STRATEGIC RESPONSES TO THE DYNAMIC BUSINESS ENVIRONMENT IN KENYA BY OLD MUTUAL KENYA LIMITED

BY

JACKLINE MUNYIVA MUTUKU

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NOVEMBER, 2014

DECLARATION

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

Signature …………………………… ....

JACKLINE MUTUKU **DATE**

D61/72541/2012

SUPERVISOR

This project has been submitted for examination with my approval as the University Supervisor.

Siganature ....

DR. ZACHARY B. AWINO, PhD. **DATE**

DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

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DEDICATION

This study is dedicated to my loving Daughter Abigail Mumo Nzioka.

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ABBREVIATIONS AND ACRONYMS

AKI:	Association of Kenya Insurers
COMESA:	Common Market for Eastern and Southern Africa
CSR:	Corporate Social Responsibility
GDP:	Gross Domestic Product
IRA:	Insurance Regulatory Authority
LTD:	Limited
NHIF:	National Hospital Insurance Fund
NSSF:	National Social Security Fund
OMK:	Old Mutual Kenya
VER:	Voluntary Early Retirement

ABSTRACT

Organizations are open systems, they depend on the environment for resources and also to discharge their outputs. More importantly they operate in an environment of change. This means that they have to proctively monitor the changes in their business environment which has become very competitive, volatile and more importantly unpredictable and align themselves accordingly. It is the environment in which organizations operate which shapes them and influences their choices of the strategy and determines their performance.Gone are the days when organizations used to sit and wait for customers, customers now have a choice and they value quality products and services. Companies require strategic thinking and only by evolving good business strategies can they become strategically competitive (Ansoff and McDonnell 2009).Kenya's insurance industry is a major player in the Financial Services Sector of the Kenyan Economy. Due to changing business environment in Kenya, insurance companies operating in the country have been compelled to develop strategies that can help them survive the turbulent business environment. This study used a case study approach to investigate the strategic responses by Old Mutual Kenya to the dynamic business environment. Data was collected using an interview guide which was administered by face to face meetings with the respondents which were the Chief Executive Officers and functional managers of Old Mutual Kenya.The functional divisions include Risk and Legal, Finance, Marketing, Operations, Human Resources and Information Technology. In total 8 face-to-face interviews were conducted. The researcher also used secondary sources of data to supplement sketchy information given by some interviewees. The qualitative data collected was analyzed using content analysis technique. The study established that Old Mutual Kenya Limited has adopted strategies similar to the other Kenyan insurance companies although it has been more aggressive in some aspects. The study revealed that Old Mutual Kenya is using various strategies to respond to changes in the Kenyan business environment. The most notable ones include diversification, good corporate governance, new products and services, products and services differentiation, market segmentation, acquisition, branch network expansion, automation of business processes, innovation, improved customer service, strategic partnerships, marketing, staff training and development, cost containment, use of mature information technology and entering new markets. This study recommends that IRA should create a flexible regulatory environment. The government should ensure that the necessary laws and policy are put in place to safeguard the interests of all the stakeholders in the insurance industry.It is recommended that in order to stay ahead of competition, Old Mutual Kenya should continuously scan the environment aggressively and speed up implementation of various strategies considering the implications of each strategy.The findings of the study indicated that firms at times are quick to come up with strategies to deal with changes in the business environment without considering the effects that those responses may have on the business. Thus strategies should be considered wisely, and an analysis of the effectiveness of those responses should be carried out before the strategies are adopted. This will ensure that the strategies suit all the employees in the organization. It will also ensure that the firm is ready to encounter any challenges that may be encountered during the implementation of those strategic responses.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Organizations are open systems. They rely on the environment for their inputs such as information, finances, raw materials, ideas among others to produce finished goods and services for consumption by the environment. Strategic responses enable the organization to survive in turbulent environment with certainty. In responding to changes in the environment, a lot of emphasis is placed on environmental scanning and forecasting in formulating, monitoring and implementing strategies. This is because according to Dettwiller, Lindelof and Lofsten (2006), organizations often respond to changing environment as major shifts in the business environment can render strategies obsolete. In this changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities as failure to do this may put the future of the organization in jeopardy (Aosa, 1998). For organizations to fit in the turbulent environment, they are required to re-align structures, systems leadership behaviour, human resource, policies, culture values and management processes (Michel and Russe, 2000).

Chaos theory provides a useful theoretical framework for understanding the dynamic evolution of industries and the complex interactions among industry actors. It is argued that industries can be conceptualized and modelled as complex, dynamic systems, which exhibit both unpredictability and underlying order. Peters (1987), offers a strategy to help corporations deal with the uncertainty of competitive markets through customer responsiveness, fast-paced innovation, empowering personnel, and most importantly, learning to work within an environment of change.

The dynamic capability approach focuses attention on the firm's ability to renew its resources in line with changes in its environment. These means that firms with greater dynamic capabilities will outperform firms with smaller dynamic capabilities. Dynamic capabilities help to understand how firms can create and sustain a competitive advantage over other firms by responding to and creating environmental changes (Teece, 2007). According to Helfat et al. (2007), a dynamic capability is "the capacity of an organization to purposefully create, extend, and modify its resource base" (p. 4). The resource-based perspective highlights the need for a fit between the external market context in which a company operates and its internal capabilities. The business strategy chosen should allow the firm to best exploit its core competencies relative to opportunities in the external environment.

Organization theory tends to examine the relationships in organizations between tasks, social structures, resources, and the environment. This literature summary divides organizations into its modifiable parts such as structure, processes, people and culture so that national security managers can orchestrate organizational change. Richard Scott, an organization theorist, divides organization theoretical definitions of organization into three schools of thought: namely classical, human relations, and systems perspectives (Scott, 1998).

The classical school, or rational system, definition of an organization is a group of people who collectively contribute to a formally stated purpose. This school focuses on formal aspects of organizations such as strategy and mission statements, formal structure and authority, resource allocation systems, standard operating procedure, and technical training. The human relations school, or natural system, definition is that an organization is a group of people who, for individual reasons, collectively contribute to an overall purpose. This school focuses on the informal aspects of organization such as politics, culture, motivation, skill, and values.

The dynamic business environment has affected all business entities and the insurance industry in Kenya is not an exception. Although the insurance industry in Kenya has grown significantly since independence, it still has a low penetration with 3% of her population under one form of insurance or the other. The percentage of the Kenyan population accessing insurance and pension services has been on the rise over the years. This is indicative of the increasing awareness of the importance of insurance. Old Mutual Kenya (OMK) is part of the long-term savings and investment business of Old Mutual plc. Old Mutual Kenya provides services in life assurance, asset management, stock brokerage, Investment Services and banking through its recent acquisition of a controlling stake in Faulu, a microfinance bank in Kenya. It has over the years embraced both vertical and horizontal diversification, acquisitions and partnerships in responding to the dynamic business environment.

1.1.1 Strategic Response

Competition in the insurance industry is severe. In a highly competitive marketplace, companies can operate successfully by creating and delivering superior value to target customers and also learning how to adapt to a continuously changing business environment. Johnson et al. (2005), define strategy as the direction and scope of an organization over the long-term, which achieves advantage in a changing environment through its configuration of resources with the aim of fulfilling stakeholder expectations.

In its determination of the long-term direction of an organization, strategy involves the interplay of three elements: the organization's external environment, its resources and its objectives (in meeting the expectations of its stakeholders).Strategic response is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firms objectives (Pearce and Robinson 1997). When the firm's respective business environment changes, It would revise their strategies to match the turbulence level (Ansoff and McDonnell, 1990).

Day and Schoemaker (2005) explain how companies can identify changes in their business environment as they emerge, in time to develop a response to potential threats and opportunities that may be important in the future. These means that today's managers must be proactive in anticipating change and continually refine and when necessary make significant changes to their strategies in order to succeed in the changing environment.

Ansoff and Mc Donell (1990) note that strategic responses involve changes to the organization behavior such responses may take many forms depending on the environment in which it operates. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive advantage. Companies react differently to economic environment, some come up with new products, diversification, improved customer care, new IT innovations, and differentiation.

Insurance companies in Kenya are facing new challenges every day. Competition has become so stiff that it is now common to see insurance companies pitching tents in bus stages, market centers, sports grounds, outside church compounds and busy city streets so as to market their products and services to the public. The global financial crisis experienced in late 2008 and the current euro zone crisis are expected to affect the insurance industry in Kenya especially in regard to taking up new insurance products. The continued rise of inflation and decline in interest margins can only make the Kenyan business environment more volatile. Given this hostile environment, only the insurance companies that are strategically responsive will survive in the long run.

Nyamai (2011) established that Jubilee Insurance Ltd responded to economic environment and changes in the Insurance Industry in Kenya through strategic choices which included: new products development, entering new markets, improved customer service, employees’ motivation and adoption of state of the art of information technology systems. The insurance has been making changes in its information technology systems that would facilitate better interconnectivity of the insurances's branch network as well as serve their customers better.

Mutugi (2006) found out that Barclays Bank Ltd responded to changes in retail banking in Kenya by using corporate restructuring in form of changes in senior management in preference to locals, with specialist executive directors being appointed to head the new market segments; redesigning of jobs and relevant performance measures; voluntary early retirement (VER) schemes; shorter reporting lines; disposal of non-core assets and businesses; outsourcing of non-core services such as the printing of stationery and mail distribution across the bank. The market segments were redefined and the marketing function re-organized into retail and corporate divisions.

Mugabi (2003) revealed that tourist hotels responded to changes in the environment by using restructuring, selective shrinking, marketing and cost management. He noted that this involved re-organizing the organizing structures so as to cater for the new changes in the environment. customer desk concept for example has been taken by most organizations as an example of some of the structural changes in the environment. Ramona (2008) found that, for Barclays bank of Kenya to remain competitive in the market, it adopted some strategic responses which involved offering wide range of products and services, engaging highly skilled staff, automation of business processes, avoiding use of publicity, outsourcing support, advertisements and also reducing operating staff.

1.1.2 Dynamic Business Environment

Selznick (1948) defined the business environment as flows of information relevant to goal setting and decision-making through managerial perceptions. Duncan (1972) defined business environment as the totality of physical and social factors taken into consideration by a firm for making decisions. Organizations are vulnerable to changes in their operating environment and this has great impacts on their operations. The firm's environment consists of the remote environment, industry environment and the operating environment (Omollo, 2011).

The remote environment is comprised of political, socio-cultural, economic, ecological, and technological categories (Dill, 1958; Thompson, 1967; Olsen, et al1998), while the task environment comprises customers, suppliers, competitors, and regulators. The task environment is affected by the remote environment, while most of the external environment is beyond a firm's or industry's control. The remote factors affect the activities of the company in long-term environment.

The environment is turbulent and ever changing. Organizations on the hand are environment dependent and environment serving. Organizations have to be aware of what is happening in the environment through regular scanning and analysis in order to how to respond to such changes either proactively or reactively. Failure to align the internal capability of the firm to its environment spells doom for the organization (Pearce and Robinson, 2002). According to Mason (2007) business environment is a complex adaptive system and therefore has an influence on the choice of strategic activities. The environment is changing faster than ever before with such change occurring in two major dimensions, the complexity and turbulence (Hamel & Prahald, 1994).

Ansoff and McDonnell (1990) point out that success of any organization is determined by the match between its responsiveness and strategic aggressiveness and how these are matched to level environment turbulence. Each level of environment turbulence has different characteristics and requires different firm strategies and capabilities. There must always be a strategic fit between what the environment wants and what the organization has to offer.

1.1.3 Insurance Industry in Kenya

An industry may be defined as a group of firms whose products have so many of the same attributes that they compete for the same buyers. This definition can also be extended to include closely related industries supplying services to the industry and receiving services from the industry. For instance; Insurance Industry, Hospitality Industry and Manufacturing Industry among others. Some industries are more profitable than others. The difference in profitability lies in understanding the dynamics of competitive structure in that industry. The most influential analytical model for assessing the nature of competition in an industry is Michael Porter's Five Forces Model.

Porter (1980) explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five competitive forces are: the threat of entry of new competitors (new entrants),the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers and the degree of rivalry between existing competitors. Insurance is the concept of pooling risks together by policyholders with the objective of providing protection against the risk of financial loss thus given policyholder’s peace of mind. Insurance provides economic protection from identified risks occurring or discovered within a specific period of time. Insurance is a unique product because the ultimate cost is often unknown until long after the coverage period.

Life Insurance is seen as way of creating an immediate estate to ones dependents. Insurance companies function in the economy as part of the financial services industry. Insurance promotes financial stability of individuals, families and organizations by indemnifying those who suffer loss. The primary purpose of insurance business is the spreading of risks (AKI, 2011). Insurance Industry in Kenya contributes 3% to the GDP (IRA, 2013).

