

**STRATEGIC RESPONSES TO CHANGES IN THE
DYNAMIC BUSINESS ENVIRONMENT BY TAUSI
ASSURANCE COMPANY LIMITED IN KENYA**

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DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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THANK YOU AND MAY GOD BLESS YOU ALL

DEDICATION

This research project is dedicated to my loving wife MaryAnn Murugi and our children (P. Macharia, A. Waithira and E. Wakaria) for their support and understanding during my entire course.

TABLE OF CONTENTS

DECLARATION.....	ii
ACKNOWLEDGEMENTS	iii
DEDICATION.....	iv
ABBREVIATIONS AND ACRONYMS.....	viii
ABSTRACT.....	ix
CHAPTER ONE: INTRODUCTION	1
1.1 Background.....	1
1.1.1 Concept of Strategy	3
1.1.2 Strategic Responses to Environmental Changes	5
1.1.3 Dynamic Business Environment	6
1.1.4 Insurance Industry in Kenya.....	7
1.1.5 Tausi Assurance Company Limited	9
1.2 Research Problem	10
1.3 Research Objective	12
1.4 Value of the Study	13
CHAPTER TWO: LITERATURE REVIEW.....	15
2.1 Introduction	15
2.2 Theoretical Foundation	15
2.2.1 Open Systems Approach Theory	15
2.2.2 Chaos Theory.....	17
2.3 Organization and Operating Environment.....	18
2.4 Strategic Response and Dynamic Business Environment.....	21
2.5 Empirical Studies and Research Gaps	23
CHAPTER THREE: RESEARCH METHODOLOGY	26
3.1 Introduction	26
3.2 Research Design.....	26
3.3 Data Collection	26
3.4 Data Analysis	27

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION	29
4.1 Introduction	29
4.2 The Interviewees	29
4.3 Strategic Responses to Changes in Dynamic Business Environment.....	30
4.4 Involvement, Responsibility and Strategic Responses Analysis	35
4.5 Method used in Selecting Strategic Responses.....	35
4.6 Selecting Strategic Responses and Achieving Set Objectives.....	36
4.7 Benefits of Strategic Responses to Changes in the Dynamic Business Environment.....	37
4.7.1 Financial Benefits	37
4.7.2 Operational Benefits	38
4.7.3. Administrative Benefits	38
4.8 Challenges of Strategic Responses	39
4.8.1 Insurance Challenges in Crafting Strategic Responses	39
4.8.2 Factors Affecting Strategic Response.....	41
4.8.2.1 Political Factors	41
4.8.2.2 Economic Factors.....	42
4.8.2.3 Social Factors	42
4.8.2.4 Technological Factors	43
4.8.2.5 Environmental Factors	43
4.8.2.6 Legal Factors.....	44
4.8.2.7 Competition.....	44
4.8.2.8 Changing Customer’s Demand	45
4.9 Logistical Challenges in Implementing Strategic Responses	45
4.10 Administrative Challenges in Implementing Strategic Responses	46
4.11 Operational Challenges in Implementing Strategic Responses	47
4.12 Discussion.....	47
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ..	51
5.1 Introduction	51
5.2 Summary	51
5.3 Conclusion	54
5.4 Recommendations.....	55

5.5 Limitations of the Study	56
5.6 Suggestions for Further Research.....	57
5.7 Implications of the Study on Policy, Theory and Practice	57
REFERENCES.....	59
APPENDICES	64
Appendix I: Letter of Introduction	64
Appendix II: Interview Guide.....	65

ABBREVIATIONS AND ACRONYMS

ACII	Associates of Chartered of Insurance Institute UK
FCII	Fellow of Chartered Insurance Institute UK
AKI	Association of Kenya Insurers
PESTLE	Political Environmental Social Technological Legal Economic Analysis
SWOT	Strength Weaknesses Opportunity Threats Analysis
UK	United Kingdom
TACL	Tausi Assurance Company Limited
IRA	Insurance Regulatory Authority
CC	Computerization Committee
EC	Executive Committee
OMK	Old Mutual Insurance Company Kenya

ABSTRACT

Organizations are open systems where they depend on the environment for resources which are processed and consumed by the environment. The environment in which the organizations operate is turbulent and there is need to scan for opportunities and threats. Organizations use their internal capabilities to exploit opportunities to achieve the set objectives. Threats within the business environment impact on the achievement of set objectives, hence critical to manage them. Strategic responses enable organizations adapt to changing business environment for survival and success. Strategic responses should be carefully crafted to match the changing business environment. Monitoring and review is important to ensure successful implementation. The study was conducted to establish Strategic responses by Tausi Assurance Company Limited to changes in the dynamic business environment. The study had three objectives: Strategic responses by Tausi Assurance Company to the changes in dynamic business environment, the benefits of implementing strategic responses and challenges faced in crafting and implementing. This was a case study where an interview guide was used to collect data through face to face interview. The researcher interviewed the Managing Director and Heads of Department in Actuarial, Human Resource, Information Technology, Accounts, Claims and Reinsurance. Content analysis was used to analyse the data and the findings presented in narrative form. The study found that Tausi Assurance Company Limited crafted various strategic responses among them Training of the Staff, Building relationship with the Brokers, Branding, Recruitment of qualified staff, market segmentation, Use of Technology and Risk Management. The Company was facing challenges in implementing the strategic responses from PESTEL factors, Lack of qualified Staff, Resistance to change, Regulations among others. Study findings would provide the management with useful information on how to successfully craft and implement strategic responses and mitigate effects of Challenges. The study is also useful to other industry players who can use the results to understand the dynamism of the business environment and replicate some of the strategic responses in the context of their organization. The results can also be used for further research into the field of strategic responses and dynamic business environment. The findings confirm that organizations are creation of the environment and to survive they have to align their activities to the environment. Success of organizations depends on successful crafting and implementation of strategic responses. The study findings confirm organizations craft strategic responses unique to their business environment since they operate in a unique environment despite being in the same industry. Strategic responses are a source of competitive advantage enabling the organizations to outperform rivals and earn above average returns. Tausi Assurance Company through implementation of strategic responses has been able to sustain profitability despite the cut throat competition within the insurance industry. The Government should ensure that the policies being developed for the industry are appropriate to promote the industry growth. The penetration rate is low in the insurance industry compared to other financial services like banking and mobile phone services. The main driver in growth has been identified to be innovation which is lacking in the insurance industry hence needs to craft laws that promote innovation to drive growth.

CHAPTER ONE

INTRODUCTION

1.1 Background

Organizations operate in an open system where they depend on environment for inputs and also provide outputs for consumption by the environment. It is worth noting that the environment is complex and unpredictable. Organizations therefore must always monitor the environment in order to align activities to the environment to gain competitive advantage and outperform rivals operating in the same industry. Business environment influences strategies that an organization crafts in response to the dynamic environment. Strategy is the company's game plan which results in future orientation plans interacting with the competitive environment to achieve the company's objectives (Pearce and Robinson, 2001). Aosa (1998) contends that in dynamic 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.

Open systems approach theory originated from biology, economics and engineering, which explores principles and laws that can be generalized across various systems (Yoon and Kuchike, 2005; Alter 2007). Closed systems interact with various internal components ignoring external environment. Open system realizes the importance of external environment and views internal operations in relations to changing external environment. Robbin (2000) asserts that no organization can survive for long if it ignores external factors like government regulations ,suppliers, or myriad external constituencies upon which it depends. Organization depends on environment to receive inputs which are transformed and supplied as output to benefit the environment (Brown, 1977). Open systems suggests that an organization's interface with external environment need to be viewed as an exchange relationship.

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

The dynamic business environment has impacted on all business entities and the insurance industry is not an exception. Insurance penetration rate has been low over the years and in the year 2014 it was 2.94% according to Insurance Industry Annual Report 2014 by AKI. The slow growth and low penetration rate is attributed to lack of public awareness as well as lack of specific strategies by the industry to drive the growth in face of the changing environment. Emergence of growing middle class has presented an opportunity to increase the penetration rate due to the awareness that the public is getting through the improved technology.

Tausi Assurance Company Limited is a medium sized company providing short term insurance services in Kenya. The main services include property insurance, motor insurance and other related short term insurances. The company to cope with dynamic environment has established strategic partnership with Prime Bank Limited to distribute insurance through banc assurance channel. This is a unique and exciting channel of distribution that has been embraced by many industry players in their quench to expand their market share and improve the penetration rate. Due to changing customer needs, Tausi Assurance has embarked on process reengineering to improve on business processes to deliver quality service to the customers.

1.1.1 Concept of Strategy

Strategy comes from Greek word *Strategos*, which is formed from *stratos*, meaning army, and *-ag*, meaning to lead and is currently applied in business for success and survival. Various authors have defined strategy in different ways. According to Delmar and Shane (2003) strategy is a unified and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and that is designed to ensure that basic objectives of the enterprise are achieved through proper execution by the organization.

Eisenhardt and martin (2000) view strategy as a pattern or a plan that integrates organization's major goals, policies and actions into cohesive whole. Pearce and Robinson (2001) defines strategy as the company's game plan which results in future oriented plans interacting with the competitive environment to achieve the company's objectives. In any game, success can only be achieved through a well-executed plan. Organization exists in an environment where there are other competitors and for success and survival the organization need to have a game plan on how to outperform competitors in order to make above average returns. Managers develop strategies to guide how an organization conducts its business and how it will achieve its objectives (Lambert and Knemeyer, 2004). To remain viable, organizations must adapt to their environment (Lambert, et al., 2004).

