (www bookman.com).

Many organizations have applied cost leadership as a strategy and performed well in the market with most of them registering high levels of profitability. Wal-Mart is search an example for the financial year ending January 31, 2003, retailing giant Wal-Mart reported revenues of \$244.5 billion, making it the world's largest company. The company topped Fortune's list of the world's largest companies for the second year in succession (Kalish, 2010)

Considering the modest beginning of this company four decades ago, nobody, including the company officials expected Wal-Mart to emerge such a dominant player in the retailing industry (Refer Exhibit II). Wal-Mart's success story is a classic example of a company, which became successful by rigorously pursuing its core philosophy of cost leadership, right from the day it began operations in 1962. Wal-Mart was founded by an

ambitious entrepreneur, Sam Walton (Walton), who figured out early that retailing, was a volume-driven business, and his company could achieve success by offering consumers better value for their money. Wal-Mart's growth during the first two decades was propelled primarily by following the strategy of establishing discount stores in smaller towns and capturing significant market share.

The company was able to foster its growth in the 1980s by making heavy investments in information technology (IT) to manage its supply chain and by expanding business in bigger metropolitan cities. In the late 1980s, when Wal-Mart felt that the discount stores business was maturing, it ventured into food retailing by introducing Supercenters.

In the late 1990s, Wal-Mart launched exclusive groceries/drug stores known as "neighborhood markets" in the US (Refer Exhibit III for the various types of Wal-Mart stores). Though Wal-Mart had achieved huge success over the decades, the company drew severe criticism from industry analysts for its strategies that aimed at killing competition. At the speed at which Wal-Mart was growing, analysts feared that the company would soon face an anti-trust suit for its monopolistic practices. Christopher Hoyt, president of Scottsdale, an Arizona-based supermarket store, Hoyt & Company, said, "The only thing that could stop Wal-Mart is if the government gets involved, just as it did with Microsoft.

2.2.2 Growth and Development

Expansion and development of market options include the pursuit of additional market segments or geographical regions. The development of new markets for the product may be a good strategy if the firm's core competencies are related more to the specific product than to its experience with a specific market segment. Because the firm is expanding into a new market, a market development strategy typically has more risk than a market penetration strategy, (David, 2000).

Having a proper growth and development strategy is crucial for an organization that intends to be as competitive as possible in the market. Ansoff's matrix provides four different growth strategies: Market Penetration - the firm seeks to achieve growth with

existing products in their current market segments, aiming to increase its market share, market development - the firm seeks growth by targeting its existing products to new market segments, product development - the firm develops new products targeted to its existing market segments and diversification - the firm grows by diversifying into new businesses by developing new products for new markets, (Porter, 1996).

The market penetration strategy is the least risky since it leverages many of the firm's existing resources and capabilities. In a growing market, simply maintaining market share will result in growth, and there may exist opportunities to increase market share if competitors reach capacity limits. However, market penetration has limits, and once the market approaches saturation another strategy must be pursued if the firm is to continue to grow, (Mintzberg, 1973).

It is important to understand the objective of any strategy that the organization decides upon. According to David (2000) not everything that is called a strategy deserves the name. A company's goals and objectives are sometimes called its "strategy" even if they are never translated into concrete business activity. Real business strategies are expressed in the daily life of the organization. A real business strategy makes a difference in what people do and how they do it, day in and day out.

A product development strategy may be appropriate if the firm's strengths are related to its specific customers rather than to the specific product itself. In this situation, it can leverage its strengths by developing a new product targeted to its existing customers. Similar to the case of new market development, new product development carries more risk than simply attempting to increase market share, (Bourgeois, 1980).

It must be noted that diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm. In fact, this quadrant of the matrix has been referred to by some as the suicide cell. However, diversification may be a reasonable choice if the high risk is compensated by the chance of a high rate of return. Other advantages of diversification include the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk, (Barney, 1991).

Continuing improvement in operational efficiency at a pace faster than competitors is necessary to sustain superior profitability over time. The rapid diffusion of best practices, though, allows competitors to quickly imitate management techniques and practices. Most generic solutions that can be used in multiple settings diffuse the fastest (Porter, 1996).

Research has also proved that Growth pattern should facilitate the firm's increase in output inline with the increase in demand in external environment. (Kefalas, 1979). Only then the growth can be sustained. Conversely it may also be stated that a firm desiring to grow fast should also operate in regions of fast development or hubs of economic activity. Hence, the developing countries provide an avenue for faster growth. This forms the basis of adopting one of the propositions for investigation.

Another growth strategy to note was applied by Bill Gates in his effort to be a market leader in software application before few people were able to see an opportunity. Bill Gates is a well-known leader in the business world. His company's inventions impacted the business world and changed the market. Bill Gates had a vision of what other executives only dream about. His values and strategies have managed to keep Microsoft on the edge of technology. Still, many questions have risen about Bill's strategies on whether or not his harsh marketing depicts a monopolistic nature or is simply a result of becoming the leader of the technology industry (www.papercamp.com).

Bill's inventions that changed the business world Bill Gates and his Harvard pal, Paul Allen, became inspired by seeing the first MITS Altair 8800, which was on the cover of Popular Electronics in 1975 . Bill and Paul wrote their version of the existing BASIC programming language for the Altair . Since they realized that they would have to move quickly, they marketed their programming language to the firm who made Altair, MITS. During this time, Paul Allen joined MITS and when the company failed to prosper, he joined as a partner with Gates at what became known as Microsoft (www.papercamp.com).

Microsoft was gaining market share in the U.S., but its biggest break came from Japan. Bill knew back then that the global impact of the pc industry would be an important part of Microsoft and decided that he couldn't do this all on his own. So, in 1980, he enlisted the help of another Harvard pal, Steve Ballmer. It was also during this period, that Microsoft reorganized into a private corporation with Gates as President/CEO and Paul as Executive Vice President (www.papercamp.com).

In the earlier days of Microsoft, the strategy was to buy software licenses for the computers they sold and then re-sell the licenses with the software to other companies, such as Radio Shack. Microsoft would then receive a royalty generated from such sales. This was done to offset their low sales from those who stole the software and sold it(www.papercamp.com).

2.2.3 Differentiation

Differentiation strategies are marketing techniques used by a firm to establish strong identity in a specific market; also called segmentation strategy. Using this strategy, a firm will introduce different varieties of the same basic product under the same name into a particular product category and thus cover the range of products available in that category. Differentiation strategy can also be defined as positioning a brand in such a way as to differentiate it from the competition and establish an image that is unique, (Davidow and Uttal, 1989). Differentiation strategy aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. Differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price.

Proper understanding of this strategy is important for its success and application in real market operation. Differentiation strategy is an approach under which a firm aims to develop and market unique products for different customer segments. Baum and Oliver, (1992) advises that this strategy is usually employed where a firm has clear competitive advantages, and can sustain an expensive advertising campaign. It is one of three generic

marketing strategies that can be adopted by any firm. To maintain this strategy the firm should have: strong research and development skills, strong product engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, and incentives based largely on subjective measures, be able to communicate the importance of the differentiating product characteristics, stress continuous improvement and innovation and attract highly skilled, creative people. (Phillips and Peterson, 2001) concludes that product differentiation is a common way of differentiating the firm's offerings from those of its competitors.

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily, (Porter, 1985).

Integration of modern technological application and business operation should be explored for effective operations. As stated by David (2000) that much of what people do all day is accomplished through the medium of business technology, most notably in the form of business applications. Some of this technology is strategically neutral – that is, it neither enforces nor impedes the company's strategic direction. There is a tendency to think of most business technology as strategically neutral (our strategy is about selling widgets, not paying the phone bill). But when companies attempt to change their behavior in accordance with their strategic direction, they often find that their technological infrastructures are far less strategically neutral than they had expected.