Although the insurance industry in Kenya has grown significantly since independence, it still has a low penetration with 3% of her population under one form of insurance or the other. The percentage of the Kenyan population accessing insurance and pension services has been on the rise over the years. This is indicative of the increasing awareness of the importance of insurance. The insurance industry has continued to endear itself to the existing and potential customers through new products and a significant improvement on its service delivery platforms, guaranteeing consumers of world-class services delivery. According to FinAccess National Survey 2013, the highest percentage of the population accessing insurance services did so through the National Hospital Insurance Fund (NHIF). In 2013, 15.6 million people accessed medical insurance services through the fund compared to 4.3 million people in 2009.

Kenya's insurance industry has flourished, and by 2013 had 47 Insurance companies, 24 transacting general insurance business, 7 transacting life business, while 16 were composite insurers transacting both life and general insurances. Other licensed industry players included 141 insurance brokers, 14 MIPs, 105 investigators, 75 motor assessors and 3,668 insurance agents. The road ahead is an industry full of opportunity to be exploited while ensuring that the identified challenges and issues are addressed. Kenya's insurance industry leads within the East Africa Community (a trading block of Kenya, Uganda and Tanzania), and is a key player in the COMESA region, (Common Market for Eastern and Southern Africa).

The industry employs over 12,000 people, underwrites well over €300m premiums, and pays over €120m per annum in claims. The largest 10 insurers handle over 70% of the motor business with a similar number handling well over 90% of the property business in the market. The industry's gross written insurance premiums amounted to KES 131 billion by the end of the fourth quarter of 2013. This represented an increase of 20.6% from KES 108.6 billion recorded by the end of the same period in 2012. The premium income reported under life insurance business amounted to KES 44.3 billion while general business premiums were KES 86.7 billion.

The Insurance Industry in Kenya is governed by the Insurance Act, Chapter 487 of the laws of Kenya and regulated by the Insurance Regulatory Authority (IRA), a semi-autonomous regulator, set up in 2008. IRA is expected to improve regulation and stability of the industry. Previously, IRA was a department of the Ministry of Finance, which administered the insurance industry, and it was headed by the Commissioner of Insurance, who is today at par with other regulatory authority heads. The Finance Act 2011 boosted the power of the Authority through amendments to the Insurance Act that substituted the word “minister” with “Authority’. The industry operates under an umbrella body, the Association of Kenya Insurers (AKI), which was established in 1987. Before then, it was called the Insurance Association of Eastern Africa. Membership is open to any registered insurance company. Its main objective is to promote prudent business practices, create awareness among the public and accelerate the growth of insurance business in Kenya.

The key drivers of the overall growth witnessed in the insurance industry in Kenya are marketing , staff quality service strategy , dedicated management, development of new products , intensive market research , customer service, claims management and automation of office and business processes. The industry faces some significant challenges that have an influence on realization of further gains in growth. These challenges among others include premium rate undercutting, claims settlement in terms of volume and costs of settlement, delays in premium collection and non-compliance with cash and carry system, inappropriate staff skills in some areas, fraud and quality of intermediary services and customer retention.

The Kenyan market is also a young market that is still not well versed with the diversity of the insurance industry because many people are not used to paying premiums in order to alleviate the risks. Most Kenyans therefore consider these rates high and therefore they don't seek insurance. This has been bad for business in the industry as most insurance companies strain to meet their budget and pay claims. Some have resorted to unethical means of luring customers into this industry through inadequate rates leading to inadequate claims paying ability.

1.1.4 Old Mutual Kenya Limited

OMK is part of the long-term savings and investment business of Old Mutual plc. Old Mutual operations started in Kenya in the late 1920's and they were directed from Salisbury until 1930, when a branch was established in Nairobi. The Old Mutual Group is an international long-term savings, protection and investment business, founded in South Africa in 1845 and operates primarily under the Old Mutual and Skandia brands, in Africa, Europe, the Americas and Asia. The group helps over 15 million customers achieve their financial goals in 33 countries. Old Mutual plc is listed on the London Stock Exchange and Johannesburg Stock Exchange, among others.

Old Mutual Kenya provides services in life assurance, asset management, stock brokerage, Investment Services and banking through its recent acquisition of a controlling stake in Faulu, a microfinance bank in Kenya. It has over 3 million customers and approximately 400 employees. Their variety of products offers a wide array of choices tailored to suit the needs of the Kenyan investor. Old Mutual Kenya operates through a network of 13 branches spread all over the country. Old Mutual Kenya prides itself in the Old Mutual brand which is respected worldwide with a strong financial base of over 169 years of experience with a client base of over 16 million customers worldwide. The group reported adjusted operating profit (AOP) of £1.6 billion and increase of 15% compared to same period the previous year, Very strong net client cash flow £15.5 billion and FUM £294 billion an increase of 19% in its 2013 preliminary results (http://www.oldmutual.com 26th May 2014).

Old Mutual Kenya has a saying that displays its commitment to making a difference in the lives of Kenyans. This saying is *Rafiki Halisi* - Swahili for "a genuine friend". They are here to help Kenyans achieve their financial goals. Their variety of products offers a wide array of choices tailored to suit the needs of the Kenyan investor. Old Mutual firmly believes in the hope of a better future and will avoid all behavior that may steer Kenyans away from their common goal. They will stay focused on their customers and communities, allowing mutual respect and caring to chart the way forward. A genuine friend - in times of need and in times of wealth.

Despite Old Mutual’s geographic and cultural diversity, they are bound together by their Group Values. Pushing beyond boundaries enables OMK strive as individuals, as a team and as an organisation to break new ground and achieve higher levels of performance by reaching to the depth of their abilities. Accountability enables them to take responsibility for the commitment that they make, the actions that they take and for the problems that occur. They accept that they will be judged on these. Old Mutual treats others as we would like to be treated and they value and learn from the strength of our diversity. They actively listen to others and recognise that everyone has a contribution to make. Old Mutual acts honestly and openly, and are trustworthy and consistent in all they do. They act in accordance with the highest ethical standards.

Old Mutual Kenya vision is to be customer’s most trusted savings and wealth management partner in East Africa. The mission is through understanding and meeting their customers' needs, we will profitably expand our market for wealth accumulation and protection in Kenya. Old Mutual Kenya believes there is no reward in mediocrity. It is only when they push beyond what they once believed to be their very best, that they discover, as individuals and as a team, that there really is no end to what they are capable of. Growth starts within. Only once them themselves discover their true potential, do they desire the same growth for our customers, those who invest with them, and ultimately for our country Kenya.

1.2 Research Problem

The environment is continuously changing hence giving businesses serious challenges to stay in the market. According to resource dependence perspective, organizational choice is limited by a variety of external environmental pressures which are collective and interconnected and organizations must be responsive to external demands and expectations in order to survive (Pfeffer, 1982). Hence companies have to come up with well-tailored strategic responses in order to remain in the market.

The need to remain competitive, productive and open to the challenges of the future in the face of organizational change is becoming more important than ever, and the demand for innovative technology and service in the information age environment is just one of the challenges facing companies today (Kaplan and Norton, 1996). Managers also need to be quick to respond capably to keep the company on track and to meet its objectives. This is because the income levels of consumers are low hence unable to purchase products from the market as per firms expectation, for this reason; organizations face the prospect of either not surviving or of changing their activities in response to those factors (Porter 1980).

The insurance industry in Kenya is very competitive. Although the insurance industry in Kenya has grown significantly since independence, Industry reports indicate that the insurance industry has buy in from approximately 100,000 Kenyans from a population of over 40 million with fear, lack of knowledge and suspicion around insurance as indicators of the low uptake of the service. The insurance industry in Kenya is also faced by many challenges and constraints due to the changing business environment. Insurance companies must therefore formulate strategic responses to the environment they operate for their success and survival.

Old Mutual Kenya has over the years developed strategic responses which are aimed to firm's success and survival. It has embraced both vertical and horizontal diversification, acquisitions and partnerships in responding to the dynamic business environment. Old Mutual Kenya has recently being running a brand campaign, aimed at educating the masses on the significance of taking up insurance. The campaign, dubbed Questions campaign, is designed to get Kenyans from different facets of life to open up on inquiries regarding insurance and stir conversations on financial planning; and projects to increase insurance penetration. There is need to creatively communicate insurance to the ordinary mwananchi and roll out financial education to the masses

Previous studies have been done on strategic response of firms to the changes in the environment. Success, which is the survival and prosperity of any organization, depends on how the organization relates to the environment. Strategy is a link between an organization and its environment and must be consistent with the goals, values, the external environment, resources, organizational structure and system (Ansoff & Mcdonell 1990). An organization strategy defines its unique image and provides its purpose and direction to its activities and to the people within and outside the organization (Grant, Jammine & Thomas 1988).

Prescott (1986) concluded that the environment establishes the context in which to evaluate the importance of relationship between strategy and performance. Strategists need to identify sub environment in which the firm are to compete. The influence of environments on firm performance has been one of the central themes in strategy (Porter, 1980). Firms must continuously survey the environment for signs of future discontinuity and potential surprises. They must respond to frequent changes in competitive structure and dynamics. Mpungu (2005) found that AAR responded to changes in the environment by introducing new products, restructuring and enhancing its technology.

Githii (2007) found that Rwathia group of businesses responded to changes in the environment by price adjustments, modernization of their facilities, training, differentiation and diversification. Wairegi (2004) found that life insurance companies responded through such initiatives such as new product development, development of new distribution channels, restructuring, investment in human resource development and computerization of the core business process. Ramona (2008) found that, for Barclays bank of Kenya to remain competitive in the market, it adopted some strategies responses which were offering wide range of products and services, engaging highly skilled staff, automation of business processes, avoiding use of publicity, outsourcing support, advertisements and also reducing operating staff.

The studies agree that organizations must come up with superior strategies in order to remain competitive in the market, but none of them has focused on Old Mutual Kenya Company Limited and therefore this study will seek to address and bridge this gap by focusing on strategic responses by Old Mutual Kenya to the dynamic business environment. What are the changes in the business environment affecting insurance companies in Kenya? How has Old Mutual Kenya responded to changes in the dynamic business environment?

1.3 Research Objectives

The study was guided by the following objectives:-

1.3.1 General Objective

To determine the changes in the business environment affecting insurance companies in Kenya.

1.3.2 Specific Objective

To determine what kind of strategic responses Old Mutual Kenya insurance company limited has been applying to changes in the business environment.

1.4 Value of the study

The insurance Industry in the recent past is facing challenges key among them being negative market sentiments following closure of at least five insurance companies due to insolvency. Therefore for any insurance company operating in Kenya to succeed it must develop strategies that are of value to customers. This study will benefit the management of insurance companies as it will empower them to develop focused strategies. The study will help Old Mutual Kenya insurance company and other players in the industry realize how to deal with the threats posed by the changes in the business environment and changes in the insurance industry in Kenya by coming up with better strategic responses which will help them grab any available opportunities , survive and thrive.

Policy makers, regulators and the government will gain an understanding in formulating the appropriate legislations and policies for the industry to the changes in the business environment and can form a basis to partnerships with Kenyan companies to formulate competitive strategic responses which guarantee success in the competitive and dynamic business environment.

The results of this study will be useful to scholars and researchers as a basis for further research. It will contribute to theory building particularly in strategic responses and the dynamic business environment. The findings of this study will enrich existing knowledge. It will provide the required direction on research methodology, literature review and formulation of research objectives and questions.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter will cover both theoretical and empirical literature for the study. It discloses important issues which form the background of this study. The empirical literature will focus on the past findings or studies on organizational responses to dynamic business environment. It discusses both the conceptual and theoretical framework of this study. It addresses the empirical evidence of previous studies on the area of strategic responses of organizations to dynamic business environment. The purpose of the literature review is to convey to the reader what knowledge and ideas have been established on a topic and what their strengths and weaknesses are.

2.2 Theoretical Foundation

The environment is always changing and the survival of organizations will highly depend on their ability to identify potential threats and come up with ways of dealing with them so as to ensure continuity. Organizations must be responsive to the external demands and expectations in order to survive (Meyer and Rowan, 1977). An organizational strategy is a broad based formula on how a business is going to accomplish its mission, what its goals should be, what plans and policies it will need to accomplish these goals. Some aspects of theories are thought of long before they are formally adopted and brought together into the strict framework of an academic theory.

Chaos theory provides a useful theoretical framework for understanding the dynamic evolution of industries and the complex interactions among industry actors. It is argued that industries can be conceptualized and modeled as complex, dynamic systems, which exhibit both unpredictability and underlying order. By understanding industries as complex systems, managers can improve decision making and search for innovative solutions. The business strategy chosen should allow the firm to best exploit its core competencies relative to opportunities in the external environment.

Peters (1987), offers a strategy to help corporations deal with the uncertainty of competitive markets through customer responsiveness, fast-paced innovation, empowering personnel, and most importantly, learning to work within an environment of change. He asserts that we live in a world turned upside down, and survival depends on embracing revolution. This means that business strategies should be just in time, supported by more investment in general knowledge, a large skill repertoire, the ability to do a quick study, trust in intuitions, and sophistication in cutting losses.