Strategy is creating a fit between the external characteristics and internal conditions of an organization to solve strategic problem (Aosa, 1992). Strategic problem is a mismatch between external characteristic and internal conditions. The external characteristics provide conditions which when exploited through the company's capabilities result to

above average return which is the aim of every organization and the management. Mintzberg (1998) defines strategy in terms of a plan, ploy, pattern, position and perspective. As a plan strategy specifies a consciously intended course of action designed in advance of the actions it governs. It is designed with specific or general purpose. Strategy as a ploy aims at outwitting rivals thus mitigating threat of competitors. As a plan it emerges from a stream of actions that emerge over time. Strategy as a position means locating an organization in the environment and as a perspective it provides an organization with an identity.

According to Johnson and Scholes (2008) strategy is the direction and scope of an organization over the long-term through which its configuration of resources within the changing environment, to meet the needs of the markets and fulfill stakeholders 'expectations. Strategy is meant to guide the organization into the future by utilizing resources in an ever changing environment. Ansoff and McDonnell (1990) view strategy as a set of decision-making rules for guidance of organizational behaviour which is related to Pearce and Robinson (2007) view that strategy is a company's game plan. This reflects to a company's awareness to positioning and survival in the ever changing environment. Andrews (1971) viewed strategy as the pattern of major objectives, purposes of goals stated in such a way as to define what business the firm is in or is to be in and the kind of firm it is to be.

1.1.2 Strategic Responses to Environmental Changes

Strategic responses are a set of decisions and actions that result in the formalization and implementation of plans designed to achieve an organizations' objectives (Pearce and Robinson, 1997). This is therefore a reaction by the organization to what is happening to the environment.

Organizations have no option but to create an interface between the internal and the external environment in order to succeed and survive. External environment provides input for the organization which is processed through the internal activities and the output is channelled to the environment in form of goods and services to satisfy specific needs. Organizations use their strength to exploit opportunities in the environment to be successful. Within organizations exist weaknesses that inhibit the full exploitation of the opportunities and similarly environment has threats that equally hinder exploitation of the opportunities.

Aosa (1992) noted that industries are responding to customer's demand by becoming more innovative in their new ways of approaching the changing environment. The innovation provide source of sustainable competitive edge to be afloat and also outperform rivals. Strategies adopted are improved customer services, credit facilities, post-paid cards and provision of convenience goods and services. Increased competition coupled with technological changes has provided organizations with new challenges when relating to external environment. Innovation thus has become a way of attaining competitive edge in face of the turbulent environment. According to Ansoff and McDonnell (1990), increased competition has created a shift in the economic

environment where every organization to remain afloat require proper strategic responses. Ansoff and McDonnell (1990) observed that strategic responses involve changes in firms' strategic behaviours to assure success in transforming future environment.

Organizations wholly depend on environment hence need to conduct environmental scan in order to identify opportunities and match them with the strength for success and survival. According to Pennings (2002) organizations face significant constraints and contingencies from their external environment and their competitiveness depends on their ability to monitor the environment and adapt their strategies accordingly.

1.1.3 Dynamic Business Environment

Amongst the contributors of organizational theory, there is no consensus on the basic definition of environment .Over the past fifty years; researchers have used different approaches to define this concept. Pioneer researchers in this field include Dill (1958), Thompson (1967), and Duncan (1972). Dill (1958) introduced the idea of task environment, and focused on the external environmental factors. The factors had an impact on organizational goal settings. He stated that: task is cognitive formulation, consisting of goals and usually also constraints on behaviours appropriate for reaching the goals. The work of Thompson (1967) on organizational domain identified the area of potential dependency for the organization and the dependencies include range of product, population served and services rendered among others.

Others researchers who discussed various aspects of organizational environment include Lindsay and Rue (1980), Astley and Fomburn (1983), Dess and Beard (1984), and Walter (2003), and Boyne and Meier (2009). Lindsay and Rue (1980) in their research attempted to investigate the effects of organizational environment on long term planning. They assert that organization tends to adopt the long term planning as the complexity and inability of the business environment increases. Astley and Fomburn (1983) explain relationship between environment and organizational autonomy. Their view was that organization is not autonomous actor of its strategic choice as there are many external factors that compel the organization to revise its strategic planning and implementation

1.1.4 Insurance Industry in Kenya

Insurance industry in Kenya is governed by insurance Act Cap 487 laws of Kenya. It is regulated by Insurance Regulatory Authority (IRA) which was formed in 2007. Insurance is the transfer of a risk by one party to another through a contract of insurance where the transferring party pays a consideration in form of premium. The premium is based on the nature of risk being transferred.

According to Financial Stability Report 2013 there were 48 licensed insurance companies and 3 Reinsurance Companies by the end of 2013. The report highlighted that the insurance penetration rate in Kenya by the end of 2013 was 3.4% this being the largest in East Africa. The industry registered a 21% growth in premium from Kshs.112 Billion in 2012 to Kshs. 135 Billion in 2013. The industry was ranked the fifth in Africa after South Africa, Mauritius, Namibia and Morocco. The Kenya insurance industry has been rated as among the top with high growth potential due to sustained growth in insurance uptake which is owed to improved governance, stability, favourable demographics, improving business environment, growing middle class and urbanization and growing ties to emerging economies.

The industry has undergone changes following the enactment of Finance Act 2009 that introduced corporate governance. The Act restricted the ownership by individual to 25% and also any person occupying a position of managing director, chief executive officer and Senior Manager should not own more than 20% of the paid up capital. This is meant to improve corporate governance following a wave of companies going under in the 90s and early 2000s due to poor management and conflict of interest. The taxation changes have also affected the industry where the companies have to pay 10% excise duty on commission and Profit Commission earned from Reinsurers besides paying corporate tax and other applicable taxes. VAT is also being levied on sale of salvage.

The regulatory environment is changing from compliance to Risk based. This is where capital is to be based on the profitability of the class of business. In addition, the industry has adopted technology where reports are submitted electronically to IRA. The new system of report submission has resulted to timely submission of reports online leading to effective risk analysis, profiling and reporting by the regulator. The industry is being supported by Banc assurance to accelerate penetration rate. The challenges being faced by the industry are globalization, customers' changing needs, technological changes, regulatory changes and competition. Entrant of international brand into the Kenyan market has posed a great threat to the local companies where some have resulted to mergers and acquisition. For instance Cannon assurance was acquired by Metropolitan Insurance of South Africa to form Metropolitan Cannon, Real Insurance was acquired by Britam, Heritage Insurance was acquired by Liberty of South Africa whereas recently Old Mutual of South Africa acquired controlling stake at UAP Insurance Company which was among top three player in the market (Insurance Industry Annual Report 2014 by AKI).

The acquisition and mergers is as a result of changing business environment where the companies are forced to adopt the best strategies to assure success and survival. Threat of new entrant in the Kenyan market as outlined in Porter's five force factors is real .With the high growth potential of the Kenya insurance market, global companies are adopting mergers and acquisition as market entry strategy. The draft Finance Bill (2015) has proposed increase in share capital to Kshs.600Million and Kshs.400Million for General Insurance and life Assurance respectively. The new capital requirement will drive the small companies into merger in view of the stiff competition and the inability of shareholders to raise the additional capital. Mergers and acquisition will result to a stronger industry which will be adequately capitalized.

1.1.5 Tausi Assurance Company Limited

Tausi Assurance Company Limited is one of the medium sized company and a key player in the Insurance Industry in Kenya. The company was formed under the companies Act and operates under Insurance Act cap 487. Tausi is an indigenous company that was formed by local investors in 1992 and opened its doors for business in 1993. Tausi is based in Westland. The paid up capital in 1993 was Kshs.20 million which has since grown to over 500 million by the end of 2014 which exceeds the statutory required capital of Kshs.300 Million as per the Insurance Act. The Company was voted the most profitable company in 2013 by "Think Business". Tausi operates only in Nairobi based on its business model targeting a particular market segment. As one of the General Insurance Companies, it is focused on providing superior customer service to achieve profitable growth.

In 2005, Tausi faced challenges and the performance declined due to turbulent business environment and lack of appropriate responsive strategies. The situation was reversed in 2009 where the company has since recorded a profitable growth. By the end of 2014 Tausi Gross written premium had grown to Kshs. 812 Million with a profitability margin above 20% which is among the highest in the industry. Changes in external environment like pricing, regulation, globalization and PESTEL factors have impacted on the company's performance with huge impact being on targeted growth.

Tausi is currently undergoing restructuring in order to build internal capabilities. Areas targeted are human capital by attracting qualified technical staff and also embracing technology in the business processes. Strategies are also being crafted in response to the changes in the external environment since the company operates in an open system. In pursuit of success and survival, the company is being guided by a five year strategy that was crafted in 2012 which is continuously being reviewed to align with environmental changes. Currently, the Company operates in Nairobi with prospect of opening branches in strategic counties to accelerate speed of growth and also deliver services closer to the customers.

1.2 Research Problem

Insurance industry has been performing poorly due to the perception of the public towards insurance and lack of strict supervision common in other financial sectors. The sector required to change following poor performance since the period of financial crisis in 2008. It is the only sector that records decline in pricing despite the increase in risk exposure. It is through strict regulatory framework that is now turning the industry from loss making to profitability. Tausi Assurance Company Limited in effort to succeed and

survive the turbulent environment has focused on building internal capacity and embracing the concept of strategy. The formation of risk management and compliance department is meant to enhance the risk management function and also scan environment and craft strategies which are in line with the changing business environment. In addition, technical staff has been recruited in order to provide technical support that will create competitive advantage as well as development of new and innovative products.