David (2000) further states that any company's business technology evolves over time. At any given time it is the aggregate results of thousands of individual choices, most of which are made in apparent isolation, according to criteria (usually technical) that rarely seem strategic in nature. But the combined effect of all these choices can't help but have

strategic implications. What we need, and quite often lack, are practical methods for translating strategic goals and objectives into concrete business practices – that is, methods that allow the choices that cumulatively direct the evolution of our business technology to be informed by our chosen strategic direction.

Differentiation should be based on a study of present products and identifying the existing gaps that are not filled by the products. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals' products. Efforts to differentiate often result in higher costs. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes, (Grant, 2000).

With the differentiation strategy, on the other hand, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R and D and marketing (Porter, 1980). It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns, (Davis and Dess, 1984).

A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1980). Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm (Ireland et al., 2001; Porter, 1985).

Kotler (2001) insists that anything that a firm can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its products at an acceptable cost. These attributes may raise the product's performance or make it more economical to use. Differentiation possibilities can grow out of possibilities performed anywhere in the activity cost chain, (Davis and Dess, 1984).

2.2.4 Market Focus

The organization focusing on this basis for competitive advantage is either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors. Focusing is based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members, (Stone, 1995).

This strategy is based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes. In the focus strategy, a firm targets a specific segment of the market (Porter, 1996). The firm can choose to focus on a select customer group, product range, geographical area, or service line (Martin, 1999).

This focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy (Porter, 1980) depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms (David, 2000).

According to Mortazavi (2008) market-focused strategy formulation helps to solve the problems of today as viewed through our understanding of the current markets. Markets, however, tend to change rapidly in modern societies. Just observe what is going on around you, the number of products that have come and gone, and business that have failed and hailed, fashions and habits that have come to fore in the last decade. Under such rapid change, it becomes difficult to maintain stability and constancy needed for long-term strategy.

In a article posted in August 2007 issue of CRM magazine stated that Barclaycard Business is the multiband credit card and loans business of global financial giant Barclays. With 450 agents to service more than 142,000 business customers and 500,000 individual cardholders worldwide, Barclaycard has to ensure that its three U.K.-based contact centers are adequately staffed. But a mixed-bag workforce management (WFM) strategy providing limited operational visibility forced an investment in a more cohesive solution.

One of the contact centers used a packaged WFM application, while the other two relied on spreadsheet models. As a result, the centers had to manually evaluate adherence and efficiency levels. Hitting performance goals was also an issue. The centers often fell short of service levels and had a system wide forecast variance above 6 percent, translating into more than GBP200,000 (about \$400,000) shelled out in overtime costs for just the first half of the year. They also had to hire a planner to deal with schedule changes.

In an attempt to improving its resource planning processes, Barclaycard went live with the IEX Total View WFM package from IEX (now a NICE Systems company) in 2005. The multisite functionality allows Barclaycard to run its centers as one virtual operation, integrating each center's automatic call distributor with Total View. And the Schedule Bidding feature allows agents to work the times they want and manage their own holidays, according to Colin Wheelan, planning and intraday manager at Barclaycard.

Barclaycard's IEX implementation has provided its centers with accurate forecasts and extensive visibility as well as improved adherence. The frequency of recorded customer

calls improved by 66 percent, service level by 20 percent, and abandonment rates by more than four percent. The company also realized full ROI in 11 months and slashed overtime expenditures by more than 40 percent (Bailor, 2007)

2.3 Critical Review

For an effective cost leadership strategy, a firm must have a large market share (Hyatt, 2001). This sometimes is not easy given that there is a lot of competition in the market. It is sometimes argued that cost leadership may survive best in monopolistic situation in the market. Organizations wishing also to succeed in cost leadership must also be careful not to run to losses.

Porter (1996) states that in this strategy a firm targets a specific segment of the market the literature has failed to show the risks that are associated with this type of strategy. There are risks that are associated with concentrating too much with one segment of the market and neglecting the others. These can lead to the organization overlooking the benefits that may be realized by the organization from other segments of the market that may not have been tapped by the organization.

As much as differentiation is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns, as stated by David and Dess, (1984), it is important for firms to be careful not to make losses by spending more than its cost of production that may lead to too high cost versus too less gains.

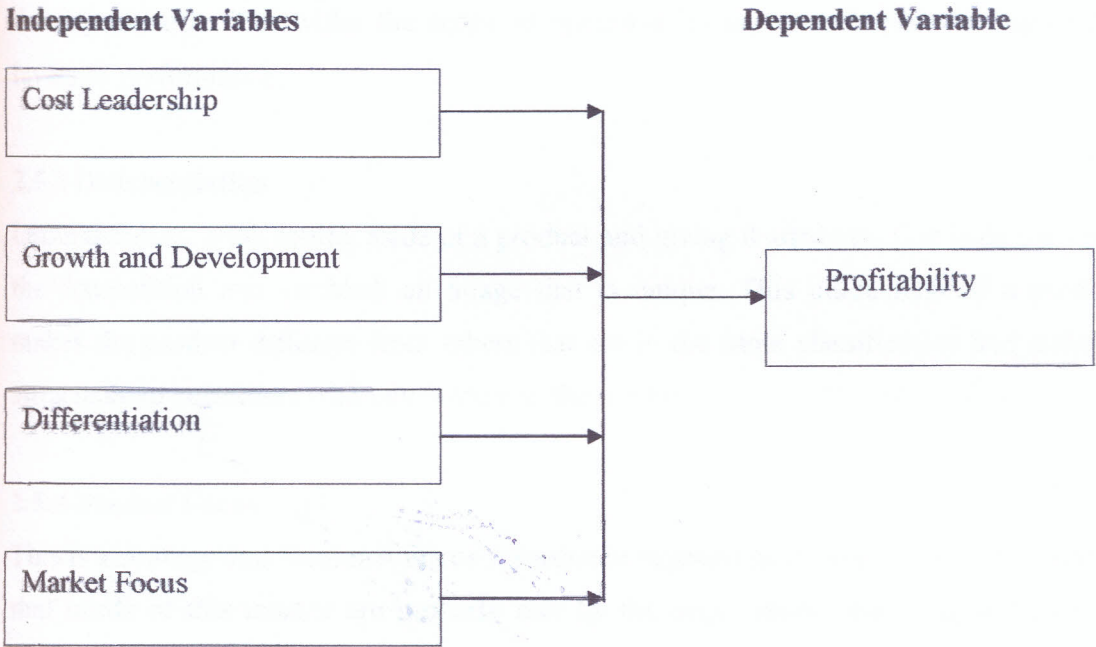
2.4 Summary

It is important for the organization to understand all the strategies and their applications in order to properly apply them to the benefit of the organization. There is need to carefully think over all the opted strategies and consider their effects in the running of the organization. The organization needs to settle for the best strategies that can increase their performances in the market and ensure that the organization is more profitable.

2.5 Conceptual Frame work

Strategies applied by the organization are crucial for the performance of any Health insurance Institution. This section provides a schematic presentation of the interrelation between the variables in the context of the problem under investigation.

Figure 2.5 Schematic Conceptual Framework.



Source: Researcher (2011)

2.5.1 Cost Leadership

It is important for the organization to provide the best prices as possible if not the lowest in order to attract as many customers as possible. Customers should be able to identify the organization with the best prices in the market and always turn to the organization sure that their prices are the lowest. Customer loyalty and more purchases of the organization products and services will raise the organizations customer base and loyalty compared to other organization.

