EFFECT OF PORTER'S GENERIC COMPETITIVE STRATEGIES ON ORGANIZATIONAL PERFORMANCE: A CASE OF NON-LIFE-INSURANCE COMPANIES IN ELDORET TOWN KENYA

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DECLARATION AND APPROVAL

Declaration

This project is my original work and to the best of my knowledge has not been presented for examination of any degree in any institution or university.

Signature ………………………Date …………………………

JOSEPH KIPYEGO RUTO

CM11/00020/11

Approval

This research project has been submitted for examination with our approval as university supervisors

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DEDICATION

This project is dedicated to my wife- Pauline Ruto and children; Kipkosgei, Jepchumba, Kiprotich, Kipngetich and Kiplimo for their unwavering support throughout my academic pursuits.

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ABSTRACT

Competitive strategies consist of all those moves and approaches that a firm makes to attract buyers, withstand competitive pressure and improve its market position. These strategies include cost leadership, product differentiation and customer focus strategies drawn from Porter's Generic competitive strategies. Due to the benefits of application of Porter's Competitive strategies by firms, many studies have been conducted on the effect of Porter's Competitive strategies and performance of organizations. However, none of these studies has investigated the effect of these competitive strategies on insurance firms. More so, the studies were conducted in developed countries among non insurance firms. The objective of the study was to determine the effect of Porter's Generic Competitive strategies on organizational performance using the case of non-life-insurance companies in Eldoret town, Kenya. The specific objectives of the study were to: determine the effect of product differentiation on performance of non-life-insurance companies in Eldoret, Kenya; establish effect of customer focus on performance of insurance companies in Eldoret, Kenya; determine the effect of cost leadership strategy on performance of insurance companies in Eldoret, Kenya, and to establish the joint effect of product differentiation, customer focus and cost leadership strategies on performance of insurance companies in Eldoret, Kenya. Using a questionnaire, the study used a census method to collect data from 42 branch managers of insurance companies in Eldoret town, Kenya. The data collected was analyzed using correlation and regression analyses with the help of SPSS. The study found out that Porters competitive strategies positively affect performance of non life insurance companies in Eldoret town, Kenya. The findings of the study are of significance to policy makers, practitioners, and scholars in the insurance industry in formulating their competitive strategies. The study recommends that the management and policy makers in the insurance industry should employ the Porter's generic competitive strategies while formulating their policies to improve the performance of their organizations. Similar studies on the effect of Porter's generic strategies should be done in other developing countries or in other growing towns in Kenya using different industries other than insurance to verify whether the results would be similar to the current study.

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LIST OF ACRONYMS AND ABBREVIATIONS

AKI	Association of Kenya Insurer
AMACO	African Merchant Assurance Company
CRM	Customer Relationship Management
GDP	Gross Domestic Product
GOK	Government of Kenya
LPGCs:	Liquefied Petroleum Gas Companies
NACOSTI	National Commission for Science, Technology and Innovations
OECD	Organization for European Commission for Development
RBV	Resource Base View
SME:	Small and Medium Enterprises
SPSS:	Statistical Packages for the Social Sciences.
VRIN:	Valuable, Rare, Imitable, Non-substitutable
VRIO:	Value, Rarity, Imitability, Organization

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Competitive strategies consist of all those moves and approaches that a company has and is taking to attract buyers, withstand competitive pressure and improve its market position. Competitive strategies are employed by companies within a particular industry. The strategies adopted are expected to relate to performance of the company. From the scheme developed by Grant (2002), long term strategy should derive from a company’s attempt to seek and sustain a competitive advantage based on the three generic strategies. These are; cost leadership; product differentiation and customer focus strategies which are the focus of this study.

1.1.1 Porter’s Generic Competitive Strategies

Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three/four generic strategies, either lower cost, differentiated, or focus. A company chooses to pursue one of two types of competitive advantage, either via lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price. A company also chooses one of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering its product across many market segments. The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope (Porter, 1985).

Differentiation strategy is one in which a company comes up with new and varied products that can give customers wider choice as a way of enhancing competitiveness. The product differentiation helps customers perceive the product as being different and better than competing products. It also creates a new advertising campaign and sales promotions to the organization making the product more attractive to a particular target market (Porter, Kramer, & Mark, 2006).

Customer focus is where a firm anticipates its customers’ changing needs and responds to them through continuous innovation. Having customer focus is a strong contributor to the success of a business and involves ensuring that all aspects of customer focus include maintaining an effective relationship and service program (Porter, et al, 2006).

Cost leadership is a competitive strategy that focuses on gaining competitive advantage by having the lowest cost in a firm. Emphasis on efficiency makes the company positioned itself to withstand price competition from rivals. It also creates benefits relative to potential new entrants and attracts a large market portion of potential customers that find paying low prices for goods and services of acceptable quality (Porter, et al, 2006).

1.1.2 Organizational Performance

Organizational performance is the ability of an organization to achieve its goals and objectives (Ricardo and Wade, 2001) such as high sales turnover, returns on equity and returns on assets (Mudaki, Wanjere,Ochieng & Odera, 2012). Therefore, Performance of companies can be a good indicator of effects of competitive strategies employed by the organizations. Thus, the key measures of success must be those of business success which include turnover, the rate of dividends, assets, share capital, number of members and number of branches (Pagura, 2008).

The primary goals of organizational performance are to increase organizational effectiveness and efficiency to improve the ability of the organization to deliver goods and or services. Another area in organizational performance that sometimes targets continuous improvement is organizational efficiency, which involves the process of setting organizational goals and objectives in a continuous cycle. Organizational performance at the operational or individual employee level usually involves processes such as statistical quality control. At the organizational level, performance usually involves softer forms of measurement such as customer satisfaction surveys which are used to obtain qualitative information about performance from the viewpoint of customers (Robert, 2001). Even though individual firms tend to utilize firm-specific performance indicators appropriate to their needs, for many firms the main performance indicators would typically include some combination of financial; market/customer; competitor; human resource; internal business process; and environmental indicators (Camp, 2008). However, in this study organizational performance will be measured by market share and written premiums.

1.1.3 Insurance Firms

An insurance firm is a business that provides coverage, in the form of compensation resulting from loss, damages, injury, treatment or hardship in exchange for premium payments. The company calculates the risk of occurrence then determines the cost to replace (pay for) the loss to determine the premium amount (Trenerry, 2009).

In 2012, the global insurance industry grew 4.4 percent, continuing the pattern observed in the past few years of growth in insurance lagging slightly behind nominal GDP growth (4.6 percent). Financial reports in 2013 and 2014 indicate that the industry growth was again behind GDP growth, posting 3.4 and 3.2 percent against GDP of 4.3 and 4.4 percent. The trend means that on a relative scale, insurance as an industry has been experiencing mild shrinkage (Junker, *et al*, 2014).

Africa is progressively gearing itself towards a brighter future in the insurance industry. Economic growth rates remain strong in sub-Saharan African economies. For example in South Africa, after experiencing a difficult year in 2013, insurance companies improved their performance in 2014. The key ratios analyzed point to the fruition of the selective reprising and efficiency strategies implemented in prior years (Pricewaterhouse Coopers, 2014).

The insurance industry in Kenya consists of many players which include insurance companies, insurance brokers, independent agents, banks, the regulator, member association bodies, and service providers among others players. Kenya has 46 licensed insurance companies, and 4,576 registered agents, (Anditi, 2015). According to the insurance industry report 2008 from AKI the penetration of insurance in Kenya is very low at only 2.54 percent of Gross Domestic Product (GDP) compared to 2.57 percent in 2005. Long-Term (life) insurance recorded a penetration ratio of 0.76 percent while that of general insurance was 1.78 percent. Out of the 46 licensed insurance companies in Kenya, 42 of them have branches in Eldoret town as of 2016.