Qi (2004) conducted a study on Strategic responses to changing environment: A case study of Chinese Township and Village Enterprises and found that the conventional environment –strategy configuration is not applicable to Chinese Township and Village Enterprises. Zajc and Kraaz (2007) in their study examined the organizational and environment forces, counter forces and performance consequences of strategic restructuring in the higher education industry. Their results suggest that contrary to ecological predictions, restructuring is a predictable, common, and performance enhancing response to changing environmental condition. Ramaswany, Thomas and Litschert (1994) study on influence of Government regulations on organizational strategies and performance of Airlines industry suggested that managers affect the firm's performance.

Several studies have been conducted in Kenya to address the aspects of strategic responses to changing environment: Kamau (2007) established that Kenya Reinsurance Corporation response to changes in economic environment was through increasing level of capitalization and investment diversification; Tumbo (2009) conducted a study which established that Jubilee Insurance response to changing environment was through generic strategies of cost leadership, differentiation and focus. Other responses included product

diversification, market development and use of modern technology together with improved distribution and fair pricing. Kudoyi (2010) in his study of Kenya Insurance industry established that operations were influenced by political, economic, social-cultural and technological factors.

Majority of the firms' response was through adoption of strategic responses such as new product development, differentiation and cost advantage. The studies reveal that the context determines the appropriateness of strategic response. The studies also reveal that strategic responses are also influenced by the time when the study is conducted due to the dynamic nature of the business environment .There is no study that has been conducted in the context of strategic response by Tausi Assurance Company limited to Changes in the dynamic business environment. Mwaura (2004) recommended further study focusing on response strategies adopted by other General Insurance companies operating in Kenya and the success level by the organizations in dealing with changing external environment. What are strategic responses to changes in the dynamic business environment by Tausi Assurance Company Limited in Kenya?

1.3 Research Objective

This study was guided by the following objectives:

- i) To identify strategic responses to changes in the dynamic business environment
- ii) To establish challenges facing Tausi Assurance Company in implementing the strategic responses to changes in dynamic business environment
- iii) To determine the benefits of strategic responses to changes in dynamic business environment at Tausi Assurance Company

1.4 Value of the Study

The study would assist in addressing issues relating to business strategy in response to changes in the dynamic business environment in which firms operate in, particularly in the following areas:

Policy makers would have value added information to enable craft strategies that are responsive to changing external environment and competition. Managers involved in strategy implementation would benefit from the study by gaining insight on the changes in dynamic business environment and appropriate strategic responses in the insurance industry. In addition, challenges associated with strategic responses to changing external business environment were identified.

The academician and researchers in the field of strategic management and environment in insurance industry would apply the study as a source of reference and forming their future research topics and studies. Insurance companies would gain information on the changes in the dynamic business environment and the strategic responses as well as challenges faced in adapting to the changing environment particularly in the Kenyan insurance market. Policy makers use the study to craft policies that improve the business environment to foster growth and increase the penetration rate. The Government would use the report to identify areas of partnership building. This partnership strengthens the insurance market which supports all the other sectors by providing security for the assets.

In summary the chapter have looked at the concept of environment .Environment is dynamic and it is important to scan for new opportunities and threats .Strategic responses are crafted to match external environment. Understanding of the concept of strategy is

imperative as organisation should have appropriate strategies to achieve set objectives. Strategy implementation determines success of an organization. Strategies should be monitored and reviewed to ensure that they are matching the external environment.

There are several theories providing theoretical framework for understanding environment and influence on organization's performance. The open systems approach theory explains how internal and external environment are linked. The chaos theory provides framework for understanding the complexity and turbulence of the environment and how organisation should adapt. The environment is unpredictable and there is need for continuous scanning to identify opportunities and threats.

Strategic responses are unique to the context and the study focused on Tausi Assurance Company limited in understanding strategic responses to changing dynamic business environment. Insurance industry in Kenya has continuously registered low growth due to low penetration rate. The industry is critical to other sectors as it provide security for assets.

Strategic responses are the actions taken by the organisation in matching the internal capabilities with the external environment. Survival and success of an organisation depends on how well the internal activities are matched to the external environment. Organizations are environment depending and serving .The chapter concludes by looking at three objectives and the value of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The section draws literature from the field of strategic responses to changes in the dynamic business environment. Secondary source of such materials is from books, journals and articles which have the research work of the study which have been analysed. The material is fundamental to this study as it form a basis of observations which will be made during the study which is in line with the purpose and objective of the study.

2.2 Theoretical Foundation

The study will review two theories and their application to management of organizations. The theories assist in understanding changing business environment as well as the internal capabilities of the organizations.

2.2.1 Open Systems Approach Theory

System theory originated from biology, economics and engineering, which explores principles and laws that can be generalized across various systems (Yoon and Kuchinke, 2005; Alter, 2007). Whether the organization's internal systems are linked to the external environment is what differentiates between a closed and open system. A closed system is where an organization interacts with various internal components ignoring external environment. It focuses on procures for monitoring outputs, comparison of outputs with pre-set standards, evaluating discrepancies between actual output and pre-set standards and mechanism of taking remedial action to rectify negative variances between actual and

pre-set standards (Brown, 1977). Effective closed system generally focuses on structures, productivity, effectiveness, cost control, profitability and quality. Management focuses on improving the internal operations. The closed system will eventually lose any competitive advantage it may have enjoyed due to the focus on internal operations.

Open system realizes the importance of external environment and views internal operations in relation to changing external environment. Open system is based on the premise that no organization can survive for long if it ignores external factors like government regulations, suppliers, or myriad external constituencies upon which it depends (Robbins, 2000: 606). Open system approach is necessary since organizations do not operate in a stable and predictable environment. Internal operations are evaluated against the changing external environment. External factors impose new pressures and challenges, compelling the organization to respond, conform, adapt and innovate. Appropriate responses to external demands result to inter –actions that benefit the organization and the constituencies’ organization serves.

According to Brown (1977) organization depends on the environment to receive inputs which are transformed and supplied as output to benefit the environment. Open systems theory suggests that an organization’s interface with its external environment need to be viewed as an exchange relationship. Dill (1958) identified four factors in the environment that are relevant for the organizational goal setting and achievement which include customers, suppliers of labour, materials, capital ,regulatory group and competitors for both market and resources. The systems theory therefore confirms that an organization to have competitive advantage need to operate in an open system. In addition, appropriate

responses to changing dynamic business environment should be in place for the organization to adapt and conform to the changing environment. Effective management is founded on open system which enables an organization to succeed and survive in a turbulent environment.

2.2.2 Chaos Theory

Chaos theory provides theoretical framework for understanding the dynamic evolution of industries and the complex interactions among industry actors. Industries can be conceptualized and modelled as complex, dynamic systems, which exhibit both unpredictability and underlying order. Through understanding industries as complex systems, managers can improve decision making and search for innovative solutions. Strategy is selected among competing alternatives and should enable the organization to best exploit its core competences relative to opportunities in the external environment. There should be a strategic fit between the internal and external environment. According to Peters (1987), strategy helps corporations deal with uncertainty of competitive markets through customer responsiveness, fast-paced innovation, empowering personnel and fundamentally learning to work within an environment of change. He asserts that we live in world turned upside down, and survival depends on embracing revolution. It implies that the business strategies should be just in time, supported by more investment in knowledge, a large skill repertoire, the ability to do quick study, trust in institutions, and sophistication in cutting losses.

2.3 Organization and Operating Environment

Amongst the contributors of organizational theory, there is no consensus on the basic definition of environment. Over the past fifty years; researchers have used different approaches to define this concept. Pioneer researchers in this field include Dill (1958), Thompson (1967), and Duncan (1972). Dill (1958) introduced the idea of task environment, and focused on the external environmental factors. The factors had an impact on organizational goal settings. He stated that: task is cognitive formulation, consisting of goals and usually also constraints on behaviours appropriate for reaching the goals. The work of Thompson (1967) on organizational domain identified the area of potential dependency for the organization and the dependencies include range of product, population served and services rendered among others.

Others researchers who discussed various aspects of organizational environment include Lindsay and Rue (1980), Astley and Fomburn (1983), Dess and Beard (1984), and Walter (2003), and Boyne and Meier (2009). Lindsay and Rue (1980) in their research attempted to investigate the effects of organizational environment on long term planning. They assert that organization tends to adopt the long term planning as the complexity and inability of the business environment increases. Astley and Fomburn (1983) explain relationship between environment and organizational autonomy. Their view was that organization is not autonomous actor of its strategic choice as there are many external factors that compel the organization to revise its strategic planning and implementation.

Dess and Beard (1984) refined further Dill's idea of task environment, and suggest three components: munifence, dynamism and complexity. Munifence is the extent to which the environment can support long-term organizational growth. They assert that organization

looks for an environment that allows for growth and stability. Growth and stability may assist organization to generate extra resources which could be used for innovation, organizational coalitions and conflict resolutions. According to Dess and Beard (1984) dynamism includes unpredictable changes in organizational environment. These Unpredictable changes create uncertainties and complexities for the organization. Dess and beard contend that highly complex environment generates greater uncertainty for the managers than lesser complex environment (Dess & Beard, 1984).

