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THE EFFECT OF COMPETITIVESTRATEGIES ON COMPETITIVE ADVANTAGE AMONG INSURANCE FIRMS IN NAIVASHA SUB-COUNTY, KENYA

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Abstract

The insurance business is a very competitive industry where firms constantly take a critical review of their competitive strategies and analysis at the way they conduct their core business in a quest to gain competitive advantage. Kenya's insurance industry is highly regulated and in the hindsight some insurance firms have a competitive advantage measured in terms of a better performance in terms of the Gross Written Premium (GWP) than others. It therefore remains unclear whether the differences in performance of insurance firms can be explained by the use of competitive strategies employed for competitive advantage. The general objective of the study was to evaluate the effects of competitive strategies employed by insurance companies to gain competitive advantage. Effects of product differentiation, minimum premium and niche market were evaluated on competitive advantage. The census and descriptive designs was used. This targeted targeting 30 branch staff of all the insurance firms in Naivasha Sub-county.

Using primary data alongside secondary data, the study established that niche marketing at (t)= 4.994, β= .465p<.05.and product differentiation at (t)= 2.613, β= .301, p<.05 had a significant effect on the competitive advantage However, minimum premium strategy did not have a statistically significant effect on the overall competitive advantage (t)= 1.866, β = .142, p>.05). The study can be of benefit to Managers of insurance companies as it may determine the most appropriate strategy for gaining competitive advantage in the industry.

Keywords: Competitive Strategies, Competitive Advantage, Insurance Firms, Profitability

INTRODUCTION

In the contemporary insurance industry business has become very competitive such that for insurance firms to survive in such an environment requires a rethink of good marketing strategies. Most organizations deal in services and products, regardless of how good they are, that cannot sell on their own (Kotler, 2001). This is because of the high degree of product and demand dynamics where both new products and competitors are on the increase including in the insurance industry. The developments have resulted into two categories of firms namely successful and the less successful companies where empirical studies have continually sought the types of strategies for this success. In any organization, strategy construction requires firms to plan over how resources at their disposal will be utilized. This ought to be accompanied with a review of activities in an entire organization in consideration of the competitive environment in which such an organization operates. Ansoff and McDonnell (1990) posits that it is through strategies that a firm positions itself and can further relate with the environment to ensure sustained success in addition to insuring itself from failures brought about by the changing operational environment. They further argue that such activities can be done by positioning the firm through strategy and capability planning in its rightful competitiveness and use of real time response through issue management. In earnest considerations for insurers to be successful, they have to transform their business processes and operations if they are to meet demands of its shareholders and stakeholders. This process results into improvement of firms' profitability while meeting corresponding demands from regulators whose role is to reduce firm risks using major components of a strategy such as mission, fundamental objectives, strategic options, resources, deadlines and competitive advantage (Ansoff & McDonnell, 1990).

Strategy provides the direction and scope of any organization over long term period so that such organizations can achieve advantages over other firms through its configuration of resources within a challenging environment (Johnson & Scholes, 2005). For organizations to meet market requirements and accomplish stakeholders' expectations, strategies must be applied as the combining theme to give business soundness and path to both activities and choices of an insurance industry or a company (Johnson & Scholes, 2005). Effective strategies must ensure that a firm's objectives are clear, simple to understand, steady and long term. Johnson and Scholes (2005) further argue that within the competitive environment management must understand the types of strategies that a firm requires by evaluating both its internal and external environment. Firms ought to rationalize their product portfolios and review their distribution strategies. Likewise undertaking of an unprejudiced assessment of the firm's resources available alongside the resources required is extremely important for effective strategy implementation. Implementation phase is the most challenging phase of any strategy and requires that proper communication within the firms' ought to be clear (Drucker, 1993).

A number of factors contribute to both the performance and success of the insurance companies in terms of volumes of sales and number of policies sold. Such factors include resources a firm has in order to recruit more clients, the distribution network for effective delivery of services, right products that meet the needs of the clients and affordability of such products (Thompson, Strickland & Gamble, 2007). Like other players in the service industry, sales are largely dependent on the quality of service delivered to its clients. However, the only unique difference being that insurance is based on trust products which are intangible making it harder for the customer to immediately feel the results of the product purchased. All transactions in insurance hinge on the pivotal principle of utmost good faith a factor that helps to establish how some insurance firms perform better, heavily expand while others are not performing as expected. The success in some insurance firms is a sign that processes are being managed well than it is with others. These enables one to distinguish companies providing quality services or products compared to their rivals. Processes provide explanations on insurance firms' product development and marketing costs that contribute to the achievement of a competitive advantage (Thompson et al., 2007).

The competitive advantage of a firm is the supremacy achieved by a firm over its rivals and/or competitors (Congden, 2005). In the context of this study, an insurance firm gains a competitive advantage over other insurance firms when it offers products and services of similar value as those of its competitors in the industry at a lower rate or at an affordable price to its clients. Alternatively, an insurance firm will offer higher value products and services at a higher price through a differentiation strategy.

An insurance firm can also realize competitive advantage through price leadership when it creates a market niche or a market segment after which it should be able to match its main competencies with the available opportunities (Abela& Murphy, 2008).Abela and Murphy (2008) indicate that at the firm level, competitive advantage can be expected to offer quality services and goods effectively and efficiently in comparison to its significant competitors in the business. In this context an insurance firm with a higher competitive advantage in the local market gains persistent business related success without much protection.

Competitive advantage in Kenya's insurance industry and for the purpose of this study considered the adoption of cost reduction strategies, focus strategy and investing in resources as some of the measures of addressing issues of competition in the industry. These indicators were too considered by Ilovi (2011) while studying Kenya's insurance industry as part of the competitive strategies advanced by Porters.

Insurance Industry in Kenya

Kenya has an expanding middle class, anchored by a young population which is set to support growth in Kenya's insurance sector despite the regulatory overhaul which is likely to increase consolidation pressure in the coming years (Kenya's insurance sector survey, 2016). According to the survey sub-Saharan markets forecasts, Kenya's insurance sector could expand by a 6% compound annual growth rate in premiums through to 2018. Currently, Kenya's insurance penetration rate stands at 2.9% of GDP (Kenya's insurance sector survey, 2016).Kenya is also in the final stages of a regulatory overhaul, including establishing a Financial Services Authority (FSA) to consolidate the fragmented insurance landscape by merging the four regulators namely the IRA, the Retirement Benefits Authority, the Capital Markets Authority and the Sacco Societies Regulatory Authority in one umbrella to provide a more organised approach to the sector(IRA, 2016.

