CHALLENGES FACED BY LIFE INSURANCE COMPANIES IN IMPLEMENTION OF MARKETING STRATEGIES TO GAIN COMPETITIVE ADVANTAGE IN KENYA

BY

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DECLARATION

I declare that this research Project is my original work and has not been published or presented elsewhere for an award or examination in any other institution.

______________________ ________________

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This research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

This research project is dedicated to my lovely husband Michael Waigwa and my children Alvin Wandimi and Arnold Gichuru, without whose support and inspiration this work would not be a reality.

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ABSTRACT

A marketing strategy should be centered on the key concept that customer satisfaction is the main goal. Companies respond to environmental factors and one of the environmental influences to a business arises from competition. Firms therefore focus on gaining a competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core strengths, firms are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage. Therefore this study will seek to determine challenges faced by life insurance companies in implementation of marketing strategies. It will be guided by the following objectives, to establish the challenges faced by the insurance companies in implementation of marketing strategies and to establish whether life insurance companies have a control and feedback system to assess the effectiveness of the implementation process. The study employed a survey design. The survey was appropriate as it sought to ascertain the challenges faced by life insurance companies in implementation of strategy in Kenya. The population of the study comprised all Life insurance companies in Kenya. There are an estimated 23 life insurance service providers in Kenya. The study used a combination of various techniques of data analysis. The questionnaires were coded and edited for completeness using SPSS statistical package. Descriptive statistical measures were also used. These measures included the mean, mode and median. Graphs, tables and charts were used exclusively to display the findings. The findings indicate that the majority of the life insurance companies had a relatively long experience having operated in Kenya for over 31 years, the companies were therefore well established in country. The study findings indicate that organizations face various challenges and threats in their pursuit to implement marketing strategies. However, there are elements of organizational operations that have a correlation with the strategies. According to the study, the elements are; Recruitment of staff, Training, Motivation, Compensation of clients and Communication. The study findings indicate that competition in the insurance industry was driven by various elements which included; Profitability, Market share, Customer Satisfaction, competitive position and other in-house strategies. The study concluded that marketing strategies are important in helping an organization improve their performance and competitive edge. However, it seems like many life insurance companies are not keen on adoption of marketing strategies. The main challenge faced was the administration of the questionnaires. This study recommended for a more generalized conclusion to be made on the challenges of marketing strategy implementation for the entire insurance industry

Key words: *Challenges, Life Insurance, Implementation, Marketing Strategies and Competitive Advantage.*

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Strategy implementation is the process that turns plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan's stated objectives Kotler (1984). It is also portrayed as a lively process by which companies identify future opportunities Reid (1989). Although formulating a consistent strategy is a difficult task for any management team, making that strategy work – implementing it throughout the organization – is even more difficult Hrebiniak, (2006). A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action. Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science, and its research history has previously been described as fragmented and eclectic (Noble, 1999b). It is thus not surprising that, after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent implementation process.

1.1.1 Marketing and Marketing strategies

Marketing is a general term used to describe all the steps that lead to final sales. It is the process of planning and executing pricing, promotion and distribution to satisfy individual and organizational needs.

Marketing is more than just the process of selling a product or service. Marketing is an essential part of business, and without marketing, even the best products and services fail.

Companies constantly fail because they do not know what is happening in the marketplace and as a result, they are not fully meeting their customer’s needs. They mistakenly believe that with the proper amount of advertising, customers will buy whatever they are offered. Marketing consists of making decisions on the four P’s: Product, Place/Distribution, Promotion and Pricing

Before a business owner can make decisions on the four P’s, he/she must devise a plan. A plan provides a business with guidance on making decisions. Marketing plans are also marketing strategies which outline exactly how marketing objectives will be achieved.

A marketing strategy is therefore a process that can allow an organization to concentrate its limited resource upon the greatest opportunities to increase sales and achieve a sustainable competitive advantage (Baker, 2008). A marketing strategy should be centered on the key concept that customer satisfaction is the main goal. Companies respond to environmental factors and one of the environmental influences to a business arises from competition. They have to respond strategically to environmental factors in order to be sustainable. Increased competition threatens the attractiveness of an industry and reduces the profitability of the players (Hamel and Prahalad, 1993). It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the environment.

Firms therefore focus on gaining a competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core strengths, firms are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage (Hamel and Prahalad, 1993). According to Johnson and Scholes (1997), core strengths are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains.

Markets are changing all the time. It does depend on the type of product the business produces, however a business needs to react or lose customers. Some of the main reasons why markets change rapidly are that customers develop new needs and wants, new competitors enter a market, with new technologies meaning that new products can be made, a world or countrywide event happening e.g. war, and government introducing new legislation e.g. increases minimum wage.

Though a business does not want competition from other businesses, inevitably most will face a degree of competition. The amount and type of competition depends on the market the business operates in (Hamel and Prahalad, 1993). A business could react to an increase in competition (for instance a launch or rival product) by cutting prices (but can reduce profits), improving quality (but increases costs), spend more promotions (such as doing more advertising, increase brand loyalty; but costs money), and cutting cost (Porter, 1998), for instance use cheaper materials. Some may opt to product improvement, divestiture, and diversification, entry into new markets or even merging or buying out competitors (May et al 2000). A company has competitive advantage whenever it has an edge over its rivals in ensuring customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core strengths that yield long term benefits to the company.

1.1.2 Competitive Advantage

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage. Porter, (1985) identified two basic types of competitive advantage: cost advantage and differentiation advantage. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Teece et al., 1997, Stalk and Hout, 1990).

Competitive advantage is a strategically sound explanation of how a firm's competitive approach, using broad generic strategies, can create and maintain a competitive advantage over its competitors. As per Porter, competitive advantage comes from the value that a company can create for its customers. Hence, a company must decide or focus on the type of competitive strategy it wants to adopt – the generic strategies are cost leadership, differentiation, and focus. A cost leadership strategy involves a company choosing to be the lowest cost producer in its industry (Hamel and Prahalad, 1994). Being able to offer the lowest prices can be the result of economies of scale, proprietary technology or preferential access to raw materials. In a cost leadership strategy, a company's products must be viewed as acceptable substitutes from its competitors. Otherwise, a company's products may be priced lower, but customers will perceive the lower quality and then turn to competitor products, (Hitt, Ireland and Hoskisson, 1996).

The potential of an organization's sustainable competitive advantage depends on the rareness and imitability of its core competencies. The less imitable a competitive advantage is, the more cost disadvantage is faced by the competitor in imitating these competencies. Thus, core competence is an important source of sustained competitive advantage for corporate success and greater is its economic return. Hamel and Prahalad (1994) define core competence as a bundle of skills and technologies that enable a company to provide a particular benefit to customers. Core competencies are not product specific; they contribute to the competitiveness of a range of products or services. They are the roots of competitiveness and individual products and services are the fruit. A core competence is a tapestry woven from the threads of distinct skills and technologies. A skill must meet three tests to be considered as a core competence, i.e., customer value, competitor differentiation, and extendibility.

Competitive advantage is at the heart of firm's performance. It is concerned with the interplay between the types of competitive advantage, i.e., cost, and differentiation, and the scope of the firm's activities. The value chain plays an important role in order to diagnose and enhance the competitive advantage. A sustainable competitive advantage creates some barriers that make imitation difficult. Without a sustainable competitive advantage, above average performance is usually a sign of harvesting (Porter, 1985).

The secret of a sustainable competitive advantage lies in performing every step in the value chain in an appropriate way. A competitive advantage essentially has to be one that not only merely represents better performance than that of its competitors, but also delivers genuine value to the customer, thus ensuring a dominant position in the market. The internal resources and capabilities of an organization play a very important role in building competitive advantage. The organizations that want to build competitive advantages, which cannot be eroded (no matter how much change is there in the environment), must make linkages between the advantage and the capabilities underlying it as impenetrable and as confusing as possible. Also the most important part of the competitive advantage stems from a capability that is impossible to replicate (Sinha, 1998).

To acquire competitive advantage in any market, a firm needs to be able to deliver a given set of customer benefits at lower costs than competitors, or provide customers with a bundle of benefits its rivals cannot match. To realize the potential that core competencies create, a company must also have the imagination to envision markets that do not yet exist and the ability to stake them out ahead of competition. A company will strive to create new competitive space only if it possesses an opportunity-horizon that stretches far beyond the boundaries of its current businesses. This horizon identifies, in broad terms, the market territory the management hopes to stake out over the next decade, a terrain that is unlikely to be captured in anything as precise as a business plan (Hamel and Prahalad 1991; Porter 1980).

Companies need to learn to manage tomorrow's opportunities as competently as they manage today's businesses. The discovery of new competitive space is helped when a company has a class of technology generalists that can move from one discipline to another. The new market development can be geared up by developing the capability to redeploy the human resources quickly from one business opportunity to another. It is the top management's responsibility to inspire the organization with a view of distinct goals and help them to achieve and reach the set target (Hamel and Prahalad, 1991).

1.1.3 Challenges of strategy implementation

The most important problem experienced in strategy implementation in many cases is the lack of sufficient communication. However, a great amount of information does not guarantee understanding and there is still much to be done in the field of communicating strategies. According to Wang (2000), communication should be two-way so that it can provide information to improve understanding and responsibility and to motivate staff. Also they argue that communication should not be seen as a once-off activity throughout the implementation process. In many cases it is not so and therefore communication still remains a challenge to strategic implementation process.

Before any strategy can be implemented, it must be clearly understood. Clear understanding of a strategy gives purpose to the activities of each employee and allows them to link whatever task is at hand to the overall organizational direction Byars et al 1996). Lack of understanding of a strategy is one of the obstacles of strategy implementation Aaltonen and Ikavalko, (2001). They point out that many organizational members typically recognize strategic issues as important and also understand their context in generic terms.

Al-Ghamdi (1998) identified barriers to strategy implementation which includes; competing activities that distract attention from implementing the decision; changes in responsibilities of key employees not clearly defined; key formulators of the strategic decision not playing active role enough; key implementation tasks and activities not sufficiently defined; information systems used to monitor implementation are inadequate; overall goals not sufficiently understood by employees; uncontrollable factors in the external environment; surfacing of major problems which had not been identified earlier; advocates and supporters of the strategic decision leaving the organization during implementation: and implementation taking more time than originally allocated. Meldrum and Atkinson (1998) identified two problems of implementation: a flawed vision of what it means to be in a strategic position within an organization: and a myopic view of what is needed for successful management of operational tasks and projects within a strategic brief.