Dess and Beard (1984) explain environmental complexity in the dimension of task environment whereas most researchers like Child (1972) and Duncan (1972) consider complexity as a characteristic of organizational environment. Boyne and Meier (2009) discuss the relationship between environmental turbulence and organizational stability, and consider environmental turbulence to have damaging effect on organizational stability, growth and performance. Internal environment change is therefore considered as the best response to environmental turbulence. This is what is considered as creating congruence between general and task environment. Organizations conduct environmental scanning in order to identify the forces within the environment and craft appropriate strategies.

The environmental scanning enable organizations to understand the Political, Economic, Social-cultural, Technological, Environmental and Legal forces (PESTEL) which are source of environmental turbulence. According to Pearce and Robinson (2003) organizations to achieve their objectives require adjustment to the environment. Scholes and Whittington (2005) contend that organizations exist in the context of complex political, economic, social, technological, environmental and legal factors. Pearce and

Robinson (2007), states that the direction and stability of political factors are a major consideration for managers when formulating firm's strategy. Political factors define the legal and regulatory parameters within which the firms must operate. Political factors to be considered are tax policies, stability of the government, entry mode regulations, social policies and trade regulations. This may place strain on how a firm operates and may impact negatively on the firm's performance. There are political factors which benefit the firm such as patent laws and government subsidies.

Economic factors concern the nature and direction of the economy on which the firm operates. According to Wachira (2010) economic factors has a direct impact on the potential attractiveness of the various strategies. Scholes and Whittington (2005), identify business cycles, GNP trends, money supply, interest rate, inflation, unemployment and disposable income as being the significant factors affecting economic environment. Economic environment influences the strategic choices of the organizations.

Social factors that affect an organization include population demographics, distribution of wealth, changes in lifestyles and trends and Education levels. Like other factors in external environment social factors are dynamic with constant change resulting in efforts of individuals to satisfy their desires and needs by controlling and adapting to environmental factors (Wachira (2010). According to Mwangi (2005), technological factors require monitoring to ensure that a firm is not rendered obsolete in addition to promoting innovation. Technological variables include new discoveries and innovations, rate of technological advances and innovations, rate of technological obsolescence and new technological platforms. According to Porter (2005), creative technological adaptations can suggest possibilities for new products/services or improvement in existing products/services or in manufacturing and marketing techniques.

2.4 Strategic Response and Dynamic Business Environment

Strategic responses are ways an organization ensures a fit into the changing environment. Coping with an increasingly competitive environment has compelled firms to rethink their marketing strategies (Pearce and Robinson, 2005). The days when firms could simply wait for clients to beat a path to their doors are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000).

According to Ansoff and McDonnell (1990), strategic responses involve changes in the firm's strategic behaviour to assure success in transforming future environment. Pearce and Robinson (1997) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. Strategic management suggests that a successful firm's strategy must be favourably aligned with the external environment. According to Ansoff and McDonnell (1990), strategic responses involve changes in the firm's strategic behaviour to assure success in transforming future environment.

Pearce and Robinson (1997) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. Therefore it is a reaction to what is happening in the economic environment of organizations. Porter (1998), views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. Operational issues are mostly concerned with certain broad policies for utilizing the resources of a firm to best support its long term competitive strategy. According to Jauch (1998) decisions and actions taken will lead to the development of effective strategy which will help to achieve organizational objectives.

Changing business environments influence how the business is performed. Adaptions made to suit the firm in view of the turbulent and complex environments may be viewed as strategic response. Effective strategic responses call for continuous scanning of both internal and external environment in order to keep abreast of all environmental variables that underpin current and future business operations of a firm (Thompson & Strickland, 2003). According to Aosa (1992) firms have adapted to being 'learning organization' in order to effectively cope with the environment turbulence as failure to do so may jeopardize future survival of these organizations.

Strategic responses call for change of strategy by organizations to match the environment. Organizations are perceived as 'rational system' and 'social mechanism' designed for efficient transformation of inputs to outputs (Scott, 1998). Meyer and Associates argued that organizations are creatures of the environment, which is determined by or even more, the technical and economic factors emphasized by use conventional theories. Organization being environment dependent and serving must create a match that will results in exploitation of opportunities and mitigating constraints provided by the external environment through its capabilities. Strategic responses require firms to change their strategy to match the environment and redesign their internal capacity to match this strategy (Grant, 2011). Chandler (1965) asserts that structure follows strategy. The institutional theorists look at structure as a main contributor to success of an organization. In case where the organization's strategy is not matched to its environment, this gives rise to strategy gap. The degrees to which response are viable will also vary considerably depending on the region or country involved. The implications of specific response will depend on its social, environmental and economic context (Grant, 2011).

2.5 Empirical Studies and Research Gaps

Studies conducted as highlighted above suggest a set of hypotheses that can be tested empirically. The studies are consistent with results of past studies though their predictions need to be investigated. Dynamic business environment has various variables which impact organizations differently and strategic responses will also differ based on the context and the timing. Most of the strategic responses studies have provided different approach adopted by organizations in responding to the dynamic business environment. Ansoff and McDonnell (1990) contend that strategic responses involve changes to the organization behavior and may take many forms depending on the environment in which it operates.

Kamau (2007) established that Kenya reinsurance corporation response to changes in economic environment was through increasing level of capitalization and investment diversification; Tumbo (2009) conducted a study which established that Jubilee Insurance response to changing environment was through generic strategies of cost leadership, differentiation and focus. Other responses included product diversification, market development and use of modern technology together with improved distribution and fair pricing. Kudoyi (2010) in his study of Kenya Insurance industry established that operations were influenced by political, economic, social-cultural and technological factors. Majority of the firms' response was through adoption of strategic response such as new product development, differentiation and cost advantage. The studies reveal that the context determines the appropriateness of strategic response.

Strategic response is not only unique in terms of the context but also the time frame. Dynamic business environment manifests a continuous change that requires timely response to assure survival and success of the organization. Ansoff and McDonnell (1990) observe that organizations face unfamiliar and changing business environment and they should revisit and revise their operational strategies to match the turbulence and the unpredictable level. Organizations operating in a dynamic business environment cannot craft a 5-year strategy and keep it in the self for implementation but requires conducting environmental scan to identify new opportunities and threats and craft appropriate strategic responses.

Different changes occur in business environment at different time frames thus requiring different tactics by the organizations in order to survive. Organizations adapting to major environmental changes is an imperative challenge and this has been a prominent theme in studies conducted in the field of strategy research. The studies conducted confirm that strategic responses applicable in one organization may not be replicated in other organizations as time and context is of essence in determining the appropriateness of the strategic responses. An empirical study should be conducted based on the context and timing. There is need for a deeper analysis of strategic responses based on Tausi Assurance Company Limited

The chapter have looked at two theories considered relevant in this study .The theories provide theoretical framework under which most organisations operate. External environment influence the survival and success of the organisation thus imperative to

scan the environment in order to align the internal capabilities of the organisation to the environment. Open approach theory demonstrates that there is link between the internal and external environment. Organization depends on environment for input and also serves the environment through the output.

Several scholars have defined environment by identifying elements in it and their influence on the organisation. Strategic responses enable the organisation to adapt to the changing environment .Literature in field of strategic responses has been reviewed to provide basis of the study. The study findings are in consistent with previous studies in this field.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter provides details of the methodology that was employed in the study. The research design, data collection and data analysis is also discussed in this chapter. The discussion of the Analysis technique is included and why it is most preferred to other techniques and its suitability to the study. The study utilized both primary and secondary data.

3.2 Research Design

This research was conducted through a case study. The case study was preferred because it enabled the researcher to have in-depth understanding of a single instance, Tausi Assurance Company limited. According to Yin (1986), a case study method is appropriate for organizational studies addressing “how” and “why” questions. Case studies place more emphasis on full contextual analysis of fewer events or conditions, and their interrelations (Cooper and Schindler, 2006). According to Kothari (2000) research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The study will use both primary and secondary data.

3.3 Data Collection

Data collection was done through primary and secondary sources. An interview guide was prepared to aid in face to face interview with the researcher. Interview guide was preferred because it enabled oral administration of questions in a face-to face encounter

hence allowing in-depth collection of data. The respondents were Managing Director and Managers in Claims, Legal, Internal audit, Actuarial, Finance, Human resource, Risk and Compliance, Reinsurance and other junior managers who are involved in line management of the business.

Interviews conducted in the office at Tausi Assurance Company Limited. Secondary data sources were Journals, Financial statements, previous research studies and internet. According to Copper and Schindler (2006), with unstructured questions, respondent's responses gives insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back.

3.4 Data Analysis

The qualitative data collected was analyzed through content analysis technique. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study. It involves observation and detailed description of objects, items or things that comprise the object of study. Mugenda and Mugenda (2003) explain that the main purpose of content analysis is to study the existing information in order to determine factors that explain specific phenomenon.

According to Kothari (2000), content analysis uses a set of categorization for making valid and replicate inferences from data to their context. 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.

This was a case study aimed at presenting an in-depth analysis of the Strategic responses to changing dynamic business environment by Tausi Assurance Company Limited. The research utilised both Primary and secondary data. Primary data was collected through an interview guide through face to face discussion. The secondary data was collected from the journals, books of account and web site of the firm.