Through Kenya Vision 2030, the government purposes to connect the East Africa region and make Kenya the economic hub in the region after setting up large scale infrastructure projects, some of which are currently under way. However, despite being a dorminant economy in the region, poverty of its citizens continues to be an impediment to the growth of insurance market. This has a negative effect on the insurance penetration which can help to improve the country's economic growth and be able to translate into growth in the size of the middle-income market.The main insurance players in the Kenyan underwriting industry are insurance companies, reinsurance companies, insurance intermediaries such as insurance brokers and insurance agents, risk managers or loss adjusters and other service providers (Insurance Regulatory Authority, 2016).Insurance business in Kenya can broadly be classified into general and life or long term businesses and are viewed based on the lines of insurance businesses and profit centre concept. However, each line of insurance business is viewed separately based on its premium pool. According to the Kenya Insurance Survey (2014), general insurance industry business in Kenya namely; motor- Commercial, motor-private, fire-domestic, aviation, Fire-Industrial and Engineering, theft, workmen's compensation, Motor- Private and Personal Accident, engineering liability, marine, and miscellaneous lines of business drive the sector. The life insurance industry is mainly driven by such lines of business as the ordinary life and superannuation, which includes Group Life Insurance and Deposit Administration i.e. industrial life and bond investment (Kenya Insurance survey, 2014).

Into Africa (2017) posits that the Kenyan Insurance market still remains fragmented because it has a large number of operators, with 54 companies' already licensed to write insurance and reinsurance. The market is led by diversified groups, with most overall market share changes resulting from mergers and acquisition (M&A) activity, as opposed to significant individual out/underperformance. The top five life insurers have a combined 63% market share, and the top five non-life 41%. This fragmented structure alongside the overall market size has made it difficult for most insurance companies to achieve significant scale benefits. This is coupled with the willingness of foreign investors desire to invest in the country, which explains the industry's potential for further consolidation in the future. The non-life insurance market in Kenya is more developed than that of life and a significant number of insurance groups (either as composite insurers or through separate licences) have large footprints in both life and general insurance focusing on multiple product lines. In recent years most foreign interest has come from insurers based in South Africa, looking to diversify their businesses away from the well-penetrated home market (Into Africa, 2017)

Statement of the Problem

Some of Kenya's insurance businesses have merged with the intention to widen their market base and make profits after consistent loss making in the past years. In the hindsight, the Insurance Regulatory Authority (IRA) which ensures that insurance companies in Kenya adhere to the rules and regulations provides a framework to govern the sector's business activities. It is within this framework that Insurance companies are required to develop effective strategies to gain competitive advantage in the industry. But despite the formulation and implementation of such competitive strategies the effects of such set competitive strategies in a more localized setting is unclear as to the insurance firms competitive advantage and performance as measured by recorded Gross Written Premium (GWP). Therefore the study sought to evaluate the effect of competitive strategies namely the minimum premium, niche market and differentiation on competitive advantage of insurance firms in the Naivasha sub-county, Kenya.

General Research Objective

To assess the effect of competitive strategies on competitive advantage among insurance firms in Naivasha sub-county

Research Hypotheses

The study tested the following null hypotheses:

H_1: There is no significant relationship between competitive strategies and competitive advantage among insurance firms in Naivasha sub-county.

THEORETICAL REVIEW

The Agency Theory

This theory was advanced by Berle and Means (1932) and indicates that complications exist in the management of modern firms due to separation of ownership, control and which is also described by the frail association between owners and managers of organizations'. It also specifies that there is a presence of inadequate system of protection of outside investors due to skewed ownership and the ineptitude of boards in monitoring firm's management decisions (Fama & Jensen, 1983). A sense of balance of these interests is usually fused in order to arrive at the corporate objectives of the organization through the agent who is responsible for the enormous resources of the organization.

Laffort and Martimost (2002) posit that the agency theory in the field of strategic management is so crucial since the action chosen by agents affects not only one, but several other parties (the principals). In the agency theory, the fact is that the principal and the agent share common interests. This essentially implies that both the principal and the agent desire the same outcome from in this case corporate strategies that the agent must apply with the interests of the principal in mind. The second aspect of the theory indicates that the principal is knowledgeable about the consequences of the agent's corporate strategies. In other words, it means that the principal knows whether their agent's corporate strategies serve in his best interest or not. If either of these statements is false, it follows that agency loss is therefore likely to arise. One of the objections to agency theory is that it "relies on an assumption of self-interested agents who seek to maximize personal economic wealth" (Bruce, Buch Main, 2005). The challenge is therefore being how to get agents to either set aside their self-interest, or work in a way in which they may maximize their personal wealth while still maximizing the wealth of the principal. Thus, a standard of agency duty and action is necessary, not because agents are universally selfish, but because the potential for differences between the principal's and the agent's interests exists. This theory was used to interrogate competitive advantage and competitive advantage variables in the study.

This theory was used to explain the competitive strategies variable because in the firms' management it is critical that the action selected by the agent affects several other parties. Therefore the agents' role in strategic formulation and the overall strategic management process cannot be underestimated. The Agency Theory holds the view that there should be proper synergy between the management and its stakeholders in order to work towards a common goal. The Agency Theory has also been described as the central approach to managerial behavior in the different insurance firms. However, strategies emanate from the agency theory because they are the agents who are judged with the responsibility of strategic formulation by other stakeholders who have direct control over the firm (Mintzberg, 2003; Joseph, 2004 and James, 2003)

Krueger (2004) asserts that agency theory tends to take precedence against other strategic management theories. He contends that from the corporate strategy to operational strategy all objectives designed must be supervised by the agents or managers for the organization to achieve its objectives and to formulate objectives at all strategic hierarchical levels. On the other hand strategic management programs require top managers to provide clear and visible support to the programs without which the synthesis between the individual and the organization goals does not develop. Laffont (2002) criticizes the agency theory asserting that it only shows a relationship between owners and managers and it only provides dishonesty and embezzlement of funds by the agent. Laffont (2002) concludes that in a normal business it is very difficult for shareholders to exercise effective control of management interests (or corporate strategies) between managers and owners.

The Resource Based Theory

Resource-based view and dynamic capabilities has key philosophies and assume that firms can be conceptualised as bundles of resources and with capabilities. These resources and capabilities with which firms compete cannot be bought or sold in markets and that is why they are referred to as valuable, rare, inimitable and non-substitutable capabilities (VRIN resources). These must be developed by organizations rather than being taken as given in order to satisfy the user needs. This theory was used to interrogate the strategies development and competitive advantage of insurance firms. The resource-based view (RBV) is therefore a business management tool used to determine the strategic resources available to a company under review. The fundamental principle of the resource-based view in this study was that for the basis for competitive advantage of an insurance firm lies primarily in the application of the package of valuable resources at the insurance firm's disposal (Wernerfelt, 1984). The resource-based view is therefore a way of viewing the firm’s resources and the imminent strategy. The resource-based view was popularized by Hamel and Prahalad (1996) and they argued that this strategy considers the firm as a bundle of resources and the way these resources are combined.