Eldoret is a principal city in western Kenya. It also serves as the capital of Uasin Gishu County. Lying south of the Cherangani Hills, the local elevation varies from about 2100 metres above sea level at the airport to more than 2700 meters in nearby areas (7000–9000 feet). The population was 289,380 in the 2009 census and it is currently the fastest growing town in Kenya. It is also the second largest urban centre in mid-western Kenya after Nakuru and the fifth largest urban centre in the country.

1.2 Statement of the Problem

Insurance coverage provides protective caution for people when they encounter unexpected losses and expenses. However, according to the insurance industry report 2008 from AKI, the penetration of insurance in Kenya is very low at only 2.54 percent of Gross Domestic Product (GDP) compared to 2.57 percent in 2005. Long-Term (life) insurance recorded a penetration ratio of 0.76 percent while that of general insurance was 1.78 percent. This is frustrating for the insurance companies because they have not experienced growth and expansion aimed for and therefore means that they have to employ a different set of completive strategies.

Teeratansirikool and Siengthai (2010) carried out a study on competitive strategy, performance measurement and organizational performance in Thai listed companies. The study found that overall competitive strategy positively and significantly enhanced organizational performance through performance measurement. Uchegbulam, Akinyele and lbidunni (2015) carried out a study on competitive Strategy and Performance of Selected SMEs in Nigeria. The findings revealed that there is a relationship between product features and customer base; product customization and sales growth, value added products and revenue growth. Sifuna (2014) carried out a study on the effect of competitive strategies on performance of public universities in Kenya. The findings of the study indicated that economies of scale to a very great extent affect performance of universities.

Competitive strategy is a long-term plan devised to help a company gain a competitive advantage over its rival. Competitive strategies are essential in companies competing in markets that are heavily saturated with alternatives for consumers. The main generic strategies for gaining competitive advantage are cost leadership, product differentiation and customer focus. In the insurance sector competitive strategies refer to all those moves that an insurance firm makes in order to gain greater market share and written premiums. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. These strategies enable a firm to gain positional advantages in the industry as a leader in either cost or differentiation (Raturi and Evans, 2005).

In spite of the foregoing benefits of competitive strategies, most studies conducted so far have concentrated on the effect of competitive strategies on organizational performance in other organizations other than insurance companies. The studies looked at differentiation, customer focus and cost leadership. However none of these studies has investigated the effect of these competitive strategies on insurance firms to see whether they have the same effect. The objective of the study was to determine the effect of Porter’s Generic Competitive strategies on organizational performance using the case of non-life-insurance companies in Eldoret town, Kenya.

1.3 Objective of the Study

1.3.1 General Objective of the Study

The objective of the study was to determine the effect of Porter's generic competitive strategies on organizational performance using the case of non-life-insurance companies in Eldoret, Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

i. To determine the effect of product differentiation strategies on performance of non-life-insurance companies in Eldoret, Kenya.
ii. To establish the effect of customer focus strategies on performance of non-life-insurance companies in Eldoret, Kenya.
iii. To determine the effect of cost strategies on performance of non-life-insurance companies in Eldoret, Kenya.
iv. To establish the combined effect of product differentiation, customer focus and cost leadership strategies on performance of non-life-insurance companies in Eldoret, Kenya.

1.4 Hypotheses

1. Product differentiation strategies have no significant effect on performance of non-life-insurance companies in Eldoret, Kenya.
2. Customer focus strategies have no significant effect on performance of non-life-insurance companies in Eldoret, Kenya.
3. Cost strategies have no significant effect on performance of non-life-insurance companies in Eldoret, Kenya.
4. The combined effect of product differentiation, customer focus and cost leadership strategies have no significant effect on performance of non-life-insurance companies in Eldoret, Kenya.

1.5 Significance of the Study

The findings of the study are of significance to the Kenyan Government and other stake holders in policy formulation geared towards promoting insurance companies in the country. The study findings are also of significant to practitioners in the insurance industry since they shed information on the current landscape and therefore could be significant in formulating their competitive strategies. The findings of the study are of significance to the scholars who are interested in looking at the same area or other related areas because it contributes to the literature in strategic management and related disciplines. It can therefore form basis for future research.

1.6 Limitations of the Study

The research was carried out in only one town, Eldoret which is in Kenya and therefore generalization of the findings to insurance companies in other towns or others countries other than Kenya should be done with caution. The study was also cross sectional. This means that it is limited to time as compared to longitudinal which takes into account two points in time.

1.7 Scope of the Study

The study sought to establish effects of competitive strategies on performance of Insurance companies in Kenya: survey of Insurance companies in Eldoret town. The study was conducted in 42 insurance companies in Eldoret town. The area of Eldoret was chosen because it is one of the fastest growing towns in the country with great financial capabilities and almost all the insurance companies have their branches located in this town. The respondents for the study were the employees in the management positions. The study focused on the three competitive strategies; product differentiation, customer focus strategies, and cost strategies on performance of insurance companies. It was conducted between June and July 2017.

1.8 Assumptions of the study

In order to conduct the study, the following assumptions were made; the respondents would provide truthful information for the study. The insurance companies were aware of Porter's competitive strategies. The insurance companies had adopted Porter's competitive strategies.

1.9 Operational Definition of Terms

Competitive Strategies: Competitive strategies consist of all those moves and approaches that a company has and is taking to attract buyers, withstand competitive pressure and improve its market position. Competitive strategies are employed by companies within a particular industry. In this study they will be used to refer to all those moves that an insurance firm makes in order to gain greater market share and written premiums.

Cost leadership: Cost leadership is a competitive strategy that focuses on gaining competitive advantage by having the lowest cost in an insurance firm. Emphasis on efficiency makes the company positioned itself to withstand price competition from rivals. In this is a competitive strategy that focuses on gaining competitive advantage by having the lowest cost in an insurance firm.

Customer focus: refers is where a firm anticipates its customers' changing needs and respond to them through continuous innovation; it is used in this study to refer to where insurance firm anticipates its customers' changing needs and respond to them through continuous innovation.

Insurance company: refers to a business that provides coverage, in the form of compensation resulting from loss, damages, injury, treatment or hardship in exchange for premium payments. It is used in this study to refer to companies that provide compensation as a result of loss

Product differentiation: Differentiation strategy is one in which an insurance company comes up with new and varied products that can give customers wider choice as a way of enhancing competitiveness. It is used in this study to refer to moves the companies employ to attain

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter presents the literature review of previous studies on effect of competitive strategies on organizational performance. The literature is presented under the following sub-headings: the theoretical review that include; resource based theory of competitive advantage and organizational performance. The theoretical concept of competitive strategies are considered under; effect of product differentiation, customer focus and cost strategies on performance and conceptual framework.

2.2 Theoretical Framework

The study adopted the Porter's Generic Competitive Strategies 1985 which identified three strategies that businesses can use to tackle competition. These approaches can be applied to all businesses whether they are product-based or service-based. He called these approaches generic strategies. They include cost leadership, differentiation and focus. These strategies have been created to improve and gain competitive advantage over competitors. These strategies can also be recognized as the comparative advantage and the differential advantage.