The study used content analysis to analyse the qualitative data and the results were presentation in narrative form. The data presentation was in line with the objectives of the study. The interview guide had several sections each meant to capture data consistent with the objective of the study. Content analysis enabled specific analysis and presentation of the data explaining specific areas as reported by the interviewees.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The chapter presents the data analysis, results and discussion as set out in the research methodology. The objectives of the study were to identify strategic responses to changes in the dynamic business environment by Tausi Assurance Company Limited; challenges facing implementation of the strategic responses and benefits resulting from strategic responses. The data was analysed based on the objective of the study. Content analysis was used to do in-depth analysis of the collected data from the primary source through interview of the key managers and the Managing Director.

4.2 The Interviewees

The interviewees of this study were the Managing Director, Head of Human Resource, Head of Actuarial Department, Head of Accounts, Head of ICT, Head of Claims Department, Head of Legal Services and Head of Reinsurance Department at Tausi Assurance Company Limited who are involved in formulation and implementation of the strategic responses which were the subject of the study. The interviewees gave general view of the strategic responses within the organization and specifically described strategic responses within their area of operation.

Majority of the interviewees had held senior position at Tausi Assurance Company Limited. Those who were new had held senior position in other organizations and thus their experience, knowledge and professionalism was critical in discussing the strategic responses to changes in the dynamic business environment by Tausi Assurance Company

Limited. All the interviewees were well versed with the Dynamic Business Environment having been in the industry for over ten years serving various companies in different areas of specialization. The interviewees were experts having acquired the requisite knowledge and skills in their respective areas of operations. The interviewees were conversant with the topic of discussion having been involved in crafting and implementation of strategies.

4.3 Strategic Responses to Changes in Dynamic Business Environment

The business environment has been dynamic over the recent years and this has posed challenges to insurance business environment in Kenya. Insurance uptake rate is at paltry 2.94% according to the Insurance Industry Annual Report 2014 by AKI .The objective of the study was to establish the strategic responses by Tausi Assurance Company Limited to the changes in the dynamic business environment. There have been various strategic responses by Tausi Assurance Company Limited in response to changing business environment which include segmentation of the market, recruitment of qualified technical staff, acquisition of ICT system, minimum qualification at entry level being first degree, participation in corporate social responsibility activities, Branding , Strengthen relationship with intermediaries and Risk Management

Tausi Assurance Company Limited in response to changing business environment has segmented the market in which they are serving. The Asian market mostly involved in manufacturing is the main focus where most of the business is sourced. The product mix by Company is mostly non-motor business which is generally profitable and this attests to why the Company has been reporting underwriting profit since 2009. Market

segmentation is a source of competitiveness as the company is able to focus on a particular market and provide quality service. The clientele in the chosen market have developed strong relationship resulting in acquisition of more business from the associated Companies. Market segmentation has enabled the company to lower business acquisition cost as most of the business is acquired through referrals. Porter (1980) identified focus as one of the competitive strategies.

Tausi Assurance Company Limited is focused on providing exceptional customer care to retain and attract new customers. This is achieved through timely and satisfactory responses to customers' queries within 24 hours. Presence of well-documented complaint handling process involving top management ensures that customer's complaints are sorted satisfactorily. The complaint management process is well documented to ensure that future similar complaints are minimized. Customer feedback is sought on whether the complaint was satisfactorily handled to avoid loss of customers through bad publicity. The exceptional customer care has resulted in high customer retention. Research has shown that cost of acquiring customers is much higher than the cost of retaining the existing customers. The existing customers become brand Ambassadors who market the Company through the word of mouth.

Insurance business environment has been very competitive due to low insurance penetration rate in Kenya and the market being shared by over 40 insurance companies. In response to this, Tausi Assurance Company Limited is focused on building strong relationship with the big Brokers who have been supporting the Company over the years. This is to ensure that the risk of losing those Brokers to competition is mitigated. This is

achieved through organizing dinners and cocktails, creating incentive program and partnering in entertaining mutual customers .Insurance business is relationship based and must be sold to customers. The insurance industry in Kenya is Broker driven meaning most of the business is sourced through Brokers who are professionals and have direct contact with the customers. The Brokers have won trust of their customers due to their negotiation power for favourable terms and conditions and few customers are willing to deal directly with the Insurance Company. Over 90% of the Company business is Broker sourced thus very imperative to promote and retain strong working relationship.

The study found that Tausi Assurance Company Limited has established risk management department aimed at identifying the various risks faced by the organization. One of the key result areas is to identify the loss making account and measures taken towards turning them to profitability. The Risk management is headed by a qualified staff who team up with other heads of departments in identifying the risks faced by each department and the mitigating measures. A risk matrix has been developed for each department thus ensuring proactive risk management approach.

The Risk management has assisted the Company to continue making underwriting profit particularly in classes like motor private where the industry as a whole continuously report underwriting loss. Currently, motor private class is one of the most profitable classes and this is a source of strength for the firm. The Company through risk management approach has been conducting surveys on Fire and Burglary risks with a view of identifying the physical and moral hazards thus creating a proactive approach towards mitigating the losses.

Tausi Assurance Company Limited in response to changing business environment has embarked on Brand campaign aimed at creating Brand Visibility. The Company has been operating quietly and due to the need to grow the business Brand visibility is critical. Brand positioning is being achieved through participation in Corporate Social Responsibility (CSR) for instance Mater Heart Run, Faraja Cancer. In addition, the service vehicle has been branded with the corporate colours and Slogans. A signage has been erected on the Tausi court building. The Company tag line is “A Symbol of Trust, Security and progress. The Brand attributes of Trust, Security and Progress bring about a Company whose reputation is not dented. Customers would feel secure when dealing with trusted and progressive brand. The Company has claims payment reputation thus securing the asset of the affected entity and safeguarding the progress. Brand perception is important for successful marketing.

The company business philosophy is to achieve profitable growth. Insurance industry has been characterized by cut throat competition where cost leadership is the main competitive strategy adopted by majority of the Companies. Tausi Assurance Company Limited in an effort to create a sustainable competitive advantage has used the strategies of Differentiation and Focus. Due to this approach the Company has registered growth in bottom line since the year 2009. In the year 2013 the Company was voted the most profitable Company by ‘Think Business ‘among the peers in the insurance industry. The profitable growth has brought confidence to the service providers and intermediaries who continue to support the Company. Organizations are established with profit motive in mind and Tausi Assurance Company Limited is focused on earning above average returns towards maximizing shareholder’s wealth as well as serving the need of all the stakeholders.

Tausi Assurance Company Limited is continuously involved in capacity building. Capacity building is critical as this helps in creating competitive advantage. The Capacity building is being created in the areas of human capital and business processes. The Company has been implementing a high version of Premia ICT system which has greatly improved the business processes. The Company is one of the Companies using the Premia system with a fully operational accounting module system. On the side of human capital the minimum entry grade has been raised to a first degree. This is aimed at building human capital that has the knowledge and skills that match the changing demands of the customers and meeting the customer's value proposition. All the Departments are headed by qualified staff providing strategic leadership to their teams towards the realization of the Company's objectives as guided by 2012-2016 Strategic Plan.

Training has been entrenched in the day to day operations through contracting a full time Training and Technical Manager. The manager conducts training need analysis as well as the skills gap analysis around which a training program has been developed. Learning is continuous and due to the dynamic business environment it is critical to continuously impart knowledge to staff to enhance their capacity in serving the customers. Through the training, TACL has become proactive towards risk assessment and proper pricing. Training has also enhanced team work due to integration of personnel from various departments during training. Training focuses on identified underwriting gaps which is core to the business. Intermediaries are also trained to equip them with requisite underwriting knowledge as well as strengthening the relationship. TACL views training as an investment which has achieved improved customers service and prudent underwriting.

4.4 Involvement, Responsibility and Strategic Responses Analysis

The study sought to establish whether the respondents were involved in crafting the strategic responses. Further, the study was to establish the analysis conducted on various strategic responses and the frequency. The respondents confirmed involvement in crafting and implementation of the strategic responses.

They confirmed that the analysis is done half yearly where the executive members (EC) are involved. EC was established by the Board of Directors to operationalize the strategies as set in the strategic Plan which is chaired by the Managing Director. The committee ensures smooth running of the organization. Strategic responses analysis is done half yearly by the EC to align the responses to the current business environment. Dynamic business environment require appropriate strategic responses to the prevailing business environment.

4.5 Method used in Selecting Strategic Responses

Strategic responses require making a choice between competing alternatives. Tausi Assurance Company Limited selects strategic responses by conducting SWOT, PESTEL and Stakeholder's analysis .SWOT analysis is aimed at identifying the strength of the company to match them with the opportunities for full exploitation to achieve the set objectives. Threats are also identified in order to mitigate their effect on the performance of the Company. PESTEL analysis is conducted in order to identify the factors which affect achievement of the set objectives .According to Scholes and Whittington (2005), organizations exist in the context of complex political, economic, social, technological

environmental and legal factors. The Company operates in an open system and external environment influences the performance. Premium collected is invested and it is imperative to understand underlying economic condition to ensure optimization of returns from the investment.

The PESTEL factors do affect operations and thus critical to understand them since the company is environment dependent and serving. Stakeholder's analysis is critical as the business exist to serve the various stakeholders whose needs are varied. Customers expect value for their money; Shareholders expect high returns through high dividend pay-out and employees expect attractive remuneration and other benefits. The Government expects taxes to be paid and compliance with the laws.