The dynamic capability approach focuses attention on the firm's ability to renew its resources in line with changes in its environment. These means that firms with greater dynamic capabilities will outperform firms with smaller dynamic capabilities. Dynamic capabilities help to understand how firms can create and sustain a competitive advantage over other firms by responding to and creating environmental changes (Teece, 2007). According to Helfat et al. (2007), a dynamic capability is "the capacity of an organization to purposefully create, extend, and modify its resource base" (p. 4). The resource-based perspective highlights the need for a fit between the external market context in which a company operates and its internal capabilities.

Resources which are limited are crucial in achieving objectives. How limited resources are used (as opposed to the transformation process of inputs into outputs) has received little attention in the management control literature although it has received more attention in the organizational literature. The opportunity to study how resources are utilized, at least conceptually, is provided by theories of dynamic capabilities which have been developed from the resource based view, largely in the strategic management literature.

Dynamic capabilities (DC) are "the firm's processes that use resources - specifically the processes to integrate, reconfigure, gain and release resources - to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die"(Eisenhardt & Martin, 2000: 1107). The DC literature has identified various research opportunities.

Barreto (2010) argues the need for more research into the internal and external contingencies that enable or inhibit the potential in their DC, while Di Steffano et al. (2010) suggested the complementarities available from a combination of internal and external perspectives on DC. Similarly, Ambrosini & Bowman (2009) called for case studies of how DC are created and the extent to which newly created resources can be attributed to specific DC, luck, or exogenous change.

The resource based view has been a common interest for management researchers and numerous writings could be found for same. A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney and Pandian 1992 cited by Hooley and Greenley 2005, p. 96, Smith and Rupp 2002, p. 48). Resource Based View explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Barney 1999 cited by Finney et al.2004, p. 1722, Makadok 2001, p. 94).

It is fact that a firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare. It is true that not all resources of a firm may contribute to a firm's sustainable competitive advantage. Varying performance between firms is a result of heterogeneity of assets (Lopez 2005, p. 662, Helfat and Peteraf 2003, p. 1004) and RBV is focused on the factors that cause these differences to prevail (Grant 1991, Mahoney and Pandian 1992, cited by Lopez 2005, p. 662).

The essence of the Resource Based Model is that competitive advantage is created when resources that are owned exclusively by the firm are applied to developing unique competencies. First coined by Birger Wernefelt (1984), to advance the idea that strategy of a firm, is a function of the complement of the resources held. The resulting advantage can be sustained due to lack of substitution and imitation by the firm's competitors. Companies are different collections of resources (tangible and intangible assets/capabilities). No two companies are alike in terms of the resources they hold. The resources a company holds determine how well that company perform its activities.

A company will be positioned to succeed if it has the best and most appropriate stock of resources relevant for its business and strategy. Competitive advantage ultimately can be attributed to ownership of valuable resources that enable the company perform its activities better than competitors. Organizational capabilities are defined by the complex combination of assets, people and processes that companies use to transform inputs into

Organization theory tends to examine the relationships in organizations between tasks, social structures, resources, and the environment. This literature summary divides organizations into its modifiable parts such as structure, processes, people and culture so that managers can orchestrate organizational change. Richard Scott, an organization theorist, divides organization theoretical definitions of organization into three schools of thought: namely. classical, human relations, and systems perspectives (Scott, 1998).

The classical school, or rational system, definition of an organization is a group of people who collectively contribute to a formally stated purpose. This school focuses on formal aspects of organizations such as strategy and mission statements, formal structure and authority, resource allocation systems, standard operating procedure, and technical training. The human relations school, or natural system, definition is that an organization is a group of people who, for individual reasons, collectively contribute to an overall purpose. This school focuses on the informal aspects of organization such as politics, culture, motivation, skill, and values.

Both of these schools emerged from the study of bureaucracy and industrialism in the early 20th century. Later, after World War II, scholars began to apply systems analysis to the study of organizations, which acknowledged the influence of organizational environments on organizational behavior and design. Systems analysis or an “open system view” of organizations is that organizations take inputs (information, material and financial resources) from their environments and transform them into outputs.

The open system school stimulated study on organizational environments and associated strategies. As a result, rational and natural system schools began to include environmental factors in their theories. Some experts believe each framework has its own unique value, while other experts tend to emphasize one framework over another. This literature summary divides organizations into parts such as strategy, structure, processes, people, information technology, and resources. The sub-field of organizational design tends to do the same (Daft, 2004). Practical application of organization theory came from efforts to better design industrial organizations in the early 20th century. Much of the early literature for the human relations school came from industrial psychology. For the most part business ignored the practices advocated by the human relations school, and similar conclusions reached by early authorities on business management, until the challenge of Japanese competition.

Previously businesses tended to pay the most attention to command and control structure. As Japanese companies became more competitive, businesses began to adopt policies advocated by business literature and the human relations school. Organizational development, a team-building process, became popular as a way to build social cohesion. American businesses adopted management practices such as total quality management, a management system that drew ideas from how Japanese firms organized.

Most theorists caution that it is a mistake to emphasize one aspect of organizational design over the others. Instead, organizational design, and reorganization as well, should be a purposeful effort to balance all the factors in organizational performance. According to much of the literature, the central purpose of organizations is to allow people to accomplish things with others that they cannot accomplish individually (Drucker, 1946). A common desire within a group to fulfill a collective purpose, even if for different individual reasons, leads to the formal creation of an organization. Members of high performance organizations tend to have shared purpose, values, and goals (Andrews, 1980).

An organizational mission statement or charter often captures these shared goals and values, but their ultimate articulation is through the organization's actions. In turn, values and goals shape an organization's strategy, which is the way an organization fulfills its purpose. Strategy is based on the limitations and possibilities of the external environment and available resources. Strategy can include organizational design, and should according to much of the literature since done well, it can be a source of competitive advantage for the organization (Barney, 1995).

Strategy's influence on organizational design is in the creation, improvement and maintenance of the organization's tasks, and the support of those who perform those tasks (Ghoshal *et al.*, 1995). In shaping an organization's tasks, strategy can help decide how much to decentralize, how to improve customer service units, whether to set higher product standards for quality, how to encourage innovation, or how to preserve, grow, and apply a sense of purpose among the organization's membership.

Strategy-driven tasks that include instilling a sense of purpose are quite important. Thus strategy is not simply planning by top management in a business (Mintzberg, 1994). The more all members of the organization subscribe to the organization's strategy the more likely the strategy will be executed well. Top management usually is assigned responsibility for strategy and organizational design, but ultimately performance depends upon all the organization's members accepting responsibility for their part in its development and execution. Integrating organizational design in the organization's strategy enhances the ability to improve and innovate in every part of its structure, culminating in aggregate results that may be just as consequential as strategic moves decided by the leadership. In fact, some organizational designers argue that good organizational design improves performance even more than great business strategy created by brilliant managers (Galbraith, 1974).

Strategy requires understanding the organization's external environment. Understanding the environment allows organizations to understand externally set limitations and opportunities. The literature often states the need for an organization to determine its links with the environment, whether through acquisition of ownership, strategic alliances, interlocking directorates (cooptation), executive recruitment, or advertising and public relations, political activity, trade associations, or illegitimate activities (Baum, 2002).

As the organization's entire membership –and not just top leadership – should understand the organization's strategy, the organization's entire member also needs a clear assessment of the environment. Members should understand how the environment relates to the whole organization as well as their own individual roles within the organization. Business strategy often stresses product differentiation from the competition; the need to offer a product with a certain "value proposition" for customers. Strategy options for differentiation include low-cost product leadership, unique product leadership, or market dominance through either low-cost or unique product leadership.

Low-cost leadership leads to focus on efficiency. Some business strategists believe low-cost leadership is no longer a viable strategy because it is too easy for competitors to copy the low-cost value proposition. Alternatively, unique product leadership leads to focus on customization and innovation. Among other things, market dominance requires keen market insight and interaction such as business alliances and advertising. In any case, organizational design should reflect the business strategy for product differentiation.

Organizational design literature varies on how much the environment should influence an organization's strategy (Davis *et al.*, 1992), and how much such a strategy should influence organizational design (Miles *et al.*, 1978). Even when environmental factors are held constant, difference in organizational performances are observable. Such differences are attributable to strategy, but also to competent organizational design. In other words, organizational designers have developed insights and principles guidelines for effective performance, both holistically and for the discrete parts of an organization. These principles are discussed in the following sections.

Structure is how an organization divides and coordinates labor. Structure can also reflect an organization's decision-making system and information flow. Contemporary organizational designers warn that no ideal structure exists. The best structural fit depends on the organization's strategy, which includes consideration of its environment and core tasks (Daft, 2004). Modern structural design began with studies of management in the early 20th century as the industrial revolution matured.

Early structural designers recommended a minimum number of superiors in order to avoid confusing subordinates. Specialization referred to the task of a subunit or individual in an organization, usually defined as function, market, or objective. The primary reason for establishing structure was to clarify the division of labor. Early structural designers said that due attention to the three elements of structure would lead to ideal structures for organizations. Even when departments and agencies in the United States do not have a mandate to develop policy, they can be deeply involved in it through their influence with Congress, presidential advisors, and courts. Agencies lack uniform values, and can lead themselves in conflicting directions.

Legal, marketing, and advertising departments served to bridge and/or buffer the environment from company core operations (Thompson, 1967). Much of the contemporary business literature advocates including staff and middle management functions in the core of the organization's various subunits as much as possible (Mintzberg, 1979). This may entail a decrease in middle management and staff and transferring members between line and staff functions through their careers. After World War II, many companies began to use a divisional structure. Sub units, or divisions were organized around products, almost as if a corporate headquarters controlled several autonomous businesses. Companies decentralized with this structure, but only at the top and in some middle management areas. The product-based subunits collaborated very little. Staff would serve to link the units together horizontally.

Later, businesses switched to the matrix structure, in which functional and market subunits would intersect and collaborate as teams. This structure was extremely communication intensive. The matrix structure also violated the unity of command principle. Many heads of the cross-functional subunits found themselves serving two superiors. This structure was also more decentralized. Organizations found they needed to invest energy into shaping organizational culture, and creating supportive career systems and incentives in order to make a matrix structure work. In the mid-1990s, some companies began to change into horizontal structures, in which process and workflow would determine the structure of subunits (Ostroff, 1999). The subunits in this structure became almost autonomous. Each contained cross-functional teams that focused on agility and speed in delivering service to the customer.

The modular organization is one in which various organizations join to pursue a common objective, with each organization taking part through its core competencies. The internet and globalization allowed these organizations to proliferate. Modular organizations risk incompatible standards, and lack unity of command. Most organizations are a combination of structures, which organizational designers call hybrids. Many organizational designers recommend that certain functions such as planning, finance, and research and development remain independent as functional units.

Structure often lends itself to creating vertical sources of power that derive from formal position, resources, control of decision premises, and the expanse of one's network (Pfeffer, 1981). Those who examine organizational politics find that departments gain influence through the extent to which other elements depend upon them, the quantity of resources they control, and the extent to which their contributions cannot be replaced. With increasingly uncertain environments, many businesses are increasing the power of middle managers and lower-level employees, and distributing organizational power in the process. People generally distrust political behavior, but organizations often need political behavior to achieve department and organizational goals. Politics play a role in structural change, management succession, and resource allocation, which can be beneficial. However, organizational designers advise managers to enhance collaboration so that conflict does not become too strong. Managers can enhance collaboration through integration devices, confrontation and negotiation, inter-group consultation, member rotation, shared mission and superordinate goals.

Process is the procedure by which an organization carries out its work (Thompson, 1967). Organizational theory identifies three types of core operational processes – pooled, sequential, and reciprocal. Banks offer an example of pooled operations; they rely heavily on standardized rules and procedures, communication is low, and there is little need for co-location. Pooled operations work well in divisional structures, in which each branch can operate almost completely autonomously. Assembly lines are an example of sequential operations. They rely heavily on plans, schedules and feedback, while using a medium amount of communication and requiring a medium amount of co-location.

Sequential operations work well in task forces, where teams convene from time to time their next courses of action and distribute workload. Hospitals use reciprocal operations, with people accomplishing work through informal and rapid communication, cross-departmental meetings, and a great degree of teamwork. There is a high amount of communication and high need for co-location. Reciprocal operations work well in horizontal structures, in which individuals must respond to each other and the changing environment quickly. The more interdependent a work process, the more workers must feel responsible for group performance. Structural design and work processes play an important part in shaping the mindset of workers.

Pooled operations and divisional structures can lead to workers thinking solely about their formal task and responsibilities. Reciprocal operations and horizontal structures tend to generate concern among workers about the condition of the entire team. Such concern encourages workers to take initiative that exceeds their formally defined tasks and responsibilities. Contemporary literature on organizational design recommends creating supporting structures, processes, and supporting personnel policy to encourage the feeling of interdependence and need for teamwork.