2.5.2 Growth and Development

Expansion of the organization in terms of scope and area of operation is crucial for the performance of the organization. The organization in any field of operation should expand and improve its operations in order to covers as wider area of operation as possible and bring the services closer to the customers by opening as many branches as possible to ensure that all the customers are well served and the customers are reached by the organization. The wider the scope of operation by the organization the higher the levels of performance.

2.5.3 Differentiation

Differentiation is the setting aside of a product and giving it attributes that isolate it from the competition and establish an image that is unique. This uniqueness of a product makes the product different from others that are in the same classification and make it attractable to customers who buy it more in the market.

2.5.4 Market Focus

This is a strategy that focuses more on a particular segment of the market and ensures that that needs of this market are properly met by the organization. Focusing is based on selecting a market niche where buyers have distinctive preferences (Stone, 1995). When an organizations develops its products and services to address different segments of the market then they are able to strategically develop products and accompanying actions to meeting the requirements of each and every segments in the market thereby increasing the performance of the organization.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The Chapter describes the research design. In this chapter, the researcher describes the general methodology applied in carrying out the research project. It describes the data collection procedures and the tools to be used in obtaining data that were be used in this research; the process of data analysis, the study design, the target population and size, together with the sampling technique used in the research.

3.2 Research Design

Research design is the outline, plan or scheme that is used to generate answers to the research problem. It is basically the plan and structure of investigation. Descriptive research design was used in the study. Descriptive research seeks to establish factors associated with certain occurrences, outcomes, conditions or types of behavior. Descriptive research is a scientific method of investigation in which data is collected and analyzed in order to describe the current conditions, terms or relationships concerning a problem (Mugenda and Mugenda, 2003).

3.3 Target Population

Target population refers to the total number of subjects of the interest to the researcher Mugenda and Mugenda (2003). This research was conducted at the Resolution Health Head Offices in Nairobi and the target population was 31 managers at different levels of management within Resolution Health East Africa head office in Nairobi.

3.4 Sample Design and Procedure

A sample is part of the target population that is procedurally selected to represent the population. The researcher used the stratified random sampling since this method is not selective. According to Stanley and Starch (1989) every possible sample of a given size drawn a specified universe has a known chance of being selected. The researcher was

convinced that the population was not uniform since the respondents do not think similarly over the given issue under investigation.

Table 3.2. Sample Size

Category	Population	Sample Size	Percentage
Senior Managers	6	2	6
Middle Managers	20	12	39
Low level managers	36	17	55
Total	62	31	100

Source: Researcher (2011)

3.5 Data Collection Instruments and Procedures

3.5.1 Data Collection

The study proposed to use both primary and secondary data. The researcher used questionnaires as the main tool for data collection which were dropped and later picked from the respondent. This is a set of few questions asked in a logic sequence but put in a wiring form. They required brief and direct answers. The questionnaires had both closed and open questions. Questionnaires were used since the study was concerned with variable which could not be directly observed such as views, opinions, perceptions and feeling of the respondents. Such information was collected through the use of questionnaires. Harper and Westfall (1989) state that less time is wasted in questionnaire study.

3.6 Data Analysis Procedures/Presentation

The Data collected through the questionnaires was sorted, edited and cleaned. According to Harper and Westfall (1989), coding is the step were by researchers assign respondent's answers to pertinent responses categories, thereby expediting the tabulation. Since the data was descriptive, descriptive statistics was used. Qualitative analysis was used to better understand the collected data and this was through the use of designed

questionnaire which provided answers to question asked. This allowed for better interpretation, conclusion and recommendation. The Data collected was presented through the use of tables, graphs and charts to offer an easy understanding of the findings of the study

The data was presented in a way that was easy to understand and interpret. The data was presented in a way that was easy to understand and interpret. The data was presented in a way that was easy to understand and interpret.

4.1.1. Data collection

The data was collected through the use of questionnaires and interviews.

4.1.2. Data analysis

The data was analyzed using statistical software.

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CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents results and discussions of the study from the data collected from the questionnaires through frequency tables, percentages and graphs with clear interpretation of each finding on the strategies applied by Resolution Health East Africa Limited to improve the profitability of the organization.

4.2 Quantitative Analysis

The researcher prepared and issued out 31 questionnaires to the respondents.

4.2.1 Response Rate

Table 4.1 Response Rate

Category	Frequency	Percentage
Response	21	68
Non Response	10	32
Total	31	100

Source: Researcher (2011)

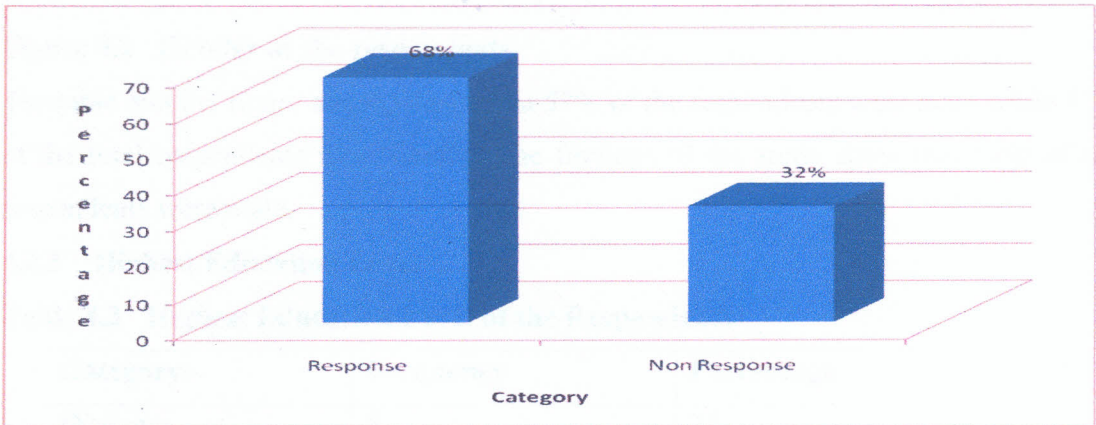


Figure 4.1 Response Rate

The table and the figure above, show that out of 31 respondents who were sent questionnaires and 68% responded while 32% did not respond. The findings of the study shows that the study was well responded

4.2.2 Gender of the Respondents

Table 4.2 Gender of the Respondents

Category	Frequency	Percentage
Male	12	57
Female	9	43
Total	21	100

Source: Researcher (2011)

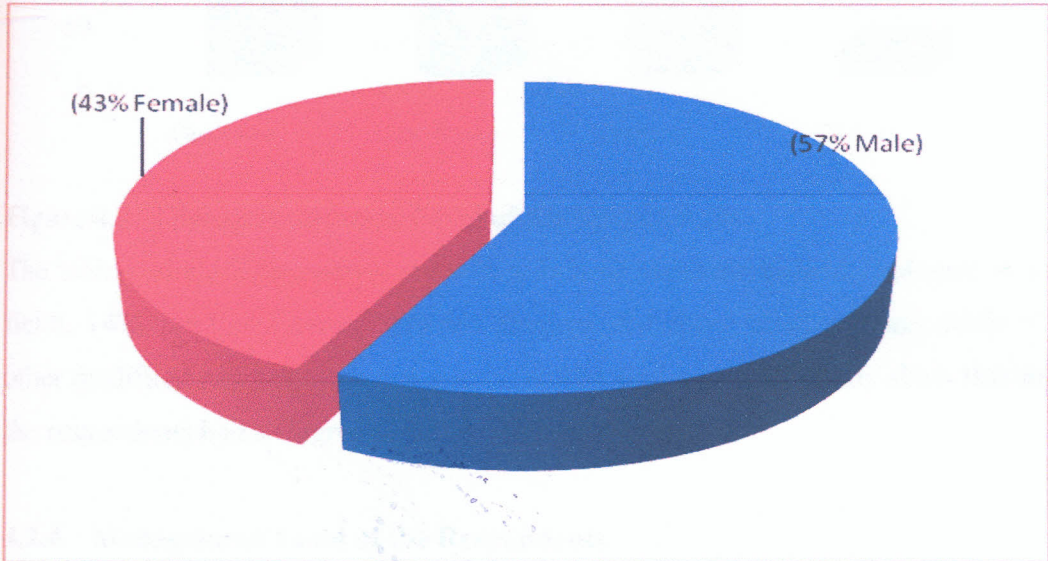


Figure 4.2 Gender of the respondents

The table and the figure above, shows that 57% of the respondents were male while 43% of the total respondents were female. The findings of the study show that most of the respondents were male.

