

**ADOPTION OF COMPETITIVE ADVANTAGE FOR PERFORMANCE OF  
HERITAGE INSURANCE COMPANY LTD**

**BY  
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL  
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## DECLARATION

I declare that this research project is my original work and has not been presented for a degree in this university or any other university or college.

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

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## **DEDICATION**

This research project is dedicated to my family who inspired me to attain my academic potential and for their patience and encouragement throughout the period of my research writing. For this I say thank you all and God bless.

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I thank the almighty God for seeing me through my entire Master's Degree Course. Indeed, God's providence and unfailing mercy have made this possible. I wish to acknowledge the University of Nairobi for the support accorded to me during the entire course. I am indeed grateful to my supervisor the support, guidance and constructive criticism which shaped this work.

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## **LIST OF ABBREVIATIONS AND ACCRONYMS**

**AKI:** - Association of Kenya Insurers

**DCT:** - Dynamic Capabilities Theory

**GDP:** - Gross Domestic Product

**HIC:** - Heritage Insurance Company

**ICT:** - Information and Communication Technologies

**IRA:** - Insurance Regulatory Authority

**OP:** - Organizational Performance

**RBV:** - Resource Based View

## **ABSTRACT**

Today's uncertain and unpredictable situations in the environment are characterized by fast change. There is intense rivalry in the insurance market, therefore businesses operating in this sector need to implement competitive tactics to give themselves an edge. This study set out to examine Heritage Insurance's competitive strategies and its perceived influence on the performance of the company. The research was anchored on two key theories, Industrial Organization Economics theory and the Dynamic Capabilities theory. Information was gathered through conducting interviews based on the interview guide that had been developed. Primary data was collected, and which was supplemented by secondary data which included the strategic plan, company minutes and relevant published magazines and newsletters published by the company. Content analysis was used to analyse the qualitative data that had been gathered. According to the findings, the company employs a number of different competitive strategies in order to maintain an edge over its rivals. Product differentiation, cost leadership, product development, market penetration, and technology are all used as competitive tactics. The study findings suggest that Heritage Insurance company has enormous opportunities they can seize with its present capabilities and plans. Hence, in order to expand the business and be the pioneer of the market, it has to devote more resources and capital funds. According to the results, leading businesses understand the need of adopting competitive tactics to maintain their position in the market. Companies that successfully develop and execute competitive strategies have an edge in the market and are better equipped to hold on to their current clientele. The study recommends that the company to adopt innovative technologies that will enable it to exploit new markets in the fiercely competitive insurance sector environment.



## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Today's turbulent environments are characterized by rapid changes, uncertainty, and unpredictability. In such circumstances, organizations can quickly lose their competitive advantage if they do not adapt to environmental changes by reinventing themselves by either exploiting available capacity or exploring new capabilities (Ionița, 2022). Ismail, Rose, Abdullah, and Uli (2010) state that in order for an organization to gain a competitive advantage for superior performance, it must swiftly decipher the connection between the strengths and weaknesses within the organization and the potential effects on the organization's competitive advantage and performance. Hence, organizations that deliver the best values to their customers always outperform its rivals. Increased competition exerts a powerful influence on organizations to take charge and formulate competitive strategies (Pearce & Robinson, 1999). An organization is viewed to have attained a competitive advantage, when its strategy is not currently being pursued by another organization, and which becomes a significant determinant of organizational performance (Barney, 1991). To gain a competitive advantage over its competitors and achieve superior performance, the organization must provide superior customer value and perform activities more efficiently than its competitors (Elijah & Millicent 2018).

The relationship between competitive advantage and organization performance was anchored on the Industrial Organization Economics (IOC) theory (Porter, 1981) which posit that the structure of the industry determines the firm's competitive advantage through its behavior or conduct, which then determines its performance in

the marketplace. The IOC theory is complimented by the Dynamic Capabilities theory (DCT) (Teece et al., 2009). DCT suggests that organizations must develop processes that can transform their current positions, resulting in achieving competitive advantage and ultimately OP (Teece 2007)

When it comes to premium volume, Heritage Insurance Company Kenya Limited is among the top ten of short-term insurance underwriters. Throughout the previous three fiscal years, the firm has earned a slew of prestigious honors, adding to its growing reputation as one of the most inventive businesses in the world (AKI Insurance industry annual report, 2018). The firm aggressively automated its main business sectors, such as making premium payments simpler for clients by providing a variety of online payment methods, in order to boost its competitiveness in a variety of areas of its business operations (The Heritage Insurance Company Kenya Limited Annual Report & Financial Statements 2017). The company's new Trade Credit policy is meant to protect companies who sell items on credit from the financial fallout that may occur when customers don't pay up. The organization is always assessing its methods to enhance the quality of its operations and the level of service it provides to customers. As such, research into the impact of Heritage Insurance Company's (HIC) Limited's competitive advantage on the company's performance is necessary.

### **1.1.1 The Concept of Competitive Advantage**

Scholars find it difficult to establish a specific and unambiguous definition of competitive advantage since there are several definitions of competitive advantage, each with their own meaning, in strategic management literature. According to Ansoff (1965), a company has a competitive edge if it can capitalize on specific features of

distinct product markets. According to Porter (1980), a company has a competitive advantage if it is able to outperform its competitors in a given market because of some aspect of its business that sets it apart from the competition. According to Sigalas et al. (2013), a company has a competitive advantage if it outperforms its competitors by seizing market opportunities and mitigating competitive risks. According to Maritan and Peteraf (2016), a company has a competitive advantage if it is able to generate more economic value than its rivals in a particular market. This research defines competitive advantage as the capability of an organization to produce value for its purchasers that is greater than the firm's expense of providing such value.

According to Porter (1981), cost leadership, distinctiveness, and focus are the three categories of competitive advantage that, when paired with the scope of operations an organization aspires to attain, allow it to achieve above-average performance in an industry. Elements of competitiveness might come in the form of flexible skills that can manifest themselves in marketing, product development, or process development, among others (Easterby-Smith et al., 2009). Price, quality, and support after the sale are all examples of areas in which a company may gain an edge over competitors (Agha et al., 2012). According to Barney (1991), a firm's competitive advantage stems from its possession of resources that are scarce, costly to replicate, and indispensable (VRIN). Positive image or reputation among stakeholders, according to Barney (1991), may become dimensions of competitive advantage. Customer interactions, stakeholder relations, brand identity, and investments in marketing activities are all examples of marketing resources that Davcik & Sharma (2016) note may provide businesses an edge in the marketplace. Technology advancements that allow for the creation of better goods at lower prices are another source of competitive advantage (Kaur, Sharma &, 2019). This research will adopt Porter's (1985)

framework of differentiation and cost leadership, the two most important components for realizing competitive advantage, because their adoption is central to the achievement of higher levels of performance, which in turn helps attract more customers more frequently and maintain brand loyalty.