The grouping of insurance firm’s resources makes such a firm different from another and in turn allows an insurance firm gain competitive advantage. The resource-based view takes an ‘inside-out’ view or insurance firm-specific perspective on why different insurance firms’ succeed or fail in the market place. According to resource-based view and for the purpose of this study insurance firm’s abilities allow some insurance firms to add value in the customer value chain, develop new products or expand in new marketplaces in order to improve performance as a corporate strategy. This theory draws upon the resources and capabilities that are inherent in the insurance firms in order for them to develop sustainable competitive advantages. However, not all the resources of insurance firms will be strategic and hence ‘that is why sources of competitive advantage between insurance firms’ are as varied.

Competitive advantage occurs only when there is a situation of resource heterogeneity and resource immobility. The resource-based theory in this context provides a framework for viewing knowledge of the availability of such resources as a pool of capital. This is why investigating an insurance firm’s competitive advantage from the resource-based view of the firm is critical. It is used as a conceptual framework for insurance business organizations in particular to enhance their competitive advantage position. Further the performance of insurance firms’ is established through the identification of organizational resources, capabilities and systems. The resource-based view focuses on resources that are permanently tied to a firm (Wernerfelt 1984).

For the purpose of this study, the theory was used to explain competitive strategies and competitive advantages when a combination of resources are used over time to allow for the evolution of specific capabilities that lead to competitive advantage (Amit & Shoemaker 1993). The theory was further used in identifying different types of competences that enables a firm to do better than any of its competitors. These resources may either be tangible or intangible but the traditional financial statements of insurance firms’ or companies do not provide sufficient information about specifically the intangible resources in the sense of the concept of a knowledge-based company (Ivankoviˇc 2006). Capabilities include values, people, and processes enhance an insurance company’s skills used in coordinating its resources and putting them to the productive use (Collis & Montgomery, 1995 &1997). The resource-based perspective takes the firm’s internal approach and in this context, the basic logic is that the insurance firm’s unique capabilities are in terms of knowhow and managerial ability which are important sources that can be used to create sustained competitive advantages for an insurance firm.

EMPIRICAL STUDIES

Competitive Strategies and Competitive Advantage

A competitive strategy is a set of actions that a firm takes to optimize its competitive position and involves a process of choosing a set of different activities capable of delivering unique and sustainable results over time. Porters (1980) developed a model of generic competitive strategies that stipulated three generic competitive strategies namely; cost leadership, differentiation, and focus. Porters (1980) further stipulated that strategic decisions required differentiating an organization from its competitors in a way that would make it sustainable in the future. Therefore, sustainable, a firm ought to develop a strategy that would be difficult for competitors to imitate and this involves positioning the business so that it would maximize the value of its capabilities that distinguish it from its competitors (Porters, 1980).

In strategic positioning, a firm identifies portions of its industry where competitive forces are weaker; for it to avoid buyer and supplier power, threaten new entrants while substituting price-based rivalries (Porters, 1980). The firm would then tailor its value chain to cope well with the forces in its industry which is essential in formulation of long-term, sustainable, and effective competitive strategies (Porters, 1985). Porter (1985) postulated that for organizations to survive in any market, they should formulate strategies that adequately respond to the competition and place them at a position of advantage in the market that in turn gives them a competitive edge.

Competitive advantage is a product an organization's ability to perform in one or more ways that competitors will not perform and cannot match the successes achieved by another competing firm (Kotler, 2001). It's on this basis of this success that a firm realizes that its organization's marketing strategy, the implementation of this strategy and the context in which competition unfolded played a critical role. The process to a competitive advantage is a result of firms targeting consumers who are at the core and center of the organization's marketing strategy (Kotler, 2001). To realize a competitive advantage, the organization should identify the total market and divide it into smaller segments and it should select the segment(s) and focus on serving them. The organization then engages in marketing analysis, planning, implementation and control to find the best marketing mix and take action to realize the expected competitive advantage. Porter (1990) introduced the five competitive forces framework that work to influence industry structure and therefore an organization's strategies. Industry structure strongly influences the competitive nature and range of strategies open to the organization. Pearce et al., (2003) stipulate that to design viable strategies, firms' executives require a thorough understanding of its industry and competition where they need to address four questions. The four questions are: what are the boundaries of the industry? What is the structure of the industry? Which firms are our competitors? What are the major determinants of competition? The answers to these questions provide a basis for thinking about the appropriate strategies that are open to the firm (Pearce et al., 2003).

Empirical literature on strategic management indicate that cost leadership and differentiation strategies require different resources, skills, organizational arrangements and managerial styles that are not only difficult but also incompatible to reconcile (Campbell & Hunt, 2000). Further, any efforts to reconcile the two inescapably lead to a trade-off to the extent that competing with a cost leadership strategy would involve resources and technologies of functional supports that will require cost cutting throughout all the functional areas of the organization (Campbell & Hunt, 2000). This means that organizational constraints represent the fundamental reason why cost- and differentiation-emphasis designs are believed to be mutually exclusive (Campbell & Hunt, 2000). Porter (1990) argues that sustainability of competitive advantage is a challenge and described a scheme consisting of three general types of strategies that are commonly used by companies. These three competitive strategies are defined along two major dimensions: strategic scope and strategic strength (Porter, 1990). Strategic scope is a demand-side dimension and looks at the size and composition of the market a firm intends to target while strategic strength is a supply-side dimension and looks at the strength or core competency of the firm (Porter, 1990). Porter (1985) argued that cost advantages and differentiation combined seeks to achieve three of the competitive strategies that are cost leadership, differentiation, and focus. One of the critical environmental influences to a business is its competition and increased competition often threatens the attractiveness of an industry and reduces the profitability of the players. Competition exerts pressure on firms to be proactive forcing such firms' to formulate successful strategies to survive in such an environment. Companies therefore focus on gaining competitive advantage to enable them respond to and compete effectively in the market (Johnson and Scholes, 2002).

Mutua (2012) studied the strategies adopted by Resolution Health East Africa Limited's gain on competitive advantage and found that Resolution Health East Africa Limited adopted differentiated strategy, product development strategy, corporate social responsibility strategy, market development strategy and operation efficiency strategy in a bid to gain competitive advantage. This was a case study design considered most appropriate in attaining the objective of this study and the respondents provided data through an interview guide closed ended questionnaire. The findings however recommended further research to establish if strategies could lead to sustainable competitive advantage in other insurance companies since insurance firms attempt to tackle or fill gaps on the challenges facing insurance companies in building competitive advantage.

Shao (2015) found that companies apply the threat of entry force to determine the competitive strategy which is often adopted in order to discourage entry of new companies into the industry. Shao (2015) used a survey design and self-administered questionnaires on a population of 47 insurance companies. Data was analysed using descriptive statistics and result found that insurance companies ought to be keen when applying the force of bargaining power of the supplier, since suppliers have strong bargaining power only when there are few suppliers but not when they are many buyers. This study recommended that there is need for the insurance companies to differentiate their services so as to stand out from the crowded competition. This way, the insurance companies can be able to offer unique services that are not being offered by their competitors and will be in a position to retain their customers. The findings further concluded that powerful supply force enables the companies to provide their customers with services at a relatively higher price. Further conclusions indicated that insurance companies applying the threat of substitutes force are able to find the effect of substitute products in a competitive environment which will in turn enable them to know which competitive strategy to adopt. The study recommended that insurance companies should adopt the cost leadership strategy since it is associated with internal strengths such as access to the capital required to make a significant investment in production of their services, since this always presents a barrier to entry that many firms may not overcome (Shao, 2015).