Sterling (2003) identified reasons why strategies fail as unanticipated market changes; lack of senior management support; effective competitor responses to strategy application of insufficient resources; failure to buy-in, understanding, and/or communication; timeliness and distinctiveness; lack of focus; and bad strategy poorly conceived business models. Sometimes, strategies fail because they are simply ill conceived. For example business models are flawed because of a misunderstanding of how demand would be met in the market. Awino (2001) identified for problem areas of how demand would be met in the market. He cited lack of fit between strategy and structure, inadequate information and communication systems; and failure to impart new skills.

Organizational politics is another challenge to strategy implementation. Organization politics are tactics that strategic managers engage in to obtain and use power to influence organizational goals and change strategy and structure to further their own interests (Hill and Jones, 1999). Wang (2000), states that it is important to overcome the resistance of powerful groups because they may regard the change caused by new strategy as a threat to their own power. Top-level managers constantly come into conflict over that correct policy decisions would be and power struggles and coalition building is a major part of strategic decision making. According to them, the challenge organizations face is that the internal structure of power always lags behind changes in the environment because in general, the environment changes faster than the organization can respond

1.1.4 Life Insurance Industry in Kenya

Life insurance is a contract between the policy owner and the insurer, where the insurer agrees to pay a designated beneficiary a sum of money upon the occurrence of the insured individual's or individuals' death or other event, such as terminal illness or critical illness. In return, the policy owner agrees to pay a stipulated amount at regular intervals or in lump sums.

In Kenya life insurance industry is governed by the Insurance Act and regulated by the Insurance Regulatory Authority. By end of 2009 there were 23 life insurance companies according to the Association of Kenya Insurers annual report 2009. The statue regulating the industry is the Insurance Act, Law of Kenya, and Chapter 487. The office of the Commissioner of insurance was established under the Act’s provisions o strengthen the Government regulation under the Ministry of Finance. There is also self regulation by the Association of Kenya Insurer (AKI).

According to the AKI 2009, the penetration of insurance in the year 2009 was 2.84% compared to 2.63% in 2008. Life insurance recorded a penetration ratio of 0.94% (2008:0.87%) while that of non-life insurance was 1.90% (2008:1.76%). AKI annual report (2009) According to the report the total premium income and pensions contributions from all the three classes of Life insurance business (Ordinary Life, Group Life and Deposit Administration) was Kshs 21.36 billion in 2009 compared to Kshs. 18.30 billion in 2008.This represents a growth of 16.7% (2008: 20.9%). However, the contribution of the life insurance sector to the GDP was 0.94% (2008: 0.87%). Ordinary life business recorded a gross premium income of 7.59 billion in 2009 compared to 7.11 billion in the year 2008. The growth in the ordinary life business during the year was 6.8% (2008: 17.3%) Group life business recorded gross premium income of Kshs. 5.61 billion compared to Kshs. 4.57 billion in 2008. The growth in group life business during the year was 22.8% (2008: 26.9 %).

1.2 Statement of the Problem

Insurance companies need sound systems of marketing strategies implementation so as to achieve a competitive edge over the competitors and also to achieve results within the environment in which they operate. According to Kiruthi, (2001) “all organizations must grapple with the challenges of the ever changing environment in which they operate. Most insurance companies have adopted marketing strategies especially in the last decade. However, it has been found that, in most of these organizations this activity still remains the reserve of senior managers in headquarters and only pass the strategy to line managers to implement. They face a lot of challenges in implementing the strategies owing to poor communication, lack of understanding the strategy, lack of senior management support, lack of focus and unanticipated market changes.

For example Musyoka (2008), looked at challenges faced in strategy implementation at Jomo Kenyatta Foundation. He concluded that challenges are those from sources in the operating environmental changes, such as stiff competition compounded by entrance of new competitors, Gioche (2006) analyzed the level of involvement of project managers in strategic planning and the challenges of implementation in international NGOs, her main aim was to establish the level of involvement of project managers in international NGOs in strategic planning. Muthuiya (2004) looked at strategy implementation and its challenges in non profit organizations in Kenya. The objective of his study was to examine the strategy implementation and its challenges among non profit organizations in Kenya with reference to AMREF-Kenya

Ichangi (2006) focused on managing resistance to change in strategy implementation in public universities in Kenya. Her research findings showed that there was resistance to change at varying levels. On the other hand, Ochanda (2005) examined challenges of strategy implementation at Kenya Industrial Estate Limited. He concluded that strategy implementation no doubt appears to b the most difficult part of strategic planning process and many strategies fail at the implementation stage, while Muthuiya (2004) studied the challenges encountered by AMREF-Kenya in implementing its organizational strategies. He concluded that AMREF-Kenya is facing strategy implementation challenges. Gioche (2006) also looked at the level of involvement of project managers in strategic planning and the challenges of implementing in international NGOs in Kenya. She sampled 40 international NGOs which she chose form 1,200 international NGOs currently operating in the country. Her study revealed that it is imperative for top management to involve project managers in the strategic planning process in their organizations. In essence this will ease implementation by reducing the challenges encountered in trying to interpret strategies while implementing at the same time.

Whereas many management scholars in Kenya have researched on challenges facing organizations in implementing their organizational strategies, there is no known researcher who has researched specifically on the challenges facing life insurance companies in implementing their marketing strategies. Therefore this study will seek to determine challenges faced by life insurance companies in implementation of marketing strategies. It will be guided by the following research questions:

(i) What challenges face the insurance companies in implementing the marketing strategies?

(ii) What actions if any should Life Insurance Company take to successfully implement marketing strategy?

1.3 Objective of the study

(i) To establish the challenges faced by the insurance companies in implementation of marketing strategies

(ii) To establish that life insurance companies have strategy control and feedback mechanisms to check the effectiveness of the implementation process.

1.4 Value of the study

This study will help life insurance companies to understand how best to implement the marketing strategies. It will also help the Insurance Regulatory Authorities to better understand the problems faced by life insurance companies in implementing marketing strategies. This study will increase the level of literature available in understanding how life insurance companies go about implementing marketing strategies. Finally the study will increase literature available on life insurance in Kenya which may be used by all the stakeholders.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This study had two diverse research objectives in the chapter, which made it both exploratory and confirmatory in nature. First the study developed a theoretical analysis of marketing strategy orientation as well as empirical typologies of marketing strategy orientation in the insurance industry.

2.2 Theories and concepts of marketing strategies

There are different theoretical bases that emphasize different issues regarding strategy implementation. In order to analyze strategy implementation, the researchers reviewed here make use of a variety of theories.

Since the early 1980's, Michael Porter's strategy typology has been one of the most widely accepted methods of discussing, categorizing and selecting company strategies. Porter (1985) novel idea that strategies can be classified into generic types (differentiation, cost leadership, focus or combination) has been the basis for much of the strategy research and practice in the past quarter century. Porter contends that by implementing one of these strategies, a company will have a competitive advantage and earn above average industry returns. Many important gaps in our understanding of Porter's typology will exist, hindering managers attempt to implement the strategies.

Managers have essentially been left to interpret Porter's theory and then determine implementation on their own.

In order to analyze strategy implementation, researchers use a variety of theories, including agency theory (Govindarajan & Fisher, 1990). Organization theory (Govindarajan and Fisher, 1990) psychology (Kim and Mauborgne, 1991, 1993), social system theory (Walker and Ruekert, 1987), social learning theory (Govindarajan, 1988), expectancy theory (Guth and Macmillan, 1986; Judge and Stahl, 1995). The more exotic of these theories provide surprising and useful additional insights regarding strategy implementation. Guth and Macmillan (1986) point out that a richer, if more complex explanation for individual managers' commitment to a strategy comes from the expectancy theory of motivation.

They draw on an expectancy model and find three fundamentally different sources of low to negative individual manager. Commitment to implementing a particular strategy perceived inability to execute strategy, low perceived probability that strategy will work and perception that outcomes will not satisfy individuals goals. Kim & Mauborgue (1991, 1993) bring the scope of procedural justice judgments as a psychological phenomenon from legal settings to social settings to analyze the effects of procedural justice on strategy decision making and implementation.

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work – implementing it throughout the organization – is even more difficult (Hrebiniak, 2006). A myriad of factors can potentially affect the process by which strategies plans are turned into organizational action. Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science, and its research history has previously been described as fragmented and ethnic (Noble, 1999b). It is thus not surprising that, after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent implementation process. The best-formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented, as noble (1999b) notes.

According to the White Paper strategy implementation of Chinese corporations in 2006, strategy implementation has become "the most significant management challenge which all kinds of corporations face at the moment. The survey reported in that white paper indicates that 83 percent of the surveyed companies failed to implement their strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process. Menon et al (1999) note that scholars have tended to investigate formulation and implementation issues, separately rather than as integrated components. This is an important oversight because primary objective or the strategy development process is to improve implementation capability and it is capability that results in superior performance (Farjourn 2002; Ramanujam et al, 1986; Sinha 1990; Venkatraman and Ramanujam 1987). As stated by Noble and Mokwa (1999, p. 57). "Marketing Strategies only result in superior returns for an organization when they are implemented successfully".

2.3 Strategy Implementation and challenges

Considering that faulty implementation can make a sound strategic decision ineffective and a skilled implementation can make a debatable choice successful, it is important to examine the process of implementation (Andrew, 1987). Strategy implementation is critical to success. Implementation represents a disciplined process or a logical set of connected activities that enables an organization to take a strategy and make it work. Without a carefully planned approach to implementation, strategic goals cannot be attained. Developing such a logical approach, however, represents a real challenge to the management. A host of factors, including politics, inertia, resistance to change, routinely can get in the way of strategy implementation. It is apparent that making strategy to work is more difficult than strategy formulation (Hrebiniak, 2005). There are many organisational characteristics that act as challenges to strategy implementation. Such are structure, culture, leadership, policies, reward, and ownership of the strategy (Burnes, 2000). These challenges are of both institutional and operational nature.

2.3.1 Structural Challenges

Organizational structure imposes certain boundaries of rationality, but is necessary due to the individual's limited cognitive capabilities (March and Simon, 1958). Changes in strategy often call for changes in the way an organisation is structured. This is because, when an organisation changes its strategy, the existing organisational structure may be ineffective (Wendy, 1997).

Miller and Colleagues (1988) points out that there is an intrinsic association between strategy making and structure. The structure of an organisation importantly influences the flow of information and the context and nature of human interaction. It channels collaboration, specifies modes of coordination, allocates power and responsibility, and prescribes levels of formality and complexity. The underlying argument that relates structural conditions to the strategic problem is the way an organisation perceives and processes information particularly strategic stimuli (Galbraith and Merril, 1991). Chandler (1962) hypothesized that structure is determined by strategy, and correspondingly that the successful implementation of a strategy can be aided by the adoption of an appropriate organisational structure.