### **1.1.2 Organizational Performance**

Organizational performance (OP) is a term that has been variously defined by academics. Organizational performance (OP) is defined as actual output or outcomes of an organization assessed against its anticipated outputs or goals and objectives by Richard et al (2009). It is also seen as a collection of monetary and non-monetary indicators that help businesses determine how well they are meeting their objectives (Kaplan & Norton, 1992; Venkatraman & Ramanujam 1996). Non-monetary measures such as customer satisfaction, operational effectiveness, and corporate social responsibility are also included when defining organizational success (Singh et al., 2016; Richard et al., 2009).

Researchers have used a variety of efficiency indicators to characterize OP. Outcomes measurements (OPMs) might be objective (financial) or subjective (non-financial) (Richard et al., 2008). The balanced scorecard (BSC) is recommended by Kaplan and Norton (1992) because it may record data from the past as well as projections for the future in terms of OP metrics. Financial, customer, internal process, and learning and development indicators are all part of the balanced score card (BSC) method to performance measurement that is advocated by Jaleha and Machuki (2018). Hubbard (2009) elaborates on this concept by describing performance using the sustainable balanced score card (SBSC), which incorporates financial and non-financial

measures, such as those related to society and the environment, to address the needs of both internal and external stakeholders and improve performance.

### **1.1.3 Heritage Insurance Company Ltd in Kenya**

For almost 50 years, Heritage Insurance has provided clients with comprehensive protection. The firm can trace its roots back to 1976, when the Legal and General Insurance Company and the Norwich Union Fire Insurance Society amalgamated to become Heritage Insurance. Today, it operates thirteen locations throughout Kenya and has a subsidiary in Tanzania. Heritage Insurance is a Nairobi Stock Exchange-listed subsidiary of Liberty Kenya Holdings Plc that acts as a parent company to the group's long-term operations, Liberty Life Assurance Kenya Ltd. It is a provider of general insurance policies, such as those for transportation, property, health, and more.

HIC's purpose, while providing its customers with temporary insurance coverage, is to provide them with the most adaptable and responsive solutions possible. Technology is used to streamline service delivery and offer functions that used to take days to implement. This firm stands out from competitors because to its exceptional claims settlement track record and innovative offerings. This is because it has a solid financial foundation and employs marketing mix methods aimed at providing exceptional value to its customers (HIC; Annual Reports and Financial statements, 2017).

### **1.2 Research Problem**

An organization's success or failure depends on its competitive edge, which is what ultimately decides how well its activities contribute to its performance. An optimistic and statistically significant correlation between intellectual capital and performance

was found in research conducted by Lu, Wang, and Kweh (2014) within the Chinese life insurance sector. Intellectual, human, and structural capital were favorably and substantially connected with return on assets, according to research by Olarewaju and Msomi (2021) on the competitive advantage and financial performance of general insurance businesses in the South African development community. Because of their emphasis on intellectual capital as a component of competitive advantage and their geographic dispersion, the listed research has revealed important conceptual and contextual gaps. According to research conducted by Waruiru et al. (2018), competitive advantage significantly improves the performance of insurance companies in Kenya. However, the research included all insurance companies rather than just one, suggesting a discrepancy in the sample size.

Heritage Insurance Company limited was compelled by the dynamic nature of the marketplace to innovate in order to maintain its position as an industry leader. With a variety of convenient online payment methods, the organization has worked hard to make premium payments a breeze for its clientele. The firm has created new products to boost its competitiveness, such as a trade credit policy that protects companies who offer goods on credit against revenue loss due to purchasers who do not fulfill their payment obligation. Global Rating Company has given Heritage Insurance Company Kenya Limited an A+ rating, and the company has continued to establish records for the speed with which it settles claims (GRC). The organization has implemented new procedures and systems to cater to the needs of today's savvy consumers. As a result, the firm has a deep familiarity with its clientele, allowing it to successfully implement novel strategies that yield an edge in the market and boost overall efficiency (The Heritage Insurance Company Kenya Limited Annual Report & Financial Statements 2017).

Various global, regional and local empirical studies have been done on the area of competitive advantage and OP. Chew, Yan, & Cheah (2008) showed that core capabilities and competitive strategies positively influenced performance of SMEs in the construction sector. A contextual gap emerges in the study as it focused on competitive strategies in the construction sector. A study by Khan, Yang, & Waheed (2019) of Pakistani small and medium enterprises (SMEs) established that investing in intangible resources, intellectual capital and financial capabilities as anchors of competitive advantage significantly influenced SME performance. The study raises conceptual and contextual gaps as it did not use cost and differentiation attributes of competitive advantage and it was conducted in the SME and not in the insurance sector. Volkova, Ogluh, Shapovalov, Gurtovoy, (2022) study on competitive advantages of Insurance Companies in Ukraine established that those that were adept in creating unique quality products and value propositions significantly increased their attractiveness to consumers.

Insurers' financial success in the South African Development Community was shown to be significantly correlated with their levels of intellectual capital, according to research by Olarewaju and Msomi (2021). Strategic leadership was shown to have a favorable and substantial impact on competitive advantage in a study by Banmore et al. (2019) of selected listed insurance businesses in Nigeria. Continuous improvement and renewal, quality of the staff, and a long-term orientation were all shown to positively affect business performance in the insurance sector in Ghana by Honyenuga et al. (2014). The aforementioned studies have limitations that prevent their conclusions from being applied to Kenya's insurance industry since they were conducted in various contexts.

Muia (2017) analyzed the impact of competitive tactics on productivity. Muia, on this study, treated each company as if it were the same. There is a lack of understanding about how the size and business line of insurance firms that have implemented competitive tactics affect their success since all businesses are treated equally. In view of the fact that many businesses choose to adopt various perspectives, this study used a survey approach to assist bring forward the unique research results but my study will use the case study which may help narrow down on specific issues by focusing on a single insurance company. Through a case study, Kihanya (2013) demonstrated the positive effect of integrated marketing communication tools on the efficiency of Kenyan insurance companies. Unfortunately, studies have primarily looked at marketing-related aspects of these tactics. Besides Kihanya, all of the aforementioned research relied on survey data (2013). The businesses were examined in the same comprehensive manner despite the fact that they had diverse orientations and structures. Despite using identical competitive tactics, Kenyan insurance companies have experienced varying degrees of success, as documented by IRA (2014). The research, however, focused only on the effectiveness of insurance firms' marketing communication methods and strategies. Using the most current data, this investigation will zero in on Heritage Insurance Company and concentrate on the competitive advantage and how it affects performance.

The studies cited so far have revealed a number of research gaps. Conceptual gaps have been identified as studies have focused on both competitive advantage and competitive strategies used by companies to enhance performance. Contextual gaps have been observed despite studies addressing the influence of competitive strategies on performance as they were done in different contextual settings. Findings from the studies cannot apply on the study's unit of analysis, Heritage insurance company. A



methodological gap has emerged in the cited studies as most were based on surveys while this present study will focus on a single organization. To address these gaps, this study sought to answer the following question: How has competitive advantage enjoyed by Heritage Insurance Company improved its performance in the insurance industry?