Cost leadership is a business ability to produce a product or service that will be at a lower cost than other competitors. If the business is able to produce the same quality product but sell it for less this gives them a competitive advantage over other businesses. Therefore, this provides a price value to the customers. Lower costs will result in higher profits as businesses are still making a reasonable product on each good or service sold. If businesses are not making a large enough profit, Porter recommends finding a low-cost base such as labor, materials and facilities. This gives businesses a lower manufacturing cost over those of other competitors (Porter, 1985). The company can add value to the customer via transfer the cost benefit to them.

A differential advantage is when a business' products or services are different to its competitors. In his book, Michael Porter recommended making those goods or services attractive to stand out from their competitors. The business will need strong research, development and design thinking to create innovative ideas. These improvements to the goods or service could include delivering high quality to customers. If customers see a product or service as being different from other products, consumers are willing to pay more to receive these benefits (Porter, 1985).

Customer focus strategy ideally tries to get businesses to aim at a few target markets rather than trying to target everyone. This strategy is often used for smaller businesses, as they may not have the appropriate resources and ability to target everyone. Businesses that use this method usually focus on the needs of the customer and how their products or services could improve their daily lives. In this method, some firms may even let consumers give their inputs for their product or service (Porter, 1985).

This strategy can also be called the segmentation strategy, which includes geographic, demographic, behavioral and physical segmentation. By narrowing the market down to smaller segments, businesses are able to meet the needs of the consumer. Porter believes that once businesses have decided what groups they will target, it is essential to decide if they will take the cost leadership approach or differentiation approach. Focus strategy will not make a business successful. Porter mentions that it is important to not use all 3 generic strategies because there is a high chance companies will come out achieving no strategies instead of achieving success. This can be called ‘stuck in the middle’ and the business won't be able to have a competitive advantage (Porter, 1985).

In relation to this study, when insurance companies can find the perfect balance between price and quality, it usually leads to a successful product or service. A product or service must offer value through price or quality to ensure the business is successful in the market. To succeed, it’s not enough to be ‘just as good as’ another business. Success comes to the insurance firms that can deliver a product or service in a manner that is different, meaningful and based on their customers' needs and desires. Deciding on the appropriate price and quality depends on the business' brand image and what they hope to achieve with relation to their competition.

The theory is relevant to the study in that it requires competitive strategies that will help the organization to improve its performance. The strategies will provide competitive advantage to the companies which will help the organization to improve their performance. The competitive strategies are therefore viewed as resources that the insurance companies operating in this sector can employ to gain a competitive advantage over other companies which have chosen other industries.

2.3 Organizational Performance

Organizational performance is the ability of an organization to achieve its goals and objectives (Ricardo and Wade, 2001) such as high sales turnover, returns on equity and returns on assets (Mudaki,et al, 2012). Therefore, Performance of companies can be a good indicator of effects of competitive strategies employed by the organizations. The primary goals of organizational performance are to increase organizational effectiveness and efficiency to improve the ability of the organization to deliver goods and or services (Robert, 2001).

The performance is usually evaluated by calculating the values of qualitative and quantitative performance indicators like profit, cost, and clients. It is quite important for a company to determine the relevant indicators how they relate to the company goals and their dependence on the performed activities. A company can easily measure its growth by some new metrics called momentum indicators. One of the most important indicators is revenue margin (Squires, 2003).Revenue margin is the profit from revenue and is only the source of operating profit. An unsatisfactory trend in revenue margin shows that company's market position as compared to competitors is not strong (Camp, 2008). Along with them there are other specific momentum indicators both quantitative and qualitative necessary to create a picture of things if working accurately or not. These indicators are used to measure the three drivers of performance market position strength, organizational vitality and productivity gain. They are also measuring the outcomes financial performance and stake holder value produced. According to the research life cycle model is found which shows seven different stages of the organizational growth in this model growth is basically shown as revenue (for profit) or budget (not for profit). Basically organization is said to have a successful transition if its infrastructure has developed and supports the size successfully otherwise if it does not comply with the size the organization would face growing pains (Squires, 2003).

Hamann, Schiemann, Bellora and Guenther (2013) carried out a study to explore the dimensions of organizational performance. The results provide evidence of four, rather than three, organizational performance dimensions. Stock market performance and growth are confirmed as separate dimensions, whereas accounting returns must be decomposed into profitability and liquidity dimensions. Robustness analyses indicate stability of our inferences for three dissimilar industries and for a period of 21 years but reveal that organizational performance dimensions underlie dynamics during years in which environmental instability is high.

2.3.1 Market Share

Market share of a product as defined by Best (2005) is the percentage of current market demand obtained by a business. According to Best (2005), market share is used by businesses to determine their competitive strength in a sector as compared to other companies in the same sector, and it also allows organization to accurately assess their performance from year to year noting if a particular company is closing better or worse compared to other companies in the same industry. In managing market share, business must develop a successful strategy for each element of the marketing mix. Sliden (2007) defined market share as the portion or percentage of sales of a particular product or service in a given region that are controlled by a company. With illustrations to pass his opinions on market share across, he argued, if, for example, there are 100 widgets sold in a country and company A sells 43 of them, then company A has a 43% market share.

Effective performance of a firm depends on the level of applications of strategies (Gamble, Arthur, Thompson, Strickland, & John, 2010). Porter (1985) came up with three generic strategies which a firm can adopt to achieve a competitive advantage in the market (Dulcic, Gnjidic & Alfirevic, 2012). Performance of a firm refers to the ability to achieve the set goals and can be measured as return on investment (Grant, 2008). This study will be undertaken in insurance firms in Eldoret Town in order to establish the effect of selected competitive strategies on organizational performance.

2.3.2 Written Premiums

Written premium is an accounting term in the insurance business used to describe the total premiums on policies issued by an insurance company during a specific period of time regardless of what portions have been earned. Written premiums are the amount of premium charged for a policy that has already become effective (Silva, 2000). The number of written premium a company has, indicate the number of clients the company has signed and offered their insurance cover. As an indicator in my study it will indicate the performance of the organization.

Premium growth may be determined by a percentage change in premiums earned. According to Mehari and Aemiro (2013), premium growth estimates the market penetration, and if the insurers are too obsessed with growth, it may lead to self-destruction when other important objectives are forgotten. These authors found that growth in writing premiums has a positive relationship with financial performance but that it is statistically insignificant.

2.4 Competitive Strategies and Organizational Performance

This section will cover competitive strategies employed by the organization to influence its performance. These include product differentiation, customer focus and cost leadership.

2.4.1 Product Differentiation and Performance

Differentiation strategies emphasize on creating value through uniqueness, as opposed to lowest cost. A differentiation strategy occurs when a firm gains an unprecedented position within the sector of operation by differentiating its products or services. Barney and Hesterley (2006) assert that the rarity of a differentiation strategy depends on the ability of individual firms to be creative in finding new ways to differentiate their products. As rivals try to imitate these firms' last differentiation move, creative firm will already be working on new moves and therefore, remain one step ahead of competition. Murphy (2011) posits that differentiation occurs when a firm tries to make the product/service more appealing to the customer than the competition thereby potentially commanding a higher price.

Differentiation is one of the key business strategies (Allens & Helms, 2006). Porter (1985) opined that differentiation strategy may be explained based on differentiation through technology, brand, positioning, design or innovation. Differentiation strategy involves the development of strengths that can give a firm a differential performance advantage above other competitors. An example of this is a firm that competes by having the most inclusive branch network open at customers' convenient time, and is able to cut down waiting time and speed up service delivery or one that is able to cut down lending time without securities.