4.2.3 Highest Education Level

Table 4.3 Highest Education Level of the Respondents

Category	Frequency	Percentage
Diploma	5	24
Certificate	3	14
Degree	12	57
Others	1	5
Total	21	100

Source: Researcher (2011)

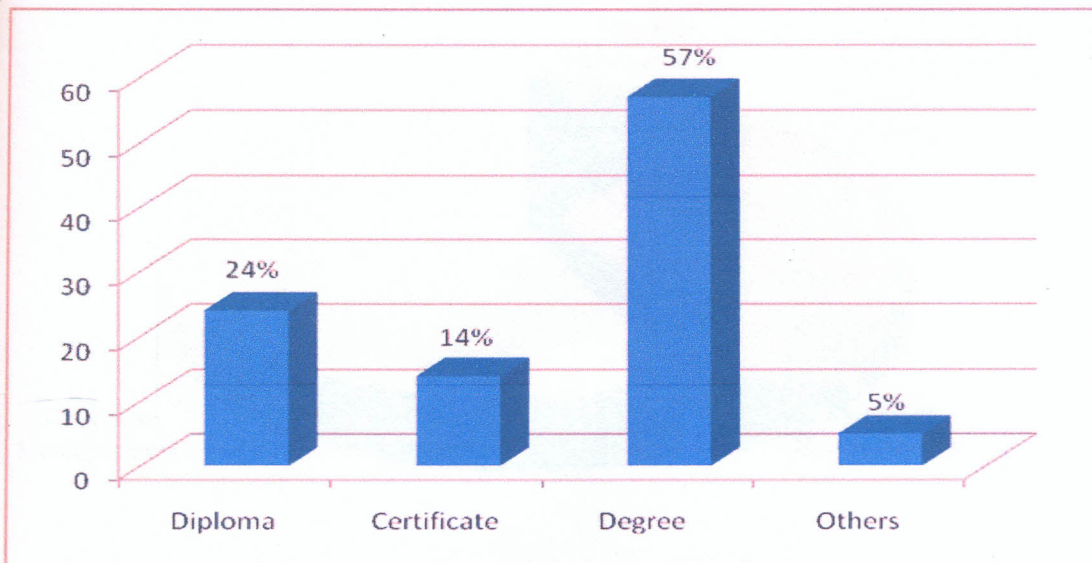


Figure 4.3 Highest Education Level of the Respondents

The table and the figure above show that 24% of respondents held Diplomas in various fields, 14% had Certificates, 57% had Degrees and above qualifications; while 5% had other qualifications that were not specified. The findings of the study show that most of the respondents had a Degree in different fields.

4.2.4 Management Level of the Respondents

Table 4.4 Management Level of the Respondents

Category	Frequency	Percentage
Top Management	2	10
Middle Management	7	33
Lower Management	12	57
Total	21	100

Source: Researcher (2011)

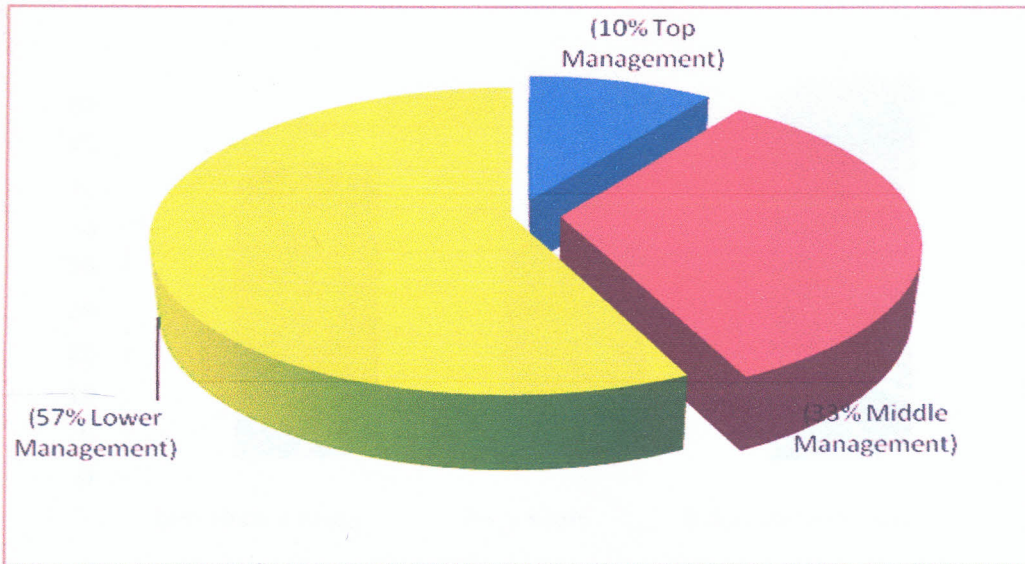


Figure 4.4 Management Levels of the Respondents

The table and the figure above, shows that 10% of the respondents came from Top Management, 33% from Middle Management, 57% were from Lower Management. The findings of the study show that most of the respondents were from Lower Management staff in the organization.

4.2.5 Working Experience of the Respondents

Table 4.5 Working Experience of the Respondents

Working Experience	Response	Percentage
Less than 2 Years	7	33
2 – 5 Years	5	24
6 and above Years	9	43
Total	21	100

Source: Researcher (2011)

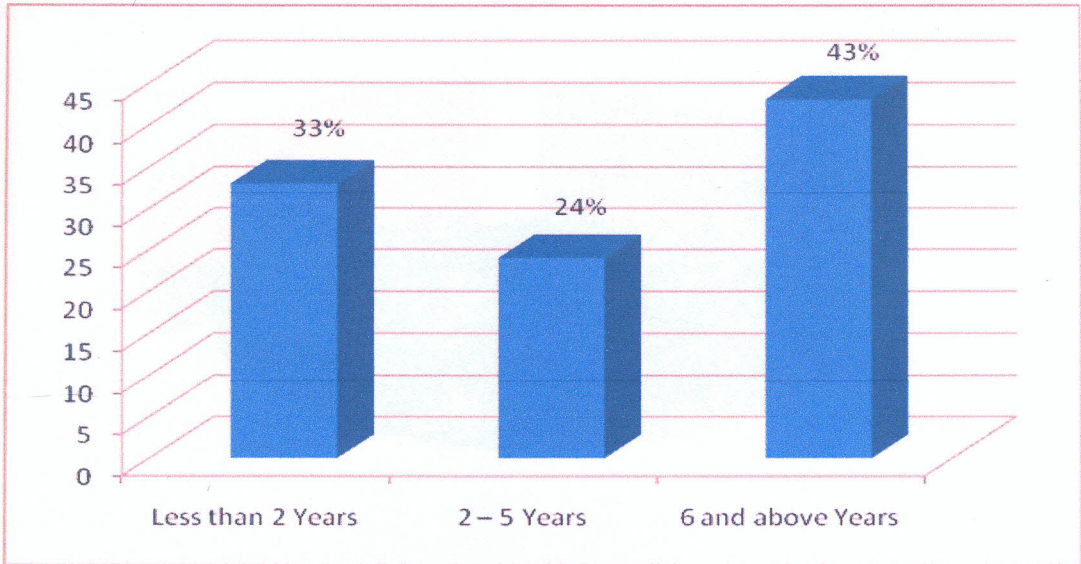


Figure 4.5 Working Experiences of the Respondents

The table and the figure above show that 33% of the total respondents had worked with the organization for less than 2 years, 24% had worked for the organization for between 2-5 years while 43% had worked for the organization for 6 and above years. The findings of the study show that most of the respondents had worked in the organization for 6 years and above and therefore .