### **1.3 Research Objectives**

The objective of this study was to determine the adoption of competitive advantage has impacted on the performance of Heritage Insurance Company Ltd.

### **1.4 Value of the Study**

The leaders of Heritage Insurance will know how to get an edge in the market and improve the company's output. In addition, managers will be aided by the study's findings about the voids that arise during strategy implementation.

Researchers will benefit from the study as well, since its results and conclusions might serve as a springboard for more research into the topics of competitive advantage and firm performance.

Besides providing deep insights into the correlation between competitive advantage acquisition measures and HIC's success rates, the study will reveal HIC's performance trends in line with the strategies needed to prosper in the current Kenyan insurance industry and beyond. As a result, the audience will gain new knowledge for staying on top of the rivals despite the adverse occurrence in the global insurance industry.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This section justifies the theories anchoring the study and a review of the empirical literature on competitive advantage and OP. The aim of this review is to establish the state of current knowledge and emerging research gaps to be addressed by this study. The organization of this section is as follows: section 2.2 theoretical foundation; section 2.3 review of the empirical literature; 2.4 summary of the knowledge gap

### **2.2 Theoretical Foundation**

Several researchers have developed techniques for building and sustaining competitive advantage. These include dynamic capabilities theories, market-based view (MBV) and resource-based view (RBV), Kotler's competition protection models and many others. However, the study adopted the Industrial organization theory and dynamic capabilities theory due to their applicability to the insurance industry, as well as the project's objective.

#### **2.2.1 Industrial Organization Economics theory**

Analyzing the competitive landscape by sector is one approach. As a result of increased competition, profitability on investments has decreased. Investment will be encouraged if the rate is competitive, while it will be discouraged if it is not. The characteristics of industrial structure and the factors that affect competitiveness were studied by Porter (1980) and (1985). Porter also proposed that producers, consumers, new entrants, and existing firms all play a role in the structure of an industry. The success of every company, no matter how big or little, is heavily dependent on these five factors in the market. Since not all industries are the same, the effects of any

given force will vary depending on the specifics of the given circumstance. Many aspects of the structure of an industry are among those that Porter sees as having an impact on these five criteria. In a nutshell, the following describe how these aspects play a role in the development of a competitive edge:

There are a number of factors, such as the bargaining strength of consumers and the possibility of alternative suppliers that affect the pricing that businesses may charge. The purchasing power of a company's customers may also have an effect on the price and return on investment of a product or service. The prices of inputs like raw materials are set by the degree to which their suppliers can drive down their prices. Competition levels have an effect on plant, product development, advertising, and sales force expenses, as well as pricing. Prices are constrained, and investment is shaped, by the potential for new entrants (Porter 1985).

Exposure to the threat of new entrants in the market: Potential rivals are businesses that are not already competing in the sector but might if given the chance. The introduction of new competitors into an industry boosts overall capacity, sparks rivalry for market share, and ultimately drives down existing costs. Potential rivals' entrance risk is proportional to the size of the market's entry barriers. Scale advantages, customer loyalty, government regulation, switching costs, absolute cost advantage, distribution ease, and a solid capital basis are only some of the hurdles to entrance.

Competition for market share amongst existing companies in a sector is referred to as rivalry. Profitability is under jeopardy due to the high level of competition among well-established businesses. Competition among existing businesses in a given market

is a function of the following variables: The presence of worldwide clients, the absence of switching costs, the rate of industry growth, and demand circumstances.

Power of Buyers are the people who really use the goods or the companies that sell it to the general public. Customers' ability to negotiate with businesses in their sector for lower pricing or higher quality goods and services is known as their bargaining power. An industry's earnings may be squeezed by powerful purchasers by driving down prices and increasing expenses. They often make bulk purchases. They know everything there is to know about the product and the industry. As a company, they are committed to producing high-quality goods. They represent a real danger of regression to the past. By this measure, they are considered dangerous.

Competition from imitation goods: Goods that may efficiently meet consumers' demands are called "substitute products." Substitutes restrict the profit that may be made in a sector by establishing a cap on how much individual companies can charge for their products. The higher the scarcity of close alternatives for a product, the less competitive the market is, and the more profit businesses stand to make from selling that commodity (other things being equal).

Porter's five factors have varying degrees of impact from sector to sector. Since these five factors affect the pricing, costs, and capital expenditure necessary for survival and competitiveness in each business, they also have a significant impact on profitability. Managers may learn more about the competitive landscape of an industry by using the five forces model.

### **2.2.2 Dynamic Capabilities Theory (DCT)**

Multinational strategy study leading to core capabilities of a corporation, Gary Hamel's 1989 work, developed the concept of dynamic capability theory. Since no earlier theory took into account the ever-changing nature of commercial settings, this leaves a void. The dynamic capacity theory may be seen as an advanced form of the resource-based view of the company since it takes an inward-to-outward perspective while still acknowledging the importance of external elements (Ferdinand, Graca, Antonacopoulou, & Easterby-Smith, 2004).

As a bridge between resource-based and knowledge-based perspectives on businesses, the dynamic capability theory is an additional useful concept. Teece, Pisano, and Shuen (1997) explain dynamic capacities as the capacity of an organization to change in response to environmental stimuli. In accordance with the theory's central tenet, competitive advantages may be built over the long run by capitalizing on the short-term adjustments made possible by strong capabilities.

The dynamic capabilities theory is the most illuminating when a shift in technology that is only partly anticipated is on the verge of disrupting market competitiveness (Jason, Manuela, Elena, & Mark) (2004). This theory has less explanatory power in contexts where dynamic abilities are not underestimated or limited, where change is unpredictable or predictable, where the size of the impact of new abilities is small, where industries are continuously subject to changes in technology, and where markets reward short bursts of outstanding performance over long-term consistency.

### **2.3 Competitive advantage and Performance**

One component of a company's competitive edge is its capacity to compete in the market. Organizations use competitive strategies to increase their bottom line in the long term by adapting in novel ways to the intense level of competition they face. Organizations use competitive tactics primarily to forge connections between themselves and their surroundings (Porter, 1998). Previous studies of the insurance sector in Kenya and elsewhere provide light on the current state of the market, the significance of competitive advantage, and the prospects for growth.

Case research on the impact of people management on Kenyan insurance firms' competitiveness was conducted by Munoko and Were (2018) using the Britam Kenya company. The research highlighted the significance of both recruiting and training qualified individuals to fill open positions. Study findings also highlighted the need of doing succession planning to maintain a steady flow of talent into an organization. It was decided that progressing people management efforts is essential to gaining an edge over competitors. The link between talent management and Britam Kenya's performance wasn't explored in this research. Ouma (2016) looked at how competitive advantage affects the success of Kenyan insurance firms. The research showed that most Kenyans do not see the value in carrying life or health insurance, but that this has not stopped insurance firms from developing innovative ways to stay competitive. However, each company's approach to competition was unique to the methods it used to achieve its goals. The research looked at the insurance sector as a whole rather than a single provider.