The community expects the Company to give back through participation in Corporate Social responsibility. It is therefore critical for the various stakeholders' expectations to be met. Strategic responses should be crafted on the basis of the analysis conducted using the three analytical tools. Aosa (1992) observed that strategy should create a fit between the external characteristics and internal conditions of an organization to solve a strategic problem.

4.6 Selecting Strategic Responses and Achieving Set Objectives

The study sought to know whether the respondents were involved in selecting the strategic responses in place. The researcher also wanted to get their opinion on whether the strategic responses are assisting towards achieving the set goals. The respondents confirmed their involvement in selecting the strategic responses which they implement in their respective departments. There was confirmation that the selected strategic responses have assisted towards achieving the set goals.

Prudent underwriting has resulted to underwriting profitable business as attested by the continued profitability since 2009. Tausi Assurance Company Limited has also attracted knowledgeable and skilled personnel. The Company has two staffs who are Fellows of Chartered Insurance Institute UK (FCII) and three are Associate of Chartered Insurance Institute UK (ACII).

4.7 Benefits of Strategic Responses to Changes in the Dynamic Business Environment

The study sought to establish the benefits which have resulted from implementation of strategic responses at Tausi assurance Company Limited .The study was to establish Financial, Operational, and Administrative benefits. In addition, the researcher wanted to find out whether the strategic responses resulted in efficient and effective decision making.

4.7.1 Financial Benefits

The study found that various financial benefits have been achieved. Tausi Assurance Company Limited has been registering increased profits since 2009 which is attributed to prudent underwriting and prudent investment decisions. The asset base has registered a significant growth over the years which now stand at 1.9 Billion. The retained earnings have also grown over the years and the dividend pay-out has been on increase where in the year 2014 Kshs.50 Million was distributed as dividend which was 15% return on Shareholders' Equity. The Gross written premium has grown to 812 Million by the end of year 2014.According to the strategic plan; the Company's gross written Premium is to hit Kshs.1.1 Billion by end of the year 2016. Return on investment has also registered

growth over the years. The share capital has grown from Kshs.300Million and now stands at Kshs.500Million. The Company will be increasing the share capital to Kshs. 600 Million this year to comply with the new proposal under Finance Bill Act 2015.

4.7.2 Operational Benefits

Tausi Assurance Company Limited has registered impressive business growth supported by high profitability margin. Due to efficiency in business processes customer service has improved resulting in satisfied customers. Customer satisfaction has resulted in high business retention compared to the peers within the industry. There is also high customer loyalty where a number of customers have been with the company since its incorporation in 1993.

Training of staff ensures that customers are served by competent staffs that possess product knowledge and this mitigates the risk of misrepresenting products. Efficiency in business processes has resulted in improved turnaround time in documentation and customer's queries. Through use of robust ICT system there has been a great improvement in integrity of reports generated for decision making .Formalized complaints procedure ensures that the top management is involved in handling complaints which create confidence in customers.

4.7.3. Administrative Benefits

The study found that Tausi Assurance Company Limited has recorded a significant drop in business cost following reduction in number of print copies from six to three .The integrity of statements sent to the intermediaries has improved due to direct integration of the underwriting and the accounting system modules which has reduced manual

intervention thus mitigating human errors. The Company has a biometric system where staff login which has resulted in efficiency in human capital management and proper accountability of their working time. Increased internal underwriting capacity has resulted in cost reduction where surveying of small risks is conducted in-house instead of outsourcing.

4.8 Challenges of Strategic Responses

The study sought to establish the challenges being faced in implementing selected strategic responses at Tausi Assurance Company Limited. Organizations operate in a turbulent environment thus posing challenges in implementing strategic responses hence important to identify the challenges and mitigate their impact. Strategy implementation is critical as good strategies if not well implemented cannot achieve the set objectives. According to Ansoff and McDonnell (1990), strategic responses involve changes in the firm's strategic behaviour to assure success in transforming future environment. Change management is imperative as the same pose challenges which must be dealt with for survival and success of the organization.

4.8.1 Insurance Challenges in Crafting Strategic Responses

The study sought to identify the insurance challenges in crafting strategic responses. The respondents gave various insurance challenges faced at Tausi assurance Company Limited in crafting Strategic responses. One of the challenges was lack of enough statistics. Insurance industry in Kenya has not been able to share statistics in comparison with other sectors. The main source of statistics is the Insurance Industry Annual reports which rely on the individual companies to submit their reports. This means that the only source of data is from players in the industry where some information may be viewed as classified hence not shared.

Regulations also pose a challenge when crafting strategic responses. The Insurance Regulatory Authority (IRA) issues guidelines which must be followed in areas of investment, underwriting, Reinsurance among others. Investment guidelines provide how the investment of the premium should be done thus limiting the investment options by Tausi Assurance Company Limited. Reinsurance ceding is also regulated where 20% share should be ceded to Kenya Reinsurance Corporation which is a state corporation. This denies the Company opportunity to cede the risk to reinsurer of their choice. Guideline has been issued in underwriting motor classes where minimum applicable rates have been provided by the regulators. The Company does not have an option to charge differential rates based on the performance of the account .This poses a risk of losing business to competition. IRA also regulates fire and Engineering risks whose sum insured are above a billion and 500 million respectively.

Insurance Fraud is common across the Insurance industry in Kenya. This has been a common phenomenon across the globe where companies lose billions to fraudsters. Tausi Assurance Company Limited is also exposed to risk of fraud. There is strict vetting of business to mitigate fraud which impacts on business growth. Low Brand awareness was also cited as a challenge. The Company has been operating in a quiet environment thus the brand is not known in the market compared to other players. Brand awareness is important for business growth as customers associate certain attributes to the brand which determine the choice of the insurer. Corporate governance was also identified as a challenge within the Company. IRA has provided guideline on corporate governance and

this has been a challenge to the Company. It was confirmed that in the year 2015 there was delay in renewal of the trading license due to non-compliance. Due to delayed renewal of the license the Company was at high risk of losing key supporters due to lack of confidence.

Resources are scarce across corporates thus the allocation is on priority areas. Tausi Assurance Company has scarce resources and is only able to allocate just enough resources on this process. The process of crafting strategies is involving in terms of finance and time. There is a trade-off between the time allocated to serve the customers and crafting strategies. The Company underwrites limited classes of insurance limiting the market share. Public awareness is another challenge where the market is too small in comparison with the market players.

4.8.2 Factors Affecting Strategic Response

The researcher wanted to establish factors affecting strategic responses at Tausi Assurance Company Limited to changes in business environment. The study established the following factors:

4.8.2.1 Political Factors

Political environment affects the business environment and insurance industry is not an exception. Political decisions affect the business environment in that some legislation may strain the business. Respondents agreed that political factors such as tax policies have affected the Company among them paying excise duty on earned commission and the commission paid to the Brokers. This affects the overall performance of the company

as the excise duty is an expense. The Political climate affects the businesses which are a source of income for insurance Companies. The finance Bill Act 2015 proposal for an increased capital by insurance Companies will impact on Tausi as there is need to raise additional capital to meet the new statutory requirement.

4.8.2.2 Economic Factors

These factors concern the nature and direction of the economy in which Tausi Assurance Company Limited operates. The study found that premium collected is invested thus the interest rate prevailing at any time will determine the return. Low interest rate means low returns but high interest rates will bring high returns but also high cost of borrowing.

The company investment policy must be in line with the IRA guideline on investment. Performance of the economy affects insurance uptake. Disposable income depends on the economy performance and hence ability of the public to purchase insurance products. During the times of slow economic growth the insurance uptake is low and this affects the performance of Tausi Assurance Company Limited.

4.8.2.3 Social Factors

The study found that social factors such as distribution of wealth, changes in life styles, levels of education and population demographic have an effect on Tausi Assurance Company Limited performance .Distribution of wealth affects the uptake of insurance as majority may not afford insurance thus a small market. The small market will be characterized by high competition which leads to premium undercutting. The Company being a compliance company is affected by the intensified price war that defies the

regulations on pricing of some specified risks. When levels of education are high the customers become demanding and are able to negotiate for low premium which may not be sustainable. This will mean low premium for the Company thus affecting the returns on investment.

4.8.2.4 Technological Factors

Technology is dynamic and the Company to survive and succeed need to be abreast of the technological changes .Business processes depends on the technology being deployed and this will impact on the competitiveness. The Company has invested in Premia Version 8 in effort to ensure that the business processes are efficient and address the need of the business. Technology affects the level of innovation and products development. Innovation has been identified as one of the drivers of the insurance growth in Kenya.

The Company's strategic responses should be aligned to technological changes. According to Porter (2005), creative technological adaptations can suggest possibilities for new products/services or improvement in existing products/services or in manufacturing and marketing techniques. Tausi Assurance Company Limited has not embraced ICT in the field of marketing and advertising and this impact on the performance.

4.8.2.5 Environmental Factors

The study found that Tausi assurance Company Limited has a significant number of customers who are in the manufacturing sector. The environmental laws will thus have great impact on the performance. Such laws relating to pollution, Waste disposal

management among others will affect the liability insurance issued by the company. There is need to review the business portfolio to attract business from other sectors which are not prone to environmental laws.

4.8.2.6 Legal Factors

Legal factors affect the way the business is run as non-compliance may lead to penalty and other restrictions that may negatively impact on the reputation of the organization. Tausi Assurance Company Limited should craft strategic responses to address the issues of corporate governance that have affected the renewing of the trading license in the past. Consumer protection is growing stronger in Kenya and this will affect the way business is conducted.