Wamwati (2006) studied the critical success factors in the Insurance industry in Kenya which sought to determine the challenges experienced by Insurance firms when aligning to the critical success factors and its challenges. Using a target population of 43 senior managers in each of the insurance firms that were licensed, data from semi-structured questionnaires analyzed using descriptive statistics established that the insurance firms adopted various critical success factors in order to remain competitive in the market. The study further established that the firms faced some challenges in aligning to the Critical Success Factors and as a result employed some measures to address these challenges in order to remain competitive in the market. This study further recommended that in order for the insurance companies to remain competitive in the industry, they should ensure that they charge reasonable premiums to customers.

Kavulunze (2015) studied the strategies adopted by insurance companies in Kenya to attain sustainable competitive advantage, and noted that whether an organization remains competitive or not, it largely depends on the quality of decisions made by its executives. This is partly because the present day competitive marketing patterns enable the competitors to come to reality with the fact that future marketing will be highly influenced by how an organization plays its cards. This study further established that successful insurance businesses rely on strategy based aspects, which in turn necessitate the use of appropriate decision tools that enhance its competitive advantage (Kavulunze, 2015**)**.

Ndirangu (2015) established that following high administration costs, stiff competition, changing customer needs, new risks, lack of elaborate distribution and payment mechanisms in micro-insurance business, the insurance companies required adopting micro-insurance strategies that would create competitive advantage. The study concentrated on the micro-insurance strategies adopted by Kenyan Insurance companies to create sustainable competitive advantage. The research adopted a descriptive survey research design whereby data was collected using self-administered questionnaires from 15 insurance companies that offer micro-insurance products. The respondents included the marketing manager, underwriting manager and/or supervisor from every company. Quantitative data collected was analyzed using descriptive statistics data analysis method while qualitative data analyzed using content analysis. Micro-insurance strategies revealed that cost leadership by the use of technology to lower administration cost, product differentiation, market focus, prudent underwriting, flexible payment of premium, thorough scrutiny of claims and efficient claims settlement, innovative distribution channels and customer education was very important for the improved performance of insurance firms.

Core Competencies and Competitive Advantage

A strategy of core competence is one where a firm critically reinforces its competitive advantage (Porter, 1990). Shao (2015) posits that insurance firms' or companies often distinguish themselves from other competitors on the basis of precise core competences which may not be sustained for a long period of time. The differentiation is difficult to sustain, can often be imitated by competitors and requires incorporation of integral skills which is one of the distinctive aspects of a core competence in any organization or insurance firms. Shao (2015) indicates that this can be achieved and sustained through developing strong dynamic capabilities, particularly where insurance firms operate in a world of innovation based competition. This is consistent with the view that in strategic management competitive advantage is responsible for the creation of innovations which as competitors use to level the playing field, cause the advantage to dissipate (Porter, 1990)..

Given these realities, even an organizational model that facilitates evolving along with the environment will fail to meet the innovation challenges. Rather, successful organizations will be those that get out in front of the learning curve and drive the environment, or "create the future. Lei, Hitt & Bettis (1996) define a capability as the capacity for a set of resources to integratively perform a task or an activity. In other words, a capability represents a firm's ability to deploy resources that have been purposely integrated to achieve a desired end state. These authors further contend that core competences are resources and capabilities that serve as a source of competitive advantage.

In organizations, there are unique packages of capabilities distinguished by their importance to customer value, their resistance to imitation and their ability to extend to new business applications as in the case of Apple's user friendliness and Sony's "pocket ability"(Lei et al., 1996). They are the connective tissue that holds together a portfolio of seemingly unrelated, diverse businesses and comparatively an intangible source of value, an aptitude, or the sum of learning across individuals' skills sets in any organization. These unique packages represent a commitment to developing and perfecting a class of customer benefits, rather than a commitment to serving a specific market opportunity (Lei, et al,. 1996).

Johnson, Scholes and Whittington (2008) define core competences as the skills and abilities by which resources are deployed through an organization's activities and processes such as to achieve competitive advantage in ways that others cannot imitate or obtain. The value of core competences can be enhanced by combining them with the appropriate complementary assets. On the other hand Hafeez, Khalid; Zhang, and Malak (2002) posit that core competences are the resources of the business consisting of physical, intellectual, and cultural assets. In this context, a firm ought to identify their core competences and be able to concentrate on areas that give more lead over their competitors. Johnson and Scholes (1997) postulated that core competencies are more vigorous and hard to imitate as they relate to the management of connections within the organization value chain and to connections with the supply and distribution chains of the organization. It is on the basis of core competencies that Porter (1980) argues forms the essence of strategy formulation in coping with competition and that the major sources of barriers to entry into any organization business being product differentiation economies of scale, cost disadvantage, capital needs, and access to distribution channels.

In study on the challenges facing the success of insurance services provision in Tanzania, Nthenge (2012) found that a number of challenges are encountered by insurers including lack of; general insurance knowledge, suitable insurance products, shortage in technical skills, moral hazard and fraud, unfair competition, market led initiative and low capitalization. That these factors make insurers in Tanzania fail to perform as expected and that there is need to intervene in terms of having good policies that ensured good performance of insurance.

Similarly, Wairegi (2004), sought to establish the Strategic responses by Life Insurance Companies in Kenya to changes in the environment while Swalehe (2005) covered strategic issue management in Insurance companies in Kenya. Wachira (2008) undertook a study on assessment of attractiveness of the Insurance Industry while in 2013 he studied the key success factors in the Kenyan insurance Industry. Their findings were similar that the key success factors including the ability to; efficiently process claims and payments, provide quality and convenient customer service, have aggressive sales force, formulate and implement strategies and maintain superior brand image.

Marucha (2012) studied core competencies and competitive advantage in the insurance industry in Kenya. Using a survey design and primary data the study established that majority of the firms considered customer service, flexibility, information management systems and product differentiation as their main competencies. However, other firms considered their core competencies to include prudent and ethical practices, staff skills and training, strong brand, risk evaluation and management, a strong branch network (for distribution), speed in claims settlement and timely issuance of insurance policy documents.

Nderitu (2015) studied the core competencies and sustainable competitive advantage by CIC General insurance company limited in Kenya. This was case study on how strategy can turn around a dying company into a profitable firm. The study established that in the year 2005, the company was among the bottom ten companies in the insurance industry in terms of market share and profitability but in 2015 its one of the most financially sound companies. It was further established that this company had been advised by its consultants that it was impossible to become self-sustaining without selling its stake to another company. However, CIC General was able to shift to be the top company in offering General Insurance by 2012. This rapid change of fortunes in a short period of time was due to the company's focuses on the advantages it had in the industry and banking on them for success.