The type of work done by an organization influences process and structure design. In organizational theory, the four major categories of work are routine, craft, engineering, and non-routine. Routine techniques include clerical tasks, sales, drafting, and auditing. Craft techniques include tasks such as performing arts, trades, and fine good manufacturing. Engineering techniques includes legal, accounting, and engineering tasks. Non-routine techniques consist of tasks such as strategic planning, social science, and applied research. These different techniques reflect the level of specialization, training, procedure, formalization, and autonomy that organizations may consider for the different roles they encompass.

2.3 Concept of Strategy and Strategic Response

A strategy is a long term plan of action designed to achieve particular goal most often “winning” (Thompson et al, 2007). Strategy is a deliberate search for a plan of action that will develop a business’s competitive advantage and compound it. For any company, the search is an iterative process that begins with the cognition of where you are and what you have now.

The overall objective of strategy is to create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market and guide the company successfully through all changes in the environment. Johnson *et al.* (2005), defines strategy as 'the direction and scope of an organization over the long-term, which achieves advantage in a changing environment through its configuration of resources with the aim of fulfilling stakeholder expectations'. In its determination of the long-term direction of an organization, strategy involves the interplay of three elements: the organization's external environment, its resources and its objectives (in meeting the expectations of its stakeholders).

Strategy is a deliberate search for a plan of action that will develop a business's competitive advantage and compound it. For any company, the search is an iterative process that begins with the cognition of where you are and what you have now. Your most dangerous competitors are those that are most like you. The differences between a firm and its competitors are the basis of its advantage. If a firm is in business and it is self-supporting, then it already has some kind of advantage, no matter how small or subtle. The objective is to enlarge the scope of the advantage, which can only happen at some other firm's expense (Clayton, C., 1997).

"Strategic management is an ongoing process that assesses the which the company is involved; assesses its competitor's and sets goals and strategies to meet all existing and potential competitors; and then reassess each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, news technology , new competitors, new economic environment or, a new social financial or political environment". (Lamb, 1984). Strategic Management is the Art and Science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives. The main purpose of strategic management is to exploit and create new and different opportunities for tomorrow (David 2009, p.36). The concept of strategic management is very important in today's organizations whose aim is to exceed the needs of its customers who have a choice. It is about attracting and retaining customers and not about gaining 100% market share but being able to survive, make profits and grow.

Strategic management is a combination of three main processes namely; strategy formulation, strategy implementation and strategy evaluation. Strategy development is a multidimensional process that must involve rational analysis and intuition, experience and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process. Without analysis, the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers, to contemporary fads, and the wishful thinking (Henry, 1978).

Ansoff and McDonnell (1990) argue that strategic response encompass changes to the firm’s strategic behavior. Competition in the insurance industry is fierce. And consolidation, globalization and the convergence of services are making it more difficult for insurance companies to survive. Added to that are today’s challenges of responding to such issues as poor economic conditions, poor economic policies and hostile economic legislation, which have led to significant underwriting losses, reduced investment returns and other negative effects. In this volatile business environment, the insurance industry is struggling to find ways to create sustainable value. A firm may alter its strategy to deal with the environmental changes. The strategy-alteration may take any of the forms: slight change in strategy; adopting an entire new strategy; or maintain status quo. Which one would better meet the demands of its competitive business environment depends on the situations that prevail.

Ansoff and Mc Donell (1990) note that strategic responses involve changes to the organization behavior such responses may take many forms depending on the environment in which it operates. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive advantage. Companies react differently to economic environment, some come up with new products, diversification, improved customer care, new IT innovations, and differentiation. To survive in today’s dynamic business environment, a company' management team must be able to react to the changes in the internal and external environment (Meyer and Rowan, 1997).

David (1999) acknowledges that the natural environment has certainly become an important strategic issue which requires conservation by an organization management. Johnson and Scholes Observe in this context that the match is the underlying strategy. Strategic response to competitive environment is the art and science of formulating, implementing and evaluating cross functional decision that will enable an organization to achieve its objectives amid the competitor's existence. It is the business of specifying the organizations objectives, developing policies and plans to achieving the organization's objectives.

Strategic management comes in handy which combine the activities of the various functional areas of a business in achieving organizational objectives. It is the highest level of managerial actively, usually formulated by the board of directors and performed by the organization's Chief executive Officer (CEO) and executive team. Strategic management provides overall direction to the enterprise and it is closely related to the fields of organization studies (Treacy and Wiersema, 1993). Strategic response is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firms objectives (Piearce and Robinson 1997).

According to Collis et al. (1995) concepts, theories and analytic framework are not alternatives or substitutes for experience commitment and creativity. But they do provide useful frames for organizing and assessing the vast amount of information available on the firm and its environment and for guarding decisions, and may even act to stimulate rather than repress creativity and innovation. The benefit of strategy is not just offering simplification and consistency to decision making, but the identification of strategy as the commonality and unity of all the enterprise decisions also permits the application of powerful analytical tools to help companies create and redirect their strategies. Strategy can help the firm establish long term direction in its environment and behavior (Gary & Prahalad, 1993).

Equally important, a strategy serves as a vehicle for achieving consistent decision making across different departments and individuals. Hamel & Prahalad (1989) view organizations as composed of many individuals all of whom are engaged in making decisions that must be coordinated. For strategy to provide such coordination requires that the strategy process acts as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic planning processes of large companies. The shifts of responsibility of strategic planning from corporate planning departments to line managers and the increased emphasis on discussion the businesses and the corporate headquarters (as opposed to the formal approval of written plans) are part of this increased emphasis on strategic planning as a process for achieving coordination and consensus within companies (Buzzell & Gale, 1987).

Strategy is forward looking. A fundamental concern is what the firm (or the individual or the organization more generally) wants to be in the future. Such a view is often made explicit in a statement of company vision. The purpose of such goal setting is not just to establish a direction to guide the formulation of strategy, but also to set aspiration for the company that can create the motivation for outstanding performance. Hamel and Prahalad (1989) argue that a critical ingredient in the strategies of outstandingly successful companies is what they term “strategic intent” or an obsession with achieving leadership within the field of endeavor. Business strategy, which refers to the aggregated operational strategies of single business firm or that of a strategic business unit (SBU) in a diversified corporation, refers to the way in which a firm competes in its chosen arena.

Michael Porter (1980) views corporate strategy, as the overarching strategy of the diversified firm, such corporate strategy answers the questions of “in which business should we compete? “ and ” how does being one business add to the competitive advantage of another portfolio firm as well as the competitive advantage of the corporation as a whole.

Ansoff and McDonnell (1990) note that strategic responses involve changes to the organization behavior. Such responses may take many forms depending on the environment in which it operates. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive advantage. Companies react differently to economic environment, some come up with new products, diversification, improved customer care, new IT innovations, and differentiation. Strategic response is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm’s objectives (Pearce and Robinson, 1997).

Strategic response to competitive environment is the art and science of formulating, implementing and evaluating cross functional decisions that will enable an organization to achieve its objectives amid the competitor's existence. It is the business of specifying the organization's objectives, developing policies and plans to achieving the organization's objectives. Strategic management comes in handy which combine the activities of the various functional areas of a business in achieving organizational objectives. It is the highest level of managerial activity, usually formulated by the board of directors and performed by the organization's chief executive officer (CEO) and the executive team. Strategic management provides overall direction to the enterprise and it is closely related to the fields of organization studies (Treacy and Wiersema, 1993).

Mugabi (2003) revealed that tourist hotels responded to changes in the environment by using restructuring, selective shrinking, marketing and cost management. He noted that this involved re-organizing the organization structures so as to cater for the new changes in the environment. customer desk concept for example has been taken by most organizations as an example of some of the structural changes in the environment. Mpungu (2005) found that AAR responded to changes in the environment by introducing new products, restructuring and enhancing its technology. Githii (2007) found that Rwathia Group of businesses responded to changes in the environment by price adjustments, modernization of their facilities, training, differentiation and diversification.

Wairegi (2004) found that life insurance companies responded through such initiatives such as new product development, development of new distribution channels, restructuring, investment in human resource development and computerization of the core business processes. Ramona (2008) found that, for Barclays Bank of Kenya to remain competitive in the market, it adopted some strategic responses such as offering wide range of products and services, engaging highly skilled staff, automation of business processes, avoiding use of publicity, outsourcing support, advertisements and also reducing operating staff.

Nyamai (2011) established that Jubilee Insurance Ltd responded to economic environment and changes in the Insurance Industry in Kenya through strategic choices which included: new products development, entering new markets, improved customer service, employees' motivation and adoption of state of the art of information technology systems. Since the turn of the millennium, there has been a tendency in some firms to revert to a simpler strategic structure. This is being driven by information technology. It is felt that knowledge management system should be used to share information and create common goals. Strategic divisions are thought to hamper this process (Trigeorgis, 2001)

2.3 Dynamic Business Environment

Selznick (1948) defined the business environment as flows of information relevant to goal setting and decision-making through managerial perceptions. Duncan (1972) defined business environment as the totality of physical and social factors taken into consideration by a firm for making decisions. The business environment is divided into external and internal categories. The internal environment comprises physical and social factors within the boundaries of a firm or industry; the external environment comprises correlating factors existing outside the boundaries of the firm (Duncan, 1972). As such, the external environment refers to phenomena not in control of the firm and is classified into remote and task environments (Dill, 1958; Bourgeois, 1980; Olsen, et al 1998). This environment creates opportunities risks or control for the company.

The business environment can be considered to be in terms of the following layers; macro environment (remote), industry environment and operating environment (micro).The most general layer of the environment is referred to as micro environment. The macro environment consists of broad environmental factors that impact to a greater extent on almost all organizations. The macro environmental influences that might affect organizations can be categorized using PESTEL framework (political, economic, social, technological, environmental and legal). These factors are not independent of each other and when they change they affect the competitive environment (Johnson et al, 2002).

The macro environment might influence the success or failure of an organization's strategies but the impact of these general factors tends to surface in the more immediate environment through changes in the competitive forces on organization. The remote environment comprises factors that originate beyond and usually irrespective of any single firm's operating situation. Asheghian & Ebrahimi (1990) and Grant (1999) argued further that the task environment is the closest environment of the organisation and the elements that made it is influencing the organisation directly. The remote environment is comprised of political, socio-cultural, economic, ecological, and technological categories (Dill, 1958; Thompson, 1967; Olsen, et al1998).

This environment presents firm with opportunities, threats, and constraints; but rarely does a single firm exert any meaningful reciprocal influence. These factors have an indirect influence on the organisation. Daft et al.(1988) and Auster & Choo (1993) opined that factors in the task environment usually create greater and perceived uncertainty to organisations than factors in the general environment. This is because it is believed that the task environment, which is connected with the short-run, is more volatile than the general environment that is connected with the long-run

Acceptance of the Porter (1980) five-forces analytic framework is prevalent in the world of for profit organizations. A key aspect is competition within the industry which is the industry environment. An industry is a group of firms producing the same principal product (Johnson et al, 2002). The five forces framework helps identify the sources of competition in an industry or sector. The five forces framework is composed of threat of entry by potential entrants, bargaining power of buyers, threat of substitutes, bargaining power of suppliers and competitive rivalry within (Porter, 1980).

The operating environment is composed of competitors, customers, suppliers and markets. According to Johnson et al (2002) these are the strategic groups, market segments and the understanding of what customer's value. Strategic groups are organizations within an industry with similar strategic characteristics following similar strategies or competing on similar bases (McGee & Thomas, 1986).

A market segment is a group of customers who have similar needs that are different from customer needs in other parts of the market (Porter, 1985; Kotler et al, 2002). The strategic customer is the person(s) at whom the strategy is primarily addressed because they have the most influence over which goods or services are purchased (Johnson et al,2002).

Ansoff and McDonnell (1990) Strategic success hypothesis is that strategic diagnosis is a systematic approach to determining the changes that have to be made to a firm's strategy and its internal capability in order to assure the firm's success in its future environment. The diagnostic procedure is derived from the strategic success hypothesis. The strategic success hypothesis states that a firm's performance potential is optimum when the following three conditions are met; aggressiveness of the firm's strategic behavior matches the turbulence of its environment, responsiveness of the firm's capability matches the aggressiveness of its strategy and the components of the firm's capability must be supportive of one another. A firm has to match its strategy and supporting capability with the environment to optimize its competitiveness and profitability.

2.4 Strategic Response and Dynamic Business Environment

Businesses must be constantly alert to competitive pressures and adjust their business strategies accordingly. Even the best businesses can be knocked off their pedestals by a new market entrant or a major industry innovation. Companies continue to adjust to their markets by remaining dynamic and changing their strategies as changes in their environments dictate. Ansoff and McDonnell (1990) Strategic success hypothesis is that strategic diagnosis is a systematic approach to determining the changes that have to be made to a firm's strategy and its internal capability in order to assure the firm's success in its future environment. The forces in business environment have impact on the values, goals, technologies, human relations and decision making in business organizations.