2.3.2 Leadership Challenges

Leadership has a fundamental influence on the success of a strategy. Barnajee (1999) observes that the influence is in three major areas, that is, does the leader have a vision? That is, are the leaders of the organisation able to perceive quickly the trends? Does the leader have powers? That is, are the leaders of the organisation, through whatever devises they choose to use, able to translate strategic aspirations into operating realities? Doe the leadership have the political astuteness necessary to neutralize the negative effects of conflicting internal interests and transform these sectional interests into a vector of coordination policies and activities that support the overall company? Leadership is the process of influencing others towards the achievement of organizational goals (Bartoi and Martin, 1991). The leadership challenge is to galvanize commitment among people within an organisation as well as stakeholders outside the organisation to embrace change and implementation strategies intended to position the organisation to do so. Leaders galvanize commitment to embrace change through three interrelated activities, the activities being to clarify strategic intent, building an organisation, and shaping organizational culture (Pearce and Robinson, 2002).

2.3.3 Cultural Challenges

Culture means the powerful and complex set of values, traditions, and behavioural patterns that somehow bond together the people who comprise an organisation. The culture of an organisation can have profound effects. As Ancsoff (1965) points out, behaviour is not value free i.e. individuals show preferences for certain behaviour and may persist with it even if it leads to sub optimal results. For a strategy to be successfully implemented, it requires an appropriate culture. When firms change strategies, and sometimes structures, they sometimes fail because the underlying values do not support the new approach (O'Reilly 1989). Strategists should, therefore, strive to preserve, emphasize, and build aspects of an existing culture that support proposed new strategies. Kazmi (2000) observes that culture may be a factor that drives strategy rather than the other way round.

2.3.4 Reward or Motivational Challenges

The reward system is an important element of strategy implementation. Johnson and Scholes, 2002) observe that incentives such as salary, raises, stock options, fringe benefits, promotions, praise, criticism, fear, increased job autonomy and awards can encourage managers and employees to push hard for successful implementation of strategy. According to Galbraith and Merril (1991) it is well understood that the basic underlying objective of incentive program is to directly influence the action and the behaviour of those covered under the programme. A properly designed program must correspond in terms of motivating relevant decisions to the desired strategic outcome. In order to be certain that strategy implementation is integrated into day-to-day operations, it is crucial that the reward system be congruent with the strategies being implemented. That is, implementation success or failure should trigger direct positive or negative consequences in both individual compensation and non-monetary rewards (Judson 1991). If strategy implementation is a top priority, then the reward system must be clearly and tightly linked to strategic performance. Motivating and rewarding good performance by individuals and organisational units are key ingredients in effective strategy implementation (Pearce & Robinson, 1997).

2.2.5 Policies, Procedures and Support Systems

David (1997) observes that changes in an organisation's strategic direction do not occur automatically. On a day-to-day basis, policies are needed to make a strategy work. A policy is a general guideline for decision making (Stoner & Colleagues, 2001). Policy refers to specific guidelines, methods, procedures, rules, forms, and administrative practices established to encourage work towards stated goals. According to Galbraith & Merril (1991) and Stoner & Colleagues (2001) policies set boundaries, challenges and limits on the kinds of administrative actions that can be taken to reward and sanction behaviour, they clarify what can and cannot be done in pursuit of an organisation's objectives. Most organisations have some form of policies rules, and procedures that help in implementing strategy in cases where routine action is required (Stoner & Colleagues, 2001). Policies enable both managers and employees to know what is expected of them thereby increasing the likelihood that strategies will be implemented successfully. Hussey (1988) observes that whatever the scope and form of the policies, they serve as a mechanism for implementing strategies and realizing objectives. They provide the means of carrying out strategic decisions.

2.3.6 Operational Challenges

Most managers in an organisation do not directly develop the organization's strategic plan (Reid, 1990). Those who are usually interested in the benefits and results of planning are frequently not responsible for implementation of the strategic plan. It is a disparate activity relying on input from some and interpretation by others (Donelly & Colleagues, 1992). In well managed organisations a relationship exists between strategic planning and the planning done by managers at all levels (Wallace, 1987). Operational planning is based on forecasts of future demand for the output of the system. But even with the best possible forecasting and the most finely tuned operation system, demand cannot always be met with the existing system capacity in a given time period (Stoner & Colleagues, 1996). Once the strategic plans and goals of the organisation are identified, they become the basis of planning activities undertaken by tactical and operational managers. Goals and plans become more specific and involve shorter periods of time as planning moves from the strategic level to the operational level. If done properly planning results in a clearly defined blue print for management action at all levels in the organisation (Gluck, 1985).

2.3.7 Resource Allocation

Resource allocation is a critical management activity that enables strategy implementation (David, 1997). Its insufficiency is a common strategy implementation challenge. Allocating resources to particular divisions and departments does not mean that strategies will be successfully implemented. This is because a number of factors commonly prohibit resource allocation. David (1997) observes that in organisations that do not use a strategic management approach to decision making, resource allocation is often based on political or personal factors such as overprotection of resources, emphasis on short run financial criteria, organizational policies, vague strategy targets, reluctance to take risks, and luck of sufficient knowledge. Strategic management enables resources to be allocated according to priorities established by annual objectives. Nothing can be so detrimental to strategic management and to organizational success than for resources to be allocated in ways not consistent with priorities indicated in approved annual objectives. All organisations have at least four types of resources that can be used to achieve desired objectives. These are financial resources and technological resources, physical resources, human resources and technological resources (Thompson 1990).

Strategies are a critical element in organization functioning, but whereas organizations have good strategies, successful strategy implementation remains a major challenge. Muthuiya (2004). The assumption made by many organizations is that once strategic planning is done and a strategy is in place, implantation is obvious. In contrast, transforming strategies into action is a far more complex difficult and challenging task. This continues to be a bottleneck in many organizations and a major hindrance to achievement of corporate goals and objectives. Today, it is even more difficult for organizations to implement strategies considering the environment turbulence.

Gioche (2006) analyzed the level of involvement of project managers in strategic planning and the challenges of implementation in international NGOs, she found out that strategy implementation is primarily on administrative task that entails figuring out workable approaches to executing the strategy and ensuring people accomplish their jobs in day-to-day operations through supportive management. The reason why organizational performance is linked so tightly to the task of formulating and implementing strategy is simple but telling. This is because if managers develop a great strategy and the implantation is not properly done, the performance will always fall short of full potential.

Effective implementation is vital for the success of any strategic plan. According to Okumus (2001) there continues to be a lack of frameworks for strategy implementation both in the literature and in practice. He identifies ten key variables that are important for successful strategy implementation. These are strategy formulation, environmental uncertainty, organizational structure, culture, operational planning, communication resource allocation, people, control and outcome. According to Koske (2003), leadership is considered to be one of the most important elements affecting organizational performance. The leadership of the organization should be at the fore front in providing vision, initiative, motivation and inspiration.

According to Aosa (1992), once strategies have been adopted, they need to be implemented: they are of no value unless they are effectively translated into action. He observed that strategy implementation is likely to be successful when congruence is achieved between several elements. Of particular importance includes: organization structure, culture, resource allocation, systems and leadership (Aosa, 1992; Hunger and Wheeleny 1994).

However, poor implementation of an appropriate strategy may cause that strategy to fail (Kinuthia, 2001). An excellent implementation plan, will not only cause the success of an appropriate strategy, but can also resource an inappropriate strategy. Koigi (2002) notes that firms need good strategies to enhance their success. The strategies chosen for implementation depend on factors such as leadership, resource available to the firm and changes in the environment. Therefore, firms must seek their strategic fit between their internal resources in their strengths and weaknesses, and their external environment i.e opportunities land threats. Awino (2000) identified 4 problem areas affecting successful strategy implementation; lack of fit between strategy and structure; inadequate information and communication systems; and failure to impart new skills.

Musyoka (2008) looked at challenges faced in strategy implementation at Jomo Kenyatta foundation. He concluded that challenges are those from sources in the operating environmental changes such as stiff competition compounded by entrance of new competitors. On the other hand, Ichangi (2006) focused on managing resistance to change in strategy implementation and she found out that there was resistance to change at varying levels. Further findings showed that some of the causes of resistance to change were lack of enough communication and awareness creation amongst the employees.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprises of the research design, the population of interest, the population sample, data collection instruments, and the data analysis technique that were used to establish the challenges faced by life insurance companies in implementation of marketing strategies in Kenya.

3.2 Research Design

The study employed a survey design. A survey research is a process of collecting data in order to answer questions regarding the current status of the subjects in the study. According to Kothari (2004) the main purpose of the explanatory survey is formulating a problem for more precise investigation. Thus explanatory research has as its primary objective the development of insights into the problem. The survey was appropriate as it sought to ascertain the challenges faced by life insurance companies in implementation of strategy in Kenya.

3.3 Population of the Study

The population of the study comprised all Life insurance companies in Kenya. There are an estimated 23 life insurance service providers in Kenya. These companies are registered members of The Association of Kenya insurance companies.

3.4 Data Collection

The study collected both primary and secondary Data. Primary data was collected using a closed ended questionnaire. Secondary data was collected from annual reports from the life insurance companies. The respondents of the study were Sales and Marketing Managers, In order to accomplish the research objectives, the study covered different aspects in strategy implementation in the life insurance industry. The study specifically targets the 23 life insurers. Specifically the study analyzed the challenges of strategy implementation. The study was limited to the sampling population, which was drawn from the 23 life insurance companies.