Eling and Jia (2019) analysed data from more than five thousand insurance firms throughout the world to determine whether or not there was a connection between

efficiency and profitability. The research indicates that insurance companies may improve their efficiency by using new technology to provide seamless services to their customers. Some of the most effective approaches to enhancing competitive advantage, such as error rates, operational costs, innovativeness, and responsiveness to shifts in customer demand, have emerged as process automations, flexible knowledge management systems, and customer relationship management styles, respectively. A similar study focusing on Thailand's insurance providers by Wongchai (2017) also concluded that the industry players must be flexible, offer variety of high-quality products and advance with the fluctuations in the global market in order to remain competitive. For example, a firm must establish the leanest operational systems in order to become a price leader. However, Ansari, and Riasi (2016) found that excellence occur whenever the strategic plans incorporate the targeted customers' needs. The scholars used a sample of 389 customers from over 10 different start-up insurance companies to study the factors affecting customers' loyalty. It was found that effective customers' relationship management styles enhanced the customers trust, perceived quality, empathy, loyalty and satisfaction. Earlier studies have found that as low as 5% increase in customers' loyalty can increase a company's revenues by over 60% (Ansari and Riasi, 2016). The case applies mostly where a firm employ focus generic strategy described by porter. An insurer like HIC may decide to prioritize the need of particular customer populations.

Locally, researchers continue to investigate the factors affecting the growth rates of insurance firms. Malit and Muendo (2017) explored the roles of ICT in boosting performance of insurance industry in Kenya compared to other African nations. The country recorded the largest growth in 2015 because the players were quick in leveraging the smart phones, Tablets and the Internet to create new market niches and

increase their customer bases. Good examples include insurance cover for lost or damaged portable communication gadgets such as mobile phones, and laptops. High tech firms such as Safaricom and Airtel are also offering mobile phone insurance services such as M-tiba thereby penetrating into untapped markets. Association of Kenya Insurance/AKI (2019) attributes the ongoing price wars and related threats to healthy competition to emergence of such new players in the industry. HIC and other insurance companies are likely to undercut product pricing so as to maintain market share. In contrast, Chege et al. (2019) studied the role of employee empathy in improving customers' satisfaction that in return improves a firm's market position. The insurance companies with workers that exhibit genuine concerns in addressing customers' needs or complaints were more likely to attract and maintain customer loyalty than their peers. These include the salespersons that demonstrated self-confidence and convinced the potential clients that their companies will forever act in their best interests.

The leading industry players also have Omnipresence as the customers can visit their brick and mortar business premises for consultation or chat with the support teams via social-media platforms at any time of the day. With the increasing populations of Millennial's entering the markets, HIC must constantly introduce exciting ways of sustaining the young people's interests in their products such as chat bots. According to Kitaka et al. (2019), only 60% of the respondents agreed that the insurance employees portrayed adequate emphatic behavior. The results echo the findings in an earlier survey by Sammy et al. (2016) involving 214 Kenyan insurance entities' branding techniques. The study indicated that brand personality or human traits traceable to particular insurance brands differentiates them from substitutes. Positive brand personality translates into increased competitive edge.



Kimani & Juma (2015) used porter's generic models to examine the effects of cost leadership, focus and differentiation on insurance companies' ability to gain competitive advantage in Thika Town. According to the study, sustainable superior performance is positively correlated with agile strategic management style. For example, the firms that had skewed workforce and adopted advanced technology enjoyed economies of scale thereby constantly outpacing their peers. The study adopted the porter's model and focused on many insurance companies in Thika town. This study will fill that gap by focusing on only one insurance company. Similarly Focus and differentiation lead to significant growth in competitive advantage. However, with the country having higher population of low than medium and wealthy households, cost leadership appeared to deliver superior results as compared to other competitive edge building strategies.

#### **2.4. Summary of the Knowledge Gaps**

In summary, effects of competitive advantage on insurance companies' performance have been explored by various researchers over the past decade. The factors influencing competitive advantage in insurance industry includes technology and innovation, human resource practices, agility of strategic management style geared towards improving a firm's market position, among other customer relationship management techniques. Ability to acquire and maintain competitive advantage depends on the flexibility of a firm's approaches towards addressing threats such as price wars, inflation, new market entrants, unfavorable regulatory changes, shifts in consumer behaviors and demands by competent workers. However, with the unprecedented changes in the insurance industry, HIC may need to combine different generic strategies in order to succeed.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the procedure that was used in conducting the study. It has the following structure, research design, data collection and data analysis method applied in the study.

### **3.2 Research Design**

A case study approach was used to conduct the study. It identified the influence of competitive advantage on the performance of Heritage Insurance Company. According to Quinlan et al. (2019), case study provides rich qualitative aspects of the phenomena as the researcher is free to explore the study area into finer details. The methodology also offered deep insights into the variables, identified knowledge gaps for further research and presented opportunity for examining study topic in far more detail than studying a large group of organizations (Kumar, 2019).

### **3.3 Data Collection**

This study used both primary and secondary sources of information. Using an Interview guide on HIC's competitive advantage for performance, primary data was collected from HIC's top management. The first part of the interview gathered information on the interviewees themselves, while the second discussed the goals of the research. Information was gathered from upper-level management, including the finance manager, claims manager, underwriting manager, IT manager, sales manager, and customer-relations manager. The people that were being interviewed were in the best position to provide the necessary data to answer the research questions. Since they are the ones in charge of making strategic choices that have a direct impact on

the company's success, In-person discussions was utilized to collect information for the guide and to get insight into the respondents' thoughts and feelings. The secondary data was gathered from a variety of online and offline sources, such as yearly reports and other online data sets produced to discuss the strategic strategies implemented by Heritage Insurance to affect performance.

### **3.4 Data Analysis**

The information gathered was examined using a content analysis method. Content analysis is a collection of processes for gathering and arranging non-structured material into a standardized manner that enables one to draw conclusions about the study goals. Content analysis is the methodical qualitative description of the subjects of research, as defined by Mugenda (1999). Research requires close scrutiny and careful description of the things being examined. Ambuko (2013) and Manduku (2005) are only two examples of researchers that have employed this type of analysis effectively in their work (2017).

## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION**

### **4.1 Introduction**

The analysis and findings of the research were presented in this section. The data was analyzed in accordance with the study's objective, which was to determine the adoption of competitive advantage for performance of Heritage Insurance Company Limited. Data gathered was based on personal interviews the researcher had with the company's top managers and their responses provided the consistent data needed to accomplish the study's goals.

#### **4.1.1 Response rate**

The study targeted the six-senior staff, who included the finance manager, claims manager, underwriting manager, IT manager, sales manager, and customer-relations manager. However, a total of five managers were actually interviewed and this made an 83.33 % response rate.