Forces in the business environment may act as either opportunities or threats for the business. This implies that it is important or organizations to analyse and evaluate the underlying sources of opportunities and formulate strategies to respond to competitive forces. Once organizations face unfamiliar and changing business environments, they should revisit and revise their operational strategies to match the turbulence and the unpredictable level (Ansoff & McDonnell, 1990). Companies respond differently to the same environmental changes, they respond with different strategies to the same opportunities (Greenstein, 2001). Strategic responses involve large amounts of resources and decisions relating to them usually made at corporate and business level (Byars, 1991). The Organization therefore, has to harness both its intangible and tangible assets to maintain strategic fit in its environment and strategy.

Strategic response to competitive environment is the art and art of for formulating, implementing and evaluating cross functional decision that will enable an organization to achieve its objectives amid the competitor’s existence. It is the business of specifying the organizations objectives, developing policies and plans to achieving the organization’s objectives. Gone are the days when companies could develop 10-year strategic plans and put them on the shelf. Today's businesses need plans and strategies that are more dynamic and that serve as living documents to guide the organization's practices on an ongoing basis for success. A formal annual plan update is common, but a business should continually monitor its plan and performance and be able to make informed decisions on the next steps.

Dynamic business strategies require businesses to pay close attention to a variety of sources, both from business operations (sales data, for instance) and stakeholders (customers). Monitor your environment and put processes in place to collect, aggregate, analyze and react to information from various sources, both inside and outside your company. In selecting strategic response a firm can choose, depending on its internal capability between three generic competitive strategies namely; cost leadership, differentiation and focus. Organizations can respond using product-market scope strategies. A company may use the penetration strategy when internal factors show strength in the present product and the external factors show continuous market opportunity and management has relative low risk orientations.

New product development strategy is used when the external factors suggest that the market is saturated or that stronger competition or other threats to market exist and the internal factors show weakness in distribution or strength in product development. New market development strategy may be adopted when internal factors suggest adding markets for existing products due to greater distribution strengths but production or product development weakness (Jauch & Glueck, 1998).

2.5 Research Gaps

The above studies suggest a set of hypotheses that may be tested empirically. Although these studies are consistent with the results of past studies, their specific predictions need to be investigated. As a metric for assessing environmental change impact on organization strategies, we may look to the variable of perceived environmental uncertainty. Several strategic responses studies have operationalized way of responding to the dynamic business environment by measuring subjects' responses to changes in the environment.

Ansoff and Mc Donell (1990) note that strategic responses involve changes to the organization behavior such responses may take many forms depending on the environment in which it operates. Mugabi (2003) revealed that tourist hotels responded to changes in the environment by using restructuring, selective shrinking, marketing and cost management. Mpungu (2005) found that AAR responded to changes in the environment by introducing new products, restructuring and enhancing its technology.

Githii (2007) found that Rwathia group of businesses responded to changes in the environment by price adjustments, modernization of their facilities, training, differentiation and diversification. Wairegi (2004) found that life insurance companies responded through such initiatives such as new product development, development of new distribution channels such restructuring, investment in human resource development and computerization of the core business process.

In summary, the model of strategic responses presented here offers a deeper understanding of the study through detailed analysis of Old Mutual Kenya Limited. It is not only unique in terms of the context but also in time perspective. Different changes occur in the business environment in different time frames and this calls for different tactics by organizations in order to survive. Adapting to major environmental change is an important challenge to organizations and how organizations evolve and adapt to changing environments has being a prominent theme in organizations and strategy research (March, 1991; Levinthal & March, 1993).

A long stream of research suggest that routines give rise to inertia and constrain non-incremental organizational changes required to respond to radical environmental change (Tushman & Romanelli, 1985; Leonard-Barton, 1992). But recently research on dynamic capabilities highlights the potential routines to spur organizational change and innovation (Eisenhardt and Martin, 2000; Zollo and Winter, 2002).

Smart, C & Vertinsky (2006) carried out a study on corporate responses to crises, This study examined the relationship between the type of business environment in which the firm operates and the repertoire of strategic responses the firm develops to cope with crises. The findings suggest that an executive's propensity to adopt a particular strategic posture depends on his perceptions of how well his firm can control its environment and on the costs of introducing change in the organization. Zajac and Kraaz (2007) in their study examined the environmental and organizational forces, counter-forces, and performance consequences of strategic restructuring in the higher education industry. The results suggest that contrary to ecological predictions, restructuring is a predictable, common, and performance enhancing response to changing environmental conditions.

Preffer and Salancik (1978) propose that through its influence on the distribution of power and control within organizations, the environment affects the selection and removal of top executives; changes in the environment tend to encourage the selection of top-level managers more appropriate for the new environment. Mahon and Murray (1981) coherently argued that the transition from a regulated to a deregulated environment involves dramatic environmental changes for a firm and its managers.

Both Thompson (1967) and Pfeffer and Salancik (1978) believe, however, that the influence of environment alterations on changes in the dominant coalition may be constrained or delayed by current top managers using their institutionalized power base to hold onto their positions. Davis (1951) noted that "it is evident that leadership requirements (skills necessary) must change radically with fundamental changes in the leadership situation. He also noted that economic changes associated with changing business conditions are usually accomplished by considerable executive change.

Miller et al. (1982) found that firms operating in dynamic environments tended to be managed by executives with internal locus of control. In explaining their results, they discuss the influence of managerial requirements .Dynamic environments may require that firms be run by internal executives. They demand innovative and bold strategies that are most likely to be forthcoming from executives who are confident about their abilities to control the destiny of their firms.

Guthrie and Olian (1991) found that instability in business units' product markets was associated with the propensity for parent corporations to hire "outsider" GMS. Although not studying organizational tenure level per se, Osborn et al, (1981) empirically related frequency of CEO succession with dimensions of environmental volatility. Another top-management characteristic that may be important in facilitating alignment with environmental contingencies is level of education. Hambrick and Mason (1984) maintain that education level is an indicator of a manager's knowledge, skill and propensity toward innovation.

Kimberly and Evanisko (1981) found that administrators with higher levels of education were most likely to adopt technological (new production/process technology) and administrative (new information system technology) innovations. Managers with higher levels of education may be exhaustive in their information search activities, yielding a richer information set for formulating strategic decisions (Hambrick and Mason, 1984). This ability or skill will be more valuable in the competitive environment associated with deregulation.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter will set out various stages that were followed in completing the study of strategic responses to dynamic business environment by Old Mutual Kenya Limited. The following subsections are included; research design, data collection, respondents and data analysis.

3.2 Research Design

The research adopted a case study design which is suitable in situations where questions such as how, why and what are investigated on a certain phenomenon to give facts of the situation as it is, without interference with by the researcher. This design is where background, development, current conditions and environmental interactions of one or more individuals, groups, communities, businesses or institutions is observed, recorded and analyzed for stages of patterns in relation to internal and external influences.

This design was considered appropriate since only Old Mutual Kenya Limited was used for the study on how it responds to the dynamic business environment. It was also appropriate because an in-depth and comprehensive inquiry was conducted to have in-depth description of the subject under study.

3.3 Data Collection

This study focused on primary data which is facts, assumptions or premises obtained directly from the field. It is data being collected for the first time and has never being used anywhere else. Primary data was collected through a semi-structured questionnaire. The interview guide was developed by use of relevant literature review and personal perception. The interview guide consisted of open ended questions.

The respondents for the study were the Chief Executive Officer ((CEO), and the Departmental heads of Old Mutual Kenya Limited. The study targeted these employees since in deciding what response to adopt in a given challenging situation; it is these employees who are fully involved from start to finish. The Chief Executive Officer (CEO) and the Departmental heads are 7.

3.4 Data Analysis

The qualitative data collected was analyzed using content analysis technique. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. According to Kothari (2000), content analysis uses a set of categorization for making valid and replicable inferences from data to their context.

The responses from different respondents were compared and summarized according to the objectives of the study. Once the responses were received, the Interview Guide was edited for completeness and consistency before processing. Thereafter, the data was coded to facilitate categorization. The data collected on the strategic responses was analyzed qualitatively on the basis of the strategic variables highlighted. Content analysis was used in analyzing the in-dept qualitative data that was collected.

Content analysis was the best method of analyzing the open ended questions because of its flexibility and allows for objective, systematic and quantitative description of the content of communication (Cooper and Schindler, 2006). This technique has been successfully used by other scholars such as Nyamai 2011, Kilonzi 2012, Kiptugen 2003 and Ramona 2008.

CHAPTER FOUR
DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents data analysis, results and discussions of the study as set out in the research methodology. The study objectives were to establish the changes in the business environment affecting insurance industries in Kenya and the strategic response to changing business environment by OMK limited in Kenya. The data was thereafter analyzed based on the objectives of the study**.** Content analysis was used in analyzing the in-depth qualitative data that had been collected.

4.2 The Interviewees

The interviewees in this study were Chief Executive Officer, Head of Marketing, Head of Finance, Head of Human Resources, Head of Risk and Legal, Head of ICT and Chief Operations Officer at OMK Ltd who are involved in the formulation and implementation of the strategic responses that were the subject of the study. The strategic areas of response were Marketing Strategies, Information Technology Strategies, Human Resources Strategies, strategic acquisitions, Distribution Strategies and Customer Service Strategies to changes in the Insurance Industry in Kenya.

Majority of the interviewees have held senior management positions at OMK Ltd for over five years. The rest were new entrants both from within and outside the Insurance Industry. Thus, their contributions to the strategic responses by OMK Ltd to changes in the Insurance Industry in Kenya are drawn from a broad reservoir of experience, diversity, professionalism and knowledge.

4.3 Changes in Business Environment affecting Insurance Industry in Kenya

This section aimed at identifying the main insurance industry factors that have affected the operations of OMK Limited. The following factors were considered to have greatly affected the insurance’s operations.

4.3.1 Enonomic Changes

Raising the Cost of living was cited as one of the major issues affecting the insurance industry in Kenya. The country's economic performance is dismal characterized by spiraling inflation and a volatile shilling. The high inflation was attributed to the persistence of high food and fuel prices and the weakening of the international value of the Kenya Shilling. Rise in inflation erodes the purchasing power of consumers leading to reduced rate of insurance uptake.

The economy, whether it is doing poorly or well, affects the insurance business just like it does any other business. Respondents agreed that since insurance companies make money by investing premium payments, the economy can greatly impact an insurance business. Respondents agreed that negative impact on the economy was evident through high rates of inflation and hence Kenyans cannot afford to buy insurance products. Foreign exchange rates continue to be high. High interest rates also continue thus affecting the insurance industry negatively hence reducing the rates of penetration to new market segments.

Respondents stated that Kenyan Insurance companies invest premiums in dividend-paying stocks, mortgage-backed securities, real estate and financial institutions, such as banks, all of which are vulnerable to economic changes. Respondents agreed that when the economy is doing well, investment returns will increase and insurance companies may be more likely to accept a claim. The respondents at the same time cited that when investment returns diminish in a down economy, insurance companies need to make the lost money back somehow, sometimes by taking out loans or by scrutinizing claims more closely and denying claims. An insurance company might even litigate a claim in hopes of delaying or decreasing the amount that it needs to pay, which might cause significant hardship to a small businesses and individuals.

Respondents also agreed that when the economy is down, fewer small businesses and individuals have extra money to spend on insurance. This means the demand for insurance is down and providers have to compete more with one another. As the financial landscape changes, insurance companies that hope to survive have to change also. This means altering their business models. For example, insurance companies may consolidate, just as many banks have, to better manage risk. Insurance companies will also have to change their investment strategies. This includes re-evaluating acceptable equity risk and changing credit evaluation procedures. Companies will also have to look into new investment opportunities to make up for formerly stable investments that are no longer trustworthy.

4.3.2 Advancement in Technology

Advancement in technology is another major change affecting the Insurance industry in Kenya. This poses new opportunities for marketing, product innovation, improved customer service and new, efficient ways of doing things. Changes in technology such as e-mobile, mobile, wifi internet and website marketing also led to adaptation of insurance companies to change in relation to changing times. The research findings indicate the use of mobile technology through Mpesa is on the rise. Pesa Point and direct debits are other money transfer options. New players in the insurance industry have become change agents, especially because these competitors are aggressive and employ new approaches to courting customers or creating products.

The insurance company is also affected by optic fiber networking technology and voice over internet (VOIP) through internet protocol telephony (IPT) whose aim is to reduce calling costs. Players in the industry have continued to use technology that is tried and tested in the market for applications and operating systems. To support this agile approach to technology, companies have developed an ICT strategies that ensures they realize their vision in the most efficient, consistent and cost effective way.

4.3.3 Competition

Competition was a major issue which was found to originate from the existing competitors and new entrants. Some of the insurance industry players were found to utilize unethical ways and methods to win customers. Such practices included price undercutting, propaganda and customer incentives. The Kenyan Insurance industry has over 47 insurance companies all competing for the same customer all over the country. Competition in the industry was also increased by firms which were not full insurance firms that are now converted to fully-pledged insurance firms such as AAR and Resolution Health.

