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THE JOINT EFFECT OF THE COUNTRY SPECIFIC FACTORS AND COMPETITIVE STRATEGIES ON COMPETITIVE ADVANTAGE AMONG INSURANCE FIRMS IN NAIVASHA SUB-COUNTY-KENYA

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Abstract

The insurance business in Kenya is very competitive to the extent that insurance firms constantly must do critical reviews of their competitive strategies and country specific characteristics in a quest on how to gain competitive advantages. Despite Kenya's insurance industry being highly regulated with a relatively level playing ground 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 in the given country characteristics. The study objective was to evaluate the joint effects of country specific characteristics and competitive strategies on competitive advantage among insurance firms in Naivasha sub-county-Kenya. The study is based on Michael Porters strategies model which stipulate that product differentiation, cost leadership, and focus strategies should provide competitive advantage for a firm. The study targeted the branch staff of all the insurance firms in Naivasha Sub-county which build their firms' competitive advantage

at a micro level. The study adopted both descriptive and census research designs where the entire population of 30 respondents from nine insurance firms was studied. Primary data was collected using questionnaires and analyzed results compared with the secondary data obtained from IRA and AKI journals. The study established that niche marketing at $(t)= 4.994$, $\beta= .465$, *country specific factors at* $(t)= 6.230$, $\beta= .648$, $p<.05$*.and product differentiation at* $(t)= 2.613$, $\beta= .301$, $p<.05$ *had a significant effect on the competitive advantage However, minimum premium strategy did not have a statistically significant effect on the overall competitive advantage* $(t)= 1.866$, $\beta = .142$, $p>.05$*). The study can be of benefit to Managers of insurance companies in determining the most appropriate strategy for gaining competitive advantage in the insurance industry.*

Keywords: Country Specific Factors, Strategy, Competitive Advantage, Insurance Firms, Kenya

INTRODUCTION

The current insurance industry business in Kenya has become very competitive such that for insurance firms to survive requires a rethink of good marketing strategies. This is because of the high degree of product and demand dynamics where insurance firms put new products in the market amidst competition from other firms in the industry. These developments have resulted into a continuous search for proper strategies to succeed. Ansoff and McDonnell (1990) posits firms' require strategies position themselves, relate with the environment to ensure continued success in a changing environment. He further argues that this can be done by positioning the firm through strategy and capability planning in its rightful competitiveness along with use of real time response through issue management. The insurers require transforming their business processes and operations to meet shareholders and stakeholders demands. This process marks firms' improvement in profitability while meeting corresponding demands from regulators. Regulations manifest in country specific characteristics to reduce firm risks while providing customers with tailor made products (Ansoff& McDonnell, 1990). The major components of a strategy are: mission, fundamental objectives, strategic options, resources, deadlines and competitive advantage.

Strategies provide the direction and scope of any organization over long term period so that such organizations can achieve advantages over other firms by configuring resources within a challenging environment (Johnson & Scholes, 2005). Organizations ought to meet market requirements and accomplish stakeholders' expectations where strategies must be applied to give business sound path to both activities and choices (Johnson & Scholes, 2005).

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Effective strategies help to ensure that a firm's objectives are clear, simple to understand, steady and long term. Johnson and Scholes (2005) posit that the competitive environment enables a firm's management to understand the types of strategies required in evaluating both its internal and external environment.

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. Linking insurance strategies and economic growth levels in Kenya took 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, it is important to note that 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, 2013). The insurance industry in Kenya is regulated by the insurance Act; Laws of Kenya, Chapter 487. This act created the office of the commissioner of insurance to oversee and strengthen the government regulation under the Ministry of Finance. The insurance industry is also self-regulated through the Association of Kenya Insurers (AKI) established in 1987 as a consultative and advisory body registered under the Society Act Cap 108 of the 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 study may help policy makers to better determine whether, and to what extent, insurance regulations may contribute to expansion of insurance businesses and economic growth.

A country's degree of development and the extent, to which the government gets involved in the economy alongside cultural and religious traditions context either plays an important or minor role in insurance business development (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 (Marijana, Sandra &Klime, 2009).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.

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It is important to appreciate a fact that although insurance cannot change the risk attitude of economic units since risk aversion does not change with insurance but it plays a key role in freeing entrepreneurial spirit (CEA, 2006).The insurance industry 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 advanced by Porters.

Statement of the Problem

African countries generally experience a low insurance penetration due to a wide variety of factors. These factors include regulations, lack of development of other segments of the financial sector, poverty in addition to cultural and religious factors. 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.

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In effect some Kenyan insurers have even merged with the intention to widen their market base and make some profits after consistent loss making. It is within this framework that Insurance companies develop 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 at a more localized level is unclear as to the entire firms' competitive advantage and performance as measured by recorded Gross Written Premium (GWP). Therefore the study sought to evaluate the joint effect of competitive strategies namely the minimum premium, niche market and differentiation and country specific factors and competitive advantages on competitive advantage of insurance firms in the Naivasha sub-county, Kenya.

Objective of the study

To establish the joint effect of the country specific factors and competitive strategies on competitive advantage among insurance firms in Naivasha sub-county.

The hypothesis of the study

H_0: There is no significant joint effect of external policies and competitive strategies on 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 owing to separation of ownership, control and fragile association between owners and managers of organizations'. The theory specifies that there is an incidence of inadequate system to protect outside investors due to skewed ownership and the ineptitude of boards in monitoring firm's management decisions (Fama& Jensen, 1983). Laffort and Martimost (2002) posit that the agency theory in the field of strategic management is important as it helps to explain what an agent does (and does not) act in their principal's best interests. This theory was used to interrogate competitive advantage, country specific characteristics and competitive advantage. This theory was used to explain the competitive strategies variable which in the firms' management is critical as the actions selected by the agent affects several other parties. Therefore the agents' role in strategic formulation and the overall strategic management process cannot be underestimated. Indeed strategies originate from the agency theory as agents have the responsibility of strategic formulation (Mintzberg; Joseph; & James, 2003).

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Laffont (2002) criticizes the agency theory stating that it only shows a relationship between owners and managers and it provides dishonesty and embezzlement of funds by the agent. Further, that it also only represents the moral hazard problems as an attribute of principal-agent problem and that it ought to do more than that.

The Resource Based Theory

Resource-based view and dynamic capabilities has key philosophies and that firms can be conceptualised as bundles of resources and capabilities. 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 grouping of insurance firm’s resources makes such a firm different from another and in turn allows an insurance firm gain competitive advantage. 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. 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.

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 and Shoemaker 1993). This theory was used in identifying different types of competences that enables a firm to do better than any of its competitors. 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 LITERATURE REVIEW

Competitive Strategies, Country Specific Factors and Competitive Advantage

Porter (2008) identified the fundamental types of competitive strategies a firm can have (low cost or differentiation) in order to achieve a long run sustainable competitive advantage. Porter explains the vital move toward a business success and in that context, competitive advantage

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for a superior performance. In particular a firm in an industry requires two types of competitive advantage namely low costs and differentiation which are not alternatives (Porter, 2008)

There are many routes to competitive advantage which are guided by country specific factors. The most basic being to provide buyers with what they perceive to be of superior value at a lower price, a superior service that is worth paying more for or a best value offering that represents an attractive combination of price, features, quality, service and other attributes that buyers find attractive (Thompson and Strickland, 2003). Competitive advantage is attained when a company moves into a position where it has an edge in coping with competitive forces and attracting customers (Porter, 1980). Competitive edge is said to include increased quality of a service or product in the market, offering of superior customer service in comparison to the competitors, having a product that does the best job in performing a particular function and offering the most value for money in terms of a combination of good quality, good service, and acceptable price. In today's intensely competitive global economy, speed or rapid response to customer request or market and technological change is currently considered a major source of competitive advantage for numerous firm; insurers included (Pearce and Robison, 2003).

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, Nicu and Silviu(2014) further 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 hence providing 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 competitive advantage is meaningful if it is related to an attribute valued by the market. Customers need to perceive a consistent difference in important attributes between the producer's products or services and those of its competitors. These differences must relate to some product/delivery attributes which are among the key buying criteria for the market. Product/delivery attributes are those variables that influence the customers' perceptions of the product or service, its usefulness and its availability. Some examples of such attributes are product quality, price and after-sale service. Key buying criteria are those variables and criteria that customers use in making their purchase decisions. They are different for different industries, different countries and different market segments (Clulow et al., 2003). Gupta et al.

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(2009) point out, that resources alone are frequently not enough to generate competitiveness over other firms.

In creating a competitive advantage, a firm needs the ability to make good use of resources; defined as the capability to handle a given matter, and, as the ability grow over time, to utilize available resources to create new resources, such as skills (through new technology or software application), or to open new doors to the development of new types of product. “A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player” (Clulow et al., 2003). A company has a competitive advantage whenever it has an edge over its rivals in securing customers and defending itself against competitive forces (Powell, 2001). Porter (1985) noted that a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. Cross (1999) argued that competitive advantage can be developed from a particular resources and capabilities that the firm possesses that are not available to competitors. The transformation of available skills and resources into a strategic position can only take place under conditions that provide customer benefit, and normally requires the transformation of multiple competitive methods. The ability to implant cost leadership, differentiation, or focus strategy is dependent on a firm’s ability to develop a specific set of competitive methods. This becomes the basis for the firm to be able to achieve above average in its industry (Stacey, 2003).

To acquire competitive advantage in any market, a firm needs to be able to deliver a given set of customer benefits at lower costs than competitors, or provide customers with a bundle of benefits its rivals cannot match. To realize the potential that core competencies create, a company must also have the imagination to envision markets that do not yet exist and the ability to stake them out ahead of competition (Hamel &Prahalad, 1991). Firms that rapidly adopt their products or services in a way that benefits their customers or create new customers tend to enjoy a major competitive advantage over their rivals that are unable to do so. Firms compete for markets and resources and their competitive position is reflected in either market shares or in the creation and accumulation rate of comparative advantages, like innovative products, processes, etc. A firm's competitiveness depends on both its performance and the direct entrepreneurial (country) environment in which it operates and acts. To develop and sustain competitive advantage, enterprises must understand the resources of such advantages and utilize them efficiently.

Ouma (2008) studied the relationship between value chain and competitive advantage in the Insurance Industry in Kenya. The study established that intense competition resulted in companies resorting to undercutting and price wars as the main strategy to gain and retain

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customers. The population of the study consisted of the top ten and the bottom ten insurance underwriting companies in Kenya based on the declared profitability as per the 2006 published financial results presented and published by the industry regulator, Insurance Regulatory Authority (IRA). The researcher established from this study that there is a relationship between value chain and competitive advantage in the insurance industry in Kenya among primary insurance companies. The conclusion was that Insurance firms use value chain analysis to develop competitive advantage over other competing firms, thereby reporting better cost management and higher profits.

Poverty remains a challenge for Kenya's insurance industry despite the fact that the insurance industry is expected to benefit from Kenya's steady economic growth and favourable demographic factors (Michael, 2017). Widespread poverty remains the biggest obstacle to future growth of the insurance industry despite the strong economic growth of 2015 GDP growth at 5.5% and the 2016 forecast of 5.8%. The country's per capita wealth is low by global standards with 44% of the population living below the poverty line. This remains one of the major reasons for low insurance penetration rates in Kenya despite its overall insurance penetration being higher than most of its East African peers and significantly below that of developed markets. Insurance penetration has stagnated in recent years mainly due to the slow take-up of insurance products among the growing middle-income market. It may well take time for insurance penetration to increase meaningfully in Kenya and elsewhere in sub-Saharan Africa. However, the long-term prospects for the insurance markets are on the whole good, as the economies continue to develop and as awareness of the benefits of insurance grow over time (Michael, 2017).

METHODOLOGY

Research Design

The study design adopted was a descriptive research design involving a survey of insurance firms in Naivasha Town. Struwig and Stead (2001) argued that this method requires the application of questionnaires for data gathering. This research design described the state of affairs at present (Kothari, 2004; Cooper &Schindler, 2006).

The study was carried out in Naivasha sub-county, Nakuru County. AKI Journal (2013), Nakuru County describes the county in terms of insurance business and ranks as second after Mombasa. The total population of nine insurance company branches existing in Naivasha Sub-county were studied involved a total of thirty (30) respondents. The study involved the branch management staff as implementers of strategies set and adopted by the insurance firms at their head offices.

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Research Instrument

The primary data was collected using a questionnaire based on the Likert scale scoring on a scale ranging from 5- strongly agrees to 1-strongly disagree. Validity of the Instrument was subjected to pre-test using insurers in Nakuru town away from Naivasha Sub-county. This pilot study was to test the validity of the instrument by identifying items in the questionnaire that are unclear to the respondents, reveal the weaknesses and iron out any ambiguity in the questions (Kothari, 2004; Kerlinger, 2008). Reliability of the Instrument Reliability was measured using Cronbach's alpha Cronbach recommends that instruments used in basic research must have reliability of about 0.70 or more. For the purpose of this research, a reliability test of 0.70 and above was adopted. The results of Cronbach's alpha obtained from the SPSS output showed that Cronbach's alpha value of 0.74 for the entire questionnaire, which indicated good reliability (Cronbach, 1951).

Data Collection Procedure

Data was collected using a drop and pick method while secondary data was collected from Association of Kenya Insurers (AKI) journals and the Insurance Regulatory Authority (IRA) journals. These journals have consolidated published financial statements showing the performance of the insurance industry for a period of 5 years.

Data Analysis and Presentation

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_0: Joint Effect of Competitive Strategies, Country Specific Factors and Competitive Advantage

To determine joint effect of the variables on firm performance, the model below was used; $Y=\beta_0+\beta_1CS+\beta_2CSF_3 + \varepsilon$, Where Y=CA, B_0=intercept, β_1, β_2, = coefficients and ε= Error term. The coefficient of determination, R^2, explained the regression model between Competitive Strategy 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 Competitive Strategy implications with Competitive Strategy 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

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where the Pearson's correlation analysis and ANOVA were used to establish the effects of variables.

FINDINGS

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.

Table 1. 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.

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Inferential Analysis

Inferential statistics are used to make inferences about a population from information taken from a small sample of that population. Correlation and regression analysis was done for this purpose.

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.

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

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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 4.3 Country-Specific Factors (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 above, there is a positive correlation between Competitive Advantage and regulation of insurance industry (Pearson's R=0.890, p=0.000).

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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.

Table 5. ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.643	3	1.214	18.421	.000[b]
	Residual	1.582	24	.066		
	Total	5.225	27			

a. Dependent Variable: competitive advantage

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

Similarly, the ANOVA table shows that the model was a good predictor of competitive advantage $F(3, 24)=18.441$, $p<0.05$.

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Table 6. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.242	.526		.460	.650
	minimum premium strategy	.142	.076	.219	1.866	.074
	product differentiation	.301	.115	.307	2.613	.015
	niche marketing	.465	.093	.600	4.994	.000
	country specific factors	.648	.087	.622	6.230	.008

a. Dependent Variable: competitive advantage

Using partial regression coefficients', the study sought to isolate the contribution effects of each independent variable to the dependent variables. As can be observed from table 6, it is clear that niche marketing had statistically significant effect to the overall competitive advantage (t)= 4.994, β= .465. product differentiation also had a significant effect on the competitive advantage (t)= 2.613, β= .301, p<.05. However, minimum premium strategy did not have a statistically significant effect on the overall competitive advantage (t)= 1.866, β = .142, p>.05). Finally the country specific factors had a significant effect on the competitive advantage (t)= 6.230, β= .648, p<.05. Overall, the study found out that the three generic competitive strategies and country specific factors had an effect on competitive advantage for insurance firms although the individual effects of each strategy on competitive advantage differed across. In view of this, the study therefore concluded that the prediction equation for competitive advantage in view of the three generic competitive strategies and intervening country specific factors could be:

$Y = .242 + .142X_1 + .301X_2 + .465X_3 + .648X_4$

Where,

y = competitive advantage

X_1 = Minimum premium

X_2 = Product differentiation

X_3= Niche marketing

X4 = Country specific factors

Summary of the findings

In establishing the joint effects, a regression analysis explained 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. The partial regression

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coefficients' were used by isolating and determining the contribution effects of each independent variable to the dependent variable. The study established that niche marketing at (t)= 4.994, β= .465, 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 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).

CONCLUSIONS

The main objective of the study was to examine the joint effects of competitive strategies, country specific factors on competitive advantage among the firms in the insurance industry based at Naivasha Sub County. 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 findings, the study concluded that the three competitive strategies (cost leadership, differentiation and focus) and country specific factors 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.

The 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 AND FURTHER STUDIES

The study was limited to insurance firms registered in Naivasha County excluding those outside the region. The study considered only competitive strategies, country specific factors and competitive advantage but there could be other aspects. The study considered financial statements but 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 researcher is recommended to establish the effects of competitive strategies at county levels.

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