Differentiation has been adopted in an increasing numbers of industries, specifically in industries that need quality for success (Bacanu, 2010). Baum, Locke and Smith (2001) suggest that firms implementing differentiation strategies like innovative and high quality products achieve the highest growth. Some problematic areas of differentiation include the difficulty on the part of the firm to estimate if the extra costs entailed in differentiation can actually be recovered from the customer through premium pricing. Moreover, successful differentiation strategy of a firm may attract competitors to enter the company's market segment and copy the differentiated product Lynch (2003). Mosey (2009) posits that manufacturing firms which repeatedly introduce innovative new products end up openings up new markets which is essential to their survival. Slater and Olson (2001) pointed that the effectiveness of differentiation strategy depends on how well the firm can balance product benefits and product costs for the customer relative to competitive offering. Moreover, Acquaah and Ardekani (2006) reported that differentiating firms are able to achieve competitive advantage over their rivals because of the perceived uniqueness of their products and services.

Kampkötter and Sliwka 2011) carried out a study on the effect of differentiation on Performance. They studied the impact of differentiation empirically with a large panel data set spanning many firms in one industry. On average, stronger differentiation had a substantial positive effect on performance. This effect was larger on higher hierarchical levels. But differentiation may become harmful at the lowest levels. Nolega, Oloko, Sakataka, Oteki, (2015) carried out a study on the effects of product differentiation strategies on firm product performance at Kenya Seed Company (KSC), Kitale. The findings indicated that the customer's trend has grown tremendously over the last 15 years which is reflected by the growth in agent's base too due to their differentia on strategy. ASK shows provide the most important marketing strategy for KSC. The research recommends that KSC to increase market penetration by increasing agents and enhancing field days in the remote ASAL and highland areas which still plant indigenous maize seeds. Aliqah (2012) carried out a study on the effect of differentiation and organizational performance: empirical evidence from Jordanian Companies. The result of multiple regression analysis indicates that the differentiation strategy has not significant effect on organizational performance of such companies.

The findings from the empirical studies reviewed indicate different results on the effect of differentiation with some indicate they affected organizational performance while some said they did. This could be attributed to the fact that the studies were based in different industries. Therefore there is need to conduct a study and see whether product differentiation has an effect on the performance on the insurance industry bearing in mind that the studies were based in different geographical areas from the current study and therefore none could be generalized.

2.4.2 Customer Focus and Performance

Customer focus strategy targets a narrow segment of a market not served well by cost leadership or differentiation strategies and tailors its products to the needs of that specific segment to the exclusion of others (Johnson, Whittington, Scholes, 2011). It is also employed when it is not appropriate to apply the broad cost leadership or differentiation, by offering a limited range of services/products, serving specific markets only or having special product/service for specific type of customers (Hahn & Powers, 2010).

Ryals and Knox (2001) indicated that a customer-focused structure, culture, policy, and reward system should permeate any organization that strives to implement CRM successfully (Yim, Anderson and Swaminathan, 2004). Jain and Singh (2002) as in Yim, Anderson and Swaminathan (2004) noted that the firm-wide CRM spotlight ought to replicate in all interactions with key customers. According to Yim et al., (2004) the key customers are usually identified through customer lifetime value analysis. Dowling (2002) observed that customers-needs-driven CRM programs are common with firms that adopt business-to-business marketing strategies because customers-needs-driven CRM programs boost inter-firm relationships. According to the CRM behavioral component model of Sin, Tse and Yim (2004), key customer focus is a composition of dialogue with customers on customizing their needs, customizing products, customer needs assessment, and implementation of customer needs information. Arnett & Badrinarayanan, (2005) indicated that customer-needs-driven CRM strategy involves two steps: uncovering insights regarding customer needs, and special programs are developed to meet the discovered needs (the development of customer-specific processes and procedures) (Dowling, 2002). Customer-needs-driven CRM strategy should be an important constituent of the overall business strategy of firms (Arnett & Badrinarayanan, 2005). Therefore, firms, as part of their CRM practices, ought to develop CRM strategies that are capable of delivering both economic and non-economic benefits to key customer (Arnett & Badrinarayanan, 2005). This study will establish the effect of customer focus strategy on organizational performance of insurance firms in Eldoret town.

Yaacob, (2014) carried out a study on the direct and indirect effects of customer focus on performance in public firms. The results of this study revealed that customer focus is a significant predictor of employee satisfaction, innovation, and customer satisfaction. The structural model developed also indicated that there is an indirect relationship between customer focus and customer satisfaction. Therefore, this model implied that the practice of customer focus may enable public firms to increase their levels of performance. Nwokah and Maclayton (2006) carried out a study on the effect of customer-focus and business performance: the study of food and beverages organizations in Nigeria. The findings of the study did not find any strong association between customer-focus and business performance in the Nigerian context using the food and beverages organizations for the study. The reasons underlying the weak relationship between customer-focus and business performance of the food and beverages organizations are government policies, new product development, diversification, innovation and devaluation of the Nigerian currency. One important finding of this paper is that customer-focus leads to business performance through some moderating variables. Shaohan (2009) carried out a study on the importance of customer focus for organizational performance among Chinese companies. The findings of the study indicate that organizational customer orientation affects customer relationship practices, which subsequently influence production performance and customer satisfaction. Production performance and customer satisfaction lead to financial performance.

These studies reviewed reveal differencing findings on the effect that customer focus has on the performance of the organization. This could be attributed to the different industries the studies are conducted however; none of these studies have been conducted in the insurance industry. There is therefore a need to conduct a study in the field to determine the effect that customer focus has on the performance of the insurance.

2.4.3 Cost Leadership Strategy and Performance

Cost leadership strategy involves becoming the low cost firm in an activity and can operationalized as low input costs, economies of scale, experience, products/process design and low pricing (Johnson et al., 2011).The goal of Cost Leadership Strategy is to offer products or services at the lowest cost in the industry. This strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main ways to achieve this (Kotler & Armstrong 2010).

Companies can get competitive advantage in scale of economics by using effective systems to reduce the cost of human resources and minimizing the costs with cheaper raw material, mass production and distribution (Eraslan, 2008). Cost leadership provides competitive advantage in the markets in which the consumers are sensitive to the prices. Firms conducting this strategy aim to reduce all costs in the value chain (Thompson & Strictland, 1996). The basic principle is to reduce the costs of all actions. By this way, the gap between the prices at the market and costs will be longer and a firm will get a competitive advantage by gaining a high income and profit. The strategic logic of cost leadership usually requires that a firm be the cost leader, not one of the several firms vying for this position. Many firms have made strategic errors by failing to recognize this. When there is more than one aspiring cost leader, rivalry among them is usually fierce because every point of market share is viewed as crucial (Porter, 1985).

Valipour, Birjandi and Honarbakhsh (2012) carried out a study in Tehran on the effects of cost leadership strategy and product differentiation strategy on the performance of firms. The results indicated that in the firms with cost leadership strategy, there were positive relationships between leverage; cost leadership strategy and dividend payout with performance. Nyauncho and Nyamweya (2015) carried out an assessment of the effect of Cost Leadership Strategy on the performance of liquefied petroleum gas companies in Eldoret town. The study established that, cost leadership influences the performance of LPGCs performance enabling the company to reduce price leading to high volume of sales visa a-visa profit margin, increase in service delivery, less return inwards, reduced operational costs and reduced wastages. Atikiya, Mukulu, Kihoro and Waiganjo (2015) carried out study on the effect of cost leadership strategy on the performance of manufacturing firms in Kenya. The findings revealed that performance of manufacturing firms are significantly influenced by cost leadership strategy.