This study's basic objective was to establish what the company did to attain this rapid turn-around. Anchored on two main theories, namely resource based theory and competitive advantage theory, the resource based theory was found to be robust as was able to show how the company utilized its inward resources and capabilities in a proper manner that enabled it to have an edge over its competitors. The study concluded that CIC General Insurance was able to utilize its key core competence in addition to being linked to the S.A.C.C.O.s where they gained an upper hand of an extended reach to its customers. The cooperative movement was used by the company to market and distribute its wide range of products to their large number of members. Due to the high interest rates in the country, S.A.C.C.O.s gained popularity and this helped to recruit a lot of members. Insurance organizations' firms are also forming company based S.A.C.CO.s for their employees. Since CIC General Insurance is the only cooperative insurer in Kenya, this becomes a key attribute that gives them an edge over its competitors. The core competencies were divided into three, namely, market access competencies, functionality based competencies and integrity based competencies.

It is important to note that all these studies focused on varied aspects of competitive advantage at a national level and not at a local level providing a critical gap that this study sought to bridge this inherent knowledge gap.

Minimum Premium and Competitive Advantage of a Firm

The first of Porters generic competitive strategy is cost leadership where a company sets out to be the low- cost producer (Porter, 1998). The strategy asserts that a company has a broad scope, serves many industry segments, and may even operate in related industry. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base (Porter, 1998). Porter (1998) posits that minimum premium as a strategy is one at an initial large market share that will give a management-controlled dominant insurer a persuasive threat to providers. This large share can, through the minimum premium share contribution process be used to extract a discount, and which can be used to support a premium lower than that which is financially feasible for any other insurer. The lower premium in turn permits the large market share to be sustained as the discount announced by a dominant insurer thus becomes a self-fulfilling prophecy (Porter, 1998). This strategy usually requires a firm to have considerable market share advantage or preferential access to raw materials, components, labor, or some other important input. Without one or more of these advantages, the strategy can easily be copied by competitors. However, cost advantage can be achieved through obtaining raw materials at lower prices than competitors, producing more efficiently, being located in an areas where labor cost is low, getting advantages of lower cost distributions, reducing costs in operational areas which have great impact on price and going where competitors have a lower market share and consequent higher costs (Johnson & Scholes 2002).

In the insurance industry, leaders or a firm sells its products at either average industry price to earn a profit higher than that of rivals or price lower than the average industry price to gain market share. They are able to achieve cost leadership through mass production, mass distribution, economies of scale, technology, product design, and utilization of resources and personnel. Cost leaders work to have the lowest product or service unit cost and can withstand competition with their lower cost structure which when a firm achieves and sustains cost leadership, is able to charge minimum or even lower premiums so that it can become an above industry performer. By these low premiums, a higher demand is created and, therefore a larger market share is easily attained. (Mark, 1989)

A small minority of people buy individual private insurance with no important tax advantages, and the administrative cost of insurance sold on a person-by-person basis which is however is substantially greater than for group insurance. In both the individual and small group cases, insurers typically engage in underwriting, examining carefully the characteristics of the individual or group that affect the risk of losses, and charging higher premiums or declining to sell coverage if the risk is thought to be high (Mark, 1989) The higher administrative costs for individual insurance arises from the higher per-insured cost of selling and collecting premiums for individual or small-group buyers and from the expenses of underwriting (Mark, 1989).

Shao (2015) and Mark (1989) posit that there are two ways in which an insurance firm can legally transfer rents to its provider-owners. One way is by offering coverage that increases or at least does not limit the quantity of services demanded at any provider price. The consequence will be that the, net incomes of providers will be enhanced. Another way to transfer rents is by setting benefit payments that result in prices that are higher than the competitive level. However, either way, the net effect will be to cause insurer premiums to be higher than the level under pure indemnity insurance produced by an insurer with the same costs, and to cause provider net incomes likewise to exceed the level under indemnity insurance. These effects have effects on the growth of insurance services and firms.

There are two ways of effecting this strategy one of which is where the insurer sets high provider benefits, and then set break-even insurance premiums high enough to cover the claims these benefit levels require. An alternative strategy is one proposed by French and Ginsburg (1978) where they proposed, to offer only very high coverage policies, to refuse or discourage policies with deductibles and co-payments, and to count on moral hazard from generous coverage to increase provider price, quantity, and incomes.

Differentiation and Competitive Advantage of a Firm

Differentiation is one of Porters key business strategy and it involves a firm creating a product or service that is perceived as unique (Porter, 1998). This unique features or benefits should provide superior value for the customer if this strategy is to be rated as successful. Porter (1998) argues that to maintain this strategy, the firm should have in place strong research, strong product engineering skills, strong distribution channels, a strong marketing team and graduated incentive levels. There are two main types of competitive advantages: comparative (cost advantage) and differential advantages (Porter, 1985). Comparative (cost advantage) is where a firm has the ability to offer a product at a lower cost than her competitors and consequently giving the firm the opportunity to generate profit margins (Porter, 1985). A differential advantage is achieved when a particular insurance product differs from its competitors and is seen as being better than her competitors. Competitive scope distinguishes between firms targeting broad industry segments and firms focusing on a narrow segment (Porter, 1985).

Generic competitive strategies are useful because they characterize strategic positions at the simplest and broadest level and in this regard achieving competitive advantage requires a firm to make a choice about the type and scope of its competitive advantage (Porter, 1985). Therefore a differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers.

Carr and Johansson (1997) posit that, in a contemporary business environment, an essential element to an organization's success is adaptability. Therefore, an underwriter must be able to manage at the speed of change, and that takes creativity and innovation. This strategy therefore requires underwriters to develop insurance products that are perceived as unique in the industry whether the features are real or just perceived by customers. Consequently, this leads to customer loyalty and result in reduced price elasticity, hence increased profit margins. The insurers are then able to charge more for their differentiated product Carr & Johansson (1997).

Mathiru, (2013) studied on the strategies adopted by APA insurance in the Kenya market which tailored their products focus on the right target market, among others to gain competitive advantage. The study established that it was not easy to generalize their findings recommended a similar study on the strategies adopted by insurance companies to gain competitive advantage be done as a survey.

Gathigia (2013) studied strategies employed by Co-Operative Insurance Company (CIC) for competitive advantage in the micro insurance industry in Kenya to survive in a competitive environment and gain competitive advantage. To address the objectives on the strategies employed by the firm, the researcher utilized a case study and interviewed 5 senior Managers in the life division. The researcher concluded that CIC was adopting differentiation and market development strategies in order to gain competitive advantage in the micro insurance industry.