4.2.6 Response on whether cost leadership affects organizations profitability at Resolution Health.

The other question was whether cost leadership affects organizations profitability at Resolution Health.

The response to this question was as follows:

Table 4.6 Does cost leadership affects organizations profitability at Resolution Health?

Category	Frequency	Percentage
Yes	14	67
No	7	33
Total	21	100

Source: Researcher (2011)

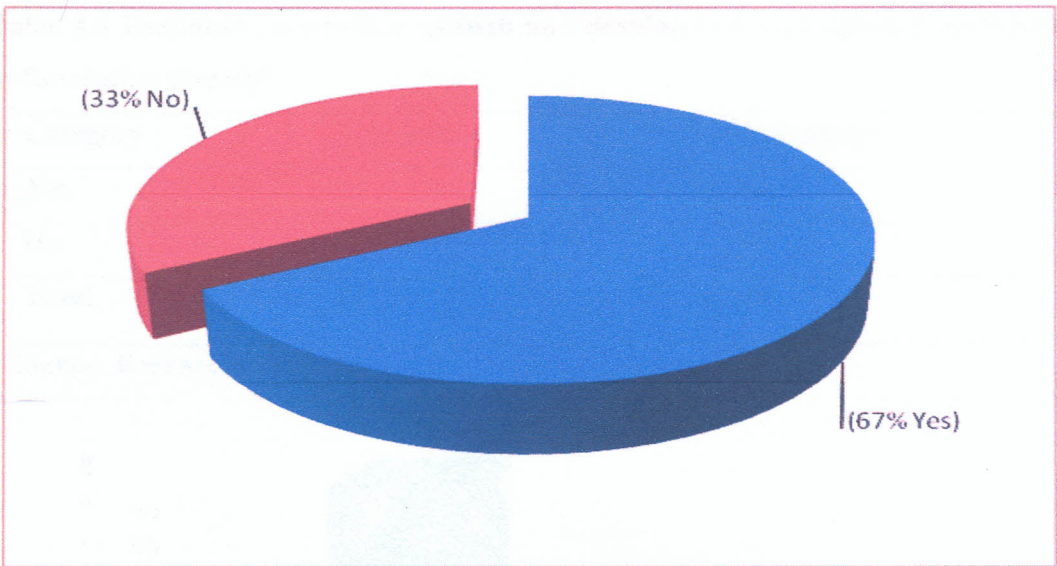


Figure 4.6 Does cost leadership affects organizations profitability at Resolution Health

The table and the figure above, show that 67% felt that yes, cost leadership affects organizations profitability at Resolution Health, while 33% felt that it did not affect it at all. The finding of the study shows that cost leadership affects organizations profitability at Resolution Health.

4.2.7 Response on how respondents rated the performance of Resolution Health in Cost Leadership.

The respondents felt that Resolution Health had performed well in Cost Leadership and gave a mean grade of 3.5

4.2.8 Response on whether growth and development has affected performance at Resolution Health.

The other question was whether growth and development has affected performance at Resolution Health.

The response to this question was as follows:

Table 4.8 Response on whether growth and development has affected performance at Resolution Health?

Category	Frequency	Percentage
Yes	19	90
No	2	10
Total	21	100

Source: Researcher (2011)

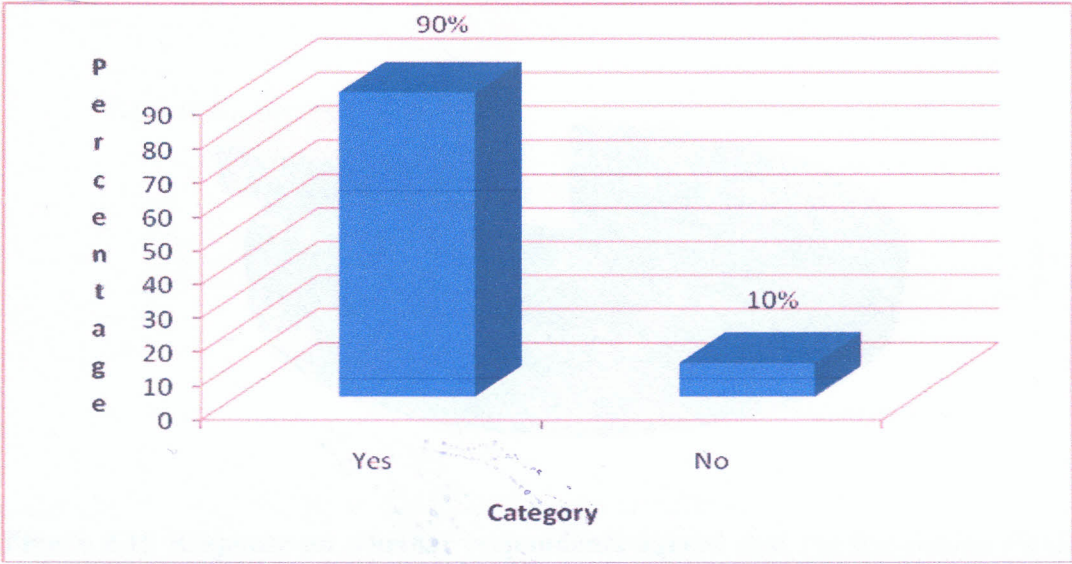


Figure 4.8 Response on whether growth and development has affected performance at Resolution Health?

The table and the figure above, show that 90% felt that yes, growth and development has affected performance at Resolution Health, while 10% felt that it did not affect it at all. The finding of the study shows that growth and development has affected performance at Resolution Health.

4.2.10 Response on whether the respondents agreed that the Resolution Health is performing better due to more growth in the number of Agents.

The other question was whether respondents agreed that the Resolution Health is performing better due to more growth in the number of Agents.

The response to this question was as follows:

Table 4.10 Response on whether respondents agreed that the Resolution Health is performing better due to more growth in the number of Agents?

