EFFECTS OF STRATEGY ON THE PERFORMANCE OF FIRMS IN THE MEDICAL INSURANCE INDUSTRY IN KENYA

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DECLARATION

I hereby declare that this research project is my original work and has not been presented in any other university for an award.

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

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DEDICATION

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ACRONYMS AND ABBREVIATIONS

AKI - Association of Kenya Insurers

CAGR – Compound Annual Growth Rate

IRA - Insurance Regulatory Authority

NHIF -National Hospital Insurance Fund

SME – Small and Medium-sized Enterprises

ABSTRACT

Strategy is a very key concept in the performance and achievement of various goals that organizations set within the course of their functions. The role of strategy is to help a firm gain a sustainable competitive edge over its competitors. Strategy refers to a set of policies and plans by which a firm seeks to gain advantages over the competitors in the respective industry. Organizational performance, on the other hand, is the actual output of an organization measured against the set objectives and goals through the employed strategies. In Kenya, the insurance sector's highly competitive and dynamic market makes the firms in the sector to continually create, implement, assess and improve on strategies so as to remain relevant and competitive in this market. The types of strategies adopted by the different insurance companies are a major determinant on the achievement of their objectives and the ultimate performance in the industry. This research's objectives are, therefore, to identify the strategies adopted by firms in the medical insurance industry in Kenya, and to determine the relationship between strategies adopted and the performance of the firms in the medical insurance industry in Kenya. This research study used two main theories—the Resource-Based View (RBV) and Porter's Generic Strategies. The literature review section delves on three main strategies: corporate, operational and business level strategies, and goes ahead to analyze how they influence a firm's performance in the medical insurance industry. The study employed a descriptive survey research design. The population of the study included nineteen insurance firms that offer medical insurance covers in Kenya. Research respondents included senior executive staff/managers in the functional departments in the target firms. Data was examined through use of descriptive statistics. The research tool used was the questionnaire, and the research subsequently employed descriptive statistics—correlation analysis—to analyze the data garnered. The findings revealed that there exists a positive relationship between the firms' performance and the corporate, business and operational strategies. Overall, this research sought to confirm the relationship between strategy and firm performance in the medical insurance industry. As established in Chapter four, all the hypotheses formulated in the literature review section were accepted. Insurance firms in Kenya have relatively rigorous operational environments. This significantly hampered the data collection process. Also, with the political uncertainty that went on for months, most respondents were skeptical about the intentions of the researcher. The study recommends that the Government of Kenya, through the Insurance Regulatory Authority (IRA), should institute the suitable policies that offer support to medical insurance firms as a means of raising their contribution to the Kenyan economy. Further, IRA should seek to set standards and policies that will ensure that effective performance in the medical insurance industry is achieved.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The strategy used by any business influences the company's allocation of resources as well as the development of dynamic capabilities that provides the firm with competitive advantage. As asserted byJiménez and Sanz (2011) strategy is the plan of action adopted by an organization to win customers and/or overcome competition in the market place. Various firms use different strategies to increase their market share or attain their organizational goals. The works of Kibicho (2014) reveal that strategic management positioning of the organizational assets and dynamics with the organizational goals. However, Jones, Lanctot and Teegen (2011) argued that strategies used by various companies did not always result to high level of organizational success due to lack of strategic fit between the organizational resources and the organizational goals. Nevertheless Liyai (2014) intimated that strategy provided organizations with a blue print for developing their own competitive advantages.

Competitive advantage is arguably unique attribute that an organization possesses which cannot be duplicated by its competitors (López, 2010). López (2010) further intimated that for an organization to have competitive advantages it must have resources or assets that valuable, rare, in-imitable and non-substitutable. Further, based on the Resource-based view (RBV) firms have assets and competences that enable them to achieve economic rent and have sustainable competitiveness in the market where they operate (Wernerfelt (1984). Also, competitive advantage has been accentuated by Porter (1980) through his theory of generic forces where he alludes that the basis for above-normal profitability is sustainable competitive advantage.

Porter (1980) asserts that a firm possesses competitive advantage in two ways, low cost and/or differentiation.

Strategy is an important tool used in strategic management. Pearce and Robinson (1991) define strategic management as the process of putting in place plans, organization, direction and control of a company's vision in regard to decisions and actions. A business strategy has been defined as the general plan that lays the definition of a firm's competitive position (Mintzberg&Quinn, 1991). Strategy can be expressed as an intentional set of actions focused on attainment of competitive advantage, providing direction and consensus within the firm (O‟Regan&Ghobadian, 2005).

In 2016 the insurance regulatory body, Insurance Regulatory Authority in Kenya licensed and registered 55 Insurance companies to provide Financial and Risks services to customers. Among the fifty (55) insurance companies we have, nineteen (19) of them offering medical insurance covers. Part 1 Section 2(1) of Insurance Act, Cap.487 of the laws of Kenya defines insurance as the commerce of taking liability through way of covering for losses including loss of life, personal injuries, property damage and it involves taking the liability to pay for damage or to make compensation. It is pegged on the occurrence of a particular event. Insurance is defined as a provision of sharing of risks, which is in form of a financial provision against loss from unavoidable and unseen disasters. Insurance as a business is normally identified as a form of securing a promise of indemnity by the payment of a premium and the fulfillment of certain other stipulations. Insurance is the act by which risks are transferred to the insurers by those exposed to them. In a bid to manage such risks Insurance companies do resort to creating large pools of similar and homogeneous risks in addition to seeking further protection by way of reinsurance (Olotch, 1999).

Firms in the insurance sector held some competitive advantages such as high value, low costs of premium and low risks and innovativeness through use of technology to cut costs and attract more customers (Kiragu, 2016). Despite this, Thompson and Strickland (2012) noted that the competitive advantages have not been sustainable due to cut throat competition in the sector as well as regulatory environments which curtails insurance companies from fully competing on the basis of price.

The adoption of insurance covers in Kenya is very minimal with the Association of Kenya Insurers (2016) highlighting that only 3% of Kenyans are insured. The level of medical insurances in Kenya is even lower which is attributed to the low level of knowledge concerning insurance in Kenya. In addition, the high cost of premiums in Kenya makes it difficult for many Kenyans to take insurance policy. This implies that the market for insurance policies is very small and insurance companies have to engage in stiff competition for the few available customers who are willing to take insurance covers. There has also been significant mergers and acquisition among insurers in Kenya which has intensified competition among the various insurance companies (Liyai, 2014).

Strategy can also be regarded as the process of making a fit between the internal conditions and the external conditions within an organization in order to solve an organizational challenge. The role of strategic administration is to facilitate the deployment of the resources in a firm to run in an effective way and guarantee long-term success in the market. Bennet (1999) intimated that the execution of competitive strategies is critical for a firm to survive in the constantly changing world of competition.

Bullen and Rockart (1981) argued that an organization ought to develop a strategy that provides adequate attention to the principal factors underlying success in the industry. There is no point in having capabilities and strategies that are“valueless” in customers’ terms. The strategic capabilities should be built around the firms’ strengths in order to be able to deliver what customers’ needs.

1.1.1 Concept of Strategy

The strategy can be regarded as the choice, method or plan aimed at bringing about an aspired future, through the attainment of particular objectives. It is the chosen relationship between the organization and its external environment. Strategy is the collection of company activities that are geared towards positioning itself in the market and in the industry in which it operates (Koch&Richard, 1995). Strategy is a very key concept in the performance and achievement of various goals that organizations set within the course of their functions. Chandler (1962) considers strategy to be a process of determining the enduring goals of the organization, course of actions, and allocation of resources to meet these goals and objectives. As such, Chandler (1962) presents the outlook that strategy is about defining goals for a firm and offering the means towards attaining them. Further, Mintzberg et al (2002) exemplified strategy to be a plan that required the determination of actions in advance.