Niche Marketing and Competitive Advantage of a Firm

This is where a firm concentrates on a few selected target markets, selected customer group, a product or product range geographical area or service line (Porter, 1990). This is done in order to focus on one or two narrow market segments to better meet the needs of that target market

(David, 2001). The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. Focus strategy may be used to select targets that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investments (Porter, 1990. Cost focus exploits differences in cost behavior in some segments while differentiation focus exploits the special needs of buyers in certain segments which create the firms niche market arising from factors such as geography, buyer characteristics, and product specifications (Porter, 1990).

Johnson and Scholes (2002) argued that collaboration between potential competitors or between buyers or competitors or between buyers and sellers is likely to be advantageous when the combined costs of purchase and buying transactions (such as negotiating and contracting) are lower through collaboration than the cost of operating alone. Such collaboration also helps build switching of costs. This implies that a firm's competitive advantage may not always be achieved by competition alone. They also argue that collaboration between organizations may also be a crucial ingredient in achieving advantage or avoiding competition. Organizations then may decide to compete in some markets and collaborate in others or both if the environment dictates so.

Porter and Kramer (2006) found that any business aiming to differentiate within just one or small number of target markets segments will be viewed as applying the differentiation focus strategy. They further argue that special customer needs imply that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers (Porter, & Kramer, 2006). Major finding from this study was that the business appreciate that customers have different needs and wants i.e. there is a valid basis for differentiation and that existing competitors are not meeting those needs and wants. This strategy is common amongst niche retailers. A company that engages in the above strategies but fails to achieve any of them is “stuck in the middle”. They hardly get any profits. It must then to decide a low cost strategy in a broad or narrow market or offer a differentiated or unique product or service in a broader narrow market (Porter 1998). By separating into varied units with different policies, a firm is less likely to get stuck in the middle.

Muriira (2014) conducted a research into the competitive strategies adopted by insurance companies in Kenya. This study focused on competitive strategies adopted by insurance companies to remain successful in an industry with low penetration and the results indicated that majority of the firms used focus or niche and market penetration strategies to create and sustain competitive advantage. The study recommended that further studies be carried out to determine how firms can adopt and use the strategies that are not widely used in the insurance industry to their advantage.

RESEARCH METHODOLOGY

The study used a combined survey and descriptive research designs on insurance firms' in Naivasha Town in Naivasha sub-county, Nakuru County. The total population of nine insurance company branches existing in Naivasha Sub-county was studied and involved thirty (30) respondents. The study involved the branch management staff since it is expected that they are implementers of strategies set and adopted by the insurance firms at their head offices.

Table 1. Target Population

Firm	Respondents distribution
Africa Merchant Assurance Co Ltd	3
APA Insurance Co Ltd	4
Britam Insurance Co Ltd	4
Cooperative Insurance Co Ltd	2
Explico Insurance Co Ltd	3
INVESCO Assurance Co Ltd	4
Heritage Insurance Co Ltd	4
Madison Insurance Co Ltd	3
AAR Insurance Co Ltd	3
Total	**30**

Data was collected using questionnaires and findings compared with secondary data from Association of Kenya Insurers (AKI) journals and the Insurance Regulatory Authority (IRA) journals. These journals provided consolidated financial results showing the performance of the insurance industry for a period of 5 years.

The results were run on a multiple linear regression model run to test a relationship between Competitive Strategies (CS) and Competitive Advantage as measured by Competitive Advantage (CA) using the model below

$Y = \beta_0 + \beta_1 CS + \varepsilon$………………………………………………………………….. (1)

Y is the Competitive Advantage; β_0 is a constant, β_1 regression coefficient. A random error term ε accounted for unexplained variations in the model. The inference was that if β_1 is significant then a relationship between Competitive Strategies and Competitive Advantage exists. The coefficient of determination, R^2, explained the regression model between CS and Competitive advantage and the goodness of fit as well as the percentage variance in the dependent variable. A high R^2 provides a sufficient explanation between the two variables. The F-test values, p-value and the t-test results were applied for each variable' in hypothesis tests and CS implications with CS as predictor variables on the Competitive advantage. The r-values indicate strength and direction of the effects based on the stated null hypothesis (Ho). The study used inferential statistical analysis where the Pearson's correlation analysis and ANOVA were used to establish the effects of variables.

ANALYSIS, RESULTS AND DISCUSSION

Response Rate

The study targeted 9 firms and 30 respondents issued with questionnaires. The response rate is as shown in the table below:

Table 2. Response Rate

No issued	Returned	% return
30	28	93

As indicated in the above table the response rate was, 93% which was above 90% and therefore considered adequate (Best & Khan, 2006).

Demographics

This study sought to determine the profile of the companies by way of age and number of employees. Analysis of this finding is presented in table 3.

Table 3. Age of respondents

Age of respondents		Frequency	Percent	Valid Percent	Cumulative Percent
	21 to 30 years	6	21.4	21.4	21.4
	31 to 40 years	12	42.9	42.9	64.3
Valid	41 to 50 years	6	21.4	21.4	85.7
	over 50 years	4	14.3	14.3	100.0
	Total	28	100.0	100.0	

The respondents were asked the age category they fell into, under the following choices, 21-30, 31-40, 41-50 and over 50. From the responses given, 6 of the respondents (21.4%) fell in the 21-30 years and 6 more of the respondents (21.4%) in the 41-50 years of age. From table 3, the study found that 42.9% of the employees fall within the age of 31 to 40 years. The study established the age bracket of the respondent as a demographic feature that affects behavior or perception of an individual on issues in organizations. The highest numbers of respondents are between the age of 31 and 40 implying that the insurance firms' has mature respondents with a possible understanding of competitive strategies and competitive advantage in use.

Descriptive Statistics

Descriptive statistics were applied in the description of basic features of data in the study. They provide simple summaries about variables and their measures. Descriptive statistics form the basis of virtually every quantitative analysis of data. In establishing the relationships between competitive strategies and competitive advantage, descriptive statistics for perceptions, correlation and regression analyses were run. A five point Likert scale was used to interpret the responses in all cases which were awarded as follows; strongly agree response was awarded 5 and strongly disagree was awarded 1. Within the continuum was 2 for disagree, 3 for neutral and 4 for agree. Mean and standard deviation was used to analyze the data on perceptions. For purposes of interpretation, the scores for the statement with a mean close to 4.5 was rated as strongly agree and whereas those statements with a mean close to 3.0 were rated as strongly disagree. The standard deviations were determined to establish the level of dispersion among the respondents where a higher standard deviation implied a high level of disagreement between respondents. Descriptive statistics for responses of each of the variables in this study are as shown below.

The Effect of Competitive Strategies and Competitive Advantage

The survey asked respondents to indicate their level of agreement with various aspects of cost leadership strategy used in the selected companies. All the questions required respondents to indicate whether they strongly agreed, agreed, somewhat agreed, disagreed, or strongly disagreed with various aspects of cost leadership with an aim of gaining competitive advantage and the findings are as summarized in Table 4.