3.5 Data Analysis

The study used a combination of various techniques of data analysis to determine an overall picture of the variables in the population. As soon as collection of data was finalized, and compiled, it was classified and analyzed to determine its validity. The questionnaires were coded and edited for completeness using SPSS statistical package. Screening of respondents for further analysis was done by measuring the level of awareness of respondents. Descriptive statistics (measures of central tendency and measures of dispersion) were used to describe, organize and present the data. A range of Descriptive statistical measures were also used. These measures included the mean, mode and median. Graphs, tables and charts were used exclusively to display the findings.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research in the methodology. The results are presented in order of objectives i.e. to establish the challenges faced by the insurance companies in implementation of marketing strategies and to establish whether life insurance companies have a control and feedback system to assess the effectiveness of the implementation process in the life insurance industry in Kenya. The questionnaire was designed in line with the objectives of the study. The total number of questionnaires given out was 23 and 16 were completed and returned. (Appendix--- list of respondent life insurance companies

4.2 The Response rate

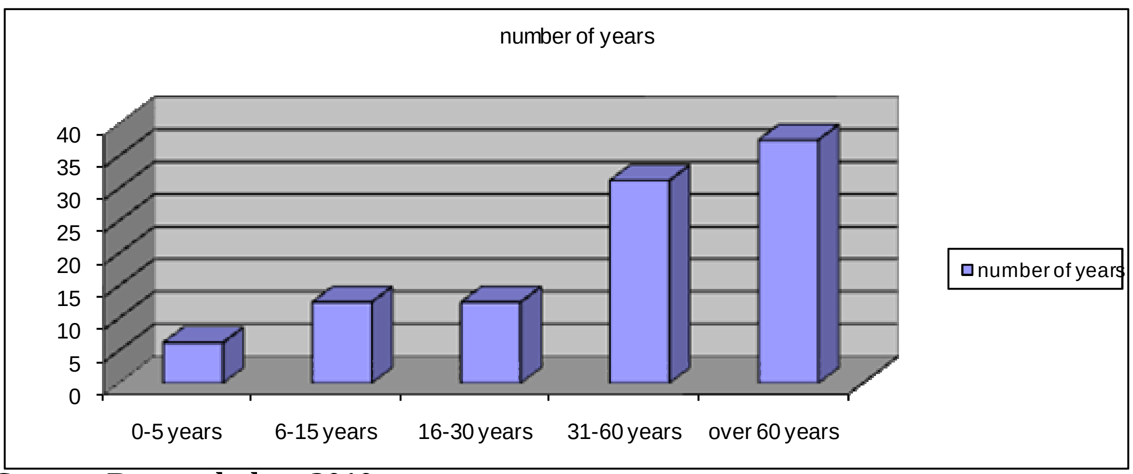
The response rate is expressed as the return rate calculated as a percentage of the total number of questionnaires that the researcher gave out. Out of the total 23 questionnaires the researcher administered, only 16 were returned. The response rate was therefore 69.5%.This percentages is fairly representative. Mugenda and Mugenda (1999) stipulate that a response rate of 50% is adequate for analysis and reporting. A response rate of 60% is good and a response rate of 70% is over very good this response rate of 69.5%.It is therefore an adequate rate to base conclusions.

4.3 Demographics

This section analyses the key characteristics of the insurance company and is intended to establish certain attributes like years of operation, ownership structure, and size in terms of number of employees. Frequency tables and percentages are extensively used. Graphs and pie charts are used to illustrate the data as given below.

4.3.1 Years of operation

The Years of operation is important is important. It enabled the study to establish the relationship between operational experience and strategy implementation.



Source: Research data 2010

Figure 4.1 Years of Operation in Kenya

From figure 4.1 the findings established that most the life insurance companies had a relatively long experience with many years of operations in Kenya, 68% of the respondents indicated they had operated for over 31years, the companies were therefore well established in Kenya

4.3.2 Form of ownership

Respondents were required to indicate the form of ownership of the life insurance companies. This enabled the researcher to determine if the ownership determined the level of strategy implementation

Table 4.1 Form of Ownership

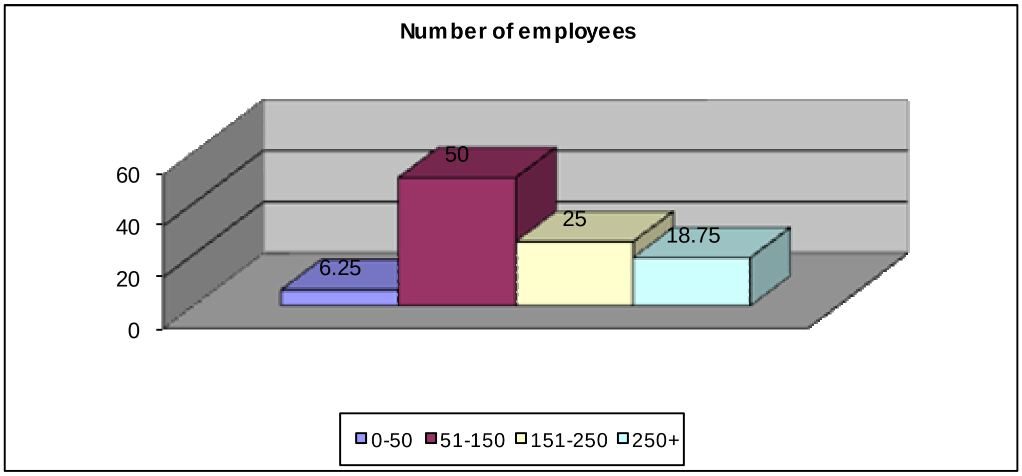
Variable	Frequency	%	Valid %	cumulative %
valid				
local	**11**	**68.75**	**70**	**70**
foreign	**5**	**31.75**	**30**	**100**
total	**16**	**100**	**100**	

Source: Research data 2010

From Table 4.2 above 68.75% of the life insurance companies were locally owned while 31.75% were multinational or foreign owned. The implication here is that the life insurance companies had a competitive advantage of ownership as far as marketing strategy implementation.

4.3.3 Size in terms of employees

The size of the Life insurance companies in terms of employees gave the study an overview of the growth and development of the Life insurance companies based on their employee establishment. This was to enable the researcher to determine if the employee growth was influenced by the marketing strategy as a source of profitability for the Life insurance companies.



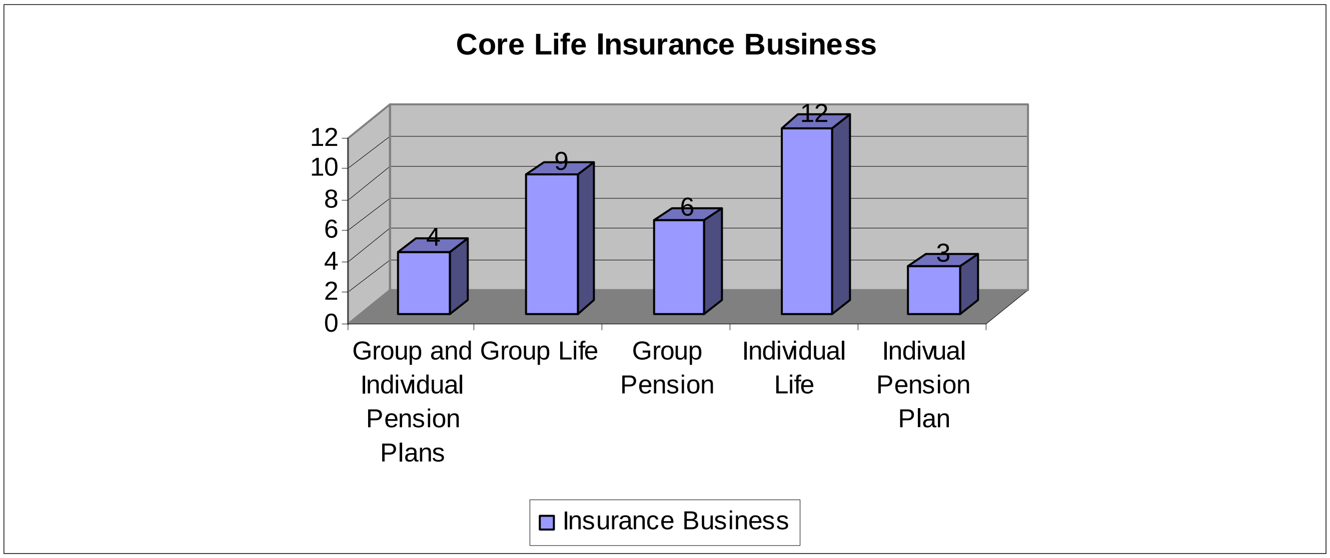
Source: Research data 2010

Figure 4.2 Company Size in Terms of Employees

From figure 4.2 above, 50% of the Life insurance companies had between 51-150 employees, 18.75% had between over 250, while 25% had between 151-249 employees, Just 6.25% had below 50 employees thereby indicating that the bulk of the Life insurance companies were small and medium sized companies.

4.3.4 Core Services

Respondents were required to indicate the various financial services that the Life insurance companies provided to their customers. The following services were listed.



Source: Research data 2010

Figure 4.3 Core Life insurance Business Areas

According to table 4.2 above most of the life insurance companies were involved in individual life insurance with a frequency of 12 and rated first, this was followed by group life with a frequency of 9 and group pension at 3rd position. The least offered service was group and individual pension plans with a frequency of 4.

4.3.5 Functional area or Department

Respondents were required to indicate their department. The main reason of the challenge question was to determine their ability to determine the aspects of marketing strategies relevant to their companies. The table below illustrates the findings.

Table 4.2 Functional area or Department

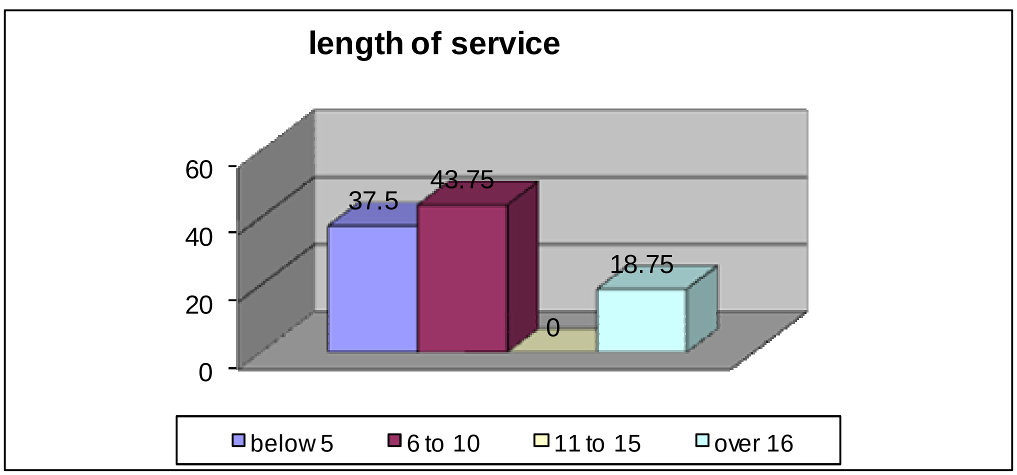
Functional area	Frequency	%	Valid %	Cumulative
Life pensions	5	31.75	30	30
Marketing	8	50	50	80
Group life	2	12.5	10	90
sales	1	6.25	10	100

Source: Research data 2010

According to Table 4.3 functional area or Department above 50% of the respondents were working in marketing division, 31.75% in pensions, 12.5% in group life and a paltry 6.25% in sales. The respondents were therefore better placed to respond to marketing strategy issues in life insurance firms.

4.3.6 Length of Service in the company.

The study set to find out the length of service of the employees in their companies. The aim of the challenge question was to establish the experience of the employees. Below are the responses.



Source: Research data 2010

Figure 4.4 Length of Service in the Company

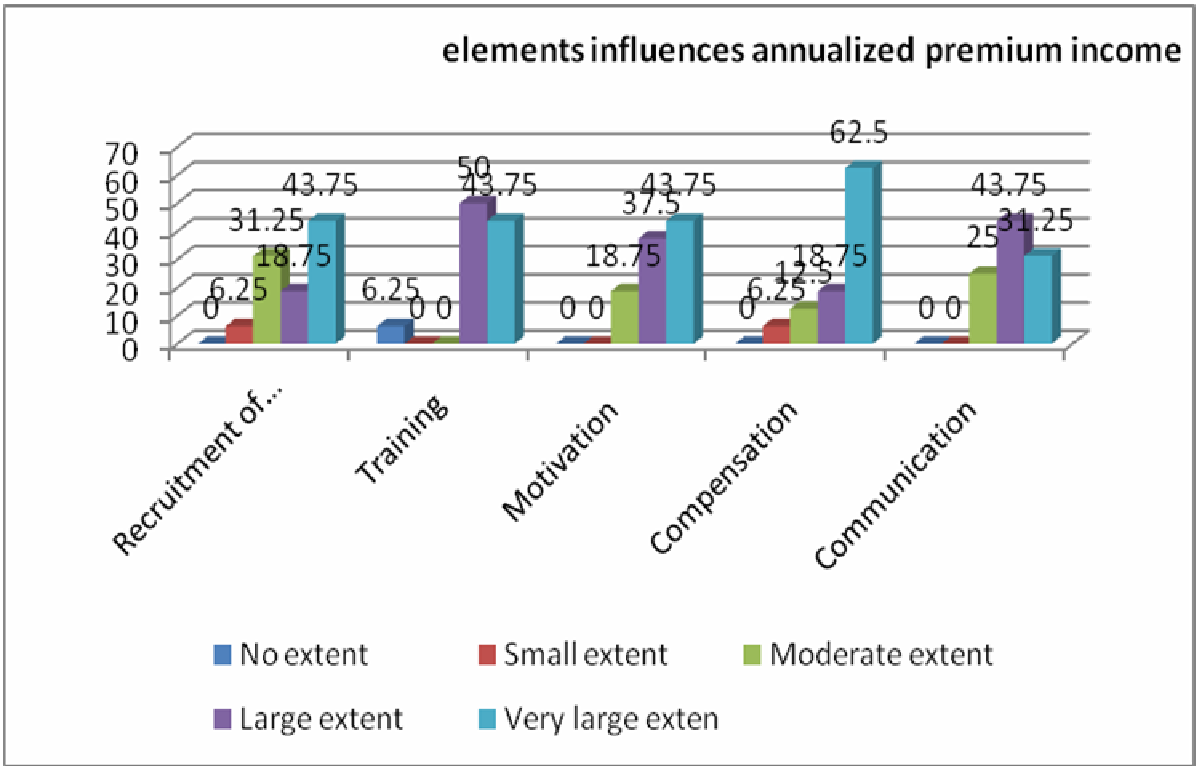
4.4 Marketing Strategies

This section analyses the key marketing strategies in the insurance companies and is intended to establish certain attributes like their effect on the company performance and the perceptions of employees. Frequency tables and percentages are extensively used. Graphs and pie charts are used to illustrate the data as given below

4.4.1 Elements which influences annualized premium income

Organizations face various challenges and threats in their pursuit to implement marketing strategies. There are elements of organizational operations that have a correlation with the strategies. This study set to find out the effects of elements which influences annualized premium income.

On a scale Where, l-No extent, 2-Small extent, 3-Moderate extent, 4-Large extent, 5-Very Large extent respondents were required to indicate the extent to which these elements influenced marketing strategies. The respondents were required to rate: Recruitment of sales force, Training, Motivation, Compensation and Communication.



Source: Research data 2010

Figure 4.5 Influences Annualized Premium Income

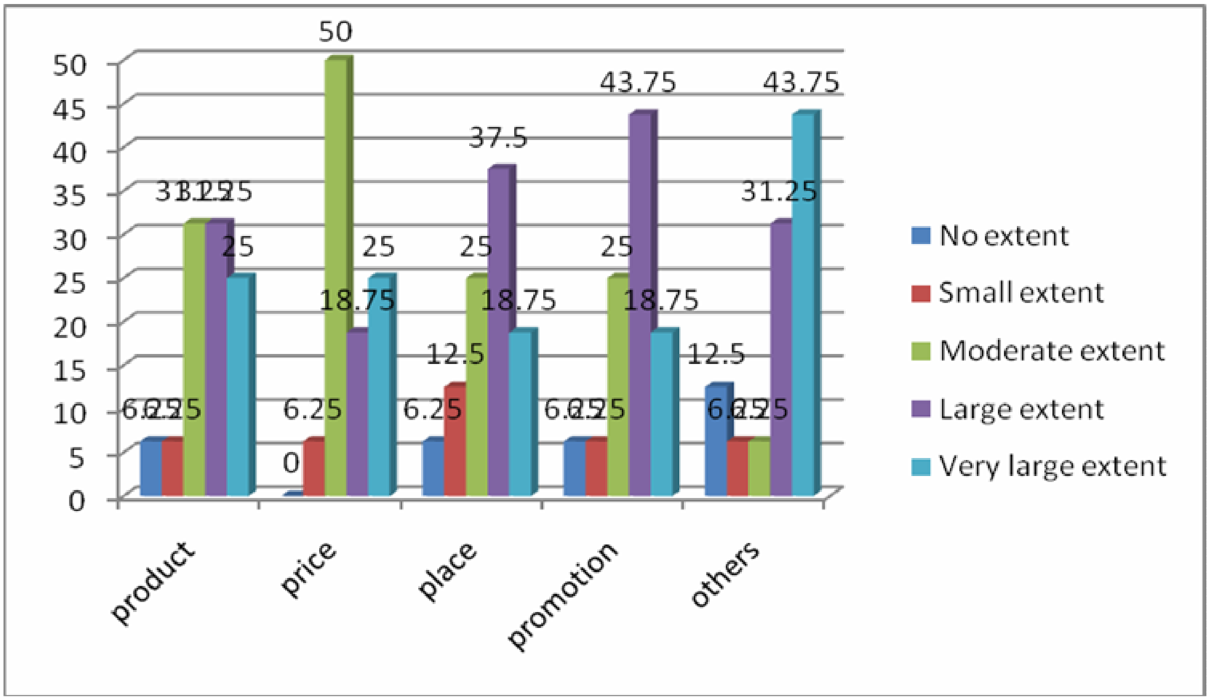
According to figure 4.4 the elements which influences annualized premium income were all positively correlated with premium income. This was a confirmation that the elements were all important as strategies in the insurance companies. According to the findings Recruitment of staff was rated to a very large extent 43.75%, those who said it was to a large extent were 50 % making this element to be important at 75% rating. On the other hand training of staff was rated to a very large extent 43.75%, those who said it was to a large extent were 37.75% making this element to be important at 93.75% rating, while the motivation element was found to be important to annualized income. According to the findings motivation of staff was rated to a very large extent 43.75%, those who said it was to a large extent were 31.25% making this element to be important at 81.5% rating.

According to the study findings Recruitment of staff was rated to a very large extent 62.5%, those who said it was to a large extent were 18.75% making this element to be important at 81.25% rating and finally communication in the life insurance firms was rated to a very large extent 31.25 %, those who said it was to a large extent were 43.75% making this element to be important at 75% rating. According to these study findings therefore recruitment of staff was the factor that most influenced annualized premium income in the life insurance companies.

4.4.2 Marketing Mix Strategies

The respondents were required to indicate the extent to which the marketing mix strategies enhanced the marketing strategy implementation in the insurance companies. The respondents were given a scale (Where 1-No extent, 2-Small extent, 3-Moderate extent, 4-Large extent, 5-Very Large extent)

The Marketing Mix Strategies provided were product place price promotion and any other. Below are the responses



Source: Research data 2010

Figure 4.6 Marketing Mix Strategies

According to figure 4.5 the Marketing Mix Strategies provided all positively enhanced with strategy implementation. This was a confirmation that the elements were all important as strategies in the insurance companies. From these study findings product in the life insurance firms was rated to a very large extent 25 %, those who said it was to a large extent were 31.25% making this element to be important at 56.25% rating while price in the life insurance firms was rated to a very large extent 25%, those who said it was to a large extent were 18.75% making this element to be important at 56.25% rating. It was moderate at 50%. This Marketing Mix Strategy was therefore moderately applied and From the study findings place in the life insurance firms was rated to a very large extent 18.75 %, those who said it was to a large extent were 43.75% making this element to be important at 62.5% rating and product in the life insurance firms was rated to a very large extent 18.75 %, those who said it was to a large extent were 43.75% making this element to be important at 62.5% rating only 25 % said it was moderately so.

Finally these study findings indicated that besides the promotional mix strategies discussed above other strategies in the life insurance firms were surprisingly rated to a very large extent 43.75%, those who said it was to a large extent were 31.25% making this element to be important at 75% rating only 6.25% said it was moderately so.

4.4.3 Communication strategies

The respondents were required to indicate the extent to which the communication strategies enhanced the marketing strategy implementation in the insurance companies. The respondents were given a scale (Where 1-No extent, 2-Small extent, 3-Moderate extent, 4-Large extent, 5-Very Large extent)

Accessibility of updated customer database

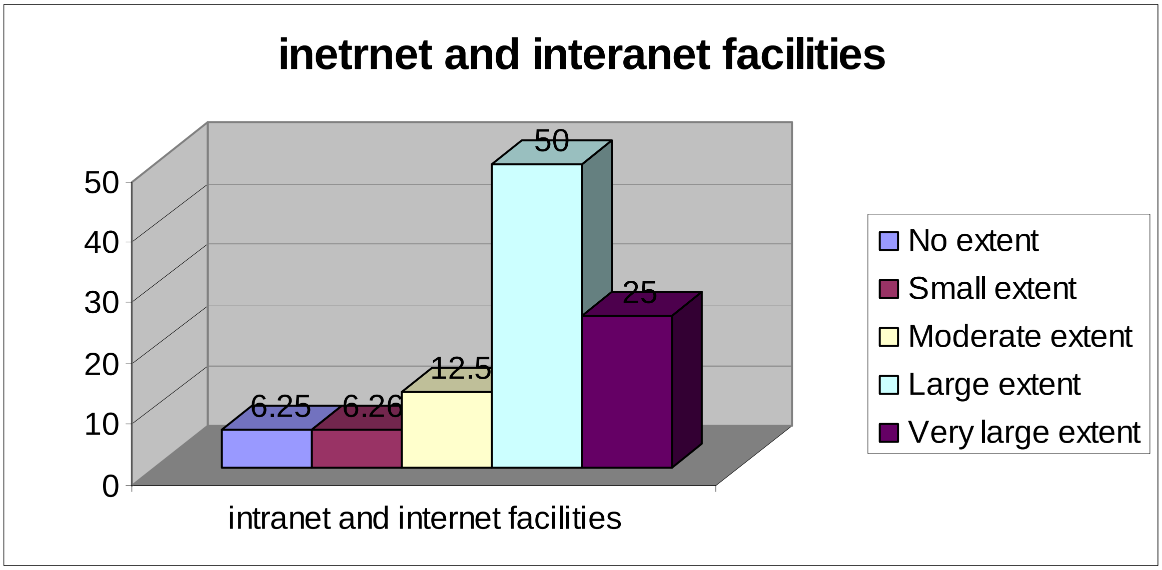
Table 4.3 Accessibility of Updated Customer Database

Accessibility	Frequency	%	Valid %	Cumulative
No extent	**0**	**00**	**00**	**00**
Small extent	**1**	**6.25**	**10**	
Moderate extent	**4**	**25**	**25**	
Large extent	**5**	**31.25**	**30**	
Very large extent	**6**	**37.5**	**35**	
total	**16**	**100**	**100**	

Source: Research data 2010

According to table 4.4 above Accessibility of updated customer database was rated y rated to a very large extent 37.5 %, those who said it was to a large extent were 31.25% making this element to be important at 68.75 % rating, 25 % said it was moderately so while only 6.25% said it was to a small extent.

Figure 4.7 Accessibility of intranet and internet facilities

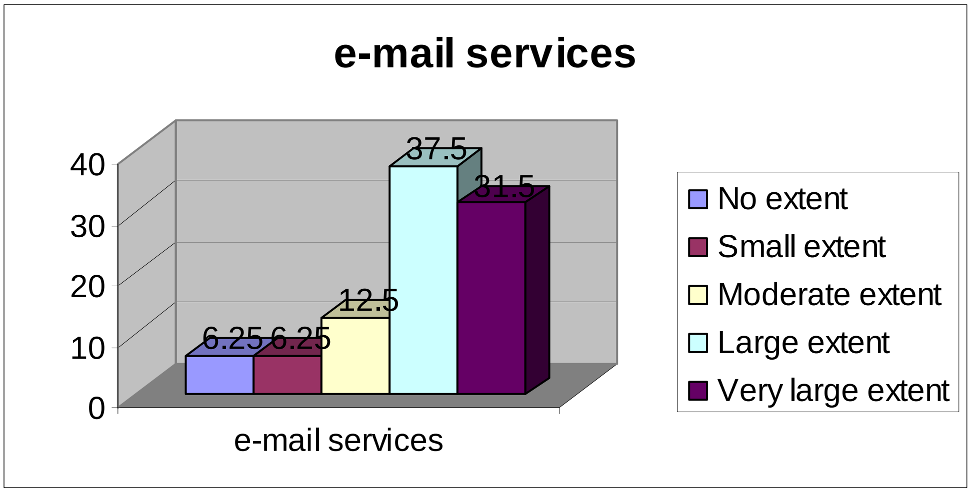


Source: Research data 2010

Figure 4.7 Accessibility of intranet and internet facilities

According to Figure 4.6 above Accessibility of intranet and internet facilities was rated to a very large extent 25 %, those who said it was to a large extent were 50% making this element to be important at75 % rating, 12.5 % said it was moderately so while only 6.25% said it was to a small extent and no extent respectively.

Accessibility of e- Mail services



Source: Research data 2010

Figure 4.8 Accessibility of E- Mail Services

According to Figure 4.7 above rated to Accessibility of e- Mail services was to a very large extent 31.5 %, those who said it was to a large extent were 37.5 % making this element to be important at 69% rating, 12.5 % said it was moderately so while only 6.25% said it was to a small extent and no extent respectively

Provision of IT equipment

Table 4.4 Provision of IT equipment

Variable	Frequency	%	Valid %	cumulative
No extent	1	6.25		
Small extent	0	00		
Moderate extent	1	6.25		
Large extent	9	56.25		
Very large extent	5	31.25		

Source: Research data 2010

From table 4.5 Provision of IT equipment was rated at a very large extent 31.25 %, those who said it was to a large extent were 56.25 % making this element to be important at 87.5% rating, 6.25 % said it was moderately so while only 6.25% said no extent.

(Palm/lap-top, mobile phones) Communication

Table 4.5(Palm/lap-top, mobile phones) Communication

variable	Frequency	%	Valid %	Cumulative
No extent	2	12.5	10	10
Small extent	2	12.5	10	20
Moderate extent	1	6.25	10	30
Large extent	6	37.5	40	70
Very large extent	5	31.25	30	100

Source: Research data 2010

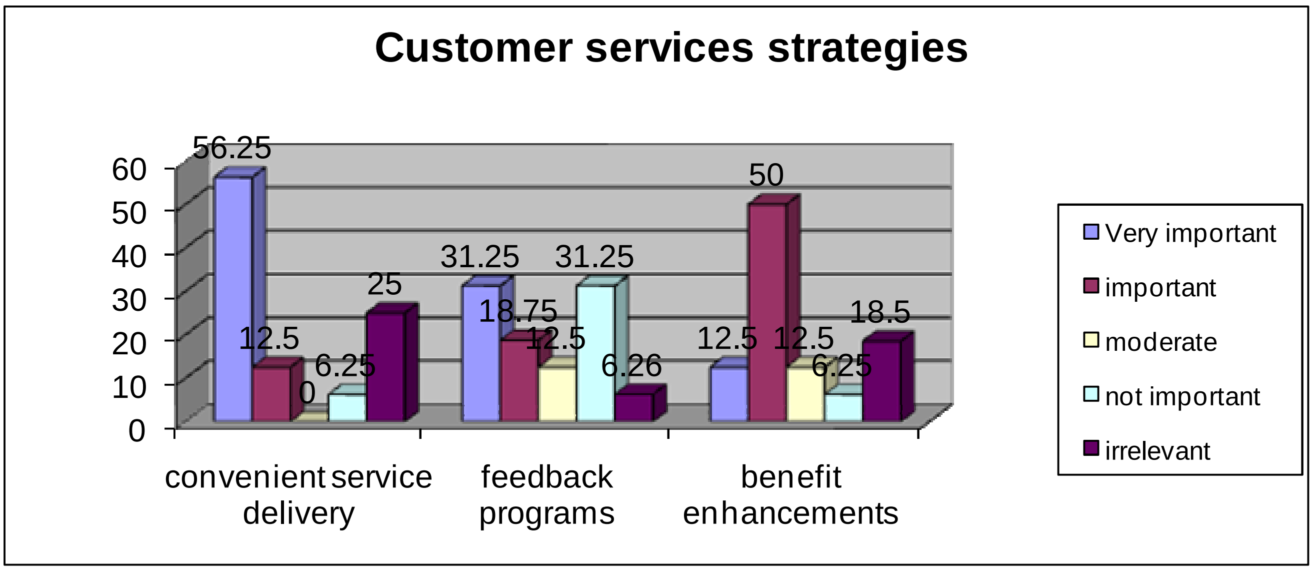
According to the findings on table 4.6 (Palm/lap-top, mobile phones) Communication was rated at a very large extent 31.25 %, those who said it was to a large extent were 37.5 % making this element to be important at 68.5 % rating, 6.25 % said it was moderately so while only 12.5% said it was to a small extent and to no extent.

From the research findings on communication all the communication strategies enhanced the marketing strategy implementation in the insurance companies. Accordingly all the communication strategies were applied within the insurance companies with an approval rating of over 60%.

4.4.4 Customer services strategies

The respondents were required to indicate the extent to which the customer service strategies enhanced the marketing strategy implementation in the insurance companies. The respondents were given a scale (where 1-very important, 2-important, 3-Moderate, 4-not important, 5-irrelevant). The variables to be measured were the following:

1. Effective, efficient and convenient service delivery
2. Customer survey and feedback programs
3. Product innovation and benefit enhancements



Source: Research data 2010

Figure 4.9 Importance of Customer Services Strategies

According to figure 4.8 the customer Strategies provided were all important to marketing strategy implementation. This was a confirmation that the elements were all important as strategies in the insurance companies. The respondents also found the element of Effective, Efficient and Convenient service delivery to be very important at 56.25%, those who said it was important were 12.25% making this element to be important at 68.5% rating. The element was not moderately important while 6.25% said it was not important and 25% found it irrelevant.

On the other hand the study findings Customer survey and feedback programs found the element to be very important at 31.25% those who said it was important were 18.25% making this element to be important at 49.5% rating. The element was moderately important at 12.5% while 31.25% said it was not important and 6.25% found it irrelevant while Product innovation and benefit enhancements, the respondents found the element to be very important at 12.25%, those who said it was important were 50% making this element to be important at 62.25% rating. The element was moderately important at 12.5% while 6.25% said it was not important and 18.5% found it irrelevant. Finally the research findings on customer service strategies, only Effective, efficient and convenient service delivery and Product innovation and benefit enhancements were considered important in marketing strategy enhancement. The other strategy Customer survey and feedback programs was not important with an approval rating of only 49.5%

4.5 Competition in the insurance industry

The study set to find out if competition was an enhancement of marketing strategy implementation in the insurance industry. The purpose was to establish if competition positively or negatively affected marketing strategy implementation by the Life insurance companies. Respondents were required to indicate on a five point Likert scale the importance of each variable where:

KEY

5 – To a very great extent, 4 – To a great extent, 3 – To a moderate extent,

2 – To a lesser extent, 1 – To no extent

4.5.1 Profitability

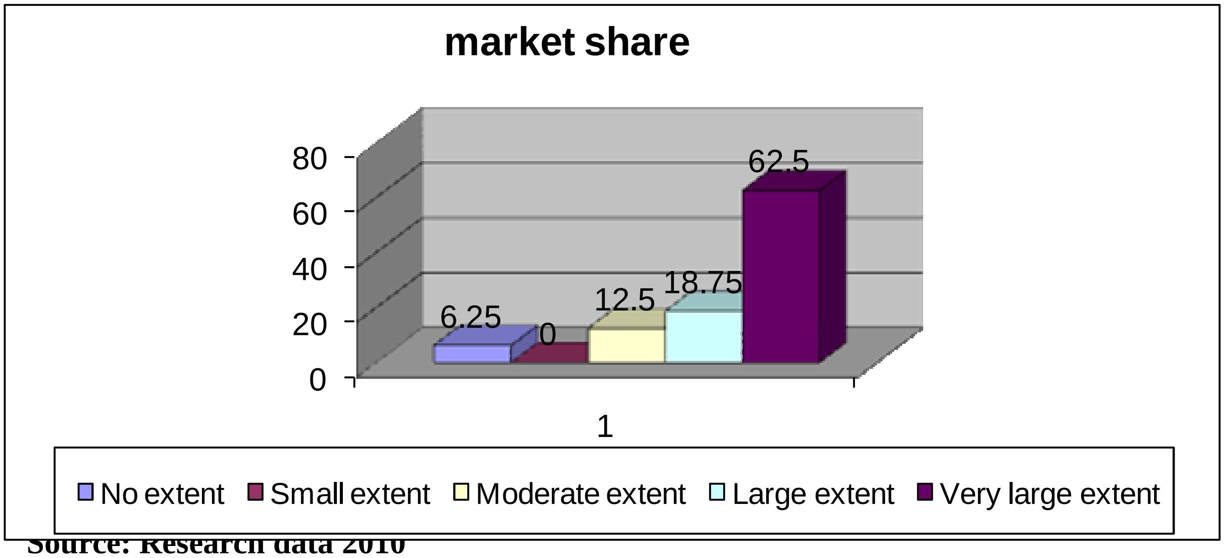
Table 4.6 Profitability

Variable	Frequency	%	Valid %	Cumulative
No extent	**1**	**6.25**	**10**	**10**
Small extent	**0**	**00**	**00**	**10**
Moderate extent	**2**	**12.5**	**10**	**20**
Large extent	**8**	**50**	**50**	**70**
Very large extent	**5**	**31.25**	**30**	**100**

Source: Research data 2010

According to table 4.7 Profitability was rated at a very large extent 31.25 %, those who said it was to a large extent were 50 % making this element to be important at 81.25 % rating, 12.5% said it was moderately so while none said it was to a small extent and 6.25% said to no extent

4.5.2 Market share

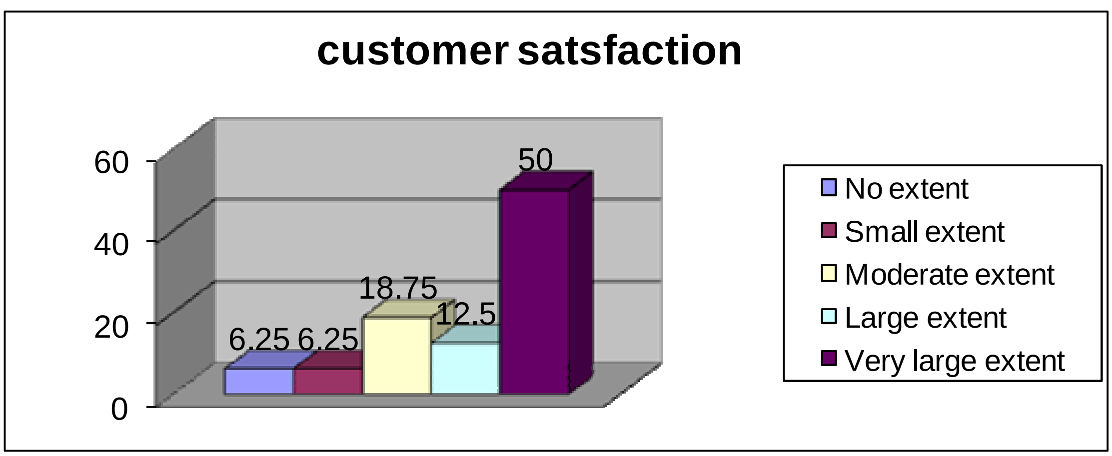


Source: Research data 2010

Figure 4.10 Market share

From Figure 4.9 Market share was rated at a very large extent 62.5 %, those who said it was to a large extent were 18.75 % making this element to be important at 81.25 % rating, 12.5% said it was moderately so while none said it was to a small extent and 6.25% said to no extent

4.5.3 Customer Satisfaction

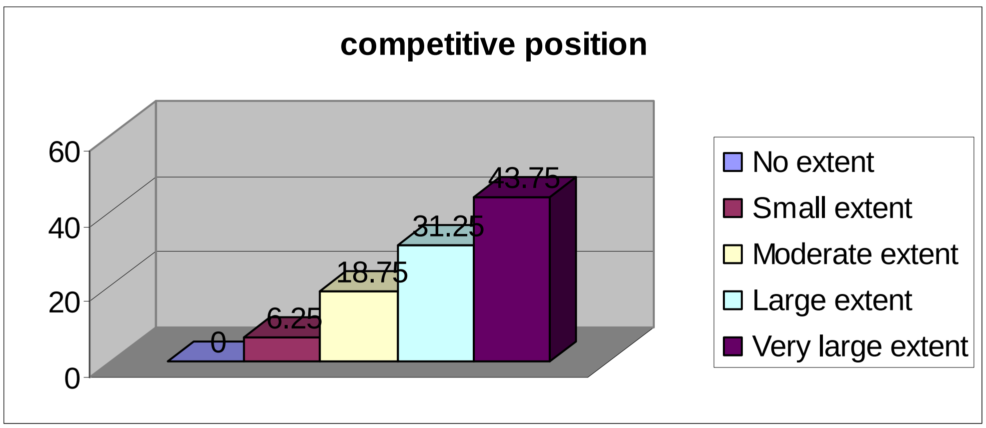


Source: Research data 2010

Figure 4.11 Customer Satisfaction

From Figure 4.10 customer satisfaction was rated at a very large extent 50 %, those who said it was to a large extent were 12.5 % making this element to be important at 62.5 % rating, 18.75% said it was moderately so while 6.25 % said it was to a small extent and another 6.25% said to no extent

4.5.4 Competitive Position



Source: Research data 2010

Figure 4.12 Competitive Position

From Figure 4.11 competitive position was rated at a very large extent 43.75 %, those who said it was to a large extent were 31.25 % making this element to be important at 75 % rating, 18.75% said it was moderately so while 6.25 % said it was to a small extent and none said to no extent

From the research findings on Competition in the insurance industry all the elements of competition were considered important in marketing strategy enhancement. The elements received an overall approval rating of over 60%.

4.6 Other strategies

This study set to find out if other strategies were an enhancement of marketing strategy implementation in the insurance industry.

4.6.1 Product diversification

The respondents were required to indicate ways in which their insurance company diversified its products as a marketing strategy to create competitive advantage. On a given list of product diversification strategies the following ranks were obtained.

Table 4.7 Product diversification

Ways products are diversified as a strategy	Frequency	Position	Rank
Product innovation	**8**	**1**	**4**
Technical superiority	**5**	**2**	**5**
Product quality and reliability	**12**	**3**	**2**
Comprehensive customer service	**14**	**4**	**1**
Unique competitive capabilities	**9**	**5**	**3**

Source: Research data 2010

The findings on Table 4.8 product diversification indicate that comprehensive customer service was ranked the topmost diversification strategy followed by product quality and reliability, the 3rd ranked strategy was competitive capabilities with technical superiority coming last.

4.6.2 Marketing innovation strategy

The respondents were required to indicate ways in which their insurance company applied innovation strategy. The following ranks were obtained.

Table 4.8 Marketing innovation strategy

Variable	Frequency	Position	Rank
Innovation strategy	**2**	**1**	**6**
Advances in the products	**12**	**2**	**2**
Production processes	**4**	**3**	**5**
Management systems	**10**	**4**	**3**
Organizational structures	**13**	**5**	**1**
Strategies developed by the company	**9**	**6**	**4**

Source: Research data 2010

The findings on Table 4.9 marketing strategy innovation indicate that organizational structures were ranked the topmost innovation strategy followed by advances in product quality, the 3rd ranked strategy was management systems while number four strategy was internal strategies, production process was the least innovated strategy. Subsequently the respondents were given the challenge question if their company developed innovative products or services to gain competitive advantage in the last three years.

Table 4.9 Innovative products

Variable	Frequency	%	Cumulative
Yes	**15**	**93.75**	**93.75**
No	**1**	**6.25**	**100**
Total	**16**	**100**	

Source: Research data 2010

According to Table 4.10 innovative products, 93.75% agreed that their companies developed innovative products, out of those who developed the products 100% agreed that the new products/services enabled the company to satisfy the customer's need and hence increased competitive advantage

From the study findings on other strategies in the life insurance companies that were applied included product diversification and marketing innovation strategy, the element of product diversification that was most commonly applied was Comprehensive customer service while for marketing innovation strategy it was the Organizational structures of the life insurance companies. The study findings indicate that the companies developed innovative products.

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The main objectives of this study were to establish the challenges faced by the insurance companies in implementation of marketing strategies. The study sought to determine whether life insurance companies have a control and feedback system to assess the effectiveness of the implementation process in the life insurance industry in Kenya. This chapter contains a summary of the results as presented in the previous chapter and give conclusions and recommendations based on the findings of the study the chapter also provides the limitations of the study based on the analysis of the entire study and finally the study provides suggestions for further research.

5.2 Discussion

The findings of this study established that the companies were locally owned, and size in terms of number of employees qualified them to being small and medium sized. Miller and Colleagues (1988) points out the importance of structure by pointing out that there is an intrinsic association between strategy making and structure. The structure of an organization importantly influences the flow of information and the context and nature of human interaction.

The study finding indicates that organizations face various challenges and threats in their effort to implement marketing strategies. There are elements of organizational operations that have a correlation with the strategies. Accordingly the study established that there is therefore need to implement the marketing strategies. This is in line with Aosa (1992), who stipulates that once strategies have been adopted, they need to be implemented: they are of no value unless they are effectively translated into action

This study finding indicated that besides the promotional mix strategies other strategies in the life insurance firms were also at play in the life insurance companies. This study finding can be correlated to Michael Porter's strategy typology that has been one of the most widely accepted methods of discussing, categorizing and selecting company strategies. Porter (1985) novel idea that strategies can be classified into generic types (differentiation, cost leadership, focus or combination) has been the basis for much of the strategy research and practice in the past quarter century. However from these study findings Managers have essentially been left to interpret Porter's theory and then determine implementation on their own.

From the research findings Resource allocation influences annualized premium income in the life insurance companies. The allocation of resources had a high positive correlation with income. To this end David, 1997 says it's a critical management activity that enables strategy implementation its insufficiency is a common strategy implementation challenge. Allocating resources to particular divisions and departments does not mean that strategies will be successfully implemented. (Thompson 1990). Supports the findings of this study by concluding that all organizations have at least four types of resources which can be used to achieve desired objectives, these are financial resources and technological resources, physical resources and human resources

5.3 Summary

The findings indicate that the majority of the life insurance companies had a relatively experienced for many years' operations in Kenya, having operated for over 31years, the companies was therefore well established in Kenya. As far as ownership is concerned the majority of the life insurance companies were locally owned with a few being multinational or foreign owned. The implication here is that the life insurance companies had a competitive advantage of ownership as far as marketing strategy implementation. From the study findings the Life insurance had between 151-249 employees.

The study findings indicate that organizations face various challenges and threats in their pursuit to implement marketing strategies. However there are elements of organizational operations that have a correlation with the strategies.

According the study the elements are; recruitment of staff, Training, Motivation, Compensation of clients and Communication. According to the findings there are marketing mix strategies which enhanced the marketing strategy implementation in the insurance companies. According the Marketing Mix Strategies provided all positively enhanced with strategy implementation. This was a confirmation that the elements were all important as strategies in the insurance companies.

From the research findings on communication all the communication strategies enhanced the marketing strategy implementation in the insurance companies. Accordingly all the communication strategies were applied within the insurance companies. From the research findings customer service strategies were implemented but not all of them were important to the insurance companies as far as marketing strategies were concerned, only effective, efficient and convenient service delivery and Product innovation and benefit enhancements were considered important in marketing strategy enhancement. The other strategy Customer survey and feedback programs were not important.

The study findings indicate that competition in the insurance industry was driven by various elements which included; Profitability, Market share, Customer Satisfaction, competitive position and other in-house strategies. From the study findings from the research findings on Competition in the insurance industry all the elements of competition were considered important in marketing strategy enhancement. This study concluded that other strategies that were an enhancement of marketing strategy implementation in the insurance industry included product diversification and Marketing innovation strategy. From the findings it was established that companies developed innovative products which enabled the company to satisfy the customer's need and hence increased competitive advantage

5.4 Conclusion

The following conclusions are pertinent to the findings of this study.

It can be concluded that marketing strategies are important in helping an organization improve their performance and competitive edge. However, it seems like many life insurance companies are not keen on adoption of marketing strategies. This means that the challenges of strategy implementation are not addressed by the various life insurance companies in

Kenya. It is important for the organization to scan the environment in order to identify the required strategies to be able to have a competitive edge.

There is a relationship that exists between marketing strategies and the competitiveness of a life insurance firm. Most of the respondents stated that marketing strategies enhanced the profitability of the insurance firm. Through implementation of the strategies, they had been able to meet new challenges with confidence. There are various factors that determine strategy implementation in organizations. The study findings indicate that such strategies as innovation and diversification are equally effective in marketing strategy implementation. The majority of Life insurance companies had between 50-249 employees thereby indicating that the bulk of the Life insurance companies were small and medium sized.

From the study findings, it can be concluded that marketing strategies employed by life insurance firms can be challenging in the market and may take both a positive and negative change based on the determinant. A positive change in the micro-economic environment leads to a better competitive position.

5.5 Limitations of the Study

The main challenge faced was the administration of the questionnaires; most employees of the Life insurance companies were not comfortable with the questionnaires. The argument being that they could breach confidentiality at a time when the sector competitors are coming up with new strategies to enhance profitability given that there is competition for customers in the industry.

5.6 Recommendations for Further Study

The researcher conducted a survey for 23 life insurance companies only. This study therefore recommends that for a more generalized conclusion to be made on the challenges of marketing strategy implementation, a study should be done for the entire insurance industry.

5.7 Implications on Policy and Practice

This study aimed at contributing knowledge on marketing strategy implementation challenges faced by life insurance firms in Kenya. The study highlights the marketing strategy challenges faced by the industry and seeks to provide solutions to these challenges. This study therefore, presents opportunities and best practices that the management in the life insurance companies and other similar organizations can utilize to manage strategy implementation challenges. The industry can also use the results of this study to formulate organizational policies and frameworks that are relevant in the identification, implementation and monitoring of strategic marketing decision. The results of this study are also expected to have a positive impact on Life insurance industry that wish to formulate marketing strategies that can help them grow in terms of market share.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER TO THE RESPONDENTS

September, 2010

Dear Sir/Madam,

RE: REQUEST TO COLLECT DATA FOR MBA RESEARCH PROJECT

I am a student at Nairobi University pursuing a Masters of Business Administration program.

Pursuant to the pre-requisite course work, I would like to conduct a research project on the challenges faced by life insurance companies in implementation of marketing strategies in Kenya. This will involve use of questionnaires administered to members of your team.

I kindly seek your authority to conduct the research in your company through questionnaires and use of relevant documents. The results of this report will be used solely for academic purposes and a copy of the same will be availed to you on request.

I have enclosed an introductory letter from the University. Your assistance is highly valued.

Thank you in advance.

Yours faithfully,

CAROLYNE NYOKABI GICHURU

D61/72319/08

APPENDIX II: QUESTIONNAIRE

Introduction

Thank you for taking your time to assist in collection of the data which is essential for this study.

Part A is on General Information about you as respondent.

Part B is on your response with regard to the challenges faced by life insurance companies in implementation of marketing strategies in Kenya having your Company as the reference point.

(Please tick the spaces provided or fill in as appropriate)

SECTION A: GENERAL INFORMATION

1. Name of insurance company____
2. Year of establishment in Kenya ________________________________
3. Is the company locally owned or is it a multinational? Yes [ ] No [ ] Please Tick as Appropriate.
4. Indicate below the best representation of your company size in terms of employees

   Upto to 50 [ ]   50 – 150 [ ]   150 – 250 [ ]   above 250 [ ]

5. How long has your company been in operation? Please Tick as Appropriate.

   1-5 [ ]   6 – 15 [ ]   16 – 30 [ ]   31 – 60 [ ]   above 60 [ ]

6. What is your core life insurance business area?

   Individual life ( )

   Group life ( )

   Group pension ( )

   Individual pension plans ( )

   Group and individual pension plans ( )

7. What functional area or Department are you working in?

8. For how long have you been in service of the company? (Please tick as appropriate)

Less than 5 years	( )
5 years but less than 10 years	( )
10 years but less than l5 years	( )
Over l5 years	( )

Part B: Marketing Strategy

1.Please indicate to what extent each of the enlisted elements influences annualized premium income.

(*where l-No extent, 2-Small extent, 3-Moderate extent, 4-Large extent, 5-Very Large extent)*

	5	4	3	2	1
Recruitment of sales force	[ ]	[ ]	[ ]	[ ]	[ ]
Training	[ ]	[ ]	[ ]	[ ]	[ ]
Motivation	[ ]	[ ]	[ ]	[ ]	[ ]
Compensation	[ ]	[ ]	[ ]	[ ]	[ ]
Communication	[ ]	[ ]	[ ]	[ ]	[ ]

2. Please indicate the extent to which the following marketing strategies enhance the marketing strategy implementation in your company

(where 1-No extent, 2-Small extent, 3-Moderate extent, 4-Large extent, 5-Very Large extent)

Marketing Mix Strategy	5	4	3	2	1
product					
price					
place					
promotion					
Other Strategies developed by the company					

3.Please indicate the extent to which the following communication strategies enhance the marketing strategy implementation in your company

(where 1-No extent, 2-Small extent, 3-Moderate extent, 4-Large extent, 5-Very Large extent)

	5	4	3	2	1
Accessibility of updated customer database	[ ]	[ ]	[ ]	[ ]	[ ]
Accessibility of intranet and internet facilities	[ ]	[ ]	[ ]	[ ]	[ ]
Accessibility of e- Mail services	[ ]	[ ]	[ ]	[ ]	[ ]
Provision of IT equipment	[ ]	[ ]	[ ]	[ ]	[ ]
(Palm/lap-top, mobile phones) Communication	[ ]	[ ]	[ ]	[ ]	[ ]

4.To what extent are the following Customer services strategy important to your company

(where 1-very important, 2-important, 3-Moderate, 4-not important, 5-irrelevant)

	5	4	3	2	1
Effective, efficient and convenient service delivery	[ ]	[ ]	[ ]	[ ]	[ ]
Customer survey and feedback programs	[ ]	[ ]	[ ]	[ ]	[ ]
Product innovation and benefit enhancements	[ ]	[ ]	[ ]	[ ]	[ ]

5.Using the scale provided indicate the extent to which competition in the insurance industry affects your institution in relation to the provided variables

KEY

5 – To a very great extent, 4 – To a great extent, 3 – To a moderate extent,

2 – To a lesser extent, 1 – To no extent

	5	4	3	2	1
Profitability	[ ]	[ ]	[ ]	[ ]	[ ]
Market share	[ ]	[ ]	[ ]	[ ]	[ ]
Customer Satisfaction	[ ]	[ ]	[ ]	[ ]	[ ]
Competitive Position	[ ]	[ ]	[ ]	[ ]	[ ]

6.Through which ways has your company diversified its products as a marketing strategy to create competitive advantage? Please tick appropriately.

Product innovation [ ]

Technical superiority [ ]

Product quality and reliability [ ]

Comprehensive customer service [ ]

Unique competitive capabilities [ ]

7. Which are the **three** most important areas that your marketing innovation strategy include in creating competitive advantage in the life insurance industry?

Innovation strategy [ ]

Advances in the products [ ]

Production processes [ ]

Management systems [ ]

Organizational structures [ ]

Other Strategies developed by the company [ ]

8. Has your company developed innovative products or services to gain competitive advantage in the last three years?

Yes [ ] No [ ]

9.If yes, has these new products/services enabled the company to satisfy the customer's need and hence increased competitive advantage?

Yes [ ] No [ ]

APPENDIX III. LIST OF INSURANCE COMPANIES

1. Apollo Life Assurance Company
2. British American Insurance Company
3. Cannon Assurance (Kenya) Limited
4. CFC Life Assurance Company
5. Co-operative Insurance Company
6. Corporate Insurance Company Limited
7. First Assurance Company Ltd
8. Geminia Insurance Company Limited
9. Heritage Insurance Company Limited
10. Insurance Company of East Africa (ICEA)
11. Jubilee Insurance Company Limited
12. Kenyan Alliance Insurance Company
13. Madison Insurance Company Ltd
14. Mercantile Insurance Company Ltd
15. Metropolitan Life Insurance Kenya Ltd.
16. Monarch Insurance Company Limited
17. Old Mutual Life Assurance Company
18. Pan African Life Assurance Company
19. Pioneer Life Assurance Company
20. Shield Assurance Company Limited
21. Trinity Life Assurance Company Limited
22. Trinity Life Assurance Limited
23. UAP Provincial Insurance Company

Source: Insurance Industry Annual Report 2009: The Association of Kenya Insurers