ANALYSIS OF GROWTH STRATEGY CHOICE AND THE PERFORMANCE INSURANCE FIRMS: A STUDY OF NAIROBI CENTRAL BUSINESS DISTRICT

BY

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DECLARATION

This is to certify that this research report is my original work and has not been presented for an academic award in any other university or institute of learning for the award of degree or diploma. Information from other sources has been acknowledged.

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DEDICATION

This report is dedicated to the Almighty God who gave me good health, physical and mental strength to write at the prescribed time. I also dedicate this research project to my family and to all my lecturers without whom it would not have been successfully completed. And to my late husband Odiedo, your departure gave me a chance to explore the potentials that are within me and made me who I am today.

ABSTRACT

The insurance industry is a lucrative field with vast opportunities to explore. There has been a growth of insurance business in Kenya, with 2017 reports from AKI for instance showing an increase of about 43.8% of insurance agents from the year 2016. Previous studies have shown individuals and entities go without taking insurance covers to safe guard their entities. Regulators have been seen to put mandatory adoption of insurance services such as in the public service vehicles sector. There has been a failure in the management of the firms to understand the elements enabling growth of the firms may be detrimental. Information is lacking as to whether factors in strategy selection impacts on the performance insurance firms. This study sought to establish the choice of growth strategies and the effects on performance of the insurance firms. The specific objectives included; to establish the influence of management competence on the performance of insurance firms, to assess the effect of resource capacity on the performance of insurance firms, and to determine the influence of organizational culture on the performance of insurance firms. The study used a correlational research design and the target population comprised of 52 AKI registered insurance firms. The study adopted a census sampling method due to the minimal number of population elements. A sample size of 52 respondents was selected where each firm provided one respondent on a purposive basis. The data was collected using questionnaires accompanied by semi-structured interviews. Quantitative data was coded and analyzed using frequencies and descriptive techniques aided by computer software. The findings of the study were; the competency of management in selecting growth strategies at an average mean of 1.53 with standard deviations falling between ±2 at 0.62, the uniqueness and the cost effectiveness of resources on performance of insurance firms at a mean of 3.31 and at standard deviation of 0.89, and corporate culture of the firm influences performance at a mean of 1.41 and standard deviation of 0.62. Conclusively, there exist a relationship between the selection of a given strategy that is influenced by the level of management competency, the kind of resources at disposal, and the prevailing corporate culture, towards a desired level of performance of insurance firms. It is therefore recommended that; insurance firms need to invest greatly in developing its personnel academically to improve their education levels, to adopt resource management models to enabling proper resource utilization, and keenly looking into the existing corporate cultures portrayed by management personnel to fit the set strategies. Further research should be done on the implementation part and the effect towards performance. This report contributes greatly and is of importance to scholars, business people and policy makers within the insurance sector.

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ABBREVIATIONS AND ACRONYMS

AKI	Association of Kenya Insurance
CBD	Central Business District
CBK	Central Bank of Kenya
CMA	Capital Market Authority
GDP	Gross Domestic Product
GWP	Gross Written Premium
IIK	Insurance Institute of Kenya
IRA	Insurance Regulatory Authority
RBV	Resource based view theory
SASRA	Sacco Societies Regulatory Authority
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences

CHAPTER ONE: INTRODUCTION

This section presents the enlightenment of empirical information that has culminated to the development of the study on growth strategy choice and performance of insurance firms. The problem alternative is highlighted as the study gap is shown. The scope of the study is clearly outlined to guide the breadth of the research.

1.1 Background of the Study

The development of nations critically developed on the stability of the enterprises and the progressive creativity of the management of entities. The formulation of strategies in a given entity is therefore important. According to Mintzberg, Ahlstand and Hampel (1998), it is an integral tool for the management that constitutes of structured events that lead to desired objectives whereby the evaluation of external and internal environments also persists (Mintzberg *et al*; 1998). Strategy development therefore comprises of continuous actions, framework layout development, cultural and social considerations, and most importantly the setting of targets and matching of resources to the intended plan (Johnson, Scholes & Whittington, 2006).

The ability to choose a strategy is an important factor as it is much intertwined with success of the business. The growth of an entity depends on the critical competitive strategies developed. In this regards competitive strategies constitute action plans that an entity has crafted and embraced to; enable the attraction of more customers, stand pressure for similar businesses, and increase their market growth (Thompson, Strickland & Gamble, 2010). It is very critical to make important decisions on which strategy to adopt. A firm that is able to possess proper and appropriate strategies for their growth and competitiveness, have higher likelihoods of taking advantage over new opportunities (Atikiya, 2015).

In a given business entity considering the situations at hand, the appropriate strategy to be adopted will be characterized by various events and actions, influencing the organization. A strategy adopted can comprise one strategy or a mixture of strategies. According to Gibcus and Kemp (2003), growth strategy is one of the many strategies that can be adopted to enable setting of clearer directions to the achieving organizational goals. The growth on an entity may be seen and perceived in various directions. In quoting Levie and Lichtenstein (2010), perceived dimensions included a two-directional factor comprising of; new companies formed that increase skills and knowledge gathered from previous companies, and new environments of founding a company acting as a fast mover in that industry.

Since most entities are able to recognize the importance of engaging in strategic planning at the managerial level, very few individuals at the top level management are in positions to translate the selected strategies into credible reliable results (Ghamdi, 2005). The selection of an appropriate strategy for the growth of a business is therefore integral to the achievement of organizational desired performance (Judiatsy *et al*, 2014).

1.1.1 Global Perspectives on Growth Strategy Choice

The trends in the international scene have seen most organizations shunning away from the traditional hierarchal structures to more dynamic modular forms through strategizing (Balogun & Johnson 2004). A need for the selective proper growth strategy is crucial for the survivability in intensive environments. As such, Chebal (1999), affirms that the critical determinants of performance and survivability of an entity is vested in the undertaking of marketing strategies.

In a case of Australian S.M.E.s, it was found out that firms using a mixture of strategies for growth were seen to have better performance than the hose with generic strategies. The development of combination of strategies to constitute a blend of perfect growth strategy has been rampant across the globe. This has brought about the development and adoption of hybrid strategies (Thornhill & White, 2007). These hybrid strategies as a choice for growth have been considered more effective in environments with rapid continuous changes.