According to Porter (1985), the role of strategy is to develop a sustainable competitive lead over the competition in the marketplace. Skinner (1969) explained strategy as collection of plans and policies through which an organization aims to gain advantages over its competitors. The scholars agree that strategy helps organizations position themselves in their market arena, gain a competitive edge and please their customers and as a result achieve good business performance. A business strategy is the general plan of the company that outlines the specific actions needed to done in order to take to achieve a corporate goal of a firm (Mintzberg&Quinn, 1991). Regan&Ghobadian (2005) describe it as an intentional set of activities that are undertaken in order to have an edge over the rivals while creating synergy and sense of direction within the organization.

Strategy enables the management for a firm to provide the firm with the long-term direction for the firm and as such provide the directive for the various activities to engage in over time. This way, a firm is in a position to perform well currently while considering the long-term implications.

1.1.2 Organizational performance

It is the yield of an organization compared with the outlined aims and goals of the organization. The aim of any organization is to achieve and maintain high performance which directs to growth and progress for the organization. Malina and Selto (2004) opine that large organizations measure performance by both the monetary and non-fiscal measures. To measure performance effectively, there has to be well-laid objectives, strategies, and performance variables.

Until recently, most organizations used financial variables to measure the performance. While this approach ensured that managers optimized the shareholders' wealth, continuous researches revealed that financial measures were not a true reflection of the company's performance. As such, other models of measuring performance that look on both fiscal and non-fiscal measures have been adopted. One of such is balanced score card. It was created by Kaplan and Norton in the 1990s, the model uses a multi-dimensional approach to look at performance, management, and organizational strategy. The aspects in use in this model entail: financial performance, customer service, the internal processes of the organization, as well as learning and growth. Otley, (1999) argues that by using this model a clearer picture of the firm's performance is achieved by looking at both the financial and non-financial performance aspects.

Firms that effectively embrace strategic management and planning recorded improved performance as argued by Hofer and Schendel (1978), Miller and Cardinal (1994). When an organization commits to undertake the various phases of the strategic planning process, then by default there's an expectation that these processes will facilitate the realization of organizational effectiveness. An organization is able to efficiently enhance coordination and control its activities by first defining its purpose, goals and having strategic planning providing direction to the organization. Prescott (1986) sought to assess the relationship between the organization's strategies compared with its performance. The study utilized a database that had an approximate of 1,500 companies' between1978-1981. Based on the findings of that investigation, it was identified that business strategy had significant influence on performance. The external environment was identified as mitigating the influence of strategy on the organizations' performance. Caeldries and VanDierdonck (1988) following a survey of 82 companies in Belgium exemplified that companies reported a connection between strategy and business outcomes. They highlighted that strategy empowers organizations to reinforce their competitiveness, and it facilitates the incorporation and harmonization of the organizational learning and behavior.

1.1.3 Medical Insurance Industry in Kenya

With medical insurance, the insurer pays for healthcare and surgical costs sustained by the insured. Medical insurance offers a platform where individuals with a medical cover receives services from hospitals, pharmacies, specialists and other healthcare providers on credit basis. Upon the services being administered to the policy holders the claims are then sent to the insurers who pay the service providers directly. In other cases where a policy holder obtains services from a service provider that is not in the service provider's panel, then they'll be required to pay in cash and upon fully documenting the claims they are reimbursed the amount spent in full or up to a certain percentage as highlighted in the policy document.

Health/medical insurance is usually incorporated as an employee reward package which is intended by the employers to entice quality employees to their firms. The health-insurance premiums are usually made by the employer and the benefits accrued are tax free.

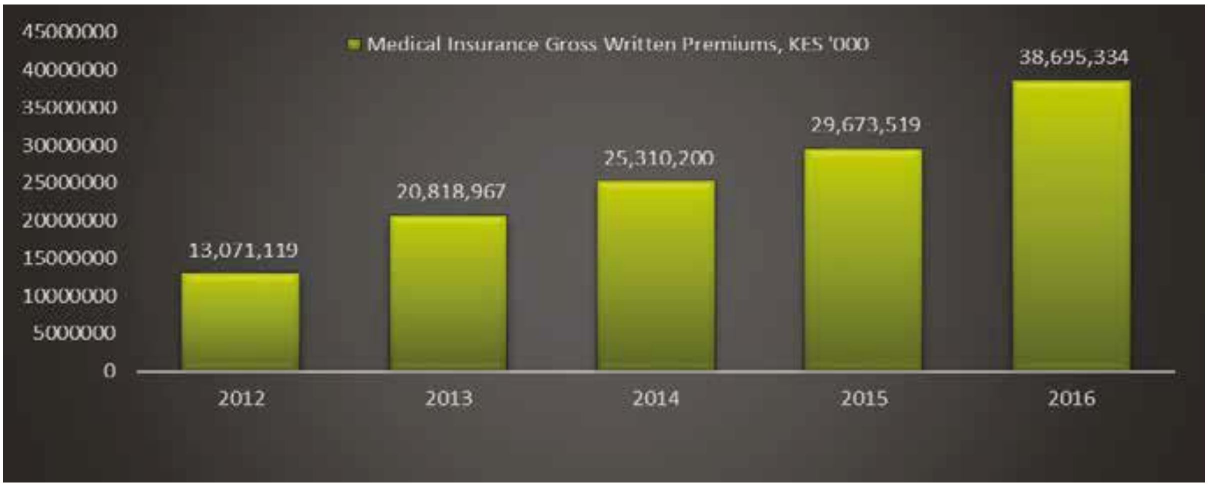
In Kenya, we have two main medical insurance providers i.e. the National Hospital Insurance Fund (N.H.I.F) and the Private Insurance. The National Hospital Insurance Fund was founded in 1966 as a section of the Ministry of Health in the government. The main function for the fund is to offer medical cover to its members and their confirmed dependents (next of kin and children). Membership to the fund is for every Kenyan above the age of 18 years. The private Insurance is a special arrangement by the insurance companies in operation in Kenya. Within the private insurance there are different medical insurance products ranging from local to international products, individual to corporate, SME's products, county products and senior Citizens products.

In Kenya, Medical Insurance industry has experienced the best ever growth recently in comparison with other types of insurance (CAGR 2010-13: 45%).Nevertheless, the Kenyan medical insurance industry is faces several challenges that include high costs, increased number frauds cases, and soaring claims ratios.

The 2016Insurance Regulatory Authority report showed that collectively, health insurers registered a claim ratio of around 75%.Worse of it is that 11 out of 19 health underwriters suffered underwriting loss, according to a report by the Association of Kenya Insurance. Consequently, health insurers have been driven to raise premium rates leading to a highly price sensitive market (The Health Insurance Industry: challenges and reforms Johannesburg, 14 October)

The insurance sector's highly competitive and dynamic market makes the firms in the sector to continually create, implement, assess and improve on strategies to remain relevant and competitive in this market. Although numerous organizations have been actualizing systems in their separate associations and revamping their business forms (Rajagopal, 2002), more than 70 for each penny of the techniques come up short (Milis&Mercken, 2002).

Figure 1- Medical Premiums underwritten between 2012 and 2016



Source: AKI Insurance Industry Statistics 2016

1.2 Research Problem

The value of strategic planning in the insurance industry can't be underestimated and there's need for its study especially in the implementation of medical insurance covers.

The types of strategies adopted by the different insurance companies are a major determinant on the achievement of their objectives and the ultimate performance in the industry. Awino et al (2011) emphasized on the potential that strategy has in triggering or inhibiting profitable activities and practices. To remain competitive in a turbulent environment requires the management to choose strategies which are most suitable. This can only be achieved after a careful and informed analysis of the environment and identification of the primary factors that could affect the organizations operations.

It is therefore important for organizations to align their objectives, their systems, capabilities, their resources and organizational structures with strategy. An organization is linked to its environment by strategy. Strategy has a role to play on the performance of an organization as it varies from one organization to another depending on the strategy used. A firm's assessment of its industry and competitive environment directly affects how it positions itself in the industry and aligns its competitive strategy (Thompson &Strickland, 1997).

The current situation in the health industry reveals an increase in the cost of services in hospitals that has led to a subsequent increase in medical premiums for those who pay medical insurance.