The studies reviewed indicate that none of the studies was conducted in the insurance industry and therefore we don’t have a clear effect that cost leadership has on the performance of this industry. This current study therefore aims to undertake this area shading more light.

2.5 Conceptual Framework

The study sought to establish effect of Porter’s generic competitive strategies on performance of Insurance companies in Kenya. The independent variables are; product differentiation, market focus and cost leadership strategies, while the dependent variable is the performance of insurance company which is indicated by market share and written premiums. The conceptual framework presupposes that the independent variable act to produce changes in the dependent variables. This relationship is moderated by extraneous variables which include Government policy and economic performance.

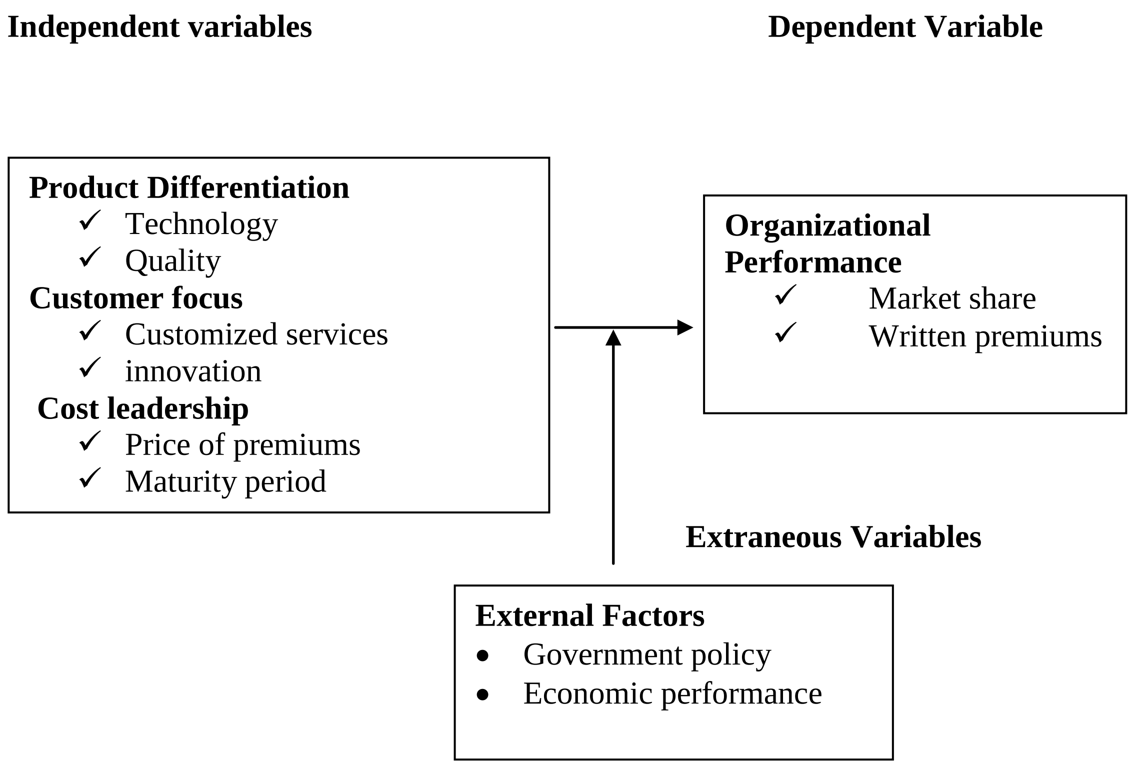

Figure 2.1: Conceptual Framework showing the relationship between Porter's Generic competitive strategies and performance of insurance companies

Figure 2.1 shows that competitive strategies (product differentiation, customer focus and cost leadership) influences performance of insurance industries. The indicators of performance in an insurance firm can be established through market share and written premiums. However competitive strategies could be affected by government policies and economic performance (intervening variables) thus could have an effect on performance of industries. To reduce the effect of intervening variables on the study findings, these variables will be integrated while designing the questionnaires.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents the research methodology. It discusses research design, study area, target population, sample size and sampling procedure, data collection instruments, validity and reliability of the research instruments, data collection procedure and methods of data analysis.

3.2 Research Design

This study adopted a survey research design. Mitchell & Jolley (2013) asserts that a survey is a means of collecting information about a large group of elements referred to as a population. The survey research design was selected for its ability to collect varied A survey has three characteristics: to produce quantitative descriptions of some aspects of the study population in which case it is concerned either with relationships between variables, or with projecting findings descriptively to a predefined population; data collection is done by asking people structured and predefined questions and data is collected from a fraction of the target population (Singh & Nath, 2010). It was therefore suitable for this study in explaining the effect of Porter's generic competitive strategies on organizational performance: a case of non-life-insurance companies in Eldoret town Kenya

3.3 Study Area

The study was conducted in insurance companies operating in Eldoret Town. The town is the headquarters of Uasin Gishu County. It is the fourth largest town in Kenya after Nairobi, Mombasa, Nakuru in terms of population and it is the fastest growing town in Kenya with a lot of economic activities (GOK, 2009).

3.4 Target Population

Saunders, Lewis and Thornhill (2003) and Kothari (2008), describe a population as the total collection of elements about which one wish to make inferences. The target population refers to the entire group of individuals or objects to which a researcher is interested in generalizing the conclusions. The target population for the study wasthe42 branch managers in all the 42 non-life-insurance companies operating within Eldoret town as shown in Appendix II. Since the number was manageable, census was adopted where all the target population was used for the study. `

3.5 Data Collection Instruments

Data collection tools are the instruments which are used to collect the necessary information needed to serve or prove some facts (Mugenda & Mugenda, 2003). The researcher employed the use of questionnaires as an instrument of data collection. The questionnaire was preferred as it enabled responses to be gathered in a standard way making them more objective. They are also quick to collect information and potential information can be collected from a large proportion of a group (Burns,2000).The structured questions were used since it saved time well as to facilitate easier analysis as they are in immediate usable form (Mugenda & Mugenda, 2003). The structured questions consisted of Likert type scale responses.

3.6 Validity and Reliability of the Research Instrument

The study instruments were tested for validity and reliability before the data collection exercise began.

3.6.1 Validity of the Instrument

According to Mugenda and Mugenda (2003), validity is the degree to which results obtained from the analysis of data actually represent the phenomena under study. A valid instrument should accurately measure what it is supposed to measure. Validity refers to the extent to which an empirical measure adequately reflects the real meaning of the subject under investigation (Babbie, 2005). To ensure the data acquired was valid in this study, the following steps were taken: to enhance validity of instruments, pre-testing was done to determine whether or not the questions are acceptable, answerable and well understood. The feedback was used to validate the instruments in readiness for the study. For validation purposes the researcher formulated the questionnaire in person as per each research objective.

In order to specify and determine the content validity of the research instruments the researcher consulted the project supervisors whose critique was used to improve the questionnaire to ensure that the instruments are viable to collect data from the intended area. Content validity was ensured by doing a thorough literature review study on which the content of the questionnaire was based. The researcher’s supervisors checked the questionnaires for its general content, content validity and thoroughness. Based on their comments, the questionnaire was modified and the necessary review and adjustments were made. Content validity is a non-statistical type of validity that involves the systematic examination of the test content to determine whether it covers a representative sample of the behavior domain to be measured (Anastasi & Urbina, 2007). Content validity requires the use of recognized subject matter experts to evaluate whether test items assess defined content and more rigorous statistical tests than does the assessment of validity.