In another study in the United States of America, conducted recently on the manufacturing firms, asserted that the findings did not show any empirical data to support that hybrid strategies had any much difference as to the use of only a single generic strategy (Hansen, Nybakk & Panwarr, 2015).

Ernst and Young Group (2014) reported that due to the shrinking in profit margins during year, many firms especially in the insurance firms choose to seek for proper strategies to grow. They did this by developing products that primarily aimed customer needs structuring to fit individual buyers.

1.1.2 The Local Viewpoints and Insurance Firms Performance

According to Olotch (1999), considering the number of insurance in Kenya with comparison to the size of firms in the market, the insurance industry is deemed to be very crowded and highly competitive. The number averages to about fifty one insurance firms in a market that is worth about twenty billion Kenya shillings. A recommendation from past studies has suggested the merge of local insurance firms to create few big entities with the ability to handle large areas of scope in insurance and uncle large magnitude (Olotch, 1999).

The registering of all entities dealing with insurance firms, risk intermediaries, insurance surveyors and loss adjusters among others is governed by the Insurance Act of 1985. This means that all persons under the law carrying out any form of underwriting activities must perform registration (Christian, 2006). In considering statistics from the Association of Kenyan Insurers, the annual report for year 2017 showed that there were 52 registered insurance firms in total, where 60.11% engaged in offering non-life insurance and 39.89% in life insurance business. On the same report, there were a total of 221 brokers of insurance products, and agents totaling to 9,320 which was a 43.8% increase compared with the previous year. Other stakeholders that were licensed included; 126 motor vehicles assessors, investigators totaling to 142, loss adjusters summing to 32, risk managers totaling to 9 and insurance surveyors going up to 32 in number (AKI 2017, pg.40).

Insurance firms provide an area in which people and enterprises can transfer their worries and uncertainties since the guarantee on savings and investments is provided (Khan, 2015). The insurance growth performance not only plays a bigger economic role in the country but also plays major micro-economic roles such as employment creation, payment of taxes and corporate social responsibilities thus keeping the economy vibrant (Awino, 2011). According to Giuri and Luzzi (2003), the performance of an entity can be intertwined with a singular firm's situation. Thus it is critical to evaluate the general performance of entities with similar traits in this case insurance firms.

1.2 Statement of the Research Problem

The need of realigning cross functional organizational factors is very vital to any management personnel. This includes the structures, the systems, the culture, and the human resources among others, that are all linked to the laid down growth strategy. The high crowding of insurance firms and agents in Kenya has led to stiff competition that has resulted to price cuts as a growth strategy by firms to enable attract clients and spur performance. Regardless of this, most firms are unable to properly to determine if the strategy they have chosen is aligned properly to their desired performances. Past studies have not been able to explore extensively the choice of strategy and their resulting performances. Therefore, knowledge is lacking on determining the effects from the competency of management, the resource capacity of the firms, and the organizational culture with regards to strategy choice. This study therefore sought to assess growth strategy choice in midsized insurance firms and the resulting performances.

1.3 Objectives of the Study

The study was guided by the following research objectives and research questions.

1.3.1 General Objective

The main objective of this study was to analyze the choice of growth strategy and the performance of insurance firms.

1.3.2 Specific Objectives

- **i.** To establish the influence of management competence on the performance of insurance firms.
- **ii.** To assess the influence of resource capacity on the performance of insurance firms.
- **iii.** To determine the influence of organizational culture on the performance of insurance firms.

1.4 Research Questions

- **i.** What is the influence of management competence on the performance of insurance firms?
- **ii.** What is the influence of resource capacity on the performance of insurance firms?
- **iii.** How is the influence of organizational culture on the performance of insurance firms?

1.5 Scope of the Study

This study was focused in Nairobi Central Business District, regardless of the facts that various geographical areas portray different standards of living and different perceptions of products uptake.

1.6 Justification of the Study

This study is of great importance majorly to stakeholders in the insurance service sector and in the field of academia. The students in institutions of higher learning and trainers will benefit largely with the information presented. This study adds significant information to the pool of knowledge within the academic disciplines focusing on strategy choice of insurance firms which paves way for references and acknowledgement.

The Kenyan government as the state's administration has a very crucial role to play in the development agenda of the nation. The study provides substantive information for review in order to aid government agencies in making informed decisions and crafting credible policies for insurance entities.

This study provides insights to the insurance sector managers who are part of strategy formulators, on the need for careful choice on growth strategies in order to have a competitive advantage.

Investors such venture capitalists and business angels that are willing to give support and grants to potential enterprises especially those in the insurance business, have a pool of substantive knowledge to rely upon in identifying promising and well performing ventures.

1.7 Conceptual Frame Work

The conceptual framework of the study comprises of the dependent and the independent variables. The dependent variable is the *Performance of the firm* and the independent variables are; *Management Competency, Resource Capacity,* and *Organizational Culture*.