#### **4.1.2 Demographic information**

The findings show that Majority (60%) of the respondents worked in senior management level in their departments. The findings also show that the respondents headed finance department, claims department, underwriting department, IT department, sales department, and customer relations department. The findings also show that majority (80%) of the respondents have been in the insurance company for six to ten years and have a working experience of more than five years in the current department.

## **4.2 Competitive advantage**

In order to be successful over the long term, businesses need to have a competitive edge over their rivals. The purpose of this research was to identify the competitive tactics used by Heritage Insurance Company to gain and maintain an edge in the market.

### **4.2.1 Products offered by HIC**

Customers may get services from Heritage Insurance that cater to both their personal and professional requirements. In addition to their group policies, they also provide domestic insurance, auto insurance, personal accident, travel insurance, and airline insurance as part of their individual services. “We have a residential package policy tailored to cater to private homes. It is set up to take care of the family's buildings, possessions (furniture, clothes, cooking equipment cutlery), electronics (TVs, Videos, Cameras, Watches, Music Systems), indoor and outdoor housekeepers, sporting goods (Golf, squash, riding), and even pets”, said the Sales Manager. Personal responsibility to third parties for damage to third-party property or for death or injury to third parties arising out of usage of the premises is covered, whether the policyholder is the owner or an occupant of the property in question.

The Sales Manager also stated that private cars, trucks, motorcycles, and even emergency vehicles like fire trucks and ambulances may all be covered by motor insurance. In the event of an accident that results in noticeable bodily harm, the insured may collect damages under their personal accident policy. If the injury is the only cause of the victim's death or disability, coverage is extended. Additional risks, such as riot and strike activity, may be covered for a premium.

Another interviewee reported that,

“Our travel policy primarily addresses concerns about foreign travel and its inherent dangers. The Heritage Insurance Traveller offers worldwide medical, and emergency help 24 hours a day, 7 days a week. One may take pleasure in stress-free and simple overseas travel.” To emphasize on the uniqueness of the travel policy, the respondent added that visa-required nations recognize the Heritage Traveller.

One of the interviewees stated that,

“Group personal accident cover, medical insurance, and protection under the Work Injury Benefits Act (WIBA) are just some of the services HIC provides to meet the requirements of its corporate clients.”

Based on the requirements of the client, the medical insurance policy might extend to cover inhabitants of Kenya, East Africa, or the rest of Africa. Employees who sustain injuries or develop illnesses as a result of their job are eligible for benefits under the Work Injury Benefits Act (WIBA).

#### **4.2.2 Adoption of Competitive Strategies**

The objective of the study was to establish the strategies that Heritage Insurance Company has adopted to gain competitive advantage in the micro insurance industry.

##### **4.2.2.1 Product differentiation**

The company's primary objective is to dominate the market for novel items. HIC zero focuses on a product that stands out in the market because it caters to a certain demographic. As stated by one interviewee,

“A great example of product diversification is the introduction of the historic marine insurance bundle. Shipping items all around the globe in this age of

globalization is fraught with peril. It is essential for businesses and people to secure their goods “. (Sales manager)

The Sales manager further explained that the Heritage Insurance Marine Cargo insurance offers customers comprehensive protection for their shipments from the time they leave the warehouse or the aircraft until the time they reach at their final destination. Coverage under their Warehouse-to-Warehouse insurance policy extends to the physical loss or damage of your goods as a result of insured perils such as war risks, strikes, riots and/or civil commotion, theft and hijacking, shortage and non-delivery, loading and unloading, and more. The Finance Manager asserted that,

“Since its beginning in 2017, HIC has written 423M in maritime premiums, of which 220M are for the year 2019”. (Finance Manager)

Another distinctive offering identified by the interviewees included Heritage xtense which protects policyholders in the event of mechanical breakdown or electrical malfunction in their covered car. Since no other insurance provider offers anything even comparable, this policy was claimed to be one of a kind. Since Heritage xtense does not necessitate that the insured choose a new motor insurer, it may be seen as an extra product for car owners. Customers that end up spending a lot of money on car repairs are Heritage xtense's primary focus.

The interviewees also noted that when it comes to mobile phone insurance, HIC is in a league of its own thanks to the launch of Heritage mobile, a product unlike any other on the market. Since other insurance firms include phone coverage as part of house insurance, Heritage Insurance is the only business to provide a separate phone insurance policy. Customers may get insurance for their smartphones and tablets from Heritage Mobile online, saving them a trip to the company's headquarters.

Under the heritage motor commercial, a respondent explained that a free monitoring device, free towing and recovery, loan facilitation, and personal accident for the driver and loader are a few of the special advantages given, a product designed specifically for businesspeople. The underwriting manager accentuated that,

“The product is unique since few other insurance companies in the market provide monitoring devices for commercial vehicles and facilitate loans for commercial vehicles”. (Underwriting Manager)

As a result, motor commercial gross written premium rose to KES 658M in 2019, from KES 596M in 2018. With the help of these one-of-a-kind items, the company has gained a significant competitive edge. The Claims manager stated that unique product offerings are the key resources HIC has in comparison to its rivals an example is Autocorrect launched in 2018 which is a telematics-based motor insurance. A telematics device is fitted into the car the moment motor insurance policy becomes active. The device is able to send data in real time, to a central database on how each vehicle is driven. Data collected evaluates each driver's execution of key driving functions, braking, acceleration and cornering. The information is evaluated over time and each driver is allocated points based on performance. Drivers who achieve a certain score and above are entitled to refund of a portion of premium paid during the year called a cash back.

From the feedback by the interviewees, the study also established that HIC can insure many more individuals than it could before by providing umbrella policies to the Cooperative societies. When someone suffers a loss and receives compensation, they learn the value of insurance and are more likely to purchase further policies in the future. In contrast, no other firm offers this service. When it comes to insurance,



Heritage Insurance General was one of the first to the party. According to their research, the majority of previously uninsurable micro or jua kali firms have been taken on by the company.

“Insuring the tiny enterprises that are deemed as risky is a critical requirement, and Heritage General aimed at fulfilling that demand,” (Underwriting Manager).

This demonstrates that the organization cares about its clients and has developed a solution to their problems. Heritage General has been successful in attracting a sizable following because to its focus on smaller companies. Its clientele is known for their devotion since they were Heritage General's first customers. The strategic business model has not been easily replicated by competitors.

#### **4.2.2.2 Operational cost**

Producing high-quality products or providing high-quality services at a lower cost than rivals is what cost leadership is all about. Insurance Regulatory Authority is responsible for strict oversight of the insurance market (I.R.A.). What this implies is that the rating committee has established uniform, predetermined prices for all insurance classes. The Association of Kenya Insurers (A.K.I.) has a special committee that determines the floor prices for high-stakes policies. Since this is the case, the approach must shift away from service pricing if it is to remain competitive.