At the same time substitute products from non-insurance firms such as banks, the NHIF and NSSf resulted to a competitive run for the industry. The banks offer secure and trusted investment opportunities and most Kenyans prefer depositing their funds in banks as compared to taking insurance products. Similarly, NHIF has now entered into direct competition with insurance companies offering medical illness products. The ministry is in the process of increasing NHIF contributions for workers and employees. This means that most Kenyan will join NHIF as opposed to buying medical illness policies form insurance companies.

4.3.4 Changing Customer Expectations

Today's customers are becoming increasingly aware of their consumer rights and existence of a wide selection of financial service providers in Kenya. To address the ever changing customer needs and preferences, organizations to provide superior and quality products and services that meet customer expectations through efficient and timely service delivery, integrity, friendly and personalized approach, flexibility, and value pricing.

Modern Kenyan Customers were found to be interested in one stop shop, variety products, faster services and personalized attention. The customers in Kenya were characterized as very choosy and more important to note is the fact they have a choice and will always get their products and services form the organizations which they deem to offer an extra value.

4.3.5 Changing Employee Expectations

Employee expectations in the insurance industry were cited by the respondents as an issue which is also affecting the insurance industry just like any other industry. Organizations have taken proactive measures to bridge the gap between employee demands and Human Resource Department's level of satisfying them.

Employees today demand more attention. Flexible working hours and better compensation terms are on top of the list. Nowadays it is hard to find employers who do not offer medical services to the relatives of the employees and this comes with an extra premium to be paid by the employers. Insurance companies have to comply with such conditions in order to attract highly skilled personnel.

4.3.6 Government Regulations and Political Instability

The study found out that the respondents strongly agreed that there are several legislative and taxation changes made in recent years that have had an impact on the Kenyan insurance industry. These include increase in the minimum capital requirements for insurers, increase in the solvency margin for long term insurers, introduction of 'cash and carry' rules which will require that insurers shall assume risk upon receipt of the premium, relaxation of investment limits for general insurers, introduction of penalties on late settled claims, change in the rules on taxation of long term insurance business and taxation of dividend income earned by a financial institution. There was entry of new competitors due to liberalization of the economy and government regulation.

Political instability was also identified as a major challenge insurance industry and hefty claims were paid due to the post-election violence. Kenya has been rated among African countries with the highest risk for insurers, pointing yet to another challenge that East Africa's largest economy faces in its quest to attract investment. One is not able to predict how the political environment will look tomorrow due to increased terrorist attacks, money laundering and widespread corruption. These issues mean that investors coming to Kenya must take additional measures to shield themselves against abnormal risks resulting from political instability and terrorist attacks to protect their businesses. Respondents also agreed that crimes against humanity charges facing President Uhuru Kenyatta and his deputy, William Ruto at the ICC constitute another layer of political instability risk.

4.3.7 Insurance Fraud

The respondents also cited magnitude losses through fraudulent claims as a major challenge affecting the insurance Industry in Kenya. Insurance fraud is a major crime that imposes significant financial and personal costs on individuals, businesses, government and society as a whole. Fraud is widespread and growing. Insurance swindles victimize people from virtually every race, income, age, education level and region of the world. Insurance fraud is an economic crime costing individuals, business and government billions of dollars a year. But fraud also is a violent crime that can involve murder, personal injury and serious property damage.

Insurance fraud also imposes other personal costs such as disrupted lives and families, humiliation and depression, lost jobs and bankruptcy. Significant fraudulent claims are made annually across the world and most of these fraudulent claims go undetected and unreported. Fraud contributes to higher insurance premiums because insurance companies generally must pass the costs of bogus claims and of fighting fraud onto policyholders. This contributes to a premium spiral that can price essential insurance coverage, often required by state law, beyond the reach of many consumers and businesses. Businesses must also pass the cost of rising insurance premiums onto their customers by raising prices for goods and services. People’s health, lives and property are often endangered by insurance fraud schemes.

Fraudulent claims also lead to lost personal income and savings. Many insurance fraud schemes steal money directly from policyholders. The varied schemes can cost people from a few dollars to their entire life savings. Some fraud schemes can cost people their jobs. Convicted swindler Martin Frankel gained control of a small life insurance company called Franklin American and secretly siphoned the company’s assets into his own accounts. This sent the company into bankruptcy, costing hundreds of employees their jobs.

Fighting insurance fraud is a major expense for federal, state and local governments. This dilutes the nation’s overall anti-crime efforts by diverting often-limited government resources needed to fight other crimes. Insurance fraud also can impose large personal costs on its victims. Many victims feel embarrassed, humiliated and even violated. Often their lives and families also are disrupted for long periods of time. Many must recover from serious financial losses or fraud-related physical injuries. Victims also may have to recover or replace property that was stolen, damaged or destroyed by schemes. Many victims also must spend considerable assisting law enforcement and prosecutors as material witnesses.

4.4 Strategic Responses to Change in Dynamic Business Environment

The business environment for insurance industry in Kenya has changed continuously and the researcher wanted to know the strategic responses that Old Mutual Kenya has adopted to deal with the situation. The respondents gave a number of strategic responses. One such the strategic responses was continous improvement of products characteristics and deveopment of new products through the use technology. There has also being automation of processes to improve efficiencies especially in processing customer claims and other business processes.

To date OMK is viewed as one of the most technologically advanced insurance companies in East Africa. It was among the first insurance companies to integrate its customer accounts with Safaricom's M-PESA mobile money transfer service in 2008. The insurance was also among the first insurance companies in Kenya to adopt online/internet deposit platforms. The insurance company has also adopted the optic fiber networking technology and voice over internet (VOIP) through internet protocol telephony (IPT) in order to reduce calling costs. The insurance has continued to use technology that is tried and tested in the market for applications and operating systems. To support this agile approach to technology, the insurance company has developed an ICT strategy that ensures it realizes its vision in the most efficient, consistent and cost effective way.

Presence in social media like Twitter and Facebook is also among the strategic responses by OMK to changes in dynamic business environment. This has enabled OMK create an effective online profile which is used to connect with the communities and existing and potential clients. OMK is consistent in social media participation which absolutely necessary for success and takes time to build a loyal fan base and reputation. OMK's strong, professional and engaging social media presence adds to its credibility. It's reach has expanded beyond the number of fans, followers and connections it has as they share OMK's content, products and services within their circles.

The roll out of i-invest a mobile platform which provides access to Unit Trust products suited for different groups of customers is another strategic response by OMK to the changing business environment. i-INVEST is a unit trust product from Old Mutual that is available primarily on the mobile phone. All transactions can be carried out without having to visit an Old Mutual office except when closing the account. i-INVEST offers an investor a platform to register and manage a unit trust account from the convenience of their mobile phone. The mobile unit trust account functions like the conventional unit trust account in Kenya except that all instructions given can be submitted and processed over the Kenyan registered mobile phone anywhere in Kenya (convenience). i-invest in Kenya enables the client to register, invest, withdraw, and switch between selected funds and change information.

There has being projects and investment in IT infrastructure improvement, business process improvement, human resources management, financial management and knowledge management. To improve on connectivity, all obsolete network equipment has been replaced. Reliability of network services has improved with reduced network outages. Some manual processes have been automated, while new functionality has been introduced which supports new financial products offered by the insurance Company. The financial reporting has been enhanced, improving financial management and risk mitigation. Implementation of a technical upgrade of Great Planes the financial system used at OMK is in the pipeline. Innovation & Transformation comprising the provision of external value-added services from the company for its customers as well as the internal revitalization of the IT organization to a more agile posture have being embraced.

Strategic acquistions have also been formed, for example, OMK recently acquired a controlling stake in Faulu Kenya, a Micro Finance bank after meeting regulatory approvals. This offered it a piece of Kenya's banking business and deepened its financial supermarket model, which includes trading shares, selling insurance products and offering loans. This deal confirms OMK commitment of availing affordable insurance products to millions of Kenyans through strategic partners like Faulu whose fast expanding branch network creates an excellent distribution channel. The new strategic alliance fits into Old Mutual's global ambitious growth plan of becoming a leading financial supermarket.

Old Mutual Kenya also made entry into stockbroking by acquiring Reliable Securities to give it huge impetus to the recuperating equities market. The investment by OMK in Reliable Securities gave it the much-sought ticket to directly participate in trading at the Nairobi Stock NSE. OMK is now better positioned to market its collective investment schemes (unit trusts) to a larger huge pool of retail investors. The deal was also aimed at lifting earnings by between 20 and 30 per cent. Reliable Securities is one of the oldest stockbrokers in the country with agents spread across the country. The broker also has a presence in selected Nakumatt Supermarket branches.

Old Mutual intended to exploit this heritage to diversify its market presence by tapping into the informal sector (Jua Kali), whose potential has largely remained untapped. The broker underwent a three-month integration process after which it will acquired a new name Old Mutual Securities and fresh capital to bolster its muscle in stockbroking. Huge initial cost outlays on investor education and designing of the right type of financial products were cited as some of the roadblocks to firms seeking to penetrate this market Stock Broking segment.

There have been many brand campaigns in line with the company's strategy to improve on its brand image accross the country. The most recent compaign is the compaign dammed the questions compaign whose aim is to increase insurance awareness to Kenyans. These compaigns have being rolled out through television shows, radios and road shows to create awareness of Old Mutual products and services, as well as informing customers the gains of insurance products uptake.

The respondents further indicated that there has been employment of more customer service staff to ensure more accessibility to customer service by the customers. OMK understands excellent customer service requires training that constantly reinforces the message that customers always come first and hence they constantly train their staff customer service skills. They start with the little things, such as a standard way of politely greeting people on the phone or online. Another strategy is staying in touch with its customers through emails, SMS, newsletters, social media and phone calls which are all effective ways to deliver news about products and special promotions.

OMK customer service staff is always sure to send thank-you note after a customer makes a major purchase, inviting them to contact them with questions, feedback, or to discuss additional requests. They focus on letting customers know that they can solve their problems and meet their needs. OMK has also employed Know Your Customer, customer service strategy. It has implemented a Simple Web-based customer relationship management software applications which helps in sorting and analyzing data to uncover useful information. It assists in tracking OMK's customer interactions and helps them identify their best customers, as well as those who have stopped visiting their business and need to be lured back.

Old Mutual has also opened branches in major towns in Kenya to ensure better availability and accessibility to the customers. The branches are strategically located across major towns in Kenya including Nairobi, Mombasa, Machakos, Nakuru, Nyeri, Kisumu, Eldoret, Bungoma, Kisii, Nyeri and Meru. This is to align with changing consumer and economic realities and to position itself for the future. Faulu Kenya, The micro lender acquired by OMK has more than 100 outlets, including 31 bank branches spread across 44 of Kenya's 47 counties, offering Old Mutual a wider presence to sell insurance products in a process dubbed bancassurance.

The OMK's vision is to be our customers' most trusted partner - passionate about helping them achieve their lifetime financial goals. The insurance company recognizes that today's customer is becoming increasingly aware of their consumer rights and existence of a wide selection of financial service providers in Kenya. To address the ever changing customer needs and preferences, the insurance company has institutionalized a culture of providing superior and quality products and services that meet customer expectations through efficient and timely service delivery, integrity, friendly and personalized approach, flexibility, value pricing; and being the preferred service provider. The customer preferences and tastes changes also called on OMK to change. Modern Kenyan Customers were found to be interested in one stop shop, variety insurance products, faster services and personalized attention.

By recognizing that employee expectations in the insurance industry are ever changing, OMK insurance has taken proactive measures to bridge the gap between employee demands and Human Resource Department's level of satisfying them. One such initiative was the implementation of a Human Resource Management System (HRMS) in 2009 that seamlessly integrates the core human resource functions of recruitment, performance contracting, leave management, career development and payroll processing. Another measure to changing employee expectations is Group Life cover and provision of medical cover which is expended to the immediate relatives of employees.

Finally, the respondents cited a recent change of the organizational structure to ensure better management and cost saving as another effort in strategic response by the company. When asked to indicate the areas that have been affected by the strategic responses adopted respondents were also quick to note that these strategic responses have been effective. However, they indicated retrenchment resulting from adoption of a leaner organization structure was negatively perceived by employees and this resulted in to high turnover in the organization as they was thought to recur in future.

4.5 Discussions

The general objective of the researcher's study was to identify the changes in the business environment affecting the insurance companies in Kenya. In line with this and based on other studies discussed in the researcher's literature review, it is evident that the environment is always changing and the survival of organizations will highly depend on an organization's ability to identify potential threats and come up with ways of dealing with them so as to ensure success and survival. Aosa (1998) noted that in changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities as failure to do this may put the future of the organization in jeopardy.