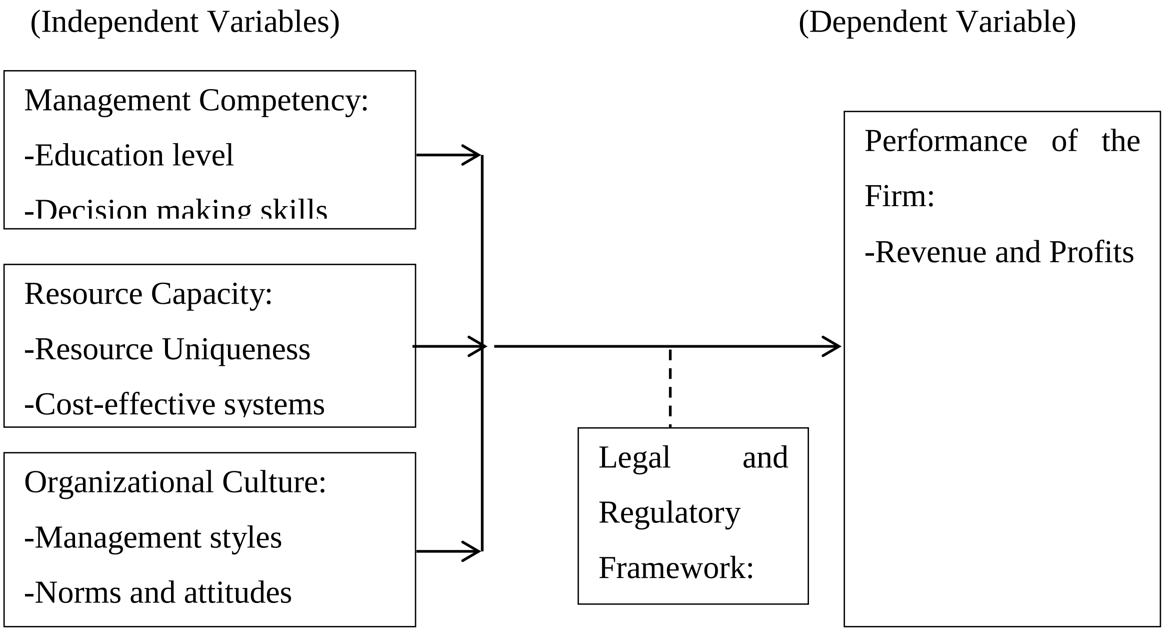

Figure 1: Conceptual Framework

The level of management competency as assessed by their levels of education or decision making skills contributes greatly to firm's performance. The resources that a firm has in its possession act towards giving a competitive edge with regards to how unique or cost effective they are. The prevailing culture that an organization embraces and advocates for is paramount towards ensuring the overall performance of the firm. The Legal and Regulatory Framework act as an intervening variable, whereby the existing policies and laws influence the performance of a firm despite the management's competency, resource capacity or the culture oriented in a firm.

CHAPTER TWO: LITERATURE REVIEW

The Competency of Management in Strategy Choice

In order to have the right strategy at hand, a well-functioning and well competent team of management should be put in place. According to Phrahalad and Hamel (2014), the scientific field of management was originally formed to ensure large companies are able to grow and diversify in a justifiable way and also importantly in the support of internal processes. The concept of management competency is also vested with the development and implementation of core competency a selected strategy in the organization (Clerk, 2000).

Competencies as perceived by various scholars are characterized by its inherent to individuals, teams and it's fostered through development. Therefore it is divided into competencies that are functional and those that are integrative in nature (Henderson & Cockburn, 1994). According to Giroux (2007), Management competency can also be structured in functional areas. This is because of the intrinsic beliefs that entities have high success rates if they have competent managers in areas such as marketing, planning, finance, and operations among others. Therefore, it is important to have a team that is competent while also considering the inculcation of an entrepreneurial culture to foster creativity for growth (Kuratko & Hodgetts, 2011).

Managerial competences also go hand in hand with management change. Lumpkin and Jennings (2011) reiterated this mentioning that the key ingredient in small businesses to succeed is having a change in management and having competent owners or managers. Management competency is very critical to the choice of strategy. A study showed that the different outcomes and strategies seen in various firm were as a result of management competency (Enders, 2011). According to Katz (2010), findings from his report showed that managers at different levels of management need to have human, technical and conceptual skills. These skills are paramount in the development of strategies as they aid in understanding different dimensions of the firm.

Resource Capacity in Strategy Choice

The mobilization of resources within an organization is an integral process as it involves a key strategic dimension to the achievement of the laid down long-term plans and more so to the effectuation of actions to be put in place. Allio (2005) affirms to these by mentioning that it is crucial to involve all the resources necessary that is human and non-human into the company's budget from the beginning of the business period. Therefore critically planning of the resources is needed in advance and as early as possible (Mankins & Steele, 2005).

It is therefore critical to understand that a mixture of tools and techniques are needed to strategically mobilize resources. This may relate to a case where a government constitutes a combination of elements to deliver in its mandate in a healthcare provision (Chalwa & Govindaraj, 1996). The concept of planning has risen in various reports concerning its importance to strategy execution. According to Frimpong et al., (2003) on their report focusing on project management delays termed project financing as a major cause to poor performance of projects. In their report planning arises as an element to having more emphasis with little concern on the execution.

Personnel as a key resource to a firm are incorporated to the selection of strategy. Frame (2005) points out that in order to acquire the right quality and quantity of workforce a firm needs to offer competitive remuneration packages, good and conducive work environments, fair treatment at work, and job security. The capacity that resources have towards the progression and choice of strategy is the competitive advantage in growth. This is brought about by the ways in which the resources are deployed throughout the firm (Penrose, 2012).

Insurance firms have an opportunity to critically set resources properly in order to continuously develop unique strategies. According to Wernerfelt (2014), there is a big relation between resources and products, that which is similar to the *two-concept* of the two sides of a similar coin. In strategy selection, firms therefore need to select unique resources to ensure proper product development.

Organizational Culture and Choice of Strategy

The prevalence of culture within an establishment is paramount for consideration when setting up and selecting strategies. Culture tends to associate with patterns of traits forming a long lasting template where ideas and perceptions are in positions to be transmitted from one cohort to another (Hagget, 1975). According to Hendry and Kiel (2002), organizational culture constitutes collection of assumptions that are strongly held and shared beliefs by participants of a given group that existing knowingly in the directions of its behavior. Thus, managers acting in leadership tend to understand how to utilize their time to discover their employees' views to make well-grounded decisions on the norms and beliefs they need to inculcate in their practices.

In selecting strategies it is important to consider the existence of chances of need to change cultures. Andreas (2004), mentions that one of the core challenges that most top management players faces is the alignment of the overall cultural tone and character with the set strategy decisions and choices. In conformity to this two scholars noted that the process of altering the organizational is tedious and challenging due to the heavily ingrained habits and core values. This is characterized by the habitual traits of human beings to laggard behind and stick to old familiar practices and methodologies due to fears that come with changes. It is therefore critical for any organization to accommodate change. Insurance firms in Kenya which also makeup a portion of the entities in the region need to consider changing and altering their cultures if need be to properly select the best strategy from set alternatives.

2.1 Theoretical Perspectives

The following sectors present the key theories that were used to guide the study. On the growth strategy choice, the conceptualized idea was be modeled accordingly.