Majority of the interviewees agreed that Heritage Insurance Company maintains its position as market leader in cost management in a variety of ways. To save costs, the organization has used a variety of measures. Heritage Insurance has a very small marketing spend in comparison to other organizations. The customer relationship manager specifically commented that,

“At Heritage General, we are able to take use of a unique advertising venue, whereas most of our competitors must depend on more traditional print and broadcast media” (Customer Relationship Manager)

The Customer Relationship Manager continued to emphasize that the company's marketing and customer acquisition efforts are supported by their own clientele such as the jua kali businesspeople who offer to tell other people about HIC's products in their daily interactions. This is done for a commission that is below the standard rate charged to brokers and agents as middlemen in the industry. This thus functions as a method for saving money. The business may cut down significantly on marketing expenditures and commissions paid to middlemen.

The Finance manager who has been with the company for a longer period of time claimed that the key to the success of cutting operational costs has been product bundling, when many goods are sold together to cover a wide range of potential problems. As a result, a person on a tight budget will be able to take care of a variety of risks—including credit life, burial expenditure insurance, and health cover—through a single package. The HIC medical insurance cover also has one cover that allows their customers to access medical health services anywhere within Africa under one premium payment. By doing so, heritage can reduce the overall price of providing health insurance services to their customers within the continent and cut on marketing costs for each individual service. The technique has led to lower costs and increased product sales.

#### **4.2.2.3 Human resource, brand reputation and corporate culture**

The respondents generally pointed out that HIC provides training activities grounded on the company's training and development philosophy. This policy provides the

impetus for an approach whose foundation is based on the analysis of training requirements and the determination of skill gaps. Plans for talent cultivation, advancement, and mutual teaching and learning/mentoring rely heavily on these programs.

The fact that the programs at HIC are driven by the demand for skills, HIC's business requirements, and the needs of individual employees is a key insight that influences the planning for skill development. There is also a need to implement programs to foster mentoring, coaching, and the growth of leadership abilities. This employee training programs ensure that the skills of the employees are excellent hence putting HIC at an advantage over other insurance companies.

“HIC heavily invests in training and developing staff to ensure that we have the right skills to deliver and exceed customer's expectation,” one interviewee reported.

Majority of the interviewees indicated candidates who are keen in developing themselves are given priority during interviews since they are better placed to offer quality service to clients as they are Knowledgeable of good work methodologies and emerging market trends hence able to help clients in problem solution and can come up with winning strategies beneficial to the company.

Customer relations manager stated that HIC uses social media to interact with its customers and create an efficient feedback mechanism. In a spirit of reaching out to the public, Heritage has embraced the use of social media. HIC has an official Facebook and Twitter pages which has brought the heritage brand to life in the lives of its online communities. It has positioned its brand as the preferred Insurance provider.

The interviewees all agreed that the HIC's organizational culture had a significant role in shaping workers' behaviours, attitudes, and relationships with one another. Strategic executives at HIC had an obligation to create an encouraging environment that would motivate staff to achieve organizational objectives. Strategic leadership was cited by respondents as an important factor in successful plan deployment.

#### **4.2.2.4 Other strategies**

According to the Sales Manager at HIC, market penetration is another competitive tactic utilized to obtain an edge in the industry. When Heritage Insurance introduces a new product to the market, they use heavy promotion to break into the market quickly. Local TV and radio ads are designed to educate consumers about the benefits and accessibility of newly released items. Due to their extensive network of agents and brokers, HIC is able to successfully expand their business into almost every region of the nation.

The Sales manager also identified focus approach as another strategy employed to gain competitive advantage. With the focus approach, businesses zero in on a certain customer base and tailor their offerings to those people specifically. It was stated that according to research, Heritage General uses this tactic by creating specialized offerings for certain customer demographics. The Heritage professional indemnity cover is one example of the focus strategy which shields professionals from legal consequences for careless actions taken in the course of their work. The coverage covers the expenses involved in defending the insured against any action taken against them in their professional position, regardless of whether or not they were at fault. This strategy makes HIC attractive to those high value professionals in different fields. This demonstrates how picking the right market niche may give a firm an edge over its competitors and lead to long-term success.

The ICT manager noted that HIC makes use of technology to provide the company an edge in the marketplace. The organization has placed a heavy emphasis on keeping up with the latest technological advancements in order to increase productivity across all areas of corporate operations. The company has been very proactive in automating key aspects of operations, such as bank payments using a host-to-host system, which has not only sped up payments but also reduced them from a two-stage process to a one-stage process.

He also pointed out that the company has adopted price aggregator platforms such as Save Kubwa, which allows a potential customer to compare their motor insurance prices and benefits with other competitors in the market thus enabling them get value for their money. Further, it was reported that the company has adopted a Customer Relationship Management Tool (CRM) which help serve their clients better. The tool allows for the logging and resolution of customer complaints within stipulated turnaround times. In addition, it captures the very finer details of their clients and intermediaries such as contact details, location, mobile number and the mode of payment which the intermediary is comfortable with.

The customer relationship manager, indicated that responses to customer needs and enhanced service delivery include understanding the customer, responding to customer's problems by giving timely solutions, re-evaluating customer's needs if they have been met, engagement with customer and understanding the categories of customers. HIC segments its customers into various categories such as affinities, small and medium size enterprises, corporates and individuals, multinationals, parastatals and non-governmental organizations. HIC boast of exceptional service

delivery which has instilled customer's confidence due to its prompt claim settlement and issuing of insurance cover.

They have also simplified premium payments for our consumers by providing many convenient methods for doing so in the digital realm. "If you have M-Pesa or a Visa credit card, you may now pay your premiums online on HIC website by clicking the "E Pay" button.

"M-Pesa payment platform is integrated with Enterprise Resource Planning (ERP) via their Pay Bill number 503000 resulting in auto receipting and auto allocation of premium paid." (ICT Manager).

The Finance manager indicated that the company has also adopted innovation in product offering as a strategy. It has embraced the development and market introduction of new, redesigned, or substantially better products or services. This is key to its growth, acquiring and sustaining competitive advantage, and to build shareholder value for the long term. The company therefore continues to introduce new elements of competitive differentiation within its insurance offerings. This has been through development and introduction of new product offerings in the market such as Trade Credit Insurance, Motor Cash Back, Collateral Replacement Indemnity (CRI), The Aviation Insurance and The Heritage Medical Flexi.

Trade credit insurance seeks to cover businesses that supply goods on credit against loss of revenue from buyers who do not honor their payment obligation. Motor Cash Back provides cash back incentive to the insured on a motor private policy for being claims free. Collateral Replacement Indemnity (CRI) allows the bank/ lending institution to give 100% mortgage to first home buyers and the company insures the deposit of 10% which they would have been required to put in place. The Aviation

Insurance provides coverage for hull losses as well as liability for passenger injuries, environmental and third-party damage caused by aircraft accidents. The Heritage Medical Flexi is a medical cover that allows the insured to pick and mix a choice of benefit types and limits to their own preference.