1.3 Objectives of the Study

The main aim of this research study is to assess the effects of strategy on the performance of firms in the medical insurance industry in Kenya. The aim of this study is therefore reinforced using two objectives;

1. To identify the strategies used by companies in the medical insurance industry in Kenya, and;
2. To determine the relationship between strategies adopted and the performance of the firms in the medical insurance industry in Kenya

1.4 Value of the Study

This inquiry adds value to the growing literature on the effect of strategies adopted in the medical insurance firms that operating in Kenya and their performance. As such, the study will benefit academicians and researchers.

The Kenyan insurance industry is a major player in the Financial Services Sector of the Kenyan economy. Unlike the other players, insurance industry faces many challenges with diverging growth trajectories as indicated all over the world, low penetration rate, high insolvency rate, bad public image, and demands by customers for more accessible and transparent products, risk analysis revolution by technology, and new entrants. This study will therefore help policy providers in the medical insurance industry to come up with products that offer solutions and deal with the issue of low coverage.

CHAPTER TWO: LITERATURE REVIEW

2.1Introduction

In this paper, the writer seeks to navigate through the topic: the effect of strategy on the performance medical insurance firms in Kenya. This chapter will review past research findings on the topic and the relevant theories that explain strategic management and sustainable competitive advantage in organizations.

2.2Theoretical underpinnings

In this study, the writer discussed studies that expounded the research-based view as well the competitive advantage and how they affect strategy formulation. In addition, the Michael Porter model will offer perspective on analyzing the ways for competitive advantage for organizations.

2.2.1 Resource-based theory

The resource-based view (RBV) emerged in the 1980s following the published works of Wernerfelt (1984). Barney (1991), Prahalad and Hamel (1997) and many authors published works in support of the RBV. Their argument is that firms have assets and competences that enable them to achieve economic rent and have sustainable competitiveness in the market where they operate. Economic rent is the earning for a firm over and above the cost of capital employed in making business while competencies provide a firm with an edge over their competition in the industry. Economic rent is a measure of competitive advantage for a firm, which allows the firm to stay relevant in a competitive environment. All these findings point to the need for a firm to have a fit between its capabilities and its external environment.

As accentuated by Oliver (1997) and Barney (1991), a firm's decision in accumulating resources is an economic rationale. The authors suggest that it is these resources that are unique, precious, uncommon, and not easy to copy that lead to a firm in a sustained above-normal profit. Oliver (1991) adds that a firm's selection and accumulation of resources, and their utilization is influenced by both internal decision-making and external factors. As posited by Conner (1991), internal managerial decisions are informed by a firm's goal to become efficient and effective in its utilization of available resources to achieve long-term profitability. Further, the author says that the external factors are the industrial issues that have an influence on the firm. Therefore, Oliver (1991) argues that using the resource-based view, sustainable competitiveness is a result of rational managerial judgment, discerning accrual and exploitation of resources, as well as external factors.

Grant (1991) adds that the ability of a firm to earn profits above the cost of capital utilized lies on the attractiveness of the industry where it operates and its competitive advantage over its rivals in the market. The author proposes that superior profits emanate largely from industrial attractiveness. He argues that the concern for strategic management is primarily to find favorable environment and moderating competition within the industry. Further, he adds that the business strategy should be a quest for gaining competitive advantage over rivals after the cost of the resources utilized.

2.2.2 Michael Porter's Generic Forces

Porter (1980) highlights that the position of the firm in the industry it operates determines its profitability. The author argues that the basis for above-normal profitability is sustainable competitive advantage. Porter brings across that a firm possess competitive advantage in two ways, low cost and/or differentiation. Coupled with the activities a firm engages in a firm attain cost leadership, focus and differentiation (Porter, 1981). In cost leadership, Porter explains that a firm utilizes the various sources of cost advantage within its industry to become a low-cost producer within the industry. The differentiation strategy promotes uniqueness to a firm in its industry regarding what buyers in that industry value. In this attempt, the firm's uniqueness is compensated with a premium price. When a firm chooses the focus strategy, Porter offers, it chooses a narrower scope to compete in within the industry. In so doing, the firm focuses on a segment(s) in the industry and tailor-makes its strategy to handle that segment excluding all the other segments. The author suggests that focus can be achieved in two ways, cost focus, where a firm opts for cost advantage or differentiation focus.

Porter adds that it is important for a firm to get it right regarding choosing which generic strategy to follow as all other decisions follow this choice. Murray (1988) warns firms against following more than one strategy arguing that each strategy appeals to different people differently. In addition, Grundy (2006) proposes that for each strategy a firm hopes to utilize, it should conduct a SWOT analysis to identify the strengths and weaknesses it possesses as well as the opportunities and threats facing them in the quest of adopting that strategy. Murray adds that a firm should understand the nature of the industry it is in by using the five forces analysis.

2.3Strategy and organizational performance

As Porter (1985) argues, strategy is all about making choices for the organization. Organizations employ different strategies to deal with the different circumstances brought by changing business environment. To embrace strategic management for any organization is to take the direction towards effectiveness and efficiency. As opposed to firms whose decision-making is reactionary, organizations that employ strategies catapult themselves to better performance. Largely, the choice of strategy employed depends on many factors which the management should analyze before laying down the strategies. Quinn (1980) argues that a well-formulated strategy enables the management of a firm selects resources and utilize them in line with its internal capabilities and shortcomings, foreseeable changes in the environment, and face threats brought in by rivals.

The basis for above-normal performance for a firm is sustainable competitive advantage. Lin et al., 2014 offers that the key to maintain sustainable competitive advantage over competitors is to develop capabilities that lead to long-term superior performance for the firm. Porter (1990) offers that, causes of competitive advantage for a firm emanate from quality, price, innovation and creativity, range of products or services offered, delivery timeliness, and flexibility. Organizations modify their internal capabilities and competencies to deal with the changing marketplace to stay competitive (O'Farrell et al, 1993). These authors argue that these capabilities and competencies work together intricately to contribute to the firm's competitive advantage.

Porter (1990) offers that the strategy a firm uses to maximize on its strengths is either through providing lowers costs or employing differentiation strategies. When a firm employs the strategy of cost advantage, Porter offers that it presents itself as a low-cost producer in the industry by selling its products at the average or below the industry prices while maintaining the quality of the same. This way, the firm maintains some level of profitability while the rival firms suffer losses. In differentiation, a firm should offer a product that has unique features compared to other firms in the industry thus creating a superior quality product or service. The firm then charges the product or service at a premium making profit. A third generic strategy emanating from this approach as suggested by Porter is focus strategy where a firm concentrates on a narrow market segment from where to gain a cost advantage or differentiation.

Prescott (1986) observed that business strategy had a note worthy effect on the performance and better control on the external environment. Thompson, et al (2007) point that a good strategy is effective in building an organization that is capable to maintain a desirable performance in the face of unforeseeable circumstances, stiff competition, and internal challenges. Chandler (1962) holds that while strategy is made at the top management it is executed at the bottom.

Pride and Ferrell (2003) opine that the implementation of strategy is the process that transforms plans into actions as expected to achieve goals. These authors add that for the process to be successful, the firm should build capacity aimed at expecting the plan, create and avail a budget and the resources to ensure the expected success, and create an environment of motivated workers committed enough to see the success of the strategy. Further, the authors insist that the organization should have a mechanism to track and report the progress and performance of the strategies employed. Strategy implementation is time consuming and demanding in the whole process. Thomson et al., (2007) contribute that implementing a strategy should be preceded by arming the employees with the required skills and competencies, creating a conducive work environment and culture, and setting aside resources to motivate and give incentives towards achievements of goals and expectations. As argued by Hofer and Schendel (1978), the importance of strategy formulation and implementation cannot be overemphasized and the process should not be taken for granted.

Robinson, (2004) suggests that private medical insurance firms have been forced to change their product design, strategic focus, and pricing policy to stay competitive in the awakening of managed care by state governments. The author offers that most of these firms seek to influence the behavior of consumers of health insurance by designing products that cover a broader range of services.