Rono (2013) notes there are forces that are driving the rate of change. These included; competition, customers, technology, and change of customers' tastes and preferences which is significant over time and there is need for willingness within organizations to challenge methods and assumptions to meet their customers' ever changing demands. The two findings are in line with the results of this study that changes in the business environment which affect organizations are changes in technology, changes in customer tastes and preferences, political changes and economic changes. Kilonzi (2012) identifies changes such as Government policies, competition and advancement in technology as some the changes in the environment affecting the banking industry in Kenya

The dynamic capability approach focuses attention on the firm's ability to renew its resources in line with changes in its environment. These means that firms with greater dynamic capabilities will outperform firms with smaller dynamic capabilities. Dynamic capabilities help to understand how firms can create and sustain a competitive advantage over other firms by responding to and creating environmental changes (Teece, 2007). The findings of this study agree with the dynamic capability approach that organizations resources are critical in achieving an organization's objectives and aligning such resources to respond to threats and opportunities posed by the environment is necessary if organizations must succeed and stand the taste of time. To survive in today's business environment, a company's management team must be able a react to the changes in the internal and external environment (Meyer and Rowan, 1997).

In line with this specific objective of this study to identify the strategic responses by Old Mutual Kenya to the changes in the business environment, the respondents cited continuous improvement of products and development of new products as a major response that OMK has adopted. Other responses included automation of manual processes and efficient ways of doing things. Strategic acquisitions of Faulu Kenya and Old Mutual Securities have also gone a long way to help OMK attain its goal of becoming a financial services supermarket to its customers. Githii (2007) found that Rwathia group of businesses responded to changes in the environment by price adjustments, modernization of their facilities, training, differentiation and diversification. Other strategic responses by OMK included embracing of mobile technology which has led to the development of the i-Invest mobile distribution plat form for Old Mutual Unit Trust products.

Wairegi (2004) found that life insurance companies responded through such initiatives such as new product development, development of new distribution channels such restructuring, investment in human resource development and computerization of the core business process. In summary, the strategic responses established by this study indicate are in agreement with other strategic responses identified by other scholars in their studies. Different changes occur in the business environment in different time frames and this call for different tactics by organizations in order to survive. Organizations can only ignore changes in the business environment at their own peril.

Respondents of this study were found to be professionals and experienced in their areas of operations. As Kimberly and Evanisko (1981) found that administrators with higher levels of education were most likely to adopt technological (new production/process technology) and administrative (new information system technology) innovations, It is evident that organizations need competent human resources to enable them to respond to changes in the environment effectively. It is evident that managers with higher levels of education may be exhaustive in their information search activities, yielding richer information set for formulating strategic decisions (Hambrick and Mason, 1984). Old Mutual has also invested heavily in marketing. Respondents cited TV and radio campaigns, bill boards advertising and road shows as some of the responses adopted by the organization to counter competition which was identified as a major threat affecting the company.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary the summary of key findings, conclusions drawn from the findings and recommendations. This chapter summarizes the whole study. The conclusion and recommendations are made in line with the research question and objectives. The chapter is thus outlined into summary of the findings, conclusions, recommendations, limitations of the study and suggestions for further research.

5.2 Summary of the Study

All organizations need to strategically analyze and respond to changes in the business environment in order to survive and Old Mutual Kenya is not an exception. In line with this, this study sought to determine the strategic responses by Old Mutual Kenya Limited to the dynamic business environment. The researcher interviewed six functional heads and the Chief Executive Officer of Old Mutual Kenya Limited in order to achieve the objective of the study. The interviewees were both male and female and majority of them had worked in the company for more than 5 years.

The study sought to answer the following questions; what are the changes in the business environment affecting insurance companies in Kenya? How has Old Mutual Kenya responded to changes in the dynamic business environment? The specific objective of the study was to determine the strategic responses by Old Mutual Kenya Limited to the dynamic business environment. Content analysis was done for qualitative data and then results were presented in narrative format. From the findings, the researcher confirmed that the Insurance industry is numerously affected by changes in the business environment. The study further confirmed that Old Mutual Kenya had implemented strategic responses in order to cope with the changes in the business environment and remain competitive and successful.

5.2.1 Changes in the Business Environment Affecting Insurance Companies in Kenya

Business environment is very dynamic and as such it changes at a very high rate. These changes pose both opportunities and threats for organizations and thus there is need to constantly analyze what is happening then formulate and implements strategic responses to mitigate the threats and take advantage of the opportunities. Competition was a major issue which was found to originate from the existing competitors and new entrants. Some of the insurance industry players were found to utilize unethical ways and methods to win customers. Such practices included price undercutting, propaganda and customer incentives. The Kenyan Insurance industry has over 47 insurance companies all competing for the same customer all over the country. Competition in the industry was also increased by firms which were not full insurance firms that are now converted to fully-pledged insurance firms such as AAR and Resolution Health.

Another major threat is in relation to economic changes. The economy, whether it is doing poorly or well, affects the insurance business just like it does any other business. Respondents agreed that since insurance companies make money by investing premium payments, the economy can greatly impact an insurance business. Respondents agreed that negative impact on the economy was evident through high rates of inflation and hence Kenyans cannot afford to buy insurance products. Foreign exchange rates continue to be high. High interest rates also continue thus affecting the insurance industry negatively hence reducing the rates of penetration to new market segments.

Advancement in technology is another major change affecting the Insurance industry in Kenya. This poses new opportunities for marketing, product innovation, improved customer service and new, efficient ways of doing things. Changes in technology such as e-mobile, mobile, wifi internet and website marketing also led to adaptation of insurance companies to change in relation to changing times. The research findings indicate the use of mobile technology through Mpesa is on the rise. Pesa Point and direct debits are other money transfer options. New players in the insurance industry have become change agents, especially because these competitors are aggressive and employ new approaches to courting customers or creating products.

Employee expectations in the insurance industry were cited by the respondents as an issue which is also affecting the insurance industry just like any other industry. Organizations have taken proactive measures to bridge the gap between employee demands and Human Resource Department's level of satisfying them. In addition to this was changing customer tastes and preferences. Today's customers are becoming increasingly aware of their consumer rights and existence of a wide selection of financial service providers in Kenya. To address the ever changing customer needs and preferences, organizations to provide superior and quality products and services that meet customer expectations through efficient and timely service delivery, integrity, friendly and personalized approach, flexibility, and value pricing.

The respondents also cited magnitude losses through fraudulent claims as a major challenge affecting the insurance Industry in Kenya. Insurance fraud is a major crime that imposes significant financial and personal costs on individuals, businesses, government and society as a whole. Fraud is widespread and growing. Insurance swindles victimize people from virtually every race, income, age, education level and region of the world. Insurance fraud is an economic crime costing individuals, business and government billions of dollars a year. But fraud also is a violent crime that can involve murder, personal injury and serious property damage.

Another change cited by respondents was changed in regulation. Insurance regulatory functions can be financial or solvency and market regulation. Beyond these two areas, state insurance departments engage in certain other activities, such as providing consumer information, to facilitate competition and better market outcomes. Respondents agreed that IRA has being very active in educating the public of the importance of insurance.

They at the same time agreed that the financial rules and regulations posed to insurance companies sometimes negatively affect the policyholders where insurance companies have to raise premiums in order to comply with certain financial ratios. Such activities can be important in promoting regulatory objectives and potentially lessening the need for more intrusive regulatory constraints and mandates.

Respondents agreed that protecting policyholders and society in general against excessive insurer insolvency risk is the state primary goal of insurance regulation. Regulators protect policyholders' interests by requiring insurers to meet certain financial standards and to act prudently in managing their affairs.

Respondents agreed that the Insurance Industry in Kenya brings numerous positive contributions to the society, and that a number of pioneering companies in the sector are striving to operate in a more socially responsible way. However it was also evident that the Kenyan Insurance Industry suffers from a negative image in the public opinion. The feedback from responded was that the image of the Kenyan Insurance industry is blurred if not squarely bad. Reasons cited for the bad image of the industry included, the opacity of the insurance business with its misinterpretation and mis-selling practices, the dissatisfaction about the insurance agents' reward system, problems associated with respect for customers' privacy and dilemmas related to the consequences of outsourcing decisions. In addition, the uncovering of recent scandals ranging from bid rigging, price fixing, improver accounting methods, to overstating of earnings are some of practices which have obviously hurt the industry.

Political instability was also identified as a major challenge to insurance industry since hefty claims paid due to post election violence. Kenya has been rated among African countries with the highest risk for insurers, pointing yet to another challenge that East Africa's largest economy faces in its quest to attract investment. Key factor issue identified was changes in the political environment. One is not able to predict how the political environment will look tomorrow due to increased terrorist attacks, money laundering and widespread corruption. These issues mean that investors coming to Kenya must take additional measures to shield themselves against abnormal risks resulting from political instability and terrorist attacks to protect their businesses. Respondents also agreed that crimes against humanity charges facing President Uhuru Kenyatta and his deputy, William Ruto at the ICC constitute another layer of political instability risk.

5.2.2 Strategic Responses by Old Mutual Kenya Limited

OMK has responded to competition threat through the development of new products and products improvements. OMK PPP product is one the innovative strategic initiatives to curb such competition. PPP is a retirement benefits scheme that allows individuals to save regularly to build up their retirement income. PPPs are normally used by self-employed individuals and those on fixed-term employment contracts to build their retirement income. Whilst individuals look forward to retirement from formal employment, most of them are neither saving enough nor starting to save early enough to fund the lifestyle they desire in retirement. OMK PPP can also be used by employees who are already members of an occupational scheme (employer-owned schemes) to augment their retirement savings. OMK PPP can also be used by individuals who change jobs, and are looking to park their past employment pension contributions whilst they join their new employer's retirement scheme. This product is expected to compete with NSSF products.

Another way OMK has put in place to curb completion is aggressive marketing. The company has invested a lot in advertising. It has being running country wide campaigns on TV radio and strategically placed eye catchy bill boards. Recently OMK embarked on a countrywide campaign targeted at empowering Kenyans of all cadres to better invest and secure their future. The need for increased financial education continues to drive local financial and insurance institutions to design strategies aimed at persuading Kenyans to better invest and save their earnings. Took the of form of road shows and conference engagements in various regions in the country, saw the firm's financial advisors train community members on calculated investing while demystifying myths around insurance. The organization had equally employed the use more agents and brokers to market their products.

Diversification is another strategic response adopted by OMK. Inline the company's vision to be customer's most trusted savings and wealth management partner in East Africa and mission that through understanding and meeting its customers' needs, that they will profitably expand their market for wealth accumulation and protection in Kenya, OMK has acquired Old Mutual Securities and Micro Finance bank Faulu Kenya. This means that OMK is aiming towards becoming a financial super market for it's customers and they will get whatever they need in a one stop shop. Old Mutual

Securities gave the company presence in the stock exchange industry which makes it better for the company to invest its corporate and individual client funds in the stock market and also improves on the revenues and profitability of the firm. Faulu Kenya on the hand gave the company presence in the banking industry. It is expected to laverage on the bank's present branch network to market its products country wide. This will also mean croselling of insurance products to the bank customers is made possible.

OMK has also embraced technology positively. Mobile technology has made it possible to distribute the organization's unit trust products. I-invest enables clients to open and perform all unit trust related transactions on the mobile phone thus offering convience. Mobile technoly has also played a role in marketing the organization's products to existing customers. In addition to this customers are able to make their policy deposits through MPESA paybill and pesa point. The company has invested heavily in network infrastructure to ensure that all branches communicate seamlessly and in a fast efficient way. Website, facebook and twitter presence have also enabled the company to compete innovatively amidst the technological changes taking place. Another aspect of technology is the implementation of modern systems to ensure speed in processing claims, accuracy of reporting transactions and cost reduction.

Customer service improvements and initiatives is another response to changes in the business environment that OMK has implemented. All employed regardless of the department they work in are trained on state of the earth customer service skills. All employees are trained on the company's products and can respond to customer questions and enquiries to a given level. Old Mutual has implemented customer service policies which are adhered to across the organization. One of the policies is a standard way of greeting customers on the phone. OMK has also implemented an initiative known as net promoter score which is the measure of the possibility of a customer recommending a client to OMK based on the quality of service given. It uses the feedback from customers to improve on the issues raised and to do better or maintain the ones they are performing well.

Expansion to new regions in the country was cited as another strategic response. The company has opened branches across the country. The current branches are Kimathi, Machakos, Thika, Nyeri, Meru, Nakuru, Eldoret, Kisii, Kisumu, Bungoma and Mombasa. The branches are expected to increase the client base of the organization and help serve existing clients better.

Human Resource Management processes have also played the role of strategic responses to the OMK. It has implemented poaching and hiring of competent and skilled employees from its competitors in the insurance industry. Training and development is another HCM practice which the company has embraced. Employees are sponsored to train on areas which will improve on their performance and operation Excellency. Performance management is a practice which taken seriously at the company.