2.1.1 Higgins Eight S Model

The model was developed by James M. Higgins (2005) which entails the alignment of cross functional organizational factors that include: structures, systems, style, shared values, strategy, resources, staff and strategic performance: with the new adopted strategy in order to achieve success. In order to effectively and efficiently implement a desired strategy it is vital for the organization to have the above eight model factors well aligned and interconnected with each other. But this may not only be the case at all times, that is, alignment alone may not land to success but the input from competent managerial workforce is vital to the execution.

According to Higgins (2005), the achievement of the most desired choice of strategy must arise from the alignment of the seven contextual factors from the model. In regards to this study the *Higgins 8's Theory* informed the study in understanding the key areas that are vital for the management to consider on the achievement of the desired strategic choice. The insurance sector like any other commercially oriented entity, the key top management has the ostensible authority to choose a given strategy for implementation. Therefore, all elements or factor preceding the selection of a growth strategy must be carefully determined and reviewed so as to enable the making of articulated decisions. These factors as portrayed by the Higgings Eight S model may include managerial styles used which are in line with the level of management competency or the resources available that may yield different impacts to growth strategy selection, based on their different capacities in the organization .

2.1.2 Resource Based Theory

The theory (RBV) was developed by two key scholars of strategic management that is Wernerfelt (1984) and Barney (1991). The theory tries to elucidate on the available resources that an organization has and how it appropriates these resources to different uses. This is what coins the distinct competitive advantage of an organization. According to Wernerfelt (1984) the bundled valuable resources of a firm depict the competitive advantage upon a strategic alignment and usage of resources. The transformation of key resources to the achievement of short-term competitive advantage may be translated to a long-term sustainable advantage that is through the inclusion of minimal efforts (Hoopes, 2003; Barney, 2002).

The resource based theory views an organization's capabilities of achieving core competence and competitive advantages when its resources are managed in ways in which provide performances that cannot be replicated by competitions. That is the possession of unique, rare or non-mimic able resources by another organization (Makadok, 2001). In this study the resources portrayed as per the theory are; the level of managerial competency as a resource that should be very unique, the quality in human and non-human resources with the firm and the uniqueness of the prevailing culture play a key role in developing a strategic advantage. This is what enables the firm to select the best strategy for growth. Therefore, the theory offered guidance in understanding of how better insurances firms may put their unique resources together to achieve a competitive edge and thus be able to select the best strategies for growth.

2.2 Review of Empirical Studies

There is an existence of a diverse wealth of information that has been availed to expound more on strategy choice and relatable fields. This section of the study digs deeper to discuss broadly similar studies previously done in order to identify gaps.

Brahhmi and Laadjal (2015) conducted a study on strategy choices of small medium sized enterprises integration: evidence from specific economic territory. The study focused on the western sides of Algeria and the set objectives were; to determine the extent of adopting a particular strategy choice, to assess the approach used in making strategic decisions and to highlight the characteristics of a given strategy being selected. The study included 20 SME's and found out that the strategies used by SME's in Algeria were implicit ones and that for the enterprises to perform better there were high levels of specialization strategies. The study did not have clear action paths for SME's owners to adopt in strategy selection or implementation. The strategy focused its efforts on the different kinds of strategies selected and not the preludes to the selected strategies.

Kemppi, Patari, Jantunen, and Kylaheiko (2015), went forth to establish the relationship between a given selected growth strategy and the performance of a firm. The study was conducted in Finland with executives from a sampled list of manufacturing firms as the respondents. Based on the regression analysis performed on the different variables that included growth rate, firm size and return on capital, it was seen that firms with a given selected growth strategy grew faster than those without one. It was also established that there existed a significant relationship between the level of performance of firms and the selection of a growth strategy. The study concluded that firms which had adopted acquisition as a strategy for growth tended to have a higher profitability. The paper focuses on large manufacturing entities which have capacities as compared to small entities.

Another study on the Determinants and Consequences of SME’s growth strategy was conducted in Barcelona by Velasco (2016). It included 450 respondents from the ICT sector who were SME’s. The main objective of the study was to identify the relations between available resources and the firms’ capabilities. The conclusions from the study were that there existed a strong positive relation between resources and capabilities of the firm. The study also looked at how a given selected strategy impacted the performance of the SME’s and from the data analyzed it was concluded that different selected strategies had different effects on the performance of the firms. The study did not critically look into the various factors that led to the selection of the implemented strategies. It focused its strengths on the implementation part of the selected strategies on the performance of the firms.

Okwachi, Gakwe and Rangui (2013) investigated how management actions impacted on the performance of SME’s in Nairobi Kenya. The study surveyed 96 SME’s in Nairobi Town that were registered by the governing county council. The results showed that the management practices exhibited by the SME’s had a great impact on the implementation of strategies. The study focused on the implementation of strategies with minimal attention to choice of the selected strategy.

A study by Kanini (2012) sought to determine the influence of strategic planning on the performance of state corporations in Kenya. The sample included 125 respondents from state owned corporations. A descriptive design was adopted and the findings were as follows; most of the corporations were involved in strategic planning practices which had a positive relationship with their performances.

Muchira (2013) sought to find out the existing relationship between the implementation of strategy and the performance of commercial banks in Kenya. The researcher adopted a descriptive research design which included the full list of the registered commercial banks in Kenya. It was established that the implementation of strategy had an influence on the general performance on the banking organizations. The study also found out that strategy implementation had an influence on the financial performance of the business.

In a study on the effects of strategic management processes on organizational performance, Mpoke and Njeru (2015) went forward to determine if strategy development, strategy control and strategy implementation influenced the performance of organizations. A total of 6 (six) governmental research institutions were studied which showed that all of them engaged in strategic practices. The study also showed that a great relationship existed between management engagement and performance.

In a survey by Irungu (2011) within Mombasa Kenya, which sought to explore the adoption of formal strategic management actions by SME's, it was found out that about 53% of businesses under study documented their strategies. The study concluded that the level of adoption of formal strategic management practices was very low. The author concluded that SME's are simply not in a position to select growth strategies as they lacked proper communication platforms.

Mutua (2012) placed efforts to find out the strategic planning practices adopted by micro and small firms in Kisumu Kenya. The findings were that the number of entities adopting strategic practices was very low. Also, the relation between the formulation of strategies and the implementation of the same strategies was very much disconnected. Another notable finding from the study was that SME's focused on issues in the short run rather than the long run strategic issues.