3.6.2 Reliability of the Instruments

Reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials (Neuman, 2000). It is therefore, the degree of consistency or whether it can be relied upon to produce the same results when used in two of more attempts to measure theoretical concepts. To determine the reliability of the instrument, questionnaires was piloted on a small sample comprising two managers' pioneer and Amaco insurance Kericho town, who were not part of this research study. Cronbach Alpha Coefficient was used to test on the reliability of the instruments. A correlation coefficient of 0.70 and above was considered adequate to allow the researcher proceed with the study (Fraenkel & Wallen, 2003). The findings on the reliability of the research instruments are presented in Table 3.1

Table 3.1 Reliability Results

Reliability Statistics		
	Cronbach's Alpha	N of Items
Product Differentiation	0.961	9
Customer Focus	0.719	8
Cost Leadership	0.733	5
Organizational Performance	0.735	7

Source: (Pilot study, 2017)

The findings in Table 3.1 indicate the Cronbach alpha values as follows: product differentiation, (0.961); customer focus (0.719); cost leadership (0,733) and organizational performance, (0.735). All these values were above the required threshold of 0.70 which was acceptable (Frankkel & Wallen , 2003).

3.7 Data Collection Procedures

Before proceeding to the area of study in Eldoret town, the researcher obtained an introductory letter from Egerton University. The researcher also notified the branch managers of sampled insurance companies or their representatives by sending letters to them to ask for permission to carry out the research in their respective companies of jurisdiction. The questionnaire used to collect data was structured and contained 5 sections; section **A** elicited information on the background information of the respondents; section **B** contained items on product differentiation strategy; section **C** contained items on customer focus strategy; section **D** contained items on cost leadership strategy; while Section **E** contained items on organizational performance of the insurance company.

3.8 Data Presentation and Analysis

The data collected from the questionnaire was checked for completeness. The data from the structured questions was coded and analyzed using descriptive statistics through SPSS. Descriptive statistics; frequencies and percentage were used to present analyzed data. The relationship between individual independent variables; product differentiation, customer focus and cost strategies and the dependent variable; organization performance were established through Pearson correlation analysis. Regression analysis was performed test the hypothesis of the study. The regression model is described as follows:

$Y=\alpha+\beta_1x_1 + \beta_2x_2+ \beta_3x_3+ \acute{\varepsilon}$

Where;

Y= Performance of insurance Company

α =Constant term

$\beta_{1,}\beta_{2,}$ $\beta_{3,}$ -Coefficients

x_1= Product differentiation strategies

x_{2} = Customer focus strategies

x_3 = Cost strategies

$\acute{\varepsilon}$ - error term.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter discusses the response rate, descriptive statistics, and effect of product differentiation on organizational performance, effect of customer focus on organizational performance, effect of cost leadership strategy on organizational performance and the effect of Porter’s Generic competitive strategies on organizational performance. The chapter also covers the discussion of the findings and hypotheses test.

4.2 Response Rate

The study targeted the 42 branch managers in all the 42 non-life insurance companies operating within Eldoret town, 38 of the branch managers took part in the study giving a response rate of 90.48% which was more than sufficient to carry out the study. The study sought to determine effect of Porter’s generic competitive strategies on organizational performance: a case of insurance companies in Eldoret town, Kenya.

4.3 Descriptive Statistics

This section presents and discusses descriptive statistics of the profiles of the respondents. It also presents descriptive analysis results of the study variables.

4.3.1 Profile of respondents

The study sought to determine the demographic information of the respondents, the findings are presented in Table 4.1

Table 4.1 Demographic Information

		Frequency	Percent
Gender	Male	28	73.7%
	Female	10	26.3%
	Total	38	100%
Age	Below 35 years	3	7.9%
	36-40 years	13	34.2%
	41-45 years	16	42.1%
	above 46 years	6	15.8%
	Total	38	100%
Education	Diploma	1	2.6%
	Bachelor's degree	14	36.8%
	post- graduate degree	23	60.5%
Designation	Total	38	100%
	Branch manager	21	55.2%
	Assistant branch	17	44.7%
	Total	38	100%
Period of operation	below 5 years	5	13.2%
	6-10 years	11	28.9%
	11-15 years	14	36.8%
	16-20 years	6	15.8%
	above 20 years	2	5.3%
	Total	38	100%

The findings on the gender of the respondents indicate that 73.7% of the respondents were male while 26.3% were female. These findings indicate that a majority of the respondents were male. This therefore indicated most branch managers in the insurance companies operating within Eldoret town are male. There are however a considerable number of females therefore ensuring representation of both genders

The findings of the ages of the respondents indicate that 42.1% of the respondents were aged between 41-45 years, 34.2% were between 36-40 years, 15. 8% were aged above 46 years while 7.9% were aged below 35 years. These findings indicate that a majority of the respondents were in their middle ages. This could be attributed to the influence under their belts since they have been in the field longer which qualifies them for such post.

The findings on the educational level of the respondents indicate that 60.5% had a postgraduate level of education, 36.8% had bachelors' degree while 2.6% had diplomas. These findings indicate that a majority of the respondents had postgraduate level of education. These findings indicate that the managers had advanced educational level which enables them to effectively carry out their tasks.

The findings on the designation of the respondents indicate that 55.2% of the respondents were branch managers while another 44.7% were assistant branch manager. These findings indicate that a majority of the respondents were branch managers. These are individuals with good information on the organization and are therefore able to produce sufficient and useful information for the study.

The findings on the period of operation indicate that 36.8% were in operation for 11-15 years 28.9% 6-10 years, 15.8% 16-20 years, 13.2% below 5 years while 5.3 % had been in operation above 20 years. These findings indicate that a majority of the companies had been operational between 11-15 years, these findings therefore indicate that the organization is in a good position to provide sufficient and reliable information for the study.

4.3.2 Product Differentiation and Organizational Performance

The first objective of the study sought to determine how product differentiation strategy influenced organizational performance. The findings are presented in Table 4.2.

Table 4.2 Product Differentiation and Organizational Performance

Product Differentiation		**SD**	**D**	**U**	**A**	**SA**	**T**	**M**
The company has adopted technology in new product development.	F	0	0	18	17	3	38	3.6053
	%	0	0	47.4	44.7	7.9	100	72.13
The company gives special emphasis on branding of its products.	F	0	0	12	25	1	38	3.7105
	%	0	0	31.6	65.8	2.5	100	74.21
The company has design its product to meet changing customer needs.	F	0	0	0	22	16	38	4.4211
	%	0	0	0	57.9	42.1	100	88.42
The company changes the existing products to meet exclusive requirement	F	0	0	16	18	4	38	3.6842
	%	0	0	42.1	47.4	10.5	100	73.68
The company has developed new product for the market.	F	0	0	18	18	2	38	3.5789
	%	0	0	47.4	47.4	5.3	100	71.58
The company provides quality service to its customers.	F	0	0	16	21	1	38	3.6053
	%	0	0	42.1	55.3	2.6	100	72.11
The company has improved quality of service to customers through timeliness.	F	0	2	16	19	1	38	3.5000
	%	0	5.3	42.1	50.0	2.6	100	70
The company collects information from customers that are used to improve products and services.	F	0	0	19	17	2	38	3.5526
	%	0	0	50.0	44.7	5.3	100	71.05
The company under takes customer needs assessment in order to improve sales of premiums.	F	0	0	20	16	2	38	3.5263
	%	0	0	52.6	42.1	5.3	100	70.53

The findings on the effect of product differentiation on organizational performance indicate that 88.42% of the respondents held the opinion that the company has designed its product to meet changing customer needs; 74.21% held that the company gives special emphasis on branding of its products, 73.68% said the company changes the existing products to meet exclusive requirement, 72.13% said the company has adopted technology in new product development, 72.11% held that the company provides quality service to its customers, 71.58% held that the company has developed new product for the market, 71.05% said the company collects information from customers that are used to improve products and services, 70.53% held that the company under takes customer needs assessment in order to improve sales of premiums while 70% said the company has improved quality of service to customers through timeliness. The findings indicate that the company designed its products to meet changing customer needs.