Table 4. Minimum Premium Strategy

Question	N	Minimum	Maximum	Mean	Std Deviation
Our company charges premiums other than that Recommended by the regulator in the Naivasha market	28	1	5	3.39	1.197
We constantly search for cost reduction ways.	28	2	5	3.82	.819

Table 4...

We tailor our product at a lower cost relative to Our competitors and sell them at either a lower or minimum premium.	28	2	5	3.54	.999
We achieve our economies of scale by providing high volumes of standardized products at low costs	28	2	5	3.93	.716
Our extensive network enables us to maintain our low cost strategy.	28	2	5	3.71	1.150
Minimum premium strategy	28	2	5	3.64	.678
Valid N (listwise)	28				

The respondents agreed but not strongly to the question that their companies charge premiums other than those recommended by the regulator, (Mean=3.39, S.d=1.197). A high standard deviation meant a high degree of disparity between the respondents However, they did not strongly; agree to the question that their companies constantly search for cost reduction ways (Mean=3.82, S.d=0.819). They were also neutral about the observation that their companies tailor products and sell them at a lower or minimum premium relative to their competitors (Mean=3.54, S.d=0.999). The respondents agreed but not strongly that their companies achieved their economies of scale by providing standardized products at low premiums, (Mean=3.93, S.d=0.716). Finally, the respondents agreed that their companies extensive branch networks enabled them to maintain their low cost strategy (Mean=3.71, S.d =1.150) the standard deviation was however relatively high in this case.

In the case of all the above responses the means were not close to 4.5 to be rated as strongly agree. The findings are not consistent with that of Campbell and Hunt, 2000 who indicated that insurance firms appreciate the importance that cost leadership and differentiation strategies require different resources, skills, organizational arrangements and managerial styles that are not only difficult but also incompatible to reconcile

Differentiation Strategy

Respondents were asked to indicate their level of agreement with various aspects of differentiation strategy pursued by their companies in order to gain competitive advantage and the findings are summarized in Table 5.

Table 5. Differentiation Strategy

Statement	N	Minimum	Maximum	Mean	Std. Deviation
We maintain our differentiation strategy by constantly looking for ways of charging a rate that exceeds the cost of differentiation.	28	3	5	3.82	.723
Through differentiation, we provide unique services of superior value to our clients.	28	3	5	4.07	.378
We understand our clients unique needs and we strive to meet them.	28	3	5	4.43	.573
We always strive to offer our services in such a way that our competitors cannot imitate us.	28	2	5	4.04	.793
We alter specific products to meet specific customer needs.	28	2	5	4.07	.813
Product differentiation.	28	3	5	4.14	.448
Valid N (listwise)	28				

From table 5 indicates that the respondents almost did not strongly agree although with a high degree of disagreement with the statement that their companies maintained their differentiation strategy by constantly looking for ways of charging a rate that exceeds the cost of differentiation, (Mean=3.82, S.d=0.723). However, the respondents almost strongly agreed with a low level of disagreement with the statement that through differentiation, they provide unique services of superior value to their clients, (Mean=4.07, S.d=0.378). There was an almost high level of agreement that their companies understood their client's unique needs and did strive to meet them, (Mean=4.43, S.d=0.573). The respondents also relatively agreed that their companies always did strive to offer services in such a way that their competitors cannot imitate them, (Mean=4.04, S.d=0.793). Finally, there was an almost high agreement with the statement that the companies alter specific products to meet specific customer needs, (Mean=4.07, S.d=0.813). The above findings were consistent with (Campbell & Hunt, 2000;Mutua, 2012) that differentiation strategies are common in most organizations and require different resources, skills, organizational arrangements and managerial styles that are difficult and incompatible to reconcile.

Niche Marketing Strategy

The survey also asked respondents to indicate their level of agreement with various aspects of focus strategy pursued by their companies and the findings are as summarized in Table 6 below.

Table 6. Niche Marketing Strategy

Statement	N	Minimum	Maximum	Mean	Std. Deviation
Our company concentrates on specific customer segment for our products.	28	2	5	3.39	.832
Through our cost focus, we ably exploit behaviors in our customer segments.	28	2	5	3.57	. 920
We strive to meet the needs of our niche market by tailoring our products to these specialized markets	28	2	5	3.64	.989
We exploit the special needs of buyers in our specific customer segments through our differentiation focus	28	2	5	4.04	.744
Our firms protection policy in terms of premium, the insurance coverage and eventual settlement) is our source of competitive advantage.	28	2	5	3.86	.803
Niche Marketing.	28	3	5	3.79	.568
Valid N (listwise)	28				

The respondents did not strongly agree with a high degree of disagreement between respondents to the statement that their companies concentrated on specific customer segment for their products (Mean=3.39, S.d=0.832). Similarly, respondents did not strongly agree with a high degree of disagreement between respondents that through their cost focus, they ably exploited behaviours in their customer segments, (Mean=3.57, S.d=0.920). Respondents did not strongly agree with a high degree of disagreement between respondents to the statement that their companies strived to meet the needs of their niche market by tailoring their products to these specialized markets, (Mean=3.64, S.d=0.989). Respondents fairly strongly agreed with a fairly high degree of disagreement between respondents that their companies exploit the special needs of buyers in their specific customer segments, (Mean=4.04, S.d=0.744). The respondents did not strongly agree with a high degree of disagreement between respondents to the statement that their companies protection policy in terms of premium, the insurance coverage and eventual settlement) is their source of competitive advantage, (Mean=3.86, S.d=0.803).

The findings above which do not indicate a strongly agree response with focus strategy implementation is inconsistent with that of Porter and Kramer (2006) found that special customer needs gave opportunities to manage competitors by targeting a broader group of customers. The findings also imply that insurance business in Naivasha did not fully appreciate that customers have different needs and wants which is a valid basis for differentiation in a niche market.

Competitive Advantage

Under this parameter, the researcher requested the respondents were asked to indicate their level of agreement with various aspects which were sources of competitive advantage achieved in their respective companies. All the questions required respondents to show whether they strongly agreed, agreed, were neutral, disagreed, or strongly disagreed with various aspects of competitive advantage. The findings are summarized in table 7.

Table 7. Competitive Advantage

Statement	N	Minimum	Maximum	Mean	Std. Deviation
We are able to attract employees with the right skills and talents.	28	1	5	3.14	.970
Our organization is aware of its advantages in efficient claims processing and payments and utilizes them well.	28	2	5	3.68	.819
We continuously develop new superior products and build a client base.	28	2	5	3.75	.799
The speed of offering service is key factor that leads to our competitive advantage	28	2	5	3.75	.967
Our company product and services are source of our competitive advantage.	28	1	5	3.57	1.136
Our company constantly educated staff in areas of product knowledge and customer service.	28	2	5	3.68	.863
Competitive advantage.	28	2	5	3.64	.731
Valid N (listwise)	28				

According to the findings, the respondents almost strongly disagreed with the statement that their companies are able to attract employees with the right skills and talents, (Mean=3.14 S.d=0.987). They also almost strongly disagreed with the statement that their organizations are aware of their advantages in efficient claims processing and payments and utilizes them well, (Mean=3.68, S.d=0.819). Similarly, respondents almost disagreed with the statement that their firms continuously developed new superior products and build a client base, (Mean=3.75, S.d=0.799). In addition, they almost strongly disagreed with the statement that their speed of offering service was key factor that leads to their firms competitive advantage, (Mean=3.75, S.d=0.967 The respondents almost strongly disagreed with the statement that, their company's' product and services are source of their competitive advantage,(Mean=3.57, S.d=1.136). The survey finally indicated that the respondents almost strongly disagreed with the statement that their companies constantly educated staff in areas of product knowledge and customer service (Mean=3.68, S.d=0.863).

None of the above responses for competitive advantage had a response mean close to strongly agree. These results imply that insurance firms in Naivasha do not have a competitive advantage to implement a value creating strategy is inconsistent to that of Clulow et al (2003). It is also inconsistent with the findings of Stacey (2003).

Table 8. Country-Specific Factors

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Regulation of insurance industry	28	0	1	.82	.390
worsening economic condition	28	0	1	.89	.315
Valid N (listwise)	28				

The respondents highly agreed with a very low disagreement among respondents that regulation of the insurance industry contributed to the formation of competitive strategies with a mean of 0.82 and a standard deviation of 0.390. They also highly agreed with a very low disagreement among respondents that worsening economic conditions affected the use of competitive strategies with a mean of 0.89 and a standard deviation of 0.315. These findings were consistent with the findings of Harrison (2011) that factors such as political and economic stability, culture and institutions, influence overall internationalization of decisions and the way decisions of a business in a particular country are made.

Inferential Analysis

Inferential statistics are used to make inferences about a population from information taken from a small sample of that population. The researcher conducted a correlation test so as to test relationship between the dependent variable and the independent variables. The dependent variable is the competitive advantage while the independent variables are the three porter's generic competitive strategies.

Correlation Analysis

In this sub-section, results of inferential statistical techniques used in the research are as shown in Table 9. Pearson correlation coefficient was computed to assess the relationships between the competitive advantage and the three generic competitive strategies. The results indicated that there is a statistically significant relationship between focus strategy and competitive advantage. It also revealed that there is a statistically significant relationship between differentiation and competitive. It also showed that there is a statistical significant relationship between cost leadership strategy and competitive advantage. The correlations are shown in Table 9 below.

Table 9. Correlation results

		minimum premium strategy	product differentiation	niche marketing	competitive advantage	country specific factors
minimum premium strategy	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	28				
product differentiation	Pearson Correlation	.174	1			
	Sig. (2-tailed)	.376				
	N	28	28			
niche marketing	Pearson Correlation	.275	.270	1		
	Sig. (2-tailed)	.157	.165			
	N	28	28	28		
competitive advantage	Pearson Correlation	.437	.507	.743	1	
	Sig. (2-tailed)	.020	.006	.000		
	N	28	28	28	28	
country specific factors	Pearson Correlation	.545*	.690**	.720**	.843**	1
	Sig. (2-tailed)	.197	.155	.004	.001	
	N	28	28	28	28	28

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

As indicated in the Table of Correlation above, there is a positive correlation between Competitive Advantage and differentiation (Pearson's R=0.507, p=0.006). However, it is not significant at 90% level of confidence, (p<0.1). Similarly, there is a positive correlation between Competitive Advantage and minimum premium, (Pearson's R=0.437, p=0.020) but at less than 90% level of confidence, (p<0.1). At p<0.1 the relationship is significant. The correlation results also revealed that there is statistically significant positive correlation between competitive advantage and niche focus strategy, (Pearson's R=0.743, p=0.000) at 99% level of confidence, (p=0.01). There is also a positive correlation between country specific factors and competitive advantage (Pearson's R=0.843, p=0.002). However, it is significant at 90% level of confidence, ($p<0.1$).

From the correlation results, it is evident that there is positive correlation between competitive advantage and the three generic competitive strategies (cost leadership, differentiation and focus) and country specific factors. The correlation results showed that niche market focus strategy and country specific factors have significant correlation with the competitive advantage at 99% level of confidence. This may be because products are produced for specific category of known customers or markets unlike the other two generic competitive strategies, which are applicable in broad markets. In addition, the focus has a provision whereby the two strategies (cost leadership and differentiation) can be switched to suit an identified market segment.

SUMMARY OF FINDINGS

Effect of Competitive Strategies on Competitive Advantage

Based on the descriptive statistics minimum premiums charged by most insurance companies are below those recommended by the regulator, (Mean=3.39, S.d=1.197). This suggests that insurance companies charge low premiums to remain competitive and to net more clients. On the other hand insurance firms surveyed did not strongly agree that they tailor products and sell their products at a lower or minimum premium relative to their competitors (Mean=3.54, S.d=0.999) but agreed they have to achieve economies of scale by providing standardized products at low premiums, (Mean=3.93, S.d=0.716) by establishing extensive branch networks to maintain a low cost strategy (Mean=3.71, S.d=1.150).

The correlation results provide that there is a positive correlation between competitive advantage and the three competitive strategies (cost leadership, differentiation and focus). Specifically, the correlation results show that insurance firms must focus on the niche market strategy and country specific factors to remain competitive. The major possibility is that insurance firms specific products for a specific category of customers or markets to attain a competitive advantage. .

CONCLUSIONS

The main objective of the study was to examine the effects of competitive strategies on competitive advantage among the firms in the insurance industry based at Naivasha Sub

County. The study found out that the three competitive strategies had an effect on competitive advantage for insurance firms in general. However, the individual effects of each competitive strategy on competitive advantage differed across.

Based on the view above and the statistical analyses, the study concluded that the three competitive strategies namely cost leadership, differentiation and focus had a significant effect on competitive advantage of insurance firms based at Naivasha Sub County.

RECOMMENDATIONS

Based on the analysis and the findings, the following are recommended to help improve insurance firms' competitive advantage by formulating effective competitive strategies.

This study recommends that insurance firms' should effectively scan the general business environment for other influences on the selection of competitive strategies. The key informative factors worth considering are political, economic and institutions alongside the position of economic activities that signify the importance of political stability.

LIMITATIONS OF THE STUDY AND FURTHER STUDY

This study exposed the following limitations; first the insurance firms studied were only those registered to operate in Naivasha County and therefore excluded those outside the region. Secondly the study considered only competitive strategies but there could be other factors affecting competitive advantage. Thirdly, the study studied competitive advantage in terms of financial performance and did not consider other potential financial performance determinants such as inflation and tax rates which can provide insight into insurance firms' performance

The study assessed the effects of competitive strategies and competitive advantage in the insurance firms based at Naivasha Sub County. A further research is recommended to establish the effects of competitive strategies at the entire 47 county levels in the country.

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