Category	Frequency	Percentage
Yes	17	81
No	4	19
Total	21	100

Source: Researcher (2011)

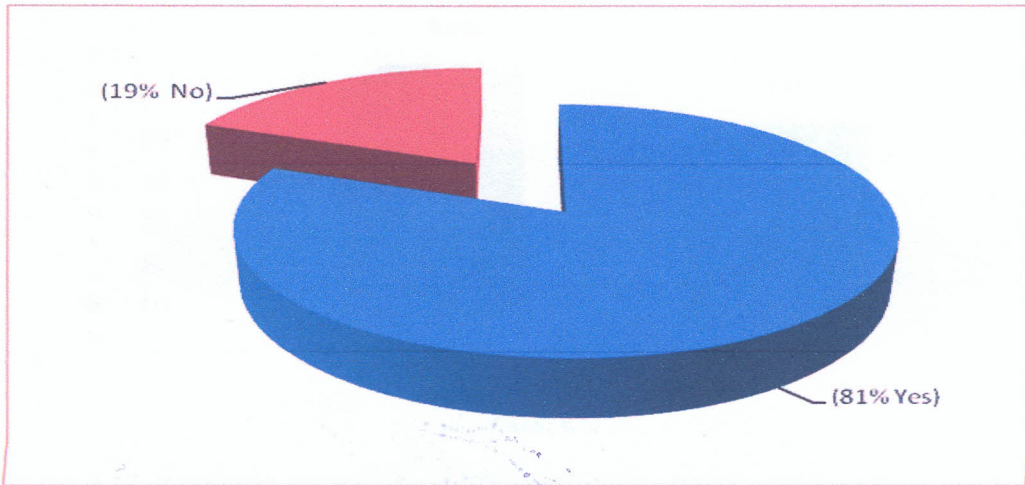


Figure 4.10 Response on whether respondents agreed that the Resolution Health is performing better due to more growth in the number of Agents?

The table and the figure above, show that 81% of the respondents agreed that the Resolution Health is performing better due to more growth in the number of Agents, while 19% did not agree. The finding of the study shows that most of the respondents agreed that the Resolution Health is performing better due to more growth in the number of Agents.

4.2.11 Response on whether differentiation affect organizations performance at Resolution Health.

The other question was whether differentiation affects organizations performance at Resolution Health.

The response to this question was as follows:

Table 4.11 Response on whether differentiation affects organizations performance at Resolution Health.

Category	Frequency	Percentage
Yes	12	57
No	9	43
Total	21	100

Source: Researcher (2011)

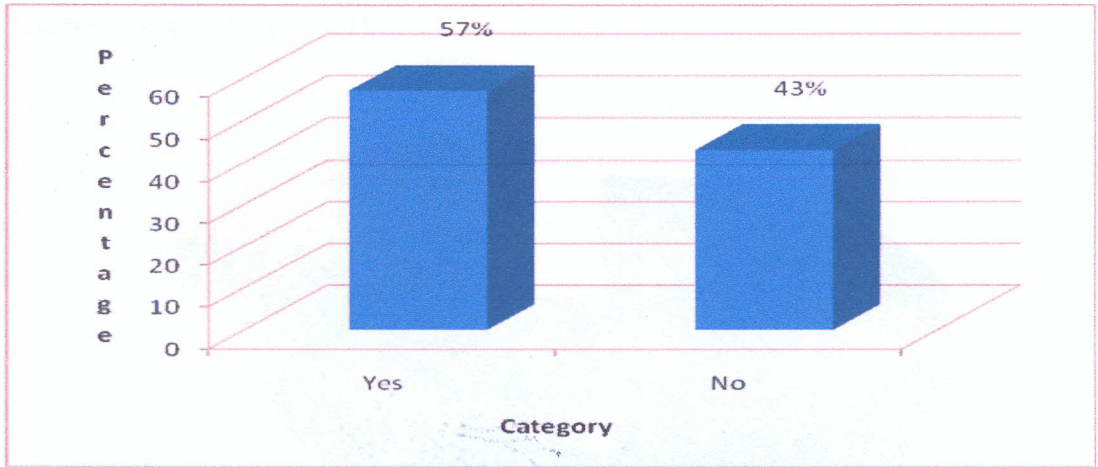


Figure 4.11 Response on whether differentiation affects organizations performance at Resolution Health.

The table and the figure above show that 57% of the respondents felt that differentiation affects organizations performance at Resolution Health, while 43% felt that it did not affect it at all. The findings of the study show that differentiation affects organizations performance at Resolution Health.

4.2.12 Response on whether Resolution Health had performed well in the differentiation of its products.

The other question was whether Resolution Health had performed well in the differentiation of its products.

The response to this question was as follows:

Table 4.12 Response on whether Resolution Health had performed well in the differentiation of its products?

Category	Frequency	Percentage
Yes	16	76
No	5	24
Total	21	100

Source: Researcher (2011)

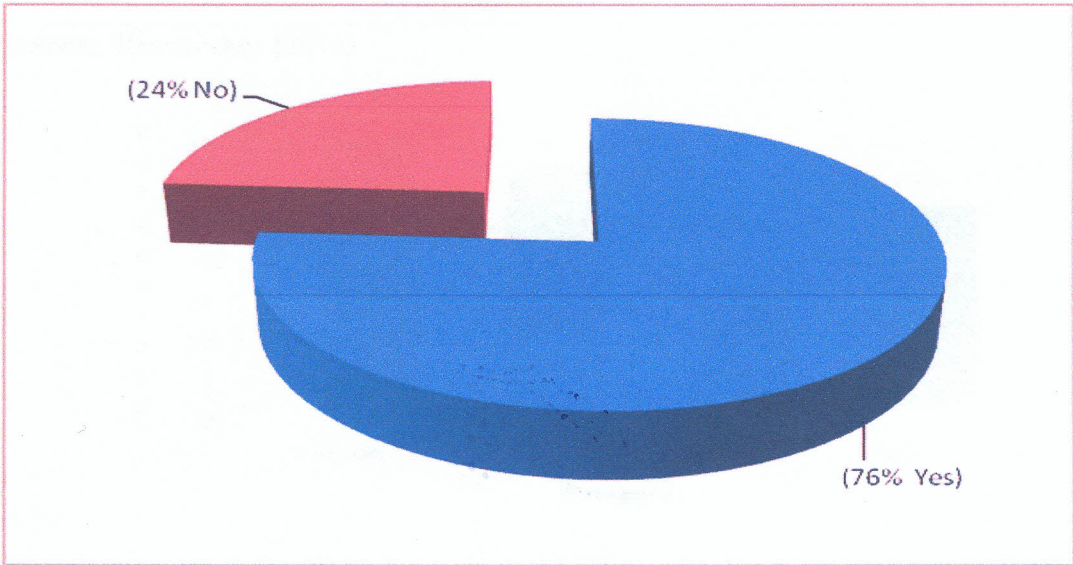


Figure 4.12 Response on whether Resolution Health had performed well in the differentiation of its products?

The table and the figure above show that 76% of the respondents felt that Resolution Health had performed well in the differentiation of its products, while 24% felt that Resolution Health had not performed well in the differentiation of its products. The findings of the study show that Resolution Health had performed well in the differentiation of its products.

4.2.13 Response on how the respondents rated the Resolution Health performance in differentiation of its products.

The researcher had sought to know how the respondents rated the Resolution Health performance in differentiation of its products.

The response to this question was as follows:

Table 4.13 Response on how the respondents rated the Resolution Health performance in differentiation of its products.

Category	Frequency	Percentage
V. Good	7	33
Good	6	29
Fair	3	14
Poor	5	24
Total	21	100

Source: Researcher (2011)

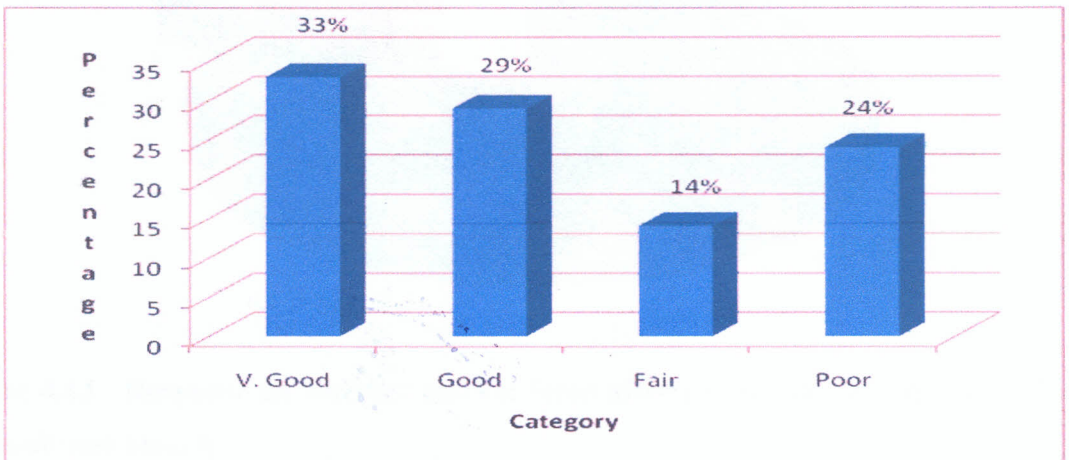


Figure 4.13 Response on how the respondents rated the Resolution Health performance in differentiation of its products.

The table and the figure above, show that 33% of the respondents said that Resolution Health performance in differentiation of its products was very good, 29% of the respondents felt that it was good, 14% felt that it was fair, while 24% felt that Resolution Health had performed poorly in differentiation of its products. The finding of the study shows that Resolution Health performance in differentiation of its products was very good.

4.2.14 Response on whether market focus affects organizations performance at Resolution Health?

The other question was whether market focus affects organizations performance at Resolution Health.

Table 4.15 Response on how the respondents rated the Resolution Health performance on market focus strategies.

Category	Frequency	Percentage
V. Effective	6	29
Moderately Effective	7	33
Less effective	3	14
Not effective	5	24
Total	21	100

Source: Researcher (2011)

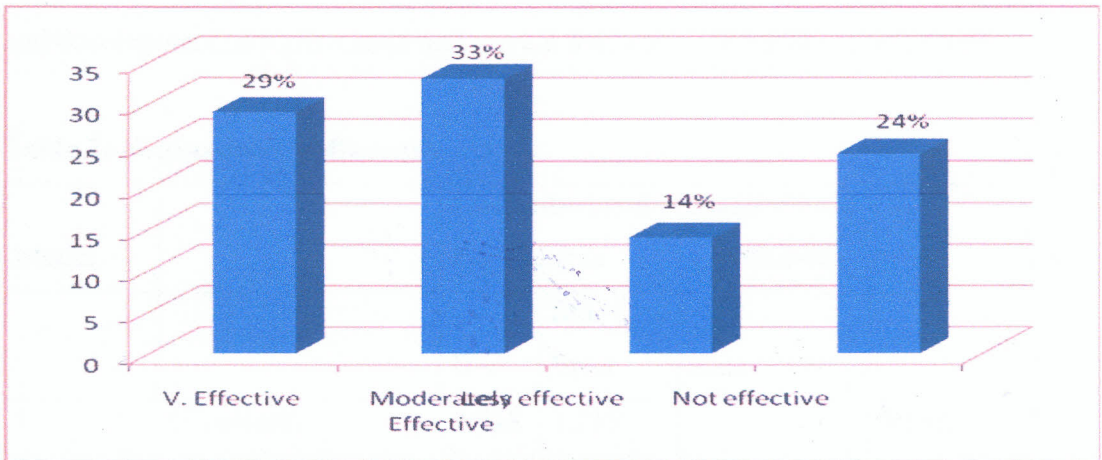


Figure 4.15 Response on how the respondents rated the Resolution Health performance on market focus strategies.

The table and the figure above show that 29% of the respondents felt market focus strategies applied by Resolution Health were very effective, 33% they moderately effective, 14% of the respondents felt that they were less effective while 24% felt that it did not effective at all. The findings of the study show that market focus strategies applied by Resolution Health were moderately effective.

4.2.14 Response on how respondents rated the performance of Resolution Health in Cost Leadership.

The respondents felt that Resolution Health had performed well in market focus strategies and gave a mean grade of 3.0

Table 16: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.95(a)	.009	.961	4.605	.009	.009	1	1	.0378

Source, Researcher (2011)

Adjusted R^2 is called the coefficient of determination and tells us how the performance varied with cost leadership, corporate growth and development, differentiation and market focus. From Table above 14, the value of adjusted R^2 is 0.961. This implies that, there was a variation of 96.1% in performance with the cost leadership, corporate growth and development, differentiation and market focus at a confidence level of 95%.

Table 1: Regression Coefficient's results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.918	1.715		3.133	.032
	Cost leadership	.579	.057	.095	.093	.028
	Corporate Growth and Development	.069	.063	.091	.094	.045
	Differentiation	.755	.61	.094	.092	.018
	Market Focus	.532	.67	.093	.091	.013

Source, Researcher (2011)

The established regression equation by the study was

$$Y = 1.918 + 0.579 X_1 + 0.200 X_2 + 0.955 X_3 + 2.332 X_4$$

From the above regression model, holding cost leadership, corporate growth and development, differentiation and market focus constant performance would be 1.918, its established that a unit increase in Cost leadership would cause an increase in profitability

by a factor of 0.579, a unit increase in Corporate Growth and Development would cause an increase in profitability by a factor by a factor of 0.069, also a unit increase in Differentiation would cause an increase in profitability by a factor of 0.755, further unit increase in Market Focus would cause an increase in performance by a factor 0.532. This infers that there is a positive relationship between performance with cost leadership, corporate growth and development, differentiation and market focus.

4.3 Summary of Data analysis

4.3.1 General Findings

The findings of the study shows that out of 31 respondents who were sent questionnaires and 68% responded while 32% did not respond ,56% of the respondents were male while 44% of the total respondents were female. 22% of respondents held Diplomas in various fields, 13% had Certificates, 57% had Degrees and above qualifications; while 8% had other qualifications that were not specified and that 35% of the total respondents had worked with the organization for less than 2 years, 25% had worked for the organization for between 2-5 years while 40% had worked for the organization for 6 and above years.

4.3.2 Cost Leadership

Most of the respondents felt that cost leadership affects organizations profitability at Resolution Health. They were of the opinion that the organizations should the more the organizations products are well priced the better they attract more customers to their products. They felt that the if an organization prices its products the more they perform well in the market.

4.3.3 Growth and Development

Most of the respondents felt that growth and development affect organizations profitability at Resolution Health. They said that the organization if the organization puts in place good growth and development strategies by expanding its operations the more the organization is profitable. They were of the opinion that the organization should continuously carry out expansion activities to ensure that the company expands its operations by extending to regions that have not been covered by the organization.

4.3.4 Differentiation

Most of the respondents felt that differentiation affect organizations profitability at Resolution Health. Most of the respondents felt that the more the organizations products are unique the more the customers are attracted to the company's products. They were of the opinion that the more unique the products are the more the company makes more profit from the number of customers that sign to their products.

4.3.5 Market Focus

Most of the respondents felt that market focus affect organizations profitability at Resolution Health. They were of the opinion that the organization the more the organization designs products that target a particular market or type of clientele the more profits they make.

They said that by the organization concentrating on a particular market or clientele the more they are able to develop good product that can satisfy that particular market. The respondents felt that Identification of a potential market is important for the company's profitability.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter contains the summary of findings obtained from other respondents, conclusions made and recommendations containing the topic of the study. The researcher evaluates the findings and gives recommendations necessary. In conclusion the study contains the findings, recommendations and suggestions for future studies on the investigation of strategies that are applied by Resolution Health to improve profitability.