Nyangara, Ojera and Oima (2015), conducted a study on the factors influencing choice of strategic management modes of small enterprises. The study was conducted in Kisumu where 242 small enterprises were studied and only 134 taken as the sample. The researchers found out that the owners of small enterprises relied on the reactive way of strategic management. This was seen to be influenced by factors such as the environment, personal traits of the owners and the specific characteristics firm. The study conclusively maintained that there was a need to expose SME's to formal modes of strategic management so as to address their prevalent situations. The study failed to assess whether the traits portrayed by the owners of the SME's was a cultural issue and if the lack of relevant know how i.e. management competency was conclusively the lacking item.

2.3 Summary

This chapter has reviewed key pertinent literature on strategy choice with a focus on the key variables that included managerial competency, capacity of resources and the cultures within organization. The relevant theories guiding the study have been established. The review of the studies shows that most studies have focused on strategy implementation and formulation and strategy in general. Similar studies done before have shown very little information on growth strategy choice in the extent of management competency, resource capacity, and corporate culture. The study assessed the growth strategy choice and the performance of insurance firms.

CHAPTER THREE: METHODOLOGY

Research methodology represents the various logical steps that are commonly used by a researcher in studying the research problem (Kothari, 2004). This section represents a wide array of activities which include the research design, the sampling frame, the data collection and analysis tools. It forms a joint between the theoretical part of a study and the practical field work.

3.1 Research Design

A research design is the overall systematic way of how an individual goes about in getting answers for the research questions (Lewis & Thornhill, 2007). The study will use a descriptive survey research design. A descriptive research design is a powerful tool for analyzing large amounts of quantitative data collected through questionnaires, or interviews (Schreier, 2012; Schreier, 2014). A descriptive design helps to analyze content systematically by describing the meaning of quantitative data. Since large amounts of responses will be gathered through the questionnaire this will be an ideal research design for this study.

3.2 Study Area

The Area of study was within the Nairobi Central Business District in Kenya. The locality boasts a number of firms that provided with the necessary data and information to the success of this study.

3.3 Target Population

A population refers to all subjects (human or otherwise) that are being studied (Bluman, 2012). A sample is a group of subjects selected from a population (Bluman, 2012). In this study the population comprised of all the Insurance firms within Nairobi Central Business District. According to the Association of Kenya Insurers there are 52 member registered firms in Nairobi and which represent the Kenyan total insurance members (AKI, 2017). The actual respondents included the middle level management of the various insurance firms, who mostly focus on overall strategy review and tactical engagements. From the fifty two '52' firms one '1' management personnel was considered totaling to 52 targeted respondents. This study adopted a census sampling approach where all the population elements were considered.

3.4 Sampling Frame

The sampling frame constituted of the entire population considering the small number of population elements, which is the source list to pick the sample elements. To conveniently obtain views from the respondents who are the middle level management, each sample respondent were drawn from the specific insurance firm. Each of the selected insurance firm provided one middle level management personnel as the respondent who was selected by a purposive method. Therefore, 52 middle level management personnel in total were used as the respondents, which is efficient for the study.

3.5 Data Collection

3.5.1 Sources of Data

The study used both primary and secondary data for analysis. The primary data originated from the middle level management who are the respondents. The secondary data included related reviewed journals, books and scholarly websites.

3.5.2 Data Collection Procedure

Data was collected from both primary and secondary sources. The respondents selected was required to fill up the questionnaires availed with the aid of the researcher. Secondary sources will include books, journal articles and online materials. The data from the primary sources will contain both open and closed ended responses. The questionnaire was accompanied by semi-structured interviews as this will allow for the elicitation of the respondents' experiences and perspectives in their own words (Merriam 1998).

3.5.3 Instrument for Data Collection

The instrument used for data collection was the questionnaire developed which was accompanied by partially structured interviews to improve on the data collected by the data collector.

3.5.4 Reliability Test for Data Collection Instrument

A pilot study was done using semi-structured questionnaire interview and questionnaires targeting at least 10 respondents. Piloting will help to reveal deficiencies in the design of the research tools. It enabled the cross-checking to determine whether the instructions and items given in the instruments are clear, simple and comprehensive enough for the respondents. The Cronbach's alpha test was also conducted to determine the internal consistency for each of the variables under the pilot study. An alpha of **$\alpha \geq 0.7$** (Acceptable) was ideal for this study. The data for the reliability test were as follows as from the SPSS Outputs:

Table 3.1: Reliability Tests

Inter Items:		N	%
Cases	Valid	12	92.3
	Excluded	1	7.7
	Total	13	100.0
Reliability Statistics:			
Cronbach's Alpha		Number of Items	
0.470		**4**	

Considering the minimal number of the inter items, an alpha of **0.470** was established after the reliability tests, which is near the acceptable mark of ≥ 0.7. The data collection tools were revised appropriately for final data collection.

3.5.5 Validity Test for Data Collection Instrument

Validity addresses the concern of whether the results of the study can be replicated (Bryman & Bell, 2015). A study must be capable of explicability. Validity is concerned with the integrity of the conclusion that is generated from a piece of research. Test of validity is useful in determining the causal relationship between the independent and dependent variables. To test for validity the instruments was cross checked by an expert who in this case is the supervisor and also through the review of literature. The feedback was used to revise the instruments where necessary so as to align the questions in the variables.

3.6 Data Analysis

The study used a descriptive research design. A descriptive research design is a powerful tool for analyzing large amounts of quantitative data collected through interviews or focus groups (Schreier, 2012; Schreier, 2014). A descriptive design helps to analyze the content systematically by describing the meaning of quantitative data. Since large amounts of responses will be gathered through the questionnaire this will be a useful method for coding and obtaining meaning from the data. Quantitative data was analyzed using frequencies, through descriptive statistics. This yielded possible feelings and sentiments of the respondents. Computer software was used to aid in the analysis of the collected data. In this case Statistical Package for the Social Sciences (SPSS).

3.7 Data Presentation

The analysed data was presented using tables, bar graphs, and other charts so as to give both experts and non-experts a clearer overview of trends and statistical points.