4.3.3 Customer Focus and Organizational Performance

The second objective of the study sought to determine how customer focus strategy influenced organizational performance. The findings are presented in Table 4.3.

Table 4.3 Customer Focus and Organizational Performance

Customer Focus		**SD**	**D**	**U**	**A**	**SA**	**T**	**M**
The company provides customized services to enhance its competitiveness	F	0	0	0	15	23	38	4.6053
	%	0	0	0	39.5	60.5	100	92.11
Our company provides extensive customer services to improve competitiveness	F	0	0	3	29	6	38	4.0789
	%	0	0	7.9	76.3	15.8	100	81.58
Marketing innovation is well supported in our company as a competitive edge	F	0	0	4	28	5	38	4.0263
	%	0	0	10.5	76.3	13.2	100	80.53
The company provide customer support to enhance competitiveness	F	0	0	5	28	4	38	3.9737
	%	0	0	13.2	76.3	10.5	100	79.47
The products and services offered are targeted towards particular market segments to gain competitiveness	F	0	0	4	30	4	38	4.0000
	%	0	0	10.5	78.9	10.5	100	80
The management uses data base to establish customer needs in order to gain competitiveness	F	0	0	5	29	4	38	3.9737
	%	0	0	13.2	76.3	10.5	100	79.47
The employees are trained on customer relations strategies to enhance customer satisfaction and competitiveness	F	0	0	8	26	4	38	3.8947
	%	0	0	21.1	68.4	10.5	100	77.89
The company undertakes customer needs assessment in order to improve its competitiveness	F	0	0	17	21	0	38	3.5526
	%	0	0	44.7	55.3	0	100	71.05

The findings on customer focus strategy on organizational performance indicate 92.11% held the opinion that the company provides customized services to enhance its competitiveness, 81.58% held that their company provides extensive customer services to improve competitiveness, 80.53% of the respondents held marketing innovation is well supported in our company as a competitive edge, 80% held that the products and services offered are targeted towards particular market segments to gain competitiveness, 79.47% held that the management uses data base to establish customer needs in order to gain competitiveness, 77.89% were of the opinion that the employees are trained on customer relations strategies to enhance customer satisfaction and competitiveness while 71.05% held that the company undertakes customer needs assessment in order to improve its competitiveness.

4.3.4 Cost Leadership Strategy and Organizational Performance

The third objective of the study sought to determine how cost leadership strategy influenced organizational performance. The findings are presented in Table 4.4

Table 4.4 Cost Leadership Strategy and Organizational Performance

Cost Leadership Strategy		**SD**	**D**	**U**	**A**	**SA**	**T**	**M**
The company strives to offer low cost insurance products in the market	F	0	0	13	12	13	38	4.000
	%	0	0	34.2	31.6	34.2	100	80
The company gives the clients flexible payment periods (daily, weekly, monthly, quarterly and yearly)	F	0	0	0	15	23	38	4.6053
	%	0	0	0	39.5	60.5	100	92.11
The company offers its customers low cost premiums to attract customer.	F	0	0	12	12	14	38	4.0526
	%	0	0	31.6	31.6	36.8	100	81.05
The company gives grace period to customers who experience difficulties with regular payments of premiums.	F	0	0	16	11	11	38	3.8684
	%	0	0	42.1	28.9	28.9	100	77.37
The company gives customers flexible maturity periods for their products	F	0	1	19	10	8	38	3.6579
	%	0	2.6	50.0	26.3	21.1	100	73.16

The findings on the effect of cost leadership strategy on organizational performance indicate 92.11% held the opinion that the company gives the clients flexible payment periods (daily, weekly, monthly, quarterly and yearly), 81.05% held that the company offers its customers low cost premiums to attract customer, 80% held that the company strives to offer low cost insurance products in the market, 77.37% of the respondents indicate that the company gives grace period to customers who experience difficulties with regular payments of premiums, while 73.16% held that the company gives customers flexible maturity periods for their products.

4.3.5 Effect of Product differentiation, Customer focus and Cost leadership on Organizational Performance

The study sought to determine the effect of these Porter's competitive strategies on organizational performance; the findings are presented in Table 4.5

Table 4.5 Organizational Performance

		SD	D	U	A	SA	T	M
The company sales its products under different brands to meet various customer needs	F	0	0	9	26	3	38	3.8421
	%	0	0	23.7	68.4	7.9	100	76.84
The company sells insurance products based on different customers' needs thus increasing market share.	F	0	0	3	31	4	38	4.0263
	%	0	0	7.9	81.6	10.5	100	80.53
The company uses print and electronic media to market its products.	F	0	0	10	16	12	38	4.0526
	%	0	0	26.3	42.1	31.6	100	81.05
The company prices its products according to market segments	F	0	0	21	15	2	38	3.5000
	%	0	0	55.3	39.5	5.3	100	70
There is continuous pricing of different products by the company as per market segments	F	0	0	3	33	2	38	3.9737
	%	0	0	7.9	86.8	5.3	100	79.47
The company has high yearly	F	0	0	8	17	13	38	4.1316
	%	0	0	21.1	44.7	34.2	100	82.63
The company sometimes offers reduces premium cost to its customers.	F	0	0	6	29	3	38	3.9211
	%	0	0	15.8	76.3	7.9	100	78.42

The findings on organizational performance indicate that 82.63% of the respondents held the opinion that the company has high yearly written premiums, 81.05% held that the company uses print and electronic media to market its products, 79.47% held that there is continuous pricing of different products by the company as per market, 78.42% held that the company sometimes offers reduces premium cost to its customers, 76.84% held that the company sales its products under different brands to meet various customer needs while 70% held that the company prices its products according to market segments.

The findings on the effect of Porter's generic competitive strategies on organizational performance indicate that 82.63% of the respondents held the opinion that the company has high yearly written premiums, 81.05% held that the company uses print and electronic media to market its products, 79.47% held that there is continuous pricing of different products by the company as per market, 78.42% held that the company sometimes offers reduces premium cost to its customers, 76.84% held that the company sales its products under different brands to meet various customer needs while 70% held that the company prices its products according to market segments.

4.4 Inferential Statistics

This section looked at the correlation analysis.

4.4.1 Correlation analysis

The study undertook a correlation analysis to determine the relationship between the independent variables. The findings are presented in table 4.6

Table 4.6 Correlation Analysis

		Differentiation	Customer focus	Cost leadership
Product Differentiation	Pearson Correlation	1	.279	.055
	Sig. (2-tailed)	38	.090	.741
	N		38	38
Customer focus	Pearson Correlation	.279	1	-.049
	Sig. (2-tailed)	.090	38	.769
	N	38		38
Cost leadership	Pearson Correlation	.055	-.049	1
	Sig. (2-tailed)	.741	.769	38
	N	38	38	
**. Correlation is significant at the 0.01 level (2-tailed).				