The ICT Manager also indicated that the company has adopted Electronic Document Management System (EDMS). EDMS provides for real time-filing and file access for review, thus ensuring instant decision making. Availability of the files electronically has enabled the company save on the floor space thus reducing on their rental costs, while releasing resources that were involved in filing and filing movements. In addition, the efficiencies realized is faster and easy access to the files also translates in opportunities for the company to handle increased business. When computers are utilized, insurance claims may be processed much more quickly.

Customer relationship manager indicated that Heritage Insurance Company Kenya Limited has embedded the Treating Customers Fairly (TCF) principle in its operations. The TCF principle aims to raise standards in the way insurance companies and indeed all financial services firms carry on their business by introducing changes that will benefit consumers and increase their confidence in the financial services industry it ensures that customers are treated fairly at every level.

Other response strategies from interviewees included partnerships and collaborations with related companies such as Stanbic Bank Limited and Liberty Assurance Company Limited. In March 2019, HIC partnered with Liberty life to create a free to public financial literacy programmes, dubbed Mind My Money aimed at growing financial literacy. It targets individuals keen to understand and plan for their finances

at any stage in their lives. This boosts the company's reputation hence draws business to the company.

### **4.3 Organizational performance**

The interviewers were tasked with assessing the impact of the company's competitive and differentiating strategies on its performance. According to respondents, the selected tactics had a significant impact on the company's success. The company's goal was to provide unique services at the lowest possible price, and its competitive methods helped it achieve this goal, giving it a lasting edge in the market. According to the respondents, the firm considers its unique products, cutting operational costs, having highly skilled staff among other strategies in gaining meaningful competitive advantage in the industry.

#### **4.3.1 Profitability**

The sales manager claimed that product differentiation has greatly helped the company to increase their general premiums and eventually growth in the level of profits. The growth in the premiums for the differentiated products show that the company by using product differentiation as a competitive strategy is gaining competitive advantage over their competitors. Also, the Underwriting manager noted that the improved profits over the years was due to adherence to prudent underwriting by ensuring they retain profitable business thereby reducing claims. A good example is the growth in premium of motor insurance which has grown from KES 498M in 2016 to KES 577M in 2017 to 602M in 2018 and 627M in 2019 (Annual report and financial statements 2016-2019). Differentiated products have led HIC to be known as a first in introducing unique products.



### **4.3.2 Market share**

The IRA report for 2018 put the market share for Heritage Insurance to be at 2.32% with motor private having 5.22% and motor commercial 5.73%. The IRA industry report for 2019 shows growth in the industry to 2.48% with motor private market share growing to 5.97% and motor commercial growing to 6.43%. HIC is therefore seen to be gaining competitive advantage especially in motor products.

### **4.3.3 Average Return on Equity**

By releasing innovative goods like the Heritage xtense and Heritage motor pack, HIC is able to obtain a leg up on the competition. Their return on equity increased from 12 percent in 2019 to 17.3 percent in 2021 because of their innovative goods (IRA, 2021).

## **4.4 Discussion**

One of the most crucial goals of every company is to ensure that they continue to have a competitive edge over their rivals. This study is consistent with Porter's (1985) argument that firms may obtain competitive strategies via the use of differentiation and cost leadership. Differentiation and cost leadership were also defined by Muriira (2014) as common strategies employed by insurance businesses to obtain an edge over competitors. While most Kenyan insurance firms use differentiation and cost leadership methods, this research shows that even HIC has been able to successfully use these tactics to acquire a competitive edge.

According to Gary Hamel's Dynamic Capability Theory (1989), businesses' resources and competencies may provide a durable competitive advantage if they are valued, scarce, unique, and non-substitutable. Heritage Insurance Company has made use of

its unique advantages over other companies in the insurance industry. The company has earned high marks for its diversification and product development efforts. This study has established that highly skilled and well-motivated human resource is a great way to gain competitive advantage in the insurance industry.

The Dynamic Capabilities theory is the most illuminating when a shift in technology that is only partly anticipated is on the verge of disrupting market competitiveness. This study has determined that the use of technology improves their interactions with clients. Technological developments have allowed for faster processing times and more consistent and timely supplies to clients. For instance, the firm has seen increased sales because the clients are able to use the online platform to make payments whenever it is most convenient for them. Porter (1985) through the Industrial Organization Economics theory proposed four general business strategies—differentiation, cost, cost emphasis, and differentiation focus—to be used in order to achieve competitive advantage. This study's findings reveal two tactics used by HIC: differentiation and cost leadership.

Previous studies by researchers like Munoko and Were (2018) using the Britam Kenya company highlighted the significance of both recruiting and training qualified individuals to fill open positions. Study findings also highlighted the need of doing succession planning to maintain a steady flow of talent into an organization. It was decided that progressing people management efforts is essential to gaining an edge over competitors. This study also determined that human resource is a major component in determining a company's success in agreement with Munoko & Were's study. Additionally, this study has determined that initiatives should be launched to support the development of mentoring and coaching relationships and the emergence of emerging leaders.

Organizational culture plays an important role in fostering the norms and values that drive and inspire staff members to work together toward a common goal, as noted by Von Hippel (2011). Organizational culture, according to three interviewees, shapes workers' attitudes about change and dampens their opposition to it. Similarly, Spender (2011) stresses the importance of a company's culture in shaping how its workers see and react to change, which may be used to successfully rally staff behind a company's strategic leadership.

The study established that staff members were valued highly by HIC's strategic leadership, who invested in their personal and professional growth as a means of improving the service they provided to patients. These findings are consistent with those of Emmerling (2012), who argues that investing in people and helping them develop their skills via training fosters a growth-oriented culture inside an organization.

A study in Thailand by Wongchai (2017) concluded that the industry players must be flexible, offer variety of high-quality products and advance with the fluctuations in the global market in order to remain competitive. This study found, for instance, that firms utilize techniques like price leadership and differentiation to stand out from the crowd. By releasing innovative products like the orient xtense, orient mobile, and orient motor pack, HIC is positioned to obtain a competitive edge in the industry.

Technology adoption was shown to be another of the company's competitive advantage over its rivals. Through technological advancements, HIC is able to better serve its clientele, which in turn helps the company keep its agents and brokers on board. Technology helps strengthen the company's connection with its clientele. According to the research conducted by Malit and Muendo (2017), the insurance

business may become more competitive if it used and embraced ICT to leverage more business. As a result, it's clear that businesses that use technology will gain an edge in the market.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

The objective of the study was to establish strategies adopted by Heritage Insurance Company to achieve a sustainable competitive advantage influence the performance of the company. This chapter gives the summary of the findings, conclusions, recommendations, limitations and suggestions for further studies.

### **5.2 Summary**

The study revealed that Heritage Insurance Company has implemented a cost leadership strategy by significantly reducing costs compared to its competitors. According to the majority of interviewees, the company has established a sustainable cost advantage over competitors and is using this to under-price the competition, thereby gaining a larger market share at the expense of the competition, and earning a higher profit margin.