2.4Strategies used to enhance performance

Johnson, Scholes, and Whittington (2005) write that strategy exists in three main echelons as follows: Corporate strategy, which operates at the top most level of an organization. Second, is the business level strategy which relates with how a firm should compete in the various market dynamisms. Thirdly, the authors suggest the operational level strategies whose concern is how the different parts making up an organization deliver as expected regarding the corporate and business level strategies.

2.4.1 Corporate strategies

These are strategic decisions that the senior executive members of the organization make that have an effect on the entire organization. Miller and Cardinal (1994) note that it all starts with laying out both short-term and long-term goals and objectives for the organization. All these goals should then be followed by a timeline that will help keep the progress and performance updated. These authors add that by defining the organizational goals and objectives, the management achieves a sense of direction for the company that enhances the coordination of the activities therein. As such, the employees' activities and the firm's resources should be aligned to match the goals until the goals are achieved.

These decisions include resource allocations, human resource management, product portfolio, and instituting clear organizational goals. Johnson et al. (2005) add that strategies at this level attempt to add value to the different parts of the organization. From a perspective of a medical insurance firm, strategies at this level would be whether the firm should exclusively handle life insurance or both life and non-life business. In addition, decisions for the management would be managing interdependence in the firm and perceiving changes in the political and economic environment.

2.4.2 Business level strategies

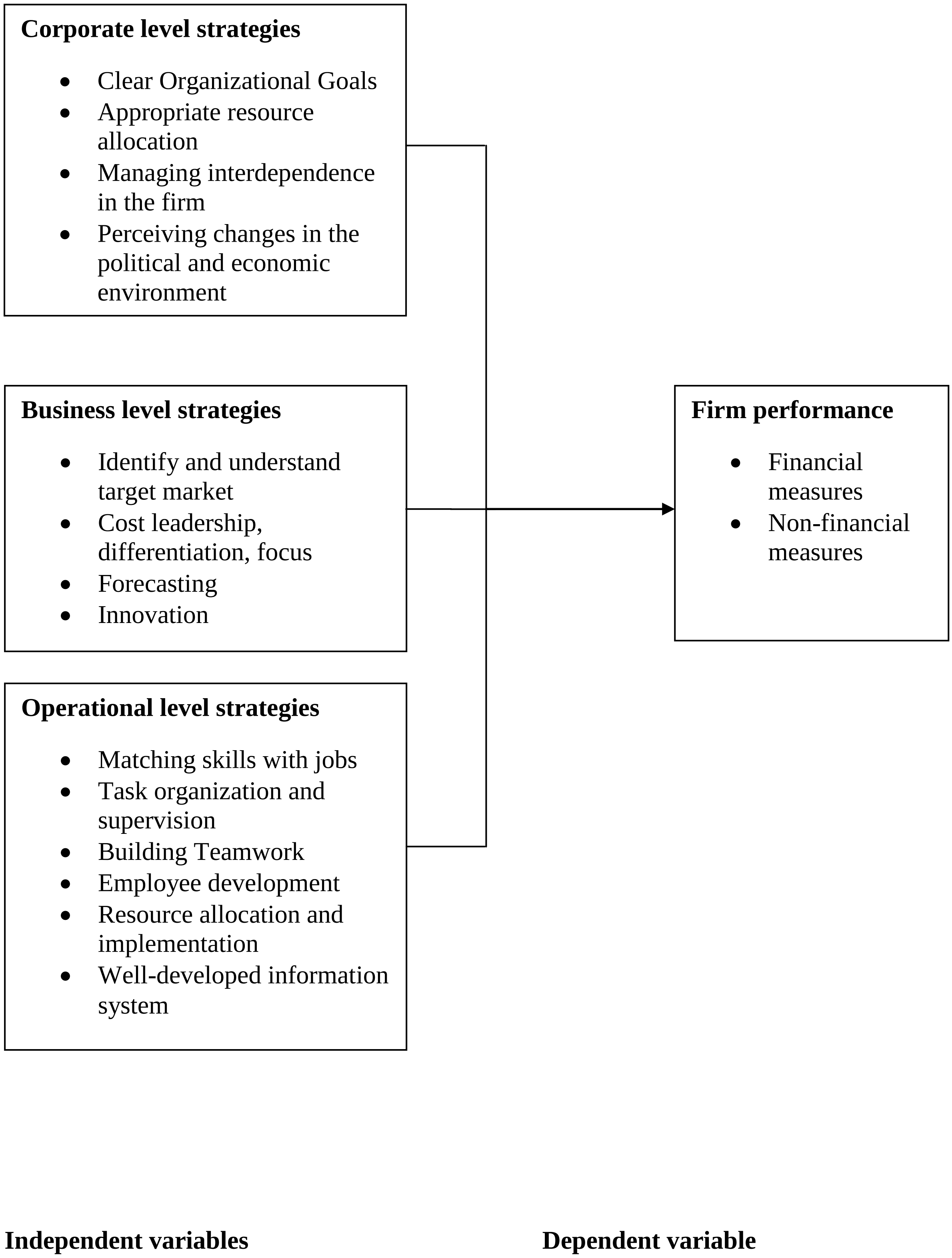
Strategies at the business level are concerned about how the organization can successfully compete in a constantly changing business environment, maintain competitive advantage, and meet the customers' needs and preferences. Particularly, these strategies look at how the business can achieve competitive advantage over its rivals by developing products and/or services that are unique, how to market products as well as the products' distribution channels. On top of the marketing strategies is to identify the target audience for a product and placing the firm in a position to connect with its consumers by providing the products/services the customers need. A firm should however understand the specific needs of its targeted audience to connect with them and maintain them as long-term customers.

The dynamism in the business environment has seen the rise of technology and increase in e-commerce. Technology affects the way firms reach out to their customers through advertisement and marketing as well as how communication is carried down within the organization from top to bottom and bottom up. Similarly, IT affects the way of reporting within the organization and the industry as a whole. Firms across the globe should brace themselves with recent technological investments to stand in a position to reach customers online and interact with their customers. In the medical insurance perspective, such strategies that firms make include making changes in accordance to changes in industry regulations, new markets entry, investing in technological innovations to compete with internet providers, reach a more customers, engage with current customers to respond to their queries in time, and keeping up with new entrants and rivals.

2.4.3 Operational level strategies

Strategies at this level are related to how effectively the constituent parts of the organization deliver the other levels strategies. Particularly, these strategies look at how the people, resources, and the process operate to bring the expected results. In this regard, the management focuses on the business operations and makes maximum input of an asset or resource. The decisions the management thus makes enable the firm to match the assets and resources to specific needs of the organization. As such, employees are matched to operate in the areas where they can produce more by matching their assignments with their skills and expertise. For medical insurance firms, these decisions include designing jobs and their allocation in a firm and coming up with ways to improve productivity as well as products diversification.

2.5Conceptual framework



2.6Summary of literature and gap

A summary to the reviewed studies show that strategy has positive implications on the performance of insurance companies especially in the medical insurance sector. Additionally, only firms that are deliberate to implement strategies across the firm improve their performance. Used literature goes to show that performance is only one of the few results of implementing strategies. Researchers agree that sustained competitive advantage over rivals is the fundamental goal for most firms. As such, it is important for a firm to stay afloat with the industry changes and regulations, technological advances, customer retention to maintain super-normal performance in the long-run.

Liyai (2014) revealed that there was a gap in regard to the effect that strategy had on the performance of insurance companies as there was uncertainty on whether strategy led to higher performance or reduced performance. This study hopes to fill this gap by looking at the effects of various strategies employed by medical insurance firms on their performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1Introduction

This chapter delves into investigation's design, the data collection strategies, population of the study and sample size, as well as data collection instruments and processes. The Methodology section involves having clearly outlined plan on the different phases that need to be followed in carrying out the study.

3.2Research Design

The investigation is a descriptive survey research to enable comprehensive analysis of the medical insurance firms in Kenya. Mugenda and Mugenda (2003) retaliate that a descriptive study allows an extensive and uninhibited study while measuring the outcomes and breaking down identified factors. A survey permits the utilization of statistical analysis of the data collected so that data is presented by use of descriptive statistics.

3.3Population of the study

The population is the entire collection of individuals or phenomena which have a similar observable attribute. Mugenda and Mugenda (2003) define target population as a real or hypothetical set of objects, people, or events that the researcher uses to make generalization of the study. The population of this study included nineteen insurance firms that offer medical insurance covers in Kenya.

3.4Sampling Design

Nachimias&Nachimias (1991) offer that the sample size should be large enough to help the researcher in capturing a variety of responses in order to enhance comparative analysis in their research. In this study, respondents included head/executive managers of medical departments in the insurance companies offering medical insurance covers. These are managers who are involved in the day to day running of the medical divisions in their respective companies. The executive managers provided the information for all the three levels of strategy.

3.5Data Collection

Information for this research was collected using questionnaires that were administered to managers in the medical insurance department in the firms. Borg and Gall (1996) assert that a questionnaire allows access to a large database and the use of statistical techniques for data analysis. The structured questionnaire included mostly closed ended questions to meet the objectives of the study. The questionnaires were sent to the respondents via mail upon a request via telephone calls.

3.6Data Analysis

Data analysis implies the extraction of significant information from a bulk of data.

Data analysis involves ordering, categorizing, manipulating and summarizing data in a bid to acquire answers to the research study questions. This should always be carried out in relation to the research problem which in the researcher’s case is trying to determine the effects of strategy on the performance of medical insurance firms.

In this study, data was analyzed using descriptive statistics to ensure comprehensive analysis, (Cooper & Schindler, 2001).

Correlation analysis was utilized to clarify the relationship between the strategies employed and the performance of the firms.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1. Introduction

The section herein gives the results of the inquiry based on the research aims as well as the research methods outlined in the prior section. The study results were presented on the determinants of performance of informal sector.

4.2. Response Rate

A total of 19 questionnaires were given to the participants from the 19 insurance firms in Kenya that offered medical insurance covers; one questionnaire was administered per company. 12 participants responded while the other 7 were non-responsive. Hence, a response rate of 63.16% was realized. The questionnaire contained questions that addressed the objectives of the study which were: To identify the strategies adopted by firms in the medical insurance industry in Kenya, and to determine the relationship between strategies adopted and the performance of the firms in the medical insurance industry in Kenya.

The response rate is shown in Table 4.1 below;

Table 1- Response Rate

Response rate	**Frequency**	**Percentage**
Completed	12	63.16%
Incomplete	7	36.84%
Total	19	100%

4.3. Strategies Adopted by Medical Insurance Companies

4.3.1 Corporate Level Strategies

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Have clear goals for the firm	12	4.00	5.00	4.8333	.38925
Align goals and objectives with the vision and mission of the firm	12	3.00	5.00	4.6667	.65134
Allocate finances for projects	12	4.00	5.00	4.9167	.28868
Managing proper interdependence of the different parts of the firm	12	2.00	5.00	4.5833	.90034
Manage stakeholders and board of directors	12	2.00	5.00	4.0833	.79296
Perceiving changes in the political and economic scenes	12	2.00	5.00	3.9167	.99620
Grand Mean				**4.5**	

Table 2- Corporate Level Strategies

As depicted in Table 2 above, each element in the corporate level strategies scale is more than 3.0. This illustrates that the corporate level strategies that the insurance firms engage in are significant in influencing firm performance. The highest mean value as shown in the table is 4.9 which is the strategy of ‘allocating finances for projects’. This is followed by ‘having clear goals for the firm’ which has a mean of slightly above 4.8. The third rank on the mean analysis table goes to the ‘aligning of goals and objectives with the vision and mission of the firm’; this has a mean value of

4.6. The grand mean computed from the mean values of the garnered responses in Table 2 above is 4.5. This being close to 5 (Most Important), it shows that most respondents were affirmative about the importance of the corporate strategies. From these results, it can be deduced that the significance placed by insurance firms on these corporate strategies is high.

4.3.2 Business Level Strategies

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Identify the target audience	12	5.00	5.00	5.0000	.00000
Understand customer needs	12	4.00	5.00	4.8333	.38925
Become a leader in prices	12	2.00	5.00	4.3333	.88763
Offer unique products to the targeted audience	12	1.00	5.00	3.9167	1.24011
Prioritize sale's maximization, product promotion, and distribution	12	1.00	5.00	3.5833	1.31137
Forecasting the future environment of the business	12	3.00	5.00	4.5833	.66856
Innovation of new products	12	4.00	5.00	4.8333	.38925
Grand Mean				**4.4404**	

Table 3- Business Level Strategies

Table 3 above paints a picture of the significance of the business level strategies in the insurance firms in Kenya, as indicated by the research respondents. The highest mean is 5.0 while the lowest mean is slightly above 3.5. This shows how important the business level strategies are considered by the insurance companies, since even the least mean value is way above average. The grand mean computed from the mean values of the garnered responses in Table 3 above is 4.4. This value is close to a value 5 (which denotes 'Most Important'). As such, it gives the implication that most respondents were affirmative about the importance of the business level strategies. Most respondents therefore agree that these business level strategies are core in influencing firm performance in the insurance firms.

4.3.3 Operational Level Strategies

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Good fit between an employee and their skills	12	3.00	5.00	4.8333	.57735
Organizing tasks and following their completion	12	2.00	5.00	4.4167	.90034
Building effective groups and teams	12	3.00	5.00	4.5833	.66856
Motivating employees through rewards	12	4.00	5.00	4.9167	.28868
Employee development through coaching and training	12	4.00	5.00	4.7500	.45227

Encourage employee involvement through participation and taking initiative	12	1.00	5.00	4.2500	1.13818
Approve resource allocation and implementation	12	4.00	5.00	4.4167	.51493
Well-developed information system	12	2.00	5.00	4.0000	.95346
Evaluation of employees' and teams' progress	12	2.00	5.00	4.6667	.88763
Good communication across the firm through reporting on performance	12	3.00	5.00	4.3333	.65134
Grand Mean				**4.5166**	

Table 4- Operational Level Strategies

Regarding operational level strategies, the table above—Table 4—offers an insight into how the respondents consider the strategies. The mean values indicate are all 4.0 and above, the highest value being over 4.9. 'Motivating employees through rewards' ranks highest in this level of strategies. This is evident that the insurance firms under study place this factor in high pedestal. The grand mean computed from the mean values of the garnered responses in Table 4 above is slightly above 4.5. This value is close to a value 5 (which denotes 'Most Important'). As such, it gives the implication that most respondents were affirmative about the importance of the corporate level strategies.

4.4 Analysis of Firm Performance

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Your insurance firm had increased financial revenues in the past one year.	12	3.00	5.00	4.2500	.62158
Your insurance firm medical scheme customers are very satisfied	12	2.00	5.00	3.5833	.99620
Your insurance firm has an efficient medical claims processes	12	2.00	4.00	3.3333	.88763
The employees are fulfilled with their jobs	12	3.00	5.00	4.0000	.60302
Grand Mean				**3.7916**	

Table 5- Firm Performance

The above table indicates the mean values for firm performance. Evidently, the factors under study performed well on the Likert Scale, as the least mean value is 3.33, while the highest is 4.25. The latter is significant for this study as it reveals that most respondents agreed that their 'insurance firm had increased financial revenues in the past one year'. This is crucial in the analysis of the relationship between the diverse strategies that the insurance firms under study employ and the firm performance. The grand mean computed from the mean values of the garnered responses in Table 5 above is 3.7. This value is above average, and closer to a value 5 (which denotes 'Strongly Agree'). As such, it gives the implication that most respondents were affirmative about the improvement in their firms' performance.

4.5 Relationship between Strategies and Firm Performance

To analyze the relationship between corporate, business and operational level strategies, and firm performance in the medical insurance sector in Kenya, correlation analysis was carried out. Weinberg and Abramowitz (2008) offer that Pearson correlation depicts the direction and intensity of the linear correlation extant between any two variables which are under research. The Pearson correlation has a coefficient that falls in the range between 0 and 1; whenever the value stands close to 0, the two variables under study have a stronger relationship. Conversely, if the value lands further from 0, the relationship extant between the research variables is weaker. A positive Pearson Correlation coefficient indicates a positive correlation between the research variables. However, if the coefficient is negative, the relationship that exists between the variables is similarly negative. The tables below Table 6 and 7) depict the correlation analysis for the relationship between the corporate strategies and firm performance in the medical insurance industry in Kenya. The corporate strategies studied and depicted in the correlation analysis are ‘aligning goals and objectives with the vision and mission of the firm and the firm performance’ and ‘correlation between having clear goals for the firm and the firm performance’. On the other hand, the firm performance variables are ‘increased financial revenues in the insurance firms in the past one year’, ‘insurance firm’s medical scheme customers being very satisfied’, ‘efficiency in the medical claims processes within the insurance firms’, and ‘employees’ fulfillment in their jobs’.

Table 6- Aligning goals and objectives with the vision and mission of the firm and the firm performance

Correlations

		Align goals and objectives with the vision and mission of the firm	Your insurance firm had increased financial revenues in the past one year.	Your insurance firm medical scheme customers are very satisfied	Your insurance firm has an efficient medical claims processes	The employees are fulfilled with their jobs
Align goals and objectives with the vision and mission of the firm	Pearson Correlation	1	.356	.738(**)	.696(*)	.833(**)
	Sig. (2-tailed)		.282	.010	.017	.001
	N	11	11	11	11	11
Your insurance firm had increased financial revenues in the past one year.	Pearson Correlation	.356	1	.330	.330	.000
	Sig. (2-tailed)	.282		.294	.296	1.000
	N	11	12	12	12	12
Your insurance firm medical scheme customers are very satisfied	Pearson Correlation	.738(**)	.330	1	.891(**)	.757(**)
	Sig. (2-tailed)	.010	.294		.000	.004
	N	11	12	12	12	12
Your insurance firm has an efficient medical claims processes	Pearson Correlation	.696(*)	.330	.891(**)	1	.679(*)
	Sig. (2-tailed)	.017	.296	.000		.015
	N	11	12	12	12	12
The employees are fulfilled with their jobs	Pearson Correlation	.833(**)	.000	.757(**)	.679(*)	1
	Sig. (2-tailed)	.001	1.000	.004	.015	
	N	11	12	12	12	12

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Table 7- Correlation between having Clear Goals for the firm and the firm performance

Correlations

		Have clear goals for the firm	Your insurance firm had increased financial revenues in the past one year.	Your insurance firm medical scheme customers are very satisfied	Your insurance firm has an efficient medical claims processes	The employ ees are fulfilled with their jobs
Have clear goals for the firm	Pearson Correlation	1	.239	.495	.467	.559
	Sig. (2-tailed)		.479	.122	.148	.074
	N	11	11	11	11	11
Your insurance firm had increased financial revenues in the past one year.	Pearson Correlation	.239	1	.330	.330	.000
	Sig. (2-tailed)	.479		.294	.296	1.000
	N	11	12	12	12	12
Your insurance firm medical scheme customers are very satisfied	Pearson Correlation	.495	.330	1	.891(**)	.757(**)
	Sig. (2-tailed)	.122	.294		.000	.004
	N	11	12	12	12	12
Your insurance firm has an efficient medical claims processes	Pearson Correlation	.467	.330	.891(**)	1	.679(*)
	Sig. (2-tailed)	.148	.296	.000		.015
	N	11	12	12	12	12
The employees are fulfilled with their jobs	Pearson Correlation	.559	.000	.757(**)	.679(*)	1
	Sig. (2-tailed)	.074	1.000	.004	.015	
	N	11	12	12	12	12

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

* Correlation is significant at the 0.05 level (2-tailed).

Table 6 above depicts the relationship between a corporate strategy (aligning goals and objectives with the vision and mission of the firm) and the firm performance variables. The independent variable (aligning goals and objectives with the vision and mission of the firm) has a positive relationship with the dependent variables. This is evidenced by the Pearson Correlation coefficients 0.356, 0.738, 0.696 and 0.833. These coefficients depict the robust positive relationship between the corporate strategy and the firm performance variables, which is indicative of the positive influence that corporate strategy has on firm performance. Table 7 on the other hand depicts the relationship between 'having clear goals for the firm' (corporate strategy) and the four firm performance variables. The performance correlation coefficients are all positive-- 0.239, 0.495, 0.467, and 0.559. These illustrate the strong positive relationship between the corporate strategy variable and the firm performance variable.

Table 8- Identify the target audience, and firm performance

Correlations

		Identify the target audience	Your insurance firm had increased financial revenues in the past one year.	Your insurance firm medical scheme customers are very satisfied	Your insurance firm has an efficient medical claims processes	The employees are fulfilled with their jobs
Identify the target audience	Pearson Correlation	1	.138	.623(*)	.603(*)	.760(**)
	Sig. (2-tailed)		.668	.030	.038	.004
	N	12	12	12	12	12
Your insurance firm had increased financial revenues in the past one year.	Pearson Correlation	.138	1	.330	.330	.000
	Sig. (2-tailed)	.668		.294	.296	1.000
	N	12	12	12	12	12
Your insurance firm medical scheme customers are very satisfied	Pearson Correlation	.623(*)	.330	1	.891(**)	.757(**)
	Sig. (2-tailed)	.030	.294		.000	.004
	N	12	12	12	12	12
Your insurance firm has an efficient medical claims processes	Pearson Correlation	.603(*)	.330	.891(**)	1	.679(*)
	Sig. (2-tailed)	.038	.296	.000		.015
	N	12	12	12	12	12
The employees are fulfilled with their jobs	Pearson Correlation	.760(**)	.000	.757(**)	.679(*)	1
	Sig. (2-tailed)	.004	1.000	.004	.015	
	N	12	12	12	12	12

* Correlation is significant at the 0.05 level (2-tailed).

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

Table 8 above illustrates the correlation between the business strategy—'Identifying the target audience', and firm performance. The correlation between the business strategy variable and the firm performance variables stands strong and positive. The Pearson correlation coefficients in Table 8 are 0.138, 0.623, 0.603, and 0.760, showing the positive relationship 'identifying the target audience', and the firm performance variables. It can therefore be concluded from the table that 'identifying the target audience', being a business level strategy, has a strong positive impact on the firm performance in medical insurance firms in Kenya.

Table 9- Become a leader in prices, and firm performance

Correlations

		Become a leader in prices	Your insurance firm had increased financial revenues in the past one year.	Your insurance firm medical scheme customers are very satisfied	Your insurance firm has an efficient medical claims processes	The employees are fulfilled with their jobs
Become a leader in prices	Pearson Correlation	1	.330	.685(*)	.769(**)	.679(*)
	Sig. (2-tailed)		.296	.014	.003	.015
	N	12	12	12	12	12
Your insurance firm had increased financial revenues in the past one year.	Pearson Correlation	.330	1	.330	.330	.000
	Sig. (2-tailed)	.296		.294	.296	1.000
	N	12	12	12	12	12
Your	Pearson Correlation	.685(*)	.330	1	.891(**)	.757(**)

insurance firm medical scheme customers are very satisfied						
	Sig. (2-tailed)	.014	.294		.000	.004
	N	12	12	12	12	12
Your insurance firm has an efficient medical claims processes	Pearson Correlation	.769(**)	.330	.891(**)	1	.679(*)
	Sig. (2-tailed)	.003	.296	.000		.015
	N	12	12	12	12	12
The employees are fulfilled with their jobs	Pearson Correlation	.679(*)	.000	.757(**)	.679(*)	1
	Sig. (2-tailed)	.015	1.000	.004	.015	
	N	12	12	12	12	12

* Correlation is significant at the 0.05 level (2-tailed).

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

Table 9 above illustrates the correlation between business strategy— 'becoming a leader in prices', and firm performance. The Pearson correlation coefficients in Table 9 are 0.330, 0.685, 0.769, and 0.679. This shows the positive relationship between 'becoming a leader in prices', and firm performance variables. As such, it can be deduced from the table that, indeed, 'becoming a leader in prices', being a business level strategy, has a strong positive impact on the firm performance in medical insurance firms in Kenya.

Table 10- Good fit between an employee and their skills, and firm performance

Correlations

		Good fit between an employee and their skills	Your insurance firm had increased financial revenues in the past one year.	Your insurance firm medical scheme customers are very satisfied	Your insurance firm has an efficient medical claims processes	The employees are fulfilled with their jobs
Good fit between an employee and their skills	Pearson Correlation	1	.127	.501	.473	.522
	Sig. (2-tailed)		.695	.097	.120	.082
	N	12	12	12	12	12
Your insurance firm had increased financial revenues in the past one year.	Pearson Correlation	.127	1	.330	.330	.000
	Sig. (2-tailed)	.695		.294	.296	1.000
	N	12	12	12	12	12
Your insurance firm medical scheme customers are very satisfied	Pearson Correlation	.501	.330	1	.891(**)	.757(**)
	Sig. (2-tailed)	.097	.294		.000	.004
	N	12	12	12	12	12
Your insurance firm has an efficient medical claims processes	Pearson Correlation	.473	.330	.891(**)	1	.679(*)
	Sig. (2-tailed)	.120	.296	.000		.015
	N	12	12	12	12	12
The employees are fulfilled with their jobs	Pearson Correlation	.522	.000	.757(**)	.679(*)	1
	Sig. (2-tailed)	.082	1.000	.004	.015	
	N	12	12	12	12	12

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

* Correlation is significant at the 0.05 level (2-tailed).

Table 11- Motivating employees through rewards, and firm performance

Correlations

		Motivating employees through rewards	Your insurance firm had increased financial revenues in the past one year.	Your insurance firm medical scheme customers are very satisfied	Your insurance firm has an efficient medical claims processes	The employee s are fulfilled with their jobs
Motivating employees through rewards	Pearson Correlation	1	.127	.501	.473	.522
	Sig. (2-tailed)		.695	.097	.120	.082
	N	12	12	12	12	12
Your insurance firm had increased financial revenues in the past one year.	Pearson Correlation	.127	1	.330	.330	.000
	Sig. (2-tailed)	.695		.294	.296	1.000
	N	12	12	12	12	12
Your insurance firm medical scheme customers are very satisfied	Pearson Correlation	.501	.330	1	.891(**)	.757(**)
	Sig. (2-tailed)	.097	.294		.000	.004
	N	12	12	12	12	12
Your insurance firm has an efficient medical claims processes	Pearson Correlation	.473	.330	.891(**)	1	.679(*)
	Sig. (2-tailed)	.120	.296	.000		.015
	N	12	12	12	12	12
The employees are fulfilled with their jobs	Pearson Correlation	.522	.000	.757(**)	.679(*)	1
	Sig. (2-tailed)	.082	1.000	.004	.015	
	N	12	12	12	12	12

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

* Correlation is significant at the 0.05 level (2-tailed).

Tables 10 and 11 above show the correlation analysis of operational level strategies and firm performance. Specifically, the relationship between ‘good fit between an employee and their skills’ and firm performance is investigated. Also, the relationship between ‘motivation of employees through rewards’, and firm performances analysed. As seen in the tables, the correlation between the operational strategies and the firm performance variables are positive. Table 10 shows a positive relationship between ‘good fit between an employee and their skills’ and firm performance, evidenced by the positive Pearson correlation coefficients- 0.127, 0.501, 0.473, and 0.522. Similarly, Table 11 shows a positive relationship between motivation of employees through rewards’, and firm performance, evidenced by the positive Pearson correlation coefficients—0.127, 0.501, 0.473, and 0.522. It can therefore be concluded that operational level strategies have a positive influence on firm performance.

4.6 Discussion of the Findings

This chapter reveals research findings of the effects of strategy on the performance of firms in the medical insurance industry in Kenya. The findings confirm the literatures entrenched in the literature review, giving an insight into the effects of corporate, business and operational level strategies on the performance of firms in the medical insurance industry in Kenya. By virtue of mean values of the corporate level strategies, business level strategies and the operational level strategies being higher than 3.5, it is evident from the findings that the strategies significantly influence the firm performance in the medical insurance industry in Kenya. Further, the correlation analyses reveal positive relationships extant between the diverse strategies and firm performance. This affirms the Resource Based Theory which offers that firms have resources and capabilities to enable them to achieve economic rent and a sustainable competitive advantage (Barney 1991 & Prahalad and Hamel, 1997). Oliver (1991) argues that using the resource-based view, sustainable competitive advantage is a result of rational managerial decisions, selective accumulation and utilization of resources, and external factors. In essence, these managerial decisions, selective accumulation and utilization of resources are the corporate and operational level strategies which when increased lead to improved firm performance hence enables the firm to gain a competitive advantage.

This agrees with the assertions of Johnson et al. (2005), as established in the literature review section that corporate level strategies attempt to add value to the different parts of the organization.

As established in the theoretical underpinnings, regarding a medical insurance firm, corporate level strategies at this level would include clear organizational goals, appropriate resource allocation, managing interdependence in the firm, and perceiving changes in the political and economic environment. Based on the decisions determined at the corporate level, value is added hence, as the findings indicate, firm performance improves. Similarly, the findings regarding the operational level strategies match with the literatures established as strategies at this level are concerned with how effectively the component parts of the organization deliver the other levels strategies. In the operational level, medical insurance firms are concerned with making decisions that entail designing jobs and their allocation in a firm and coming up with ways to improve productivity as well as products diversification. As such, this is affirmed by the research findings which establish that a unit increase in a favorable operational strategy would steer firm performance to improvement.

The business level strategies, as established in the literature review, entail how the business can achieve competitive advantage over its rivals by developing products and/or services that are unique, how to market products as well as the products' distribution channels. On top of the marketing strategies is to identify the target audience for a product and placing the firm in a position to connect with its consumers by providing the products/services the customers need. The findings established in this research study, specifically the correlation analysis affirm these theories regarding the influence of business level strategies on firm performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter seeks to provide a conclusion to the research study on the basis of the findings as well as discussions encompassed in chapter four. This chapter hence offers a summary of the research findings in light of the previous literature as well as recommendations to stakeholders in the medical insurance industry in Kenya, and also to future researchers. The recommendations to future researchers are given in view of the limitations embedded in the methodological framework adopted in this research.

5.2. Conclusion

This research study ascertains that strategies influences firm performance in three levels—corporate, business and operational level strategies. This confirms the assertions of Quinn (1980), a well-formulated strategy enables the management of a firm to select resources and utilize them in line with its internal capabilities and shortcomings, foreseeable changes in the environment, and face threats brought in by rivals. Hence, this leads to higher levels of effectiveness and efficiency hence enabling the firm to gain an above-normal performance—sustainable competitive advantage (Lin et al., 2014). As pertaining to corporate level strategies, this research concludes that corporate level strategies in the medical insurance industry should encompass clear organizational goals, appropriate resource allocation, managing interdependence in the firm, and perceiving changes in the political and economic environment.

Business level strategies in the medical insurance industry include making changes in accordance to changes in industry regulations, new markets entry, investing in technological innovations to compete with internet providers, reach a more customers, engage with current customers to respond to their queries in time, and keeping up with new entrants and rivals. On the other hand, operational strategies in the medical insurance industry encompass designing jobs and their allocation in a firm and coming up with ways to improve productivity as well as products diversification. Overall, this research sought to confirm the relationship between strategy and firm performance in the medical insurance industry. As established in Chapter four, all the hypotheses formulated in the literature review section were accepted.

As established in the research findings, the independent variables studied here had a significant relationship with dependent variables as illustrated by the Pearson correlation coefficients which were positive. Therefore, it can be deduced that the relationship between firm performance and the independent variables (Corporate level, Business level and Operational level strategies) determine performance of the medical insurance firms. The findings revealed that there exists a positive relationship between the firms' performance and the corporate, business and operational strategies.

5.3. Limitations of the Study

Whereas this study achieved its research purpose, it had quite a number of limitations. For starters, the research instrument used for data collection was solely the questionnaire. Saunders et al. (2009), however, opines that by using the questionnaire, the results obtained could be biased as the data collected would often be reflective of the researcher's mind as opposed to the sample group's mind. Even so, the researcher in this study employed theoretical assertions to augment and analyze the research findings. Further, insurance firms in Kenya have relatively rigorous operational environments. This significantly hampered the data collection process and the researcher had to put in extra effort to ensure that clear and precise responses were gathered and garnered in good time. The researcher also experienced a challenge in the data collection process as some of the research respondents were unwillingly to fully cooperate.

In addition, given the heated political environment in Kenya in the month when the data was being collected, the researcher experienced some level of challenge in collection of dully filled forms for the managers that had taken a break and filled the forms from their homes. Further, with the political uncertainty that went on for months, and with the fears that some of the insurance companies might lay off some of their employees, most respondents were skeptical about the intentions of the researcher. This made the researcher invest their time heavily in explaining the objectives of the research study to the respondents, and assuring them that their responses would be treated with utmost confidentiality.

5.4. Recommendations from the study

The research study recommends that the Government of Kenya, through the Insurance Regulatory Authority (IRA), should institute the suitable policies that offer support to medical insurance firms as a means of raising their contribution to the Kenyan economy. Further, IRA should seek to set standards and policies that will ensure that effective performance in the medical insurance industry is achieved. This move will enable the cushioning of local firms from undesirable effects that emanate from the dynamic and stiffly competitive environment caused by market conditions, the increase in technological advancements and globalization.

5.5. Recommendations for Future Study

It is recommended that further researches should implement a similar design by also augmenting their research findings and data analysis using established literatures. For future research, it is also recommended that researchers should delve on assessing how competitive advantage can aid the survival of medical insurance firms. It is also suggested that research towards analyzing how portfolio mix affects the adoption and implementation of generic competitive advantage strategies by the Kenyan medical insurance firms. Also, it would be necessary to conduct research on other factors that could have significant influence on a medical insurance firm's organizational performance.

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APPENDIX I: QUESTIONNAIRE

Dear Sir/Madam

The purpose of this questionnaire is to gather information on the effect of strategies on the performance of medical insurance firms in Kenya. Please provide the most appropriate responses that apply to your firm in each question. Your responses are highly regarded.

Warm up questions

a) What is the name of the insurance firm? (Optional) ………………………………………………………….

b) Indicate the area you work in the firm….

   i. Corporate level management [ ]

   ii. Business level management [ ]

   iii. Operational level management [ ]

c) How long have you been with this firm…………………………...?

d) What is the company's market share of the total medical insurance market? (Tick appropriately)

10% and below	
Above 10% less than 30%	
Above 30% less than 50%	
Above 50% less than 70%	
Above 70% less than 90%	
Above 90	

Part A: Firm performance

Kindly tick the most appropriate answer against each question. Note: 1 represents 'Strongly Disagree' and 5 represents 'Strongly Agree'.

	(1) Strongly disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly agree
1. Your insurance firm had increased financial revenues in the past one year.					
2. Your insurance firm medical scheme customers are very satisfied					
3. Your insurance firm has an efficient medical claims processes					
4. The employees are fulfilled with their jobs					

Part B: Corporate level strategies

This part aims to define the corporate level strategies. Kindly tick the most appropriate answer against each question. Where1 represents 'Most unimportant' and 5 represent 'Most Important'.

		(1) Most unimportant	(2) Unimportant	(3) Neutral	(4) Important	(5) Most important
1.	Have clear goals for the firm					
2.	Align goals and objectives with the vision and mission of the firm					
3.	Allocate finances for projects					
4.	Managing proper interdependence of the different parts of the firm					
5.	Manage stakeholders and board of directors					
6.	Create a good relationship between the business and the industry and community					
7.	Perceiving changes in the political and economic scenes					

Part C: Business level strategies

Kindly tick the most appropriate answer against each question. Where 1 represents 'Most unimportant' and 5 represent 'Most Important'.

		(1) Most unimport	(2) Unimpor tant	(3) Neutral	(4) Importa nt	(5) Most importa
1.	Identify the target audience					
2.	Understand customer needs					

3.	Become a leader in prices					
4.	Offer unique products to the targeted audience					
5.	Prioritize sale's maximization, product promotion, and distribution					
6.	Forecasting the future environment of the business					
7.	Innovation of new products					

Part D: Operational level strategies

Kindly tick the most appropriate answer against each question. Where 1 represents 'Most unimportant' and 5 represent 'Most Important'.

		(1) Most unimportant	(2) Unimportant	(3) Neutral	(4) Important	(5) Most important
1.	Good fit between an employee and their skills					
2.	Organizing tasks and following their completion					
3.	Building effective groups and teams					
4.	Motivating employees through rewards					
5.	Employee development through coaching and training					

6.	Encourage employee involvement through participation and taking initiative					
7.	Approve resource allocation and implementation					
8.	Well-developed information system					
9.	Evaluation of employees' and teams' progress					
10.	Good communication across the firm through reporting on performance					

Part E: Challenges

e) Does the company have a well-documented strategic plan?

f) Is the strategy in the medical insurance well defined and communicated to the employees?

g) In your opinion, which strategy (ies) have not delivered to their expected levels? What would be the possible reason(s) for the strategy (ies) not delivering?

h) Are there other strategies that you think should be considered? What in your opinion would be their target contribution?

i) What has been the biggest challenge in the Insurance market?

j) In your view, what has been the biggest challenge in developing internal skills?

k) What are the main indicators of organizational performance at company?

l) Which other areas in your opinion have improved in the organization for the last five years (2011-2016)?

m) In your opinion does IRA offer technical guidance in determination of viable Strategies? Please explain.

n) Has IRA at any one time disallowed any of your applied for strategies? If yes what were the main reasons for the decision taken by IRA?

o) In your view, do you think all Insurance companies take IRA's evaluation on strategies positively? Please explain.

p) We have in the past experienced situations where a number of Insurance companies have been placed under receiverships. In your opinion do you think the strategies adopted have a bearing to this? Please explain.

APPENDIX II: LIST OF LICENSED MEDICAL INSURANCE FIRMS IN KENYA

NO	NAME	LOCATION
1	AAR Insurance Company	Real Towers, Upper Hill
2	APA Insurance Limited	Appollocentre, off ring road
3	Britam General Insurance, Kenya	Renaissance Corporate Park
4	CIC General Insurance Limited	CIC Plaza, Mara Rd, Upper Hill
5	First Assurance Company Limited	First Assurance Hse, Gitanga Rd
6	GA Insurance Limited	GA Hse, Ralph Bunche Rd
7	Sanlam Insurance Company Limited	Gateway Place Milimani Rd
8	ICEA LION General Insurance Company Limited	ICEA Lion Office, Waiyaki way
9	Kenindia Assurance Company Limited	Kenindia Hse, LoitaStr
10	Madison Insurance Company Kenya Limited	Madison Hse, Upper Hill Rd
11	Resolution Insurance Company	Parkfield Place, Muthangari Drive, Off Waiyaki
12	Saham Assurance Company Limited	Eco Bank Hse, Muindi Mbingu St
13	Pacis Insurance Company Limited	Centenary Hse, Ring Rd Westlands
14	Takaful Insurance of Africa	3rd Floor, CIC Plaza, Mara Road, Upper Hill.
15	The Heritage Insurance Company Limited	CFC Centre, Chiromo Rd
16	The Jubilee Insurance Company of Kenya Limited	Jubilee Ins. Hse, Wabere St
17	Trident Insurance Company	Capitol Hill Towers, Cathedral Rd, Nairobi
18	UAP Old Mutual Insurance Company	UAP OLD Mutual Tower, Upper Hill
19	Xplico Insurance Company	Park Place, 2nd Avenue, Parklands.