Workplace safety is also affecting the way business is conducted as the Government has come up with legislation to be observed by all. Payment of excise duty on earned commission is one of the new legislation requiring compliance. The respondents confirmed that KRA are demanding excise duty taxes dating back to 2013 and threaten to penalize the defaulters.

4.8.2.7 Competition

Insurance industry has been facing stiff competition due to the shrinking market and entry of international brand into the Kenyan market. Tausi Assurance Company Limited has been recording gradual premium growth due to stiff competition and charging low premium to mitigate loss of business to competition. This has resulted in decline in premium and hence the investment income. This can be addressed by providing superior

customer service in processing and payment of claims. The Company has been very flexible in processing claims and despite the stiff competition business retention has been high. Cheque payment is processed within hours upon return of a signed discharge voucher.

4.8.2.8 Changing Customer's Demand

Kenya is now a middle income economy where the vibrant middle class is driving the economy at unprecedented rate. Tausi Assurance Company Limited in response to the changing customer demands has embarked on training the employees to equip them with skills and knowledge critical to address the needs of the customers. Business processes are designed to address the changing demand hence ensuring that documentations are issued within two weeks. Customers are also well versed with what they are looking for as internet provides information and request for tailor made solutions to their needs. Business exists to serve customers and therefore imperative to provide solutions that matches the needs of the customers.

4.9 Logistical Challenges in Implementing Strategic Responses

The study found that Brokers demand was one of the logistic challenges in implementing the strategic responses. Insurance industry is Broker driven and at times they join hands in demanding enhanced covers without paying for them. The result is high risk exposure to the underwriters without collecting commensurate premiums. TACL is faced with similar challenge as significant share of the business is Broker sourced.

The respondents confirmed that indeed the issue is a challenge in implementing some strategic responses. Demand by employees for better pay and improved benefits also pose a challenge to implementation of the strategic responses. Employees participate in implementation of strategies and when their morale is down the process is slowed down. Culture of an organization can be an impediment in implementation of strategies. TACL face the challenge of culture change which is imperative in implementation. Most of the employees have been working with the Company for over ten years and proponents of the status quo in addressing the challenge .TACL has recruited new staff at key positions who guide the team in change management and the benefits .

In-house capacity was also viewed as a challenge as most staff at the lower cadre has the minimum level of qualification. Their participation in implementation process is limited and this slows down the process. Automation of processes has also been identified as a challenge. The claims department has been operating manually and reports generated do not meet the test of integrity. TACL has in place a computerization committee (CC) that is mandated to ensure full automation of all processes by the year end.

4.10 Administrative Challenges in Implementing Strategic Responses

The researcher wanted to establish some of the administrative challenges faced in implementing strategic responses. Resistance to change was identified as one of the challenge facing implementation. Due to the changes anticipated from implementing strategic responses employees prefer the status quo. TACL face resistance when implementing the strategies. The resistance is minimized through communication and involvement of the staff in the change management.

4.11 Operational Challenges in Implementing Strategic Responses

The study was to find out the operational challenges in implementing the strategic responses. TACL faces challenge of premium undercutting within the industry. Profitability is driven by prudent underwriting where commensurate premium is collected to enable the insurer pay legitimate claims when they materialize. The small market characterized by many players has resulted to stiff competition thus affecting the level of profitability.

Reinsurers dictate the business to be underwritten by restricting the automatic capacity available to the insurer .The restricted capacity limits the classes of insurance that TACL writes hence not able to serve the entire market. Lack of market intelligence was also noted to be an operational challenge. Competitive edge is created by outdoing rival in whatever they do or doing things differently from them. TACL lacks the capacity to gather market intelligence and this become a challenge in operationalizing the strategic responses. TACL operates only one Branch which poses a challenge in implementing strategies that can unlock business in the counties. TACL cannot exploit opportunities available in the various counties resulting from the devolved governance.

4.12 Discussion

The objective of the study was to establish the strategic responses in the changing dynamic business environment by Tausi Assurance Company Limited in Kenya. According to Astley and Fomburn (1983), an organization is not autonomous actor of its strategic choice as there are many external factors that compel the organization to revise its strategic planning and implementation. The study found out that several strategic

responses were crafted and implemented in response to the changes in business environment which included: segmenting the market, staff training, recruitment of qualified technical staff, use of high version Premia system, strengthening relationship with brokers, branding among others. The study findings are in line with Pearce and Robinson (2003) that organizations to achieve their objectives require adjustment to the environment.

The study found that market segmentation has been one of the strategic responses that have enabled the company to focus on a market niche that has supported the profitability of the company. The Asian clientele mostly in the manufacturing sector has been key source of the business. The market focus has resulted in low business acquisition costs as most business is on referral basis with very low marketing activities like advertising. This finding is in line with Porters (1980) competitive strategy of focusing in a market to gain competitive advantage over rivals in the same industry.

The study also found out that staff training has enhanced the underwriting capacity. This is through application of the acquired knowledge and skills in proper assessment and pricing of the risks accepted by the company. The capacity to undertake in-house surveys is a product of the continuous training being undertaken by the staff. Profitability of the Company is driven by underwriting profit which can only be realized through prudent underwriting. Mutuku (2014) in her study of Old Mutual Insurance Company responses to changes in dynamic business environment found that market segmentation and staff training have been some of the strategic responses adopted by OMK.

The study also found that Political, Economic, Social, technological, environmental and Legal factors have affected the strategic responses by TACL. The study concurs with Scholes and Whittington (2005), who stated that organizations exist in the context of complex political, economic, social, technological, environmental and legal factors. The study identified economic and technological factors to have great impact on the strategic responses. TACL collect and invest premiums where returns will depend on the economic performance. When the economy is performing well higher returns are realized but when the economy is down low returns are realized thus affecting the profitability of the Company.

Technology enables an organization to have efficient and effective business processes which deliver superior customer service. TACL has been able to improve the turnaround time for documentation through implementation of a robust ICT system. This has enabled the Company to collect premium on time as payment is pegged on the documents and statement issued to Brokers summarizing the business done within the month.

The study agrees with Peters (1987) who noted that strategy helps corporations deal with uncertainty of competitive markets through customer responsiveness, fast paced innovation, empowering personnel and fundamentally learning to work within an environment of change. The study also concurs with Ansoff and McDonnell (1990), who stated that increase in competition has created a shift in the economic environment where every organization to remain afloat requires proper strategic responses. This is also emphasized by Pennings (2002) who observed that organizations face significant constraints and contingencies from their external environment and their competitiveness depend on their ability to monitor the environment and adapt their strategies accordingly.

In summary the chapter looked at the profile of the interviewees and their level of understanding the topic of the study. These were key persons in their respective Department and had in-depth understanding of the topic of study. The presentation of each section as outlined in the interview guide was done based on respondent's response and in consistent with the research objective.

Key strategic responses were highlighted and discussed. It was confirmed that the following were key strategic responses: Market segmentation was key as the Company targets a niche market dominated by the Asians who are in the manufacturing sector. Staff training was being conducted following need analysis by the training manager and customising the trainings on the identified needs. This has resulted in improved underwriting quality and enhanced employees' capacity. Recruitment of technical staff to head department had resulted to improved customer service and process efficiency.

Use of Technology was also highlighted as a key strategic responses resulting in improved business processes. The Company depends on Brokers for business and strengthening the relationship is important. Customer's perception about the Brand is a key element in deciding where to place business. The Company has embarked on Branding to strengthen the market position and also to communicate the key attributes which creates confidence to the customers.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary of the key findings, conclusions drawn from the findings and recommendations. The conclusion and recommendations are made in line with the research question and objectives. The chapter is presented into summary of the findings, conclusions, recommendations, limitations of the study and suggestion for further study.

5.2 Summary

Organizations are a creation of the environment where they are dependent and serving the environment. Environment is turbulent and continuously changing and there is need for organizations to monitor the environment and craft responsive strategies to align with the changes in the environment for success and survival. The research question was to establish strategic responses by Tausi Assurance Company Limited to changes in dynamic business environment. Organizations operate in a unique environment requiring specific strategic responses.

Strategic responses are unique to organization and change over the time, it was critical to specifically establish the changes in TACL business environment and strategic responses to survive in the turbulence and remain afloat. The researcher interviewed the Managing Director and the Heads of departments at Tausi Assurance Company limited in order to achieve the study's objectives. Content analysis was used to analyze the qualitative data

and the results were presented in narrative form. The study sought to find out the strategic responses by Tausi Assurance Company Limited to changes in the dynamic environment, benefits from the strategic responses and the challenges faced when crafting the strategic responses.

The study found out that TACL responded to dynamic business environment through crafting appropriate strategic responses. The respondents confirmed that the company used market segmentation as one of the response to stiff competition. The Asian Clientele who are involved in manufacturing and distribution were the main source of business. The business was mainly non-motor which is generally profitable thus explaining why the Company has been making underwriting profit. Building relationship with Brokers was another response confirmed by the respondents. Over 90% of the business was sourced from Brokers who had developed strong ties with their customers. The strong relationship resulted in high business retention and loyalty from the Brokers who made TACL the underwriter of choice.

From the findings, staff training was another response where the company had contracted a full time Technical and Training Manager to conduct training need analysis and develop a training program. The training equipped the staff with knowledge and skills thus enabling them to perform proper assessment of risks and appropriate pricing. The training program was also replicated to the Brokers to equip them with knowledge which enabled them to vet the business at source. The prudent underwriting approach resulted in profitability as well as high excellent customer service. The respondents also confirmed that implementation of Premia Version 8 ICT system was a milestone to the Company. This is where most of the processes had been automated enhancing integrity of the

reports that are integral part of decision making. One of the key areas was integration of the underwriting and accounting module where manual intervention in report generation was minimized thus reducing errors. The researcher found that TACL has an Executive Committee that meets on monthly basis to review operational issues.

The committee was composed of Heads of Departments who are also involved in crafting and implementation of strategic responses. The review of strategic responses was done half yearly .Selection of the relevant strategic responses was done through conducting SWOT analysis, PESTEL analysis and Stakeholders analysis. The researcher found that several benefits were realized as a result of implementing strategic responses. There was business growth that resulted in high profitability and high dividend payout .Business processes were improved resulting to improved turnaround time for documents. Improved turnaround time resulted in customer satisfaction.

From the findings the Company faced challenges while crafting and implementing the strategic responses .Among the challenges was lack of in-house capacity to implement the strategic responses. Majority of the employees had grown within the Company who had minimal qualification at entry level. There was also resistance to change due to the fear of uncertainty and need to protect the status quo by those who had been within the organizations for over ten years. The research also found out that PESTEL factors affected strategic responses and among them were the economic, technological and social factors. The company invest premium for high returns as premium collected in only a portion of the risk. Technology is critical to innovation and improved business processes. Social factors like change in tastes and preferences of the customers affect the company's effort to serve customers. Continuous review of the strategic responses is critical which require resources in terms of finances and time.

The Research also found that there was cut throat competition within the insurance industry which forced TACL to lower prices to avoid losing profitable business to competitors. The competition is attributed to low penetration of insurance and over 40 players within the industry. Brokers demand has resulted in providing wide coverage to customers without charging extra building to compensate for the increased exposure. Over 90% of business is broker driven and their influence cannot be ignored. Market intelligence is critical when making decisions of innovation, market development as well as product development. The researcher found that TACL does not have a Marketing Department which provides market intelligence.

5.3 Conclusion

The business environment is dynamic; Tausi Assurance Company Limited has been able to align with the external environment through matching internal activities to the environment. The research found that Tausi Assurance Company Limited has been able to craft and implement various strategic responses among them market segmentation, developing strong relationship with the brokers, staff training Capacity building ,Risk management and Customer care.

The strategic responses have resulted in business growth, profitability, and improved customer care among others. The Company has been able to survive and succeed the turbulent environment by remaining profitable despite the challenges of cut throat competition, strained resources and ever changing customers' demands. From the research it is clear that survival and success of the organization depends on crafting appropriate strategic responses and proper implementation .Monitoring and review of the strategic responses is critical as the business environment is dynamic and requires continuous scanning. TACL has been able to successfully craft and implement strategic responses which have made the company to sustain profitability.

5.4 Recommendations

The study findings confirmed that the business environment is dynamic and the success of the company depends how the internal capabilities and match with the external environment. Tausi Assurance Company have successfully crafted and implemented strategic responses which have resulted to good performance by the organization. Environment provides opportunities which should be fully exploited to optimize on performance. Within the same environment are threats whose impact on performance should be minimized. Internal capabilities of the organization determine how well the organization is able to exploit opportunities and at the same time minimize threats.

The respondents confirmed that Tausi Assurance Company Limited lacks Marketing Department. Limited information is available for crafting and implementing strategic responses. The Company should set up a Marketing Department headed by knowledgeable and skilled staff with in-depth understanding of the Insurance industry. The Company should be reviewing the strategic responses on frequent basis for instance on a monthly basis. This is to ensure that relevant strategic responses are implemented on a timely basis in view of the dynamic business environment

The findings of the research confirmed existence of cut throat competition due to the shrinking market and slow insurance uptake due to of lack of awareness by the Public. The Company should focus on other competitive strategies as outlined by Porter (1980) of Differentiation and Focus. This will minimize the effects arising from reduction in rate to avoid loss of business to competition. Recruitment of qualified staff will be key towards realization of superior customer service. The culture has been an impediment to

implementation of the strategic responses and the researcher recommends that a culture change be undertaken. This can be achieved through involvement and participation of all staff to understand their role in implementation of the strategic responses.

5.5 Limitations of the Study

This was a case study which focused on one Organization whose findings cannot be generalized to apply to other players within the Insurance Industry .Organizations operate in unique environment and the reaction differs from one Company to the other due to various factors. Strategic responses are crafted and implemented on the context of the Company. There was constraint in time and finances dedicated to conduct the research. The interviewees were people serving in various key positions and their availability for an interview was challenging .The researcher also had limited time to conduct the research and present the findings.

Information sort was considered sensitive and some respondents were reluctant to share the information. This was the main competitive advantage of the Company and there was fear of the information being accessed by the competitors. The company had recently recruited new staff as Heads of departments and this was limiting their understanding of the Company's operations. However, this was minimized by the fact that all of them have been working in the insurance industry for over ten years and thus had the knowledge and experience. The research interviewed only Heads of Departments who were mainly involved in providing strategic leadership in crafting and implementation of strategic responses. The staff mainly involved in the implementation were not interviewed which could have provided more insight.

5.6 Suggestions for Further Research

The study proposes that a further study be done to establish how the culture of an organization affects successful implementation of strategic responses. It would also be important to conduct a research to establish the Competitive Strategies used by Insurance Industry to improve performance. Other research should be done to establish the effect of mergers and acquisitions within the insurance industry in Kenya.

A research should also be conducted to establish causes of high turnover in the insurance industry in Kenya which has been a big challenge towards realization of sustainable customer service by many insurance Companies in Kenya. A research on how Technology is impacting on the performance of insurance Companies. A study on how strategic responses impact on the management decisions and Insurance uptake in Kenya.

5.7 Implications of the Study on Policy, Theory and Practice

This study can be used by policy makers to know the policies that need to be developed to support the growth of insurance industry in Kenya which has been low over the years. Insurance regulatory Authority (IRA) can use the report to gain an understanding of the effects of the regulations and how they impact on performance.

The research will give an insight on the factors existing within the business environment and their effects on crafting and implementation of the strategic responses. The research by highlighting challenges faced in crafting and implementing strategic responses will enable managers to proactively deal with the challenges to avoid creating crisis while implementing the strategic responses. This will ensure that only viable strategic responses are implemented which are supported by the organization's structures.

The results of this study will be useful to scholars and researchers in the field of strategic management and dynamic business environment. It will contribute to theory building in the field of strategic responses and dynamic business environment. The findings will also contribute to the existing body of knowledge by enhancing research methodology, literature review and formulation of research questions and objectives.

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APPENDICES

Appendix I: Letter of Introduction



UNIVERSITY OF NAIROBI
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MBA PROGRAMME

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DATE 10/8/2015

TO WHOM IT MAY CONCERN

The bearer of this letter MACHARIA JAMES NJOROGE


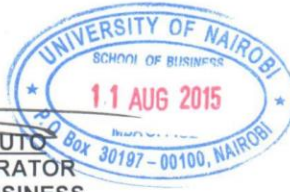
Registration No. 061/64544/2013

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.



PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix II: Interview Guide

Strategic responses to changes in the dynamic business environment at Tausi Assurance Limited in Kenya

Section A: Demographics Information

1. Name of the respondent (Optional)
2. What is your position within the organization (Tausi Assurance Limited)
3. In which department /section are you working?
4. What is your area of specialization?
5. How long have you worked at Tausi Assurance Limited?
 - a) Less than one year []
 - b) 1 to 3 years []
 - c) 4 to 5 years []
 - d) 6 years and above []

Section B: Strategic responses

6. Which are the strategic responses undertaken by your company?
7. Were you personally involved in the crafting of the strategic planning in the company?
8. Does your company conduct analysis on the various strategic responses in relation to changes in dynamic business environment?
 - a) If yes how frequent do you conduct the analysis?
 - b) If yes, who is responsible in conducting it and how is it conducted
9. By which method do you use to select the strategic responses that are relevant to the changes in the dynamic business environment to your section?
10. Were you personally involved in the choice of the strategic responses to changes in dynamic business environment that are now being used at Tausi Assurance Limited?
11. In your own opinion do you think the strategic responses to the changes in dynamic business environment applicable in Tausi assurance Limited assist towards achieving the set objectives

Section C: Benefits of strategic responses to changes in dynamic business environment

12. What are the financial benefits that may be realized from effective strategic responses to changes in dynamic business environment in your company?
13. What are the operational benefits that may arise on application of appropriate strategic responses to changes in external environment in your company?
14. Does strategic responses to changes in dynamic business environment result in efficient and effective decision making policies?
15. Which are the administrative benefits that accrue from the strategic responses to changes in dynamic business environment in your firm?

Section D: Challenges of strategic responses to changes in dynamic business environment

16. What are some of the insurance challenges that you encounter while crafting the strategic responses to changes in dynamic business environment in your company?
17. What are the factors that affect strategic response to changes in dynamic business environment in your company?
18. Which are the logistic challenges that you encounter while implementing the strategic responses to changes in dynamic business environment in your firm?
19. What are the administrative challenges that you face in implementing strategic responses to changes in dynamic business environment in your firm?
20. What are the operational challenges that you face in application of strategic responses to changes in dynamic business environment in your company?

Thank You for your Participation