The management organizes a forum at the start of every year to review and come with the organization’s strategic plan. This is cascaded down to all employees and based on that each employee sets out objectives which are reviewed at the middle and end the financial year. The employee is later in the financial year given a rating based on the objectives. This rating is used to calculate the end of year bonus which is an incentive to employees to work smart. HCM has also ensured Adoption of strategic leadership. This is in relation the top managers of the firm who were found to be professionals and highly experienced to deliver in the vision and mission of the firm. The strategic leadership at OMK was found to be always on the alert to the changes in the business environment. The capability of OMK to create a learning organization was found to give it a competitive edge in its responses to changes in the business environment.

The respondent’s also cited CSR has one the strategic responses the organization has put in practice. OMK’s efforts have been sustained by building a responsible, vision-led and values-driven organization. Being a responsible business must be part of everything they do in their day-to-day operations, how we deal with our customers, the way we invest our funds, how we help develop our local communities and pay our taxes. The Company recognizes that HIV/AIDS is one of the leading challenges for the modern day workforce productivity.

Old Mutual Kenya gives consideration to the awareness building of HIV/AIDS among its staff and in the communities where it works, to the possibility for and implementation of Company practices that mitigate the negative effects of the disease in affected staff and members of the community. Old Mutual Kenya adopts a non-discriminatory and humanitarian approach to handling and managing HIV/AIDS in the workplace. The organization has also being sponsoring students to get secondary education. Ann Njeri Njoroge, is one the such students from Starehe Boys Centre and she did very well. She got a mean grade of "A-" of 75 points. Taxes paid by the company to Kenya Government contribute positively to the well-being of the country and is used to provide social amenities to Kenyan's.

The study has shown that the strategies the company has employed to respond to the competitive changes in the environment have been successful. This was evident by the success of the company through expansion to new regions and the improving of the company's market share ratio. The profitability of the organization although negative has also being improving and the management is optimistic that the 2014-2015 financial year profitability will be positive.

5.3 Conclusion

The business environment is dynamic; Old Mutual Kenya Limited has been able to keep pace with the changing business environment scenario by adopting various response strategies. From the study findings, the researcher concludes the changes in business environment that affect the operation of the organization were competition from firms within the insurance industry, political instability, economic changes, technological advancements, heavy regulations and stiff requirements from the regulators, industry's poor reputation, changing employees expectations, Changing customer tastes and preferences and increased cases of fraud.

Old Mutual Kenya had adopted various measures to curb Business environment changes. These included expansion into new regions, investing into modern information technology to improve the speed of settling the claims, reducing operation cost and premium rates, hiring and maintaining experienced and qualified staff, training and development of key staff, development of new products, aggressive marketing, strategic acquisitions leading to diversification and improved employee compensation.

5.4 Recommendations and Suggestions for Further Research

From the discussions and conclusions in this chapter, the study recommends that: Although Old Mutual Kenya has been successful in implementing strategic responses, they is need to implement policies to curb employee perception on the organization. Employees think that retrenchment is due to repeat in future and this has led to high employee turnover rate which is a direct cost to the company. The company should also recruit employees with the necessary knowledge and skills in the business to minimize on the induction and training costs. The management should further enhance ways of developing and retaining competent staff to ward-off staff poaching by competitors.

The study also recommends that the organization should engage in heavy advertisement of their products and services, a strategy that is employed by a number of companies within the insurance industry. The need to engage in campaigns to create awareness cannot be over emphasized. This strategy will increase the penetration rate into major markets, both locally and internationally.

The study findings indicated that due to competition, the company had been forced to cut on its premium rates due to the pressure posed by competitors to lower their rates. The study recommends to the industry players to widen their strategies while competing. Cut throat competition on low pricing should be checked and minimum acceptable premium rates offered be set for the players. Low cost strategy is just one of the strategies identified by Porter (1980). However, other strategies like differentiation and market segmentation (focus) strategies should be adopted where competition is very stiff. There is a point beyond which the premiums rates may not be cut. The company should focus on service delivery and developing wide range of products that meet the customer needs and direct them to the target market.

The study identified that one of the major challenges within the industry was heavy regulation and poor reputation. The study recommends that the regulation within the industry should be eased by removing unnecessary sections in the insurance Act that do not add value, and also, the annual changes in the finance bills should be reduced to give the industry players ample time to adapt to the changes recommended.

All the industry players including Old Mutual Kenya insurance management through the regulator should employ strategies on the industry reputation by improving their code of conduct. The regulator should ensure that all the players adhere to the professional code of Ethics.

The study found that the industry has the highest number of fraudulent claims recorded. This has soured the relationship between the customers and the insurers because the distrust relationship is extended even to the genuine customers. The Insurance Regulation Authority should educate the public on the needs and purposes for taking insurance covers and also to inform them of the effect of making fraudulent claims. Never the less, the speed of processing customer claims should be improved and the regulator should take action to the companies that fail to honor genuine claims. The Insurance Regulation Authority should educate the public on the actions to take should the individual insurance companies fail to pay up their claims. This will improve the relationship between the insurers and the insured.

The company should work on its culture and should align its strategies to the culture. There is a need by policy makers to ensure the organization culture supports the strategies formulated. Culture affects many organizations and previous studies have found out that whenever there is a mismatch between the organization culture and its strategies, the strategies might fail at the implementation level. Employee attitude towards change and organization success through implementation of the formulated strategies should be checked.

This study recommends that the regulator of the insurance industry IRA should create a flexible regulatory environment to enable the insurance services providers respond to dynamic changes in their business environment. This will not only help Old Mutual Kenya but also other insurance providers who will become more proactive in initiatives towards responding to changing customer needs. The government should ensure that the necessary laws and policy are put in place to safeguard the interests of all the stakeholders in the industry. This will ensure healthy competition and growth of the industry. In the long-term, the growth of the industry will not only provide revenue to the government through taxes but also contribute significantly to the economic growth of the country.

Firms would also be recommended to always analyse strategic responses very carefully before implementing them as this prepares the firms to respond to the challenges and negative effects that maybe encountered as a result of such responses. Respondents also recommend that strategic responses should target the whole organization, not just specific functional areas. Although the strategic responses by Old Mutual Kenya have been effective, Old Mutual Kenya should be careful on how it handles the effects of the changes that it has adopted. The effects of restructuring and costs saving strategies should not be ignored if the responses are to be successful. The employees are a critical asset to any company and if they are demoralized this may result to reduced productivity. It is therefore important to constantly review the effects of the strategic responses adopted to ensure that they do not affect Old Mutual Kenya Limited negatively.

The study recommends that further studies should be done on the effect of organization culture to strategic responses in the organization. This study should also be done on other companies in the insurance industry so as to get comprehensive information on how the other players in the industry have responded to the challenges posed by competitive changing environment. Another study should be carried out to establish the extent in which the industry has been regulated and which impacts it can have on the industry should the regulations be reduced. More research can be done on the company to establish the relationship between its success and the marketing strategies employed.

A cross-sectional survey covering the whole insurance industry needs to be undertaken to determine the strategic responses adopted by other players in the Insurance Industry. This would give a broader picture of the strategic responses adopted by insurance companies in dealing with changes in the Insurance Industry in Kenya thereby making generalization possible. Further research needs to be conducted to establish the causes of the current high staff turnover at the insurance company. More case studies need to be conducted to establish the human resource issues that arise from mergers or acquisitions and how Kenyan Insurance Companies are dealing with them.

5.5 Limitations of the Study

This was a case study of one company and the data obtained may differ from that found in other insurance companies since they use different strategies to respond to the challenges posed by the competitive environment. This is because each company is unique and would therefore employ different strategies to distinguish it from the competitors. However, the researcher made an effort to construct an effective research instrument that sought to elicit general and specific information on the strategic responses that companies adopt to match the changing environment.

The researcher faced difficulties while obtaining the data since the information required on the organizations strategies was considered more sensitive and the management were unwilling to share it with an outsider. The employees were granted permission to respond to the interview questions by focusing on the general view. The limitation was reduced by looking for other sources of data like secondary sources from the internet and related links and comparing the data with the information provided. The researcher believes that a lot of information specific to how the organization strategically responds to competitive changes in the environment would be obtained if the study is conducted by someone within the organization.

The study faced both time and financial limitations. The study was conducted within a short period and hence exhaustive and extremely comprehensive research could not be carried on the company’s strategic responses to changing environment. Time available to complete the study was inadequate. In most cases the researcher had to make several visits to conduct interviews. Most of the managers at some of the departments also tend to be very busy, and thus some interviews had to be rescheduled. Due to limited finances and time, the study could not be carried on the other branches of Old Mutual Kenya Insurance. Never the less, the researcher minimized this by conducting the interview at the company’s headquarters since it is where strategies are formulated and rolled out to other branches for implementation.

5.6 Implication on Policy, Theory and Practice

The policy makers, regulators and government in general will have an opportunity in understanding the appropriate legislations and policies for the industry to the challenges in the business environment and can form a basis to partnerships with Kenyan companies to formulate competitive strategic responses which guarantee success in the competitive and dynamic business environment. The regulator of the insurance industry should create a flexible regulatory environment to enable the insurance companies respond to dynamic changes in their business environment.

The results of this study will also facilitate appropriate responses. The study will give managers and staff an insight on issues of organizational responses, which they must take cognizance of since the survival of the organization in the changing environment depends on how well it is able to adapt to the changes. Information obtained will shed some light on issues of the need for customer satisfaction hence the need for better service. In this case the customers will also benefit from more customer focused strategies that leave them happy and contented. The findings of this study will be of value to Kenyan firms experiencing turbulent times. The insights on strategic responses by a successful firm can offer lesson and make both anticipation and management of change by these firms better. To Old Mutual Kenya Limited this study will be more of an evaluation on how the company has dealt with change in a strategic manner. An evaluation will enable the company to recognize faults and room for improvement to make its future experiences better.

The results of this study will be useful to scholars and researchers as a basis for further research. It will contribute to theory building particularly in strategic responses and the dynamic business environment. The findings of this study will enrich existing knowledge. It will provide the required direction on research methodology, literature review and formulation of research objectives and questions.

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APPENDICES

Appendix I: Interview Guide

This Interview Guide seeks to identify the various changes in the business environment that have affected the operations of Old Mutual Kenya Limited and the kind of strategic responses adopted by Old Mutual Kenya Limited to survive in the dynamic Business Environment in Kenya.

SECTION A

1. Respondent’s job title in the company__________________________________
2. Respondent’s department/Section____________________________________
3. **3.** How long have you been in the department____________________________
4. **4. SECTION B: Changes in dynamic Business Environment affecting Old Mutual Kenya**

1. Business environment for insurance industry in Kenya has being changing continuously. Please highlight the major changes in the dynamic business environment which in your own opinion have affected the operations of Old Mutual Kenya Limited in the Insurance industry in Kenya.

2. Name specific areas that you think have been adversely affected by these changes in the business environment at Old Mutual Kenya.

3. SECTION C: STRATEGIC RESPONSES

1. Marketing Strategies

(i) Which new reports has Old Mutual Kenya Ltd introduced in the last five years?

(ii) What were the objectives of introducing the new products?

(iii) What new features to the existing products has Old Mutual Kenya introduced in the last five years?

(iv) What were the objectives of introducing the new features to the existing products?

(v) Which new advertisement channels has Old Mutual Kenya Limited introduced in the last five years?

(vi) What were the objectives of introducing the new advertisement channels?

2. Distribution Strategies

(i) Which new branches has Old Mutual Kenya Ltd opened in the last 10 years?

(ii) What were the objectives of opening the new branches?

(iii) Which new distribution channels has Old Mutual Kenya Limited introduced in the last 10 years?

(iv) What were the objectives of introducing these new distribution channels?

3. Customer Service Strategies

(i) How has Old Mutual Kenya Responded to the increased demand for better customer service?

(ii) What channels has Old Mutual Kenya Ltd established to receive customer feedback?

4. Information Technology Strategies

(i) Has Old Mutual Kenya changed its core systems in the last 10 years?

(ii) If yes in question (i) above, please describe in detail the reasons for the changes.

(iii) Describe how Old Mutual Kenya Ltd had integrated IT in its operations.

(iv) What were the objectives of IT integration in Operations at OMK Ltd?

(v) Describe any other opportunities to OMK Ltd introduced by use of Information Technology

5. Strategic Acquisition Strategies

(vi) Has Old Mutual Kenya undertaken any strategic acquisitions in the last 5 years?

(vii) If yes in question (i) above, please describe in detail the reasons for these strategic acquisitions.

6. Human Resource Strategies

Briefly describe the Human Resources management initiatives in response to the present dynamics of human capital at Old Mutual Kenya Limited.

7. Other Strategic Responses

What other strategic responses has OMK Ltd adopted in addressing the changes in the insurance industry in Kenya?

Thank you very much for your responses

Appendix II: Introduction Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 12/08/14

TO WHOM IT MAY CONCERN

The bearer of this letter JACKLINE MUHINA MUIUKU

Registration No. D61/72541/2012

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
12 AUG 2014
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS