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MODERATING EFFECTS OF COUNTRY CHARACTERISTICS ON COMPETITIVE STRATEGIES AND COMPETITIVE ADVANTAGE AMONG INSURANCE FIRMS IN NAIVASHA KENYA

Fred. C. Obande Buluma
Lecturer, School of Business, Laikipia University, Kenya
fcbuluma@yahoo.com

Peter Mwaura
Lecturer School of Business, Laikipia University, Kenya
pmn70 @yahoo.com

Jeremiah Thuo
MBA candidate, Laikipia University- Kenya
jerrythuo@yahoo.com

Abstract

The insurance business is a very competitive industry and like other business organizations, insurance firms constantly take a critical review of their competitive strategies and analysis. To gain competitive advantage insurance firms' must evaluate the characteristics of a country in which it operates so that it can establish the extent to which the insurance firm's can be effective and efficient in the market. Kenya's insurance industry is highly regulated with a relatively level playing ground. 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 strategies employed for competitive advantage. The general objective of the study was to evaluate the effects country specific characteristics on both competitive strategies and competitive advantage. The study is based on Michael Porters strategies model and targeted the branch staff of all the insurance firms in Naivasha Sub-county because these are the ones who ensure that the branches build their firms' competitive advantage. The study *adopted both descriptive and census research designs where the entire population was studied. This sample size consisted of the total population of 30 respondents from the nine general insurance firms operating in Naivasha Sub-county. The results analysed from primary data established that country specific factors at (t) = 6.230, β= .648, p<.05.and product differentiation at (t) = 2.613, β= .301, p<.05 had a significant effect on the insurance firms' competitive advantage.*

Keywords: Competitive Strategies, Country Specific Characteristics, Gross Domestic product, Gross Written Premium

INTRODUCTION

The business environment of any country in which organizations operate as service providers is continuously changing creating wide-ranging factors that relentlessly influence the way organizations discharge their functions. In the contemporary insurance industry business has become very competitive such that for firms to survive in any given 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 due to the high degree of product and demand dynamics where both new products and competitors are on the increase. The developments have resulted into two categories of firms namely the successful and the less successful companies where empirical studies have continually sought proper strategies for success.

Country-specific factors are very critical in determining competitive strategies for insurance firms. The key specific factors that this study considered in Kenya context include insurance regulations and policies and economic growth levels in the country. The link between insurance strategies and economic growth levels in Kenya takes into consideration the share of gross premium written to GDP (insurance penetration), and the average value of the insurance premium paid by a citizen in a period of one year. However, despite general international environment influences, the overall internationalization decisions to do business in a particular country is primarily affected by political, social, economic and cultural conditions of the country (Harrison, 2011).

The Kenyan insurance industry consists of insurance companies, reinsurance companies, intermediaries such as insurance brokers and insurance agents, risk managers or loss adjusters and other service providers all regulated by insurance regulatory authority (IRA) (IRA, 2010). The Kenya statute further regulates the industry through the insurance Act; Laws of

Kenya, Chapter 487. This is why the government of Kenya created the office of the commissioner of insurance to oversee and strengthen the government regulation under the Ministry of Finance. In existence is self-regulation of insurance industry through the Association of Kenya Insurers (AKI) established in 1987 as a consultative and advisory body registered under the Society Act Cap 108 of Kenyan law. The professional body of the industry is the Insurance Institute of Kenya (IIK), mandated to train and provide professional education to its members. Insurance business in Kenya is largely classified into general and life/ long term and regardless of this classification, all insurance firms are profit centered (IIK, 2016). There is insufficient empirical evidence in support of the insurance-growth link to competitive advantage and this approach may help policy makers to better determine the extent insurance regulations contribute to expansion of insurance businesses and if this is related to economic growth.

Liedtke (2007) assert that there is a link between insurance and economic growth and this has been accepted by a number of specialists in the field of insurance. The general conclusion is that there is a direct underlying link between them to the extent that a degree of insurance development is influenced by the level of economic development and growth of the country. Mirela, Nicuand and Silviu (2014) posit that both the variety and diversity of the insurance products depend on the maturity of the sector, the market and the customer on the market in question. Their studies find that there are insurance markets with a larger number of products for life insurance, providing protection, as well as the opportunity to save money and provide a possibility for financial investment. On the other hand, there are insurance firms' with a smaller market share especially within the countries with less financial power where compulsory insurance is applied due to a higher likelihood of risk occurrence.

A country's degree of development and the extent, to which the government gets involved in the economy alongside cultural and religious traditions, plays an important or minor role in insurance development within different political, social and economic contexts (Mirela, et al., 2014). By providing protection in any given economy, insurers affect economic growth through the channels of marginal productivity of capital, technological innovations and saving rate. Insurance companies indemnify firms' that suffer a loss and in the process stabilize the financial position of such individuals and firms (Marijana, Sandra & Klime, 2009) The transfer of different kinds of risks to insurance companies including the risks of adverse economic units are more induced to buy higher value goods and services. In this way insurance firms' sustain demand or consumption for goods and services which encourage production and employment and finally, economic growth (Marijana. et al., 2009). Marijana.et al., (2009) further argues that firms exposed to various risks of their liability, property, illness and disability of their employees and life of key employees, have possibility of managing of those risks by transfer to insurance companies. This service provision enables firms to concentrate their attention and resources on their core business, concentrate on real investments that result in higher rate of economic growth.

Insurance firms' cannot change the risk attitude of economic units since risk aversion alone does not change with insurance but plays a key role in freeing entrepreneurial spirit (CEA, 2006). In the final analysis, insurance helps entrepreneurs to take innovative and higher-return projects by creating an environment of greater security, insurance fostering investment and innovation or economic growth.The insurance industry therefore accumulates a considerable number of financial assets and represents an essential element of the sustainable economic growth in all developed countries. Economic growth in this study was measured as an increment of gross domestic product (GDP), based on the year-on-year change of GDP.

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 as advanced by Porters.

Country characteristics and the Insurance Industry in Kenya

Kenya has an expanding middle class, anchored by a middle class population 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). The survey of sub-Saharan markets forecasts indicate that 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 the country's GDP (Kenya's insurance sector survey, 2016).

Kenya is also in the final stages of a regulatory process of establishing a Financial Services Authority (FSA) that will consolidate the fragmented insurance landscape. The FSA will merge four regulators namely the IRA, the Retirement Benefits Authority, the Capital Markets Authority and the Sacco Societies Regulatory. The purpose of this merger is to have a single regulator which will ensure best global practices in financial regulation and coordinated insurance regulatory policy (IRA, 2016) These amendments to Kenya's Insurance Act further requires insurers to double their capital by 2018 and this is expected to expand their capital from KSh300m ($3m) to KSh600m ($6m) while long-term insurers ought to increase their capital base from KSh150m ($1.5m) to KSh400m ($4m) (IRA, 2016). However, many Kenyan insurers have to date failed to meet this requirement and in effect lobbying the IRA to lower capital changes requirements to 40% of the value of their property investments and 30% of stock holdings with the IRA (IRA, 2016).

The other role played by the insurance regulator in the country is to raise insurance awareness and build trust in the insurance industry by improving regulatory environment. The country has a sophisticated insurance industry which has supported Kenyan insurers' attractiveness to foreign investors such as Old Mutual Plc, Liberty Holdings Limited and Sanlam Limited. Regulation of the insurance industry intends to enhance business growth opportunities despite the fact that the majority of its citizens being poor poverty bracket hampering the growth of insurance market. This has a negative effect on the insurance penetration rate as well as the country's economic growth in terms of market share and product diversification. Competition for market share by many players in the insurance industry has led to price wars with some insurers charging unsustainable premiums. This has compromised service delivery as the insurers are not able to fund infrastructure for efficient delivery of services and claims settlement (Kenya Insurance survey, 2014).The low rate of market penetration for insurance is fueling great optimism among executives across Sub-Saharan African markets (Duncan, 2017).

Into Africa (2017) reports that the Kenyan Insurance market is still fragmented with a large number of operators currently at 54 companies licensed to write insurance and reinsurance. The market is led by diversified groups, with the largest market share of firms resulting from mergers and acquisition (M&A). The top five life insurers have a combined 63% of market share while the top five non-life has combined 41% of the market share a process that has fragmented the overall market size making it difficult for most insurance companies to achieve significant scale benefits. 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) has large footprints in both life and general (Into Africa, 2017). Competition in Kenya's insurance industry has been recognised as a key constraint in the Non-Life profitability. Competition has kept premium rates down in recent years while claim rates and expenses have continued to rise. Despite all these developments there is significant scope for efficiency gains in the country's fragmented insurance market structure which has made it difficult for most insurance companies to achieve significant scale benefits. It is expected that the insurance market could benefit as insurers seek to improve scale and capitalisation. M&A activity is a likely avenue to achieve market growth and development as the relatively low current valuations of leading Kenyan insurance companies indicate an industry that is ripe for consolidation (Into Africa, 2017). It is in the context of the aforementioned developments that this study sought to investigate the effects of country specific characteristics on competitive strategy and competitive advantage in Kenya's insurance industry.

Statement of the Problem

Competitive strategies in the insurance industry suggest how firms choose to offer policies, stimulate demand for and have a competitive advantage over other insurance service providers. This arises due to a low insurance penetration despite Kenya's economic growth and GDP growth 5.5% in 2015 and 5.8% in 2016. The per capita wealth in the country is still low by global standards with 44% of the population living below the poverty line. Insurance penetration has stagnated in recent years mainly due to the slow take-up of insurance products among the growing middle-income market amid a stiff competition for market share by firms' in the insurance industry. This has often resulted to price wars resulting from application of different competitive strategies. Some Kenyan insurers have merged with the intention to widen their market base amid the activities of the Insurance Regulatory Authority which ensures insurance companies adherence to the rules and regulations. 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 country specific characteristics on competitive strategies and competitive advantage at a more localized level is unclear. Therefore the study sought to evaluate the effect of country specific factors on the relationship between competitive strategies namely the minimum premium, niche market and differentiation and competitive advantage among insurance firms in the Naivasha sub-county, Kenya.

Objective of the study

To examine the effect of country specific factors on the relationship between competitive strategies and competitive advantage among insurance firms in Naivasha sub-county

Research Hypothesis

H_o**:** There is no significant moderating effect of Country-Specific Factors on the 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 indicated that complications exist in management of modern firms due to separation of ownership, control and 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). Agency theory is a management approach where one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal's goals (Jean et al 2002). 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 the agent affects several other parties and more specifically the principals. The theory was found suitable in this study as it provides an insight as to how agents set aside their self-interest and work to maximize the wealth of the principal. This theory was used to interrogate competitive advantage, country specific characteristics and competitive advantage.

In agency relationships the agent has a moral responsibility for actions taken and the agency theory further explains how to best managers organize relationships within the insurance industry. This incorporates the roles of the insurance firms', regulators and clients for an outcome after the principal hires an agent to perform the insurance functions, or to perform a regulatory task the principal is unable or unwilling to do. This theory was used to explain the competitive strategies variable because in the firms' management, the actions or strategies 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 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).

The Resource Based Theory

Resource-based view has key values and assumes that firms can be conceptualised as bundles of resources and capabilities which 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). 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 theory can provide an insight on how insurance firms use capital at their disposal to enhance their competitive advantage position. The theory was used to understand the effects of competitive strategies on competitive advantage when combinations of resources are used over time (Amit and 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. However, 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 (Ivankovic, 2006). Capabilities are an insurance company’s skills that are used in coordinating its resources such as values, people, and processes and putting them to the productive use (Collis & Montgomery, 1995; Collis &Montgomery, 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 in a given country specific condition.

EMPIRICAL LITERATURE REVIEW

Competitive Strategies and Country-Specific Factors

Empirical studies find that there is an existence of a causative relationship between the development of the insurance sector and the economic development of a country (Feyen, Lester, Rocha, 2013). The authors analyzed such indicators of economic development as gross domestic product (GDP) gross national product (GNP) among others which hold other macroeconomic development factors as of marginal interest. This study did not consider factors such as unemployment or balance of payment (BOP) which are rarely studied in insurance penetration evaluation. However, they remain key representations of implemented economic policies and they are a result of government economic decisions. Empirical studies in developed countries suggests that applied economic policy have an effect on insurance industry development despite the effects of what happens in transition that still remains widely uncovered (Caspersen & Jakubik, 2014).

A country's size of population and level of economic development are of absolute value when comparing individual countries and these are used predominantly as weighed indicators to determine insurance density and insurance penetration (Ducháčková & Daňhel, 2006). Insurance density measures the average sum that an average citizen of the studied country spends on insurance in one year. Citizens' average expenditure on insurance is determined by the state of insurance sector development including the peoples' standard of living in that particular country (Ducháčková & Daňhel, 2006). This measure only reflects the development of the insurance sector and does not reflect the general economic development of any given country (Zheng, Liu & Deng, 2009). To measure the development of the insurance sector ought to consider the development of the country's economy that also explains the level of a country insurance penetration. Insurance penetration directly compares the insurance sector with the economic sector and it represents the share of gross written premiums in the gross domestic product of the country (Cummis &Venard, 2007; Zheng et al., 2009). The weakness of this indicator is that its very sensitivity to GDP development such that if GDP varies, insurance penetration could also vary even in the circumstances where the insurance industry does not change very much. Despite these indicators not being perfect, they represent appropriate proxies of insurance industry development and that is why they are used in many studies in the insurance sector (Zheng et al., 2009).

In Africa insurance penetration rate is unquestionably low and in some countries it is less than 1% of gross domestic product (GDP) well below the global emerging markets average of 2.7% in 2014. New product developments in life insurance, medical care, agriculture or micro insurance, as well as a growing middle class, may help close the gap (Africa Insurance Barometer, 2016). However, given the scarce specialist risk management capabilities and high quality security requirement in most African countries, large and complex insurance risks are still ceded to foreign insurance markets and hence a continued flight of premiums which is perceived as a threat to the viability of the domestic insurance industry (Africa Insurance Barometer, 2016).

Historically, insurance companies focused primarily on South Africa, the continent's most mature financial market. Life insurance premiums in South Africa accounted for some 88% of total life premiums across the continent in 2013. However, since 2010, the Sub-Saharan economies have consistently ranked among the world's fastest growing and the World Bank established 4.6% regional GDP growth in 2015 would rise to 5.1% by 2017. In the economic growth index, four African countries namely Nigeria the continent's largest economy, South Africa. Ghana and Zambia now rank among the 10 fastest-growing national economies in annual World Bank reports. The World Bank now considers countries to have moved into middle-income status and their economic growth shifts suggest greater potential for insurance sales than previously estimated.

Over the past decade, private investors have committed more total funds to Africa than foreign governments or international aid agencies as “official” assistance. Foreign direct investment (FDI) in the Sub-Saharan region grew by nearly 50%, to US$61 billion in 2014, making the region the fastest growing in the world for FDI. Though South Africa remains the top destination for FDI, total FDI into the country actually declined by 15% last year, demonstrating that foreign investors are diversifying more broadly into other Sub-Saharan economies. The potential to increase life insurance sales in African countries is particularly remarkable and most of the Sub-Saharan markets studied, non-life insurance premiums represent at least 65% of the total premium income (Africa Insurance Barometer, 2016). Tanzania and Uganda are at the higher range, both 88%, followed by Zambia at 70% and Kenya at 65%. Ghana (54%) is the most balanced of the insurance markets and is worthy of closer study. These findings highlight the potential opportunities to expand life insurance sales in most markets (Africa Insurance Barometer, 2016).

Insurance industry regulations are other key country specific factors used in assessing the industry's competitive advantage. In the Kenyan insurance industry, the insurance regulatory authority (IRA) regulates the industry through the insurance Act; Laws of Kenya, Chapter 487. Country-specific factors and information provided regulates, govern and affect insurance firms' differential capabilities. Country-specific capabilities reflect the idiosyncratic market, existence of non-market skills and knowledge that firms find in the country. However, many studies find that as firms gain more experience in a country they are more likely to reinvest in that country even in the future (Davidson, 1980; Chang, 1995; Chang & Rosenzwieg, 1998; Song &Kogut, 1999). However, country-specific factors often have an important role in explaining international expansion activities but offer only a limited insight into firm strategies (Holburn, 2001). Holburn (2001) argues that by focusing on capabilities either highly specific to a country context or, at the other extreme, highly competitive, this approach is unable to explain why a firm initially enters one country and not another.

Internal and external factors to an insurance firm have an impact upon the development of an insurance firm and market. The external factors include specific issues within the economic, legal and political environments, while the internal or industry-specific factors consist of the institutional development of the building blocks of the insurance sector (USAID, 2006). On the other hand, the depth and efficiency of a country's financial sector largely determines how well its economy allocates resources. There is a wide agreement in insurance literature that a strong financial sector and economic growth provides economic agents more opportunities to save, invest, and borrow. It affirms that financial efficiency is a measure of how cost effectively these economic agents operates and translates into increased levels of financial intermediation, investment, and productive resource allocation (USAID, 2006). Countries alternatively establish sound legislative or regulatory foundation for the insurance market because in most cases it has the potential to be robust to economic or political instability. This further helps to get rid of unsupervised jurisdictions likely to develop into havens for money laundering, terrorist financing, and other financial crimes (USAID, 2006). This prospect for an effective intervention varies greatly between countries sound legislative or regulatory frameworks (USAID, 2006).

Existing strategic management and marketing theories contends that companies must compete to keep or gain market share. Innovation in this contention is considered key in creating a competitive advantage in any business undertaking (Stalk, 2006). On the other hand, a more developed service due to technological developments can provide the customer with the opportunity to gain access to services required and execute transactions or buy policies online (Daniel, 1999). The most recent delivery channel introduced in insurance business is the electronic or online insurance delivery and this has been found to be effective in service delivery and information provision about an insurance company's products to its customers, via a computer network. In its simplest form, online insurance services provide information about an insurance company and its products via a page on the World Wide Web. In this context, innovation is associated with competitive advantage for both growing and mature markets and can change the competitive balance in mature markets (Brown, 1992). The concept and practice of innovation has been closely associated with economic gain and competitive advantage in the 1930s. It is based on the foregoing view that economic development has been seen to be based on economic innovations which further accounts for new products, a new manufacturing process, a new market, source or new organisation (Schumpeter, 1883-1950 as cited in Braunerhjelm & Svensson (2009),; Letenyei, 2001)

Technological innovation is crucial in attracting new clients and it is therefore the responsibility of the upper management's perception and acknowledgement of innovation and creativity in insurance industry that can help in motivating the innovation and creativity in the insurance sector (Letenyei, 2001). Marketing information for the innovation and creativity in the insurance industry or creating a research and development department may be hard to achieve but can keep the insurance company more up to date with the services and new technologies. In insurance services provision, business recovery strategies together with efforts to correct any business errors, innovation and creativity can help the insurance industry in keeping the clients satisfied as well as in attracting new clients (Africa Insurance Barometer, 2016).

RESEARCH METHODOLOGY

The study adopted a descriptive research design involving a survey of insurance firms in Naivasha Town, Kenya. The study was carried out in Naivasha sub-county, Nakuru County. All the nine insurance company branches existing in Naivasha Sub-county were studied where thirty (30) respondents were involved. The study specifically involved the branch management staffs who are the key implementers of strategies set and adopted by the insurance firms at their head offices in Nairobi, Kenya.

Data was collected using close ended Likert scale questionnaires based on scoring scale ranging from 5- strongly agrees to 1-strongly disagree. Reliability test of the instrument provided 0.87 which was above the recommended Cronbach's alpha a reliability test of 0.70. Secondary data from the Association of Kenya Insurers (AKI) and the Insurance Regulatory Authority (IRA) journals were used to compare findings from the primary data. These journals have consolidated financial statement information showing the performance of the insurance industry for the last five years.

The collected data was coded, classified and cleared before data analysis. Analysis was done with the aid of the Statistical Package for Social sciences (SPSS) version 20.0. Descriptive statistical analysis was used while the mean, percentages and standard deviation were used to analyse the responses.

H_2: Moderating effect of Country Specific Factors on Competitive Strategies and Competitive Advantage.

To confirm if Country Specific Factors, can moderate the relationship between Competitive Strategies and Competitive Advantage of an insurance firm, hierarchical multiple regressions was used to assess the effects. To test moderation, the relational effect between Competitive Strategies and Country Specific Factors was done to establish if an effect is significant or not in forecasting Y_{it}.

$Y_{it} = \beta_0 + \beta_1 CS + \beta_2 CSF + \beta_3 CS\ (CSF) + \varepsilon$ ………………………………………………….. (1)

Where β_1 is the coefficient linking the CS to the result, Y, when CA = 0, β_2 is the coefficient linking CSF variable to the outcome when CS = 0, β_0 is the constant in the equation, and εis the error term. The interaction term, β_3, provides an estimate of the moderation effect such that if $\beta_3$is statistically different from zero, then there is significant moderation of the CS by CSF (Baron & Kenny, 1986). Using a multi regression, moderation effects was tested including the predictor variables with variables CS (CSF) purposely to enhance explanation of regression coefficients. The product CS (CSF) was to test the effect size and to describe the strength of the moderating effect as measured by β_3 after controlling for CS and CSF.

FINDINGS

Table 1. Country-Specific Factors

	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation 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

Correlation Analysis

In this sub-section, results of inferential statistical techniques used in the research are as shown in Table 2. 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 below.

Table 2. 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.

Table 3. Country-Specific Factors and competitive advantage

Correlations

		Regulation of insurance industry	Economic growth levels	competitive advantage
Regulation of insurance industry	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	28		
Economic growth levels	Pearson Correlation	.743**	1	
	Sig. (2-tailed)	.000		
	N	28	28	
competitive advantage	Pearson Correlation	.890**	.978**	1
	Sig. (2-tailed)	.000	.000	.000
	N	28	28	28

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

As indicated in the Table of Correlation (Table 3) above, there is a positive correlation between Competitive Advantage and regulation of insurance industry (Pearson's R=0.890, p=0.000). However, it is not significant at 90% level of confidence, (p<0.1). Similarly, there is a positive correlation between Competitive Advantage and worsening economic condition, (Pearson's R=0.978, p=0.000) but at less than 90% level of confidence, (p<0.1). At p<0.1 the relationship is significant.

Regression Analysis

In order to find out how the three competitive strategies and country specific factors were influencing competitive advantage, a regression analysis was carried out and results are presented in tables 4.

Table 4. Regression analysis model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.835[a]	.697	.659	.257

a. Predictors: (Constant), niche marketing, product differentiation, minimum premium strategy, country specific factors

As per the above table, the R square was 0.697 indicating that nearly 70% of the total variance in competitive advantage could be explained by niche marketing, product differentiation, minimum premium strategy and country specific factors.

CONCLUSIONS

Effect of Country Specific Factors on the Relationship between Competitive Strategies and Competitive Advantage

There a unanimous agreement that regulation of the insurance industry is taken into consideration when insurance firms formulate competitive strategies with a mean of 0.82 and a standard deviation of 0.390. A high agreement was found in a statement 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 provided a positive correlation between country specific factors and competitive advantage (Pearson's $R=0.843$, $p=0.002$ which was significant at 90% level of confidence, ($p<0.1$).

The study found out that the three competitive strategies and country specific factors 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 (cost leadership, differentiation and focus) and moderating country specific factors had a significant effect on competitive advantage among insurance firms operating 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 influences of country specific factors 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

The study was limited to insurance firms operating in Naivasha Sub County excluding those outside the region and the findings may not be replicated in other counties due to dissimilarities in county characteristics. The study used GDP growth and regulations and did not consider other potential financial performance determinants such level of literacy which can provide insight into insurance penetration and competitive strategy choices.

Suggestion for further study

The study assessed the effects of competitive strategies and competitive advantage in the insurance firms based at Naivasha Sub County. A further researcher is recommended to establish the effects of competitive strategies on competitive advantage in all the 47 counties in the country.

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