The study revealed that product differentiation is a widely used and successful technique Heritage Insurance is undertaking to get an edge in the micro insurance business. HIC Insurance is able to compete in the micro insurance market because they provide a wide variety of policies that may serve the needs of various segments of the informal economy. Individuals and communities of varying socioeconomic statuses are intended consumers.

The study revealed that HIC offers training activities based on the company's training and development ethos. This policy serves as fuel for a strategy that uses analysis of training needs and identification of skill gaps as its basis. These initiatives are crucial to the success of plans to foster and promote talent and to promote mutual learning

and mentorship which provides motivated employees who are a great asset to the company.

The study established the use of the focus approach in order to achieve a competitive edge. Focused companies choose a certain subset of their clientele and design products and services with them in mind. The study also identified market penetration is another competitive tactic utilized to obtain an edge in the industry. When Heritage Insurance introduces a new product to the market, they use heavy promotion to break into the market quickly.

The study showed that HIC makes use of technology to provide the company an edge in the marketplace. The organization has placed a heavy emphasis on keeping up with the latest technological advancements in order to increase productivity across all areas of corporate operations such as introducing the use of mpesa and visa cards to make payments.

### **5.3 Conclusion**

The research concluded that in order for a firm to maintain competitiveness and gain an edge over its rivals, it must use certain competitive tactics. In a sector with intense rivalry and low insurance uptake, HIC knows it must design and execute competitive measures to improve its market share. The research also found that HIC consistently offers items to the market that are better than those offered by competitors. By developing items that appeal specifically to a niche market, a company may acquire an edge in the marketplace. The company's high concentration of motor insurance premiums reflects the success of its efforts to attract and retain customers by introducing novel products to the market.

The company's primary tactic is diversification, which has allowed them to cater to a wide variety of customers and markets with a wide variety of offerings. To ensure that their goods are accessible to the intended audiences at reasonable prices, they have also used cost leadership measures. HIC Insurance also uses technology, market penetration and focus approach methods to gain competitive advantage.

#### **5.4 Recommendations or Policy and Practice**

According to the findings of the research, it recommends that HIC should differentiate its products by devoting a greater amount of resources and capital funds to the endeavour in order to grow their businesses and become industry leaders. A firm that differentiates its products from those of its competitors in an industry is considered as having an advantage over those competitors. The study further recommends that HIC should utilize the most recent technological advancements in order to make it simpler for clients to have access to insurance services without having to go to insurance offices in person. This is handy not only for the customers of the insurance business but also for the employees of that firm. It is also efficient and effective.

The study recommends that HIC should improve its market share by developing insurance products for the informal sector since it's an untapped market. The study recommends that HIC should lobby the Insurance Regulatory Authority to establish clear guidelines and standards for insurance. Policy wise, the study recommends to HIC to formulate a policy on innovation technology adoption for the entire organization.

#### **5.5 Limitations of the study**

This study encountered some challenges on collection of data by use of interview guide which depended on respondent's ability to remember all the strategies adopted

by the organization and the key performance indicators over the last five years. Therefore, the conclusion of the study may have not exhausted all the strategies used by the organization. There was also Limited information due to the confidentiality and loyalty of the interviewees as senior managers of HIC, despite the researcher's elaboration as to the main purpose of conducting the research.

There was also time constraints as the topic of study was demanding to respondents and researcher but this was mitigated by soughting for time off my employer and respondents were also willing to assist and respond accordingly.

### **5.6 Suggestions for further studies**

The research focused on the adoption of competitive advantage for performance of HIC through the use of an interview guide. However, a study should be conducted to establish the influence of competitive advantage on performance of insurance companies in Kenya by collecting data through a structured questionnaire in order to limit information bias. This will provide insight into both the general direction and scale of the connection. The study focused on financial metrics as a means of evaluating the effectiveness of competitive advantage strategies in HIC. Additional research may be done to investigate the impact of a competitive advantage on the employee performance of insurance businesses and other measures of performance such as teamwork.

Only participants from the insurance industry participated in this research. Additional study may be conducted to establish the extent to which a competitive advantage affects the success of businesses operating in different sectors.



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**APPENDIX I: INTERVIEW GUIDE**  
**A RESEARCH ON INFLUENCE OF COMPETITIVE ADVANTAGE ON**  
**PERFORMANCE OF HERITAGE INSURANCE COMPANY LTD (HIC)**

Kindly note that the interview will only be used for academic purpose and the answers provided will be treated with the highest level of confidentiality.

**SECTION I: DETAILS OF THE INTERVIEWEE**

1. Which Department are you in?
2. What is the title of your Position?
3. How many years have you worked in your current position?
4. What is your role in the department?
5. What does the department do?
6. How do you rate your company?

**SECTION II: COMPETITIVE ADVANTAGE**

7. What products does HIC offer to its Consumers?
8. Which strategies has HIC employed to ensure that its products and services are unique or distinct from those offered by the rival insurance companies?
9. What policies or strategies does HIC have in place to ensure lower operational costs as compared to close competitors?
10. How are such cost-cutting strategies instrumental in setting prices that meet your clients' needs and expansion of your customer bases?
11. How has the company streamlined its processes to ensure quality products and services to customers?

12. How do HIC leverage internal factors such as human resources, brand reputation, corporate culture and other resources to deliver more innovative products than those offered by the competitors?
13. How does HIC segments its' customer bases? Do you offer special product attributes to appeal to specific customer groups?
14. Which other strategies does HIC employs to ensure that its products and services are unique or distinct from those offered by the rival insurance companies?

### **SECTION III: COMPETITIVE STRATEGIES AND ORGANIZATION**

#### **PERFORMANCE**

15. How has the strategies mentioned above impacted on HIC profitability over the past 5 financial years?
16. What has been the growth of the company in the past five years in terms of market share?
17. What has been your company's Net Profit in KES for the last three financial years?
18. What advertising and marketing strategies does HIC employ to achieve sustainable growth?
19. What range of products and services has HIC introduced within the last year to make it competitive in the industry?
20. Which other competitive strategies do HIC employ to achieve high performance and sustainable growth despite the frequent changes in the macro-environment?

Thank you.



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October 26, 2022

National Commission for Science, Technology and Innovation  
NACOSTI Headquarters  
Upper Kabete, Off Waiyaki Way  
P. O. Box 30623- 00100

**NAIROBI**

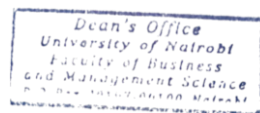
**RE: INTRODUCTION LETTER: DAISY CHEBET KENDUIYWA**

The above named is a registered Master of Business Administration candidate at the University of Nairobi, Faculty of Business and Management Sciences. He is conducting research on ***"Influence of Competitive Advantage on Performance of Heritage Insurance Company Ltd."***

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the Project.

The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.



**PROF. JAMES NJIHIA**

**FOR: DEAN, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES**

JN/jkm