3.8 Research Ethics

The integrity and quality of the private information of the respondents was upheld and necessary measures taken to ensure the confidentiality. All sources of information was acknowledged appropriately subjected to the monograph at hand.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

This chapter presents the analysis of the findings and the interpretation of the data analysed. It includes both descriptive and inferential analysis techniques in research portrayed in relevant tables.

4.1 Response Rate

A total of 52 questionnaires were administered where only 45 of them were successfully returned back. Out of the 45 that were returned back only **32** had complete data captured by the respondents without errors. This shows a response of 61.53% which is adequate for the research. The response is presented below.

Table 4.1: Response Rate

Administered Questionnaires	**52**	**100.0%**
Returned Questionnaires	45	86.53%
Invalid Questionnaires	7	13.46%
Total Valid Respondents	**32**	**61.53%**

4.2 Background of the Respondents

The background information of the respondents was captured to enable an understanding of the unique managerial responsibilities from an individual perspective and characteristics. The respondents were seen to hold managerial or supervisory roles as per their level of responsibilities.

4.2.1 Gender Distribution of the Respondents:

The table below shows that there were many male respondents of about **71.9%** who were willing to give responses concerning the performance of the organization.

Table 4.2: Gender Distribution of the Respondents

Gender of the respondents:				
Valid		Frequency	Percent	Valid Percent
	Male	23	71.9	71.9
	Female	9	28.1	28.1

4.2.2 Age of the Respondents:

The table below shows the age distribution of the 32 respondents which was arrived at by transforming the date of birth variable into a new variable "Age". It is seen that majority of the management personnel are 35 years of age.

Table 4.3: Gender Distribution of the Respondents

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Actual age of the respondents	32	25.03	45.91	35.32	6.26

4.2.3 Level of Education:

The table below shows that 56.3% of respondents have pursued a Diploma level certification, 34.4% Degrees, and 6.3% Masters levels. High levels of educational qualifications are lacking within the insurance management personnel.

Table 4.4: Level of Education

		Frequency	Percent	Valid Percent
	Diploma	18	**56.3**	56.3
	Degree	11	**34.4**	34.4
	Masters	2	**6.3**	6.3

Source: Author

4.3 Managerial Competency

4.3.1 Respondents Holding Managerial Role

The table below shows the number of respondents who are currently holding managerial positions within their firms. Of the total respondents 43.8% of the respondents are holding managerial positions while 56.3% of them at lower supervisory roles. A majority of the engaged insurance firms' personnel are exposed to managerial practices and in better position to give concrete answers.

Table 4.5: Respondents Holding Managerial Role

		Frequency	Percent	Valid Percent
Valid	yes	14	**43.8**	43.8
	no	18	**56.3**	56.3

4.3.2 Available Strategy Development Policies

The table below shows the number of respondents aware of the prevailing strategy policies in their organization. Of the total respondents 68.8% are very much aware of the strategies while 31.3% have no knowledge of the existing strategy development policies. Most of the management individuals within the insurance firms are in a position to identify the strategies that are put in place showing a high level of competency regarding policy formulation.

Table 4.6: Available Strategy Development Policies

		Frequency	**Percent**	Valid Percent
	yes	22	**68.8**	68.8
	no	10	**31.3**	31.3

4.3.3 Performance and Managerial Competency

Managerial competency formed of the first study objective that entailed the management personnel's' ability to relate the elements that contribute better strategy selection towards desired performances. Education levels contribute greatly in determining the level of competency in making growth strategy selection choices. This is captured at a mean of 1.53 with a deviation of 0.62, indicating the higher the level of education the more competent the management personnel. The adoption of technology in management operations also have high contribution towards the competency of managers portrayed at a mean of 1.44 with a standard deviation of 0.56. Other factors away from growth strategies put in place have slightly lower impacts towards the performance of the insurance firms as seen by a score of 1.68 mean and minimal deviations of 0.69. Growth strategies that are put in place require continuous evaluation as strongly recommended, posit by a mean of 1.38 and at a deviation of values at 0.48. Generally, management competency has an impact on performance of the firms with the overall deviations of data falling between ± 2.

Scale: 1 – Strongly Agree; 2 – Agree; 3 – Disagree; 4 – Strongly Disagree.

Table 4.7: Performance and Managerial Competency

	Strongly Agree	Agree	Disagree	Strongly Disagree	Mean	Std. Deviation
Education and Competency:	17	13	2	0	**1.53**	**0.62**
Technology and Effectiveness:	19	12	1	0	**1.44**	**0.56**
Other Factors Affecting Performance:	13	17	1	1	**1.68**	**0.69**
Growth Strategy Evaluation:	21	11	0	0	**1.38**	**0.48**

Management competency with regards to education levels is seen to have a great impact on the performance of the insurance firms. Most of individuals holding managerial positions or supervisory roles in the insurance firms in Kenya are seen to be possessing on Diploma level education despite the importance of having key qualifications. Also, the ability to understand how strategies exist to their formulation is an element that most insurance personnel n management are aware of which shows that growth strategies can easily be selected.

The embracing of technological advancements is management is also a key area that is of concern in selection of strategies to adopt for the purpose of growth. Nyangara, Ojera and Oima (2015), findings on management competencies conclusively maintained the need to expose SME's to formal modes of strategic management so as to address their prevalent situations. Kemppi, Patari, Jantunen, and Kylaheiko (2015), went forth and established that firms with a given selected growth strategy grew faster than those without one.

It was also established that there existed a significant relationship between the level of performance of firms and the selection of a growth strategy. The study concluded that firms which had adopted acquisition as a strategy for growth tended to have a higher profitability. These studies poses higher similarities to the current study finding on high performance based on growth strategies selected.

4.4 Capacity of Resources

The capacity of resources employed by the firms were also analysed to show the how resources employed and knowledge of resource utilization has on the performance of the insurance firms.

4.4.1: Resource Management Model

The table below shows the number of respondents who were aware of a resource management model. Only 43.8% of the respondents responded know the existence of the model while 56.3% don't know. This shows that personnel within the insurance firms in Kenya may lack proper resource management frameworks to guide the management in their growth strategy execution.

Table 4.8: Knowledge of Resource Management Model

	Frequency	Percent	Valid Percent
yes	14	**43.8**	43.8
no	18	**56.3**	56.3
Total	32	100.0	100.0

4.4.2: Performance and Capacity of Resources

The capacity of the resources translates the ability a firm has with regards to utilization and composition. The capacity of resources and how it influences the performance of the insurance firms was set as the second objective for the study. A mean of 3.31 on whether there exists disconnect on resources influencing the performance of insurance firms, shows a majority strongly in disagreement meaning that resource have impacts. The uniqueness of the resources at a mean of 1.38 shows that firms having better resources at their disposal are highly likely to have better strengths within the market compared to their competitors. Systems that are cost effective, at a mean of 1.72 and deviations falling not above or below 2, show that cost effective systems influence the performance of firms. The composition of human resource, a mean of 1.38 shows better personnel hired results to better performances.

Scale: 1 – Strongly Agree; 2 – Agree; 3 – Disagree; 4 – Strongly Disagree.

Table 4.9: Individual Perceptions on Capacity of Resources

	Strongly Agree	**Agree**	**Disagree**	**Strongly Disagree**	**Mean**	**Std. Deviation**
Resources and Performance:	**3**	**13**	**16**	**0**	**3.31**	**0.89**
Unique Resources and Competitive Advantages:	**20**	**12**	**0**	**0**	**1.38**	**0.49**
Cost Effective Systems and Performance:	**15**	**14**	**3**	**0**	**1.72**	**0.88**
Effective Human Resources and Performance:	**20**	**12**	**0**	**0**	**1.38**	**0.49**

Resources are essential components within a given firm, and this can entail both human and non-human resources. The models used for resources management by insurance firms in Kenya are not popular as many supervisory personnel may not be able to tell if one exists or not.

This may be characterized by the notion that resources may not have that much effect on the performance unless they are very unique resources. The effectiveness of resources with regards to their costs is also deemed important as it impacts the performance of the insurance firms. Velasco (2016) concluded that there existed a strong positive relation between resources and capabilities of the firm. Mutua (2012) findings were that the number of entities adopting strategic practices was very low. This showing that the utilization of resources was also not effective. Notably the study concluded that firms focused on resources at hand and not in the future.

4.5 Corporate Culture

4.5.1: Corporate Culture and Management

In relating the prevailing corporate culture and the current management, only **37.5%** of the respondents were able to see a relationship existing while **59.4%** were not sure of any relationship existing.

Table 4.10: Corporate Culture and Management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	12	**37.5**	37.5	37.5
	Not Sure	19	**59.4**	59.4	96.9
	no	1	**3.1**	3.1	100.0
	Total	32	100.0	100.0	

4.5.2: Corporate Culture and Organizational Structure

In response to whether the organizational structure poses a challenge in the adaptation of new corporate cultures, **90.6%** of all the respondents agreed to this while only **9.4%** did not see as if the organizational structure would have an impact on the corporate culture. Therefore, with the right set of culture within the insurance firms, a greater performance with regards to sales may be realized as part of strategizing for growth.

Table 4.11: Corporate Culture and Organizational Structure

Organizational Structure and Corporate Culture:					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	29	**90.6**	90.6	90.6
	no	3	**9.4**	9.4	100.0
	Total	32	100.0	100.0	

4.5.3: Performance and Corporate Culture

Corporate culture formed the third objective of the study, looking into the organizational structure, managerial styles, individual attributes, and policies towards the overall performance. From the findings, performance is generally influenced strongly by the prevailing cultures, this marked by a mean of 1.41 and deviations falling between ±2. The managing styles as used by insurance personnel showed a slightly higher deviation of values from a midpoint of 1.90 showing there is low perception that management style influences the cultures within insurance firms. Also, the attributes portrayed by an individual is perceived not have much impact on the performance of an insurance firm at a mean of 2.21 with a slightly higher deviation. On the existence of effective policies within an organization, shows the existence does not influence the culture within a given insurance firm in Kenya. Generally, corporate culture is perceived to impact the firms not considering the existing policies within the insurance firms.

Scale: 1 – Strongly Agree; 2 – Agree; 3 – Disagree; 4 – Strongly Disagree.

Table 4.12: Performance and Corporate Culture

	Strongly Agree	Agree	Disagree	Strongly Disagree	Mean	Std. Deviation
Corporate Culture and Performance	20	9	2	0	1.41	0.62
Management Style and Culture	11	15	4	2	1.90	0.85
Individual Attribute and Culture	7	13	10	2	2.21	0.87
Effective Policies on Corporate Culture	4	7	9	12	2.90	1.05

The culture that prevails within a given firm is very much critical to the performance of a firm as it may take forms. The insurance firms in Kenya also have prevailing corporate cultures that are basically their traditions and norms. These cultures are seen to have great impact on the performance of the firms within the sector and their alterations giving different results upon evaluation. Majority of the supervisory personnel within the insurance firms are not able to clearly understand how a certain given type of management will contribute to an alteration of culture. Though there is clear perception that the way an organization is structured will have an impact on the corporate culture of a given firm. Mpoke and Njeru (2015) showed that a great relationship existed between management engagement and performance. The way in which managers interact with their staff fosters a certain culture within a firm. The culture created if positive brings about a positive impact on the performance of a given firm in the long run.

4.6 Summary

The chapter exhaustively looked at the findings of the objective that included the level of management competency with regards to education levels and their exposures to strategy formulations and choice, the analytical part also included capacity of resources to give results on influences of holding unique of resources that are also cost effective and the composition of human resources. Corporate culture was also analysed to reflect its influence on performance from looking at the organizational structure, management styles, and prevailing policies.

The findings of the study were contrasted with other similarly done studies and literature. The theoretical reviews that comprised that constituted the Higgins 8s Model and the Resource based model were clearly aligned with the study. Through the analysis of the objectives, the study established a relationships existing between the choice of growth strategy and the performance of the insurance firms.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

This section presents the conclusive statements and the recommendations towards policy development and the contributions in the field of academia.

5.1 Conclusions

5.1.1 Managerial Competency

The study established that most of the management personnel in the insurance fields have acquired diploma qualifications and only a few held actual managerial roles. This portrays the large number of individuals who are in decision making yet have very limited skills in the higher levels of learning. The respondents' views on whether education played a role in strategy implementation, those in management role affirmed to this showing that indeed education levels play a key role in the development and choice of strategy. The knowledge of policies by the managers shows that the firms are in a better position to engage in choosing strategies. Generally, from the perceptions of the respondents, it is clear that there is an impact of management competency towards performance.

5.1.2 Capacity of Resources

The resources as used by the firms established that it had a strong impact on the performance of the firm. Despite this, very few knew of the management model used within the firms. With regards to competitive advantage of resources, many of insurance firms' administrators confirm that unique resources give a firm a competitive edge. Therefore, the capacity of the resources as utilized and managed by the managers of the insurance firms has an impact on overall performances.

5.1.3 Corporate Culture

Corporate culture within the firms tends to impact the organizations within the insurance sector. Also the structures of the organization highly impact to the culture of the organization with regards to performance in the long run. Corporate culture therefore has a great influence towards performance with regard to strategy selection.

5.2 Recommendations

The development of suitable policies and greater educational frameworks, in growth strategy selection was a greater contribution to the insurance sector if the areas of managerial competencies, resources utilization, and corporate culture are keenly addressed. Hiring of highly competent workforce is a key area for the insurance firms with regards to strategy choice and more so to implementation. Therefore, from the education level of an individual to understanding of internal institutional policies should be areas of concern. Resources that are being used by a firm should not only be able to enable smooth running of operations but also ensure a certain competitive advantage to the firm. Managers should have at their disposal models to track performance of each asset, whether human or non-human resource. In terms of the culture of the organization, the kind of leadership portrayed by the management personnel is very important. The management should be able to understand the different styles of management and internal structuring of personnel, and be in a position to understand its impact to the organisation.

5.3 Further Areas of Research

i. Analysis of strategy implementation and the performance insurance firms. To contribute to actionable results after choosing strategies.

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APPENDICES

Appendix I: Letter of Introduction

TO: WHOM IT MAY CONCERN

05 Oct. 19

Dear Sir/Madam.

RE: REQUEST FOR RESPONSE – DATA COLLECTION

I hereby wish to request for your support and contribution to my Masters Degree programme. My details are; **Name-** *Caroline Machocho,* **University-** *Maseno University,* **Currently conducting a study on-** *Growth Strategy Choice and Performance of Mid-Sized Insurance Firms*.

Your response towards this will present value not only to me but to the development of this nation. Any assistance accorded will highly be appreciated.

Yours Faithful,
CAROLINE MACHOCHO

Appendix II: Questionnaire

QUESTIONNAIRE

I hereby request you to fill in this questionnaire. Your opinions and views are of extreme importance. The answers you give will be treated with utmost and strict confidentiality.

Instructions:

- For absolute confidentiality do not write your name anywhere on this paper.
- Please feel free and be honest as possible. There is no right or wrong answer.
- Tick [√] the box that best suits your response and where applicable kindly briefly explain.

Section A: Background Information

1. Gender

a) Male [ ]

b) Female [ ]

2. Year of Birth (Day/Month/Year): ___ ___ /___ ___ /___ ___ ___ ___

3. Academic Qualifications

a) Diploma [ ]

b) Bachelors Degree [ ]

c) Masters Degree [ ]

d) Any other specify ____________________________________

4. Designation in the Organization (Role/Position at Work):

____

Section B: Managerial Competency

5. Are you holding any managerial role that has a relation to a strategic function(s)?

   a) Yes ☐ b) No ☐

6. Are you aware of the Strategy development policies in the organization?

   a) Yes ☐ b) No ☐

7. Indicate whether you Agree or Disagree on the following statement about using the managerial competency.

SA – Strongly Agree A – Agree D – Disagree SD – Strongly Disagree

STATEMENT	SA	A	D	SD
Education level is key to implementing a strategy				
Adoption of technology aids in management effectiveness				
Other factors affect business growth other than set strategy				
Growth strategies need to be evaluated very often				

Section C: Capacity of Resources

8. i) Do you understand any model in resource management?

a) Yes ☐ b) No ☐

9. Indicate whether you Agree or Disagree on the following statement about capacity of resources.

SA – Strongly Agree A – Agree D – Disagree SD – Strongly Disagree

STATEMENT	SA	A	D	SD
Resources have no effect on performance of firms				
Unique resources create competitive advantages to a firm				
Cost effective systems influence the performance of firms				
Effective human resources are crucial firm performance				

Section D: Corporate Culture

10. i) Is there any relation between corporate culture and management structure?

a) No ☐ b) Not sure ☐ c) Yes ☐

11. i). Does the organizational structure pose challenges when adapting to new corporate cultures?

a) Yes ☐ c) No ☐

12. Indicate whether you Agree or Disagree on the following statement about corporate culture.

SA – Strongly Agree A – Agree D – Disagree SD – Strongly Disagree

STATEMENT	SA	A	D	SD
Corporate Culture has effect on performance of firms				
Management Style fosters certain corporate cultures				
Individual management personnel attributes influence the kind of corporate culture				
Effective operational policies have an impact on existing corporate culture				

END.

Please feel free to reach the contact below for any clarifications or suggestions.

Caroline Machocho; Tel: 0722757933, E-mail:cmsabeni@gmail.com

Thank you for your time!

Appendix III: Research Plan

Activities:	1st July - 31st Aug 2019.	1st July - 31st Aug 2019.	1st Sept - 30th Sept 2019.	1st Oct - 31st Oct 2019.	1st Oct - 31st Oct 2019.	4th Nov 2019.
Proposal Writing						
Corrections and Review						
Field Work/ Data Collection						
Data Analysis						
Final Defense/ Corrections						
Report Submission						

Appendix IV: Research Budget

ITEM	DESCRIPTION	TOTAL (k.sh)
Proposal Assessment – Printing	150 pages @ k.sh 10 * 3	4,500
Research Documents	300 pgs. @ k.sh 10	3,000
Spiral Binding - Proposal Defense	6 copies, 40 pages @ k.sh 10	2,400
Mileage and Sundry Expenses	Travel and Field work k.sh 24,000	24,000
Questionnaires	30 copies, 5pgs @ k.sh 10	1,500
Spiral Binding – Final Defense	24 booklets @ k.sh 200 * 5	24,000
Final Report Binding	12 book @ k.sh 700	1,400
Other Expenses	Miscellaneous	5,000
GRAND TOTAL		**65,800**