5.2 Summary of the findings (According to Research questions)

5.2.1 What are the effects of cost leadership on organizations profitability at Resolution Health?

The main question in this part was whether cost leadership affects organizations profitability at Resolution Health. The study found out that cost leadership affects organizations profitability at Resolution Health. Most of the respondents felt that the more the organizations products are well priced the better they attract more customers to their products. They felt that the if an organization prices its products the more they perform well in the market.

5.2.2 How does growth and development affect organizations profitability at Resolution Health?

The main question in this part was how does growth and development affect organizations profitability at Resolution Health .Most of the respondents felt that if the organization puts in place good growth and development strategies by expanding its operations the more the organization is profitable. They were of the opinion that the organization should continuously carry out expansion activities to ensure that the company expands its operations by extending to regions that have not been covered by the organization.

5.2.3 What are the effects of differentiation on organizations profitability at Resolution Health?

The main question was whether differentiation affects organizations profitability at Resolution Health. Most of the respondents felt that, differentiation affect organizations profitability. The respondents were of the opinion that the more unique the products are the more the company makes more profit from the number of customers that sign to their products.

5.2.4 How does market focus affect organizations profitability at Resolution Health?

A large percentage of the respondents felt that market focus affect organizations profitability at Resolution Health. They were of the opinion that more the organization designs products that target a particular market or type of clientele the more profits they make. They said that by the organization concentrating on a particular market or clientele the more they are able to develop good product that can satisfy that particular market. The respondents felt that Identification of a potential market is important for the company's profitability.

5.3 Conclusion

Based on the findings, the study concludes that adoption of cost leadership as a competitive strategy affects the profitability of the Insurance Companies to a very great extent. Staff costs, prices of supplies, fees charged by consultants, availability of consultants and prices of equipment have impacted on the company's costs in cultivating cost leadership and hence its profitability. Cost leadership strategy options used in response to changes in the market by the Insurance Companies are such as keeping overheads same as industry and keeping charges lower than competition.

The study also concludes that corporate growth and development strategies applied by the Insurance Companies affect its profitability to a great extent. For the Insurance Companies, market development is one of the most important goals of growth and development. The factors influencing the corporate growth and development in Insurance Companies and thus the profitability are mainly staff skills and motivation, actions of competitors and demands from suppliers.

The study further concludes that market focus strategies employed by the Insurance Companies enhance its profitability to a very great extent. The market focus strategies used to the changing market in the Insurance Companies industry in order to enhance profitability were offering services not offered by competitors, use of latest technology, introducing new services in market and regular market surveys of customer needs.

The study finally concludes that application of differentiation strategies as a competitive strategy affects the profitability of the Insurance Companies to a very great extent. When using the differentiation strategy, the Insurance Companies focuses its efforts on providing a unique product or service, thus setting their offerings apart from other competitors. The Insurance Companies depends on differentiation factors such as purpose, service, value and quality.

5.4 Recommendations

From the study findings, the study recommends that in order to maintain its competitiveness in the Insurance industry, the Insurance Companies should offer their products and services at a lower price than its competitors. The study also recommends that since corporate growth and development strategies applied by the Insurance Companies affect its profitability to a great extent, the Insurance Companies should consider investing in more corporate growth and development including the opening of new branches to reach the uninsured.

The Insurance Companies should also engage in nationwide promotion and advocacy for its products and services in order to enhance its market focus strategies. The study also recommends that since application of differentiation strategies as a competitive strategy greatly affects the profitability of the Insurance Companies, the Insurance Companies should seek to adopt more innovative product and services differentiations that make it a stand alone in the market.

5.5 Areas of Further Research

The study recommends that further research should be done on the effect of competitive strategies on the profitability of other companies such as the insurance companies since they have a different strategic approach from that of most Companies.

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Appendix I:

INTRODUCTION LETTER

MUSYOKA M BONIFACE
KENYATTA UNIVERSITY
P.O. BOX 43844
NAIROBI, KENYA

Dear Sir/Madam

**RE: STRATEGIES APPLIED BY RESOLUTION HEALTH TO IMPROVE
PROFITABILITY.**

I am a post graduate student at Kenyatta University pursuing Masters in Business Administration. I am conducting research to investigate the strategies that are applied by Resolution Health to improve profitability.

You have been considered as one of my potential respondents. As a staff member of Resolution Health East Africa Limited, you are best suited to help me in my research. I therefore kindly request you to assist me collect data by filling the attached questionnaire.

This information will be treated with utmost confidence and will only be used for academic purposes. A copy of the research findings will be availed to you upon request. Your cooperation is highly appreciated.

Thank you

Yours Sincerely,

Boniface Mwikya Musyoka

Tel: 0717 664722

Email: mwikyaboniface@yahoo.com

APPENDIX II
RESEARCH QUESTIONNAIRE

SECTION A

General information

Below is a questionnaire you are required to fill read carefully and give appropriate answers by ticking or filling the blank spaces.

The information obtained in this questionnaire will be treated with at most confidentiality.

1. Sex : Male Female

2. Age : 18-25 26-35
36-45 46 and above

3. Highest Education level: Certificate Diploma
Degree Others

4. What is your job Level: Top management Middle Level
Subordinate

5. For how long have you worked for Resolution Health East Africa Limited?
Less than 2 years 2-5years
6 years and above

SECTION B: COST LEADERSHIP

i) Does cost leadership affect organizations profitability at Resolution Health?

Yes No

(ii) Explain the reason for you answer.....

.....

iii) On a scale of 1-5 how would rate the performance of Resolution Health in Cost Leadership?

1 2 3 4 5

iv) Please explain the reason for your answer.....
.....

SECTION C: GROWTH AND DEVELOPMENT

i) In your opinion has growth and development affected performance at Resolution Health?

Yes No

ii) Explain your answer

iii) Could you agree that the Resolution Health is performing better due to more growth in the number of Agents?

Yes No

iv) Please explain

SECTION D: DIFFERENTIATION

i) Does differentiation affect organizations performance at Resolution Health?

Yes No

ii) Please explain the reason for your answer.....
.....

iii) In your opinion has the Resolution Health performed well in the differentiation of its products?

Yes No

iii) How would you rate the Resolution Health performance in differentiation of its products?

V. Good Good Fair Poor

iv) Please give reasons for your answer above.....
.....

SECTION E: MARKET FOCUS

i) Does market focus affect organizations performance at Resolution Health?

Yes No

ii) Please explain the reason for your answer.....
.....

v) How effective are market focus strategies applied by Resolution Health.

V. Effective Moderately Effective Less effective

v) On a scale of 1-5 give the rating of the Resolution Health performance on market focus strategies

1 2 3 4 5

Appendix III:
Research Work Plan

ACTIVITY	WK 1	WK 2	WK 3	WK 4	WK 5	WK 6	WK 7	WK 8	WK 9	WK 10
Problem Formulation	***									
Preparation of research questions		***	***							
Compiling				***	***					
Proposal Defense						***	***			
Field Data Collection							***	***		
Data Analysis Report Writing									***	
Presentation										***

Table I N.B: Activities on the Research Management Table are indicated by the following symbols: ***

Appendix IV:**Budget plan**

No	Item	Amount	
		Kshs	Cts
1	Stationeries	8,000	00
2	Telephone and Internet cost	8,600	00
3	Typing work	8,000	00
4	Photocopies and journals	5,700	00
5	Travelling cost	7,000	00
6	Contingencies	9,000	00
	Total	46,300	00