The findings on the correlation analysis between the independent variable indicate that differentiation did not have a significant relationship with customer focus p=0.09, but it had a significant relationship with cost leadership p=0.05. Customer focus also had a significant relationship with cost relationship p=0.049.

4.5 Results of Hypotheses Tests

The following section discusses the hypotheses tests and results using inferential statistics. The section presents the results of statistical analyses and interpretations of the results in relation to research hypotheses.

4.5.1 Effect of Product Differentiation on Organizational Performance

The first objective of the study was to determine the effect of product differentiation on organizational performance. It was hypothesized that product differentiation strategies have no significant effect on performance of non- life insurance companies in Eldoret, Kenya. This hypothesis was tested using simple regression analysis. Organizational performance was regressed on product differentiation. The results are as presented on Table 4.7.

Table 4.7 Regression test on Effect of Product Differentiation on Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.627[a]	0.393	0.377	0.23168

a. Predictors: (Constant), product differentiation

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.253	1	1.253	23.350	.000[a]
	Residual	1.932	36	0.054		
	Total	3.166	37			

a. Predictors: (Constant), product differentiation
b. Dependent Variable: organizational performance

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.278	0.338		6.740	0.000
	Product differentiation	0.440	0.091	0.627	4.832	0.000

a. Dependent Variable: organizational performance

As shown in Table 4.7, the R squared for the model is 0.393 indicating that 39.3% of the variation in organizational performance is explained by variation in product differentiation. This means that the other 60.7% of the variation can be explained by other factors which are not included in the model.

The ANOVA results indicates that the model is statistically significant (F=23.35, p=0.000, thus $p < 0.05$). The standardized coefficients (β=0.627 and p=0.000) show that the effect of product differentiation on organizational performance is positive and statistically significant. The simple regression model result fail to support the null hypothesis that product differentiation strategies have no significant effect on performance of non- life insurance companies in Eldoret, Kenya. The null hypothesis is therefore rejected. This means that the use of product differentiation as a marketing strategy would result into better performance of the organization.

4.5.2 Effect of Customer Focus on Organizational Performance

The second objective of the study was to establish the effect of customer focus on organizational performance. It was hypothesized that customer focus strategies have no significant effect on performance of non- life insurance companies in Eldoret, Kenya. This hypothesis was tested using simple regression analysis. Organizational performance was regressed on customer focus. The results are as presented below on Table 4.8

Table 4.8 Regression Test on Effect of Customer Focus on Organizational Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.505[a]	0.255	0.234	0.25681

a. Predictors: (Constant), Customer Focus

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.812	3	0.812	12.306	.001[a]
	Residual	2.374	36	0.066		
	Total	3.188	37			

a. Predictors: (Constant), Customer Focus
b. Dependent Variable: organizational performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.242	0.475		-0.279	0.000
	Customer focus	0.414	0.118	0.505	4.441	0,001

a. Dependent Variable: organizational performance

As shown in Table 4.8, the R squared for the model is 0.255 indicating that 25.5% of the variation in organizational performance is explained by variation in customer focus. This means that the other 74.5% of the variation can be explained by other factors which are not included in the model.

The ANOVA results indicates that the model is statistically significant (F=12.306, p=0.000, thus $p < 0.05$). The standardized coefficients (β=0.505 and p=0.000) show that the effect of customer focus on organizational performance is positive and statistically significant. The simple regression model result fail to support the null hypothesis that customer focus strategies have no significant effect on performance of non- life insurance companies in Eldoret, Kenya. The null hypothesis is therefore rejected. This means that the use of customer focus as a marketing strategy would result into better performance of the organization.

4.5.3 Effect of Cost Leadership Strategy on Organizational Performance

The third objective of the study was to determine the effect of cost leadership strategy on organizational performance. It was hypothesized that cost strategies have no significant effect on performance of non- life insurance companies in Eldoret, Kenya. This hypothesis was tested using simple regression analysis. Organizational performance was regressed on cost strategy. The results are as presented on Table 4.9

Table 4.9 Hypothesis Test on Effect of Cost Leadership Strategy on Organizational Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.708[a]	0.501	0.487	0.21007

a. Predictors: (Constant), Cost Leadership

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.597	3	1.597	36.188	.000[a]
	Residual	1.589	36	0.044		
	Total	3.186	37			

a. Predictors: (Constant), Cost Leadership

b. Dependent Variable: organizational performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.555	0.227		11.279	0.000
	Cost leadership	0.336	0.058	0.708	6.616	0.000

a. Dependent Variable: organizational performance

As shown in Table 4.9, the R squared for the model is 0.501indicating that 50.1% of the variation in organizational performance is explained by variation in cost leadership. This means that the other 49.9% of the variation can be explained by other factors which are not included in the model.

The ANOVA results indicates that the model is statistically significant (F=36.188, p=0.000, thus $p < 0.05$). The standardized coefficients (β=0.708 and p=0.000) show that the effect of cost leadership on organizational performance is positive and statistically significant. The simple regression model result fail to support the null hypothesis that cost leadership strategies have no significant effect on performance of non- life insurance companies in Eldoret, Kenya. The null hypothesis is therefore rejected. This means that the use of cost leadership as a marketing strategy would result into better performance of the organization.

4.5.4 Combined Effect of Product Differentiation, Customer Focus and Cost Leadership Strategies

The fourth objective of the study sought to determine the combined effect of product differentiation, customer focus and cost leadership strategies on organizational performance. It was hypothesized that the combined effect of product differentiation, customer focus and cost leadership strategies have no significant effect on performance of insurance companies in Eldoret, Kenya. This hypothesis was tested using simple regression analysis. The results are as presented below on Table 4.10

Table 4.10 Results of Combined Effect of Product Differentiation, Customer Focus and Cost Leadership Strategies on Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.903[a]	0.816	0.811	0.15002

a. Predictors: (Constant), E

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.585	1	3.585	159.269	.000[a]
	Residual	0.81	36	0.023		
	Total	4.395	37			

a. Predictors: (Constant), Combined Porter's Generic Competitive strategies

b. Dependent Variable: Organizational Performance

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-0.291	0.329		-0.886	0.381
Combined Porter's Generic Competitive strategies	1.061	0.084	0.903	12.62	0

a. Dependent Variable: Organizational performance

As shown in Table 4.10, the R squared for the model is 0.816 indicating that 81.6 % of the variation in organizational performance is explained by variation in the combined effect of product differentiation, customer focus and cost leadership strategies. This means that the other 18.4% of the variation can be explained by other factors which are not included in the model.

The ANOVA results indicates that the model is statistically significant ($F=159.269$, $p=0.000$, thus $p < 0.05$). The standardized coefficients ($\beta=0.903$ and $p=0.000$) show that the effect of the combined effect of product differentiation, customer focus and cost leadership strategies on organizational performance is positive and statistically significant. The simple regression model result fail to support the null hypothesis that the combined effect of product differentiation, customer focus and cost leadership strategies have no significant effect on performance of non- life insurance companies in Eldoret, Kenya. The null hypothesis is therefore rejected. This means that the use of product differentiation, customer focus and cost leadership strategies as marketing strategies would result into better performance of the organization

4.6 Discussion of Findings

The following section covers the discussion of findings on the effect of product differentiation on organizational performance, effect of customer focus on organizational performance, effect of cost leadership strategy on organizational performance and effect of Porter's generic model on organizational performance.

4.6.1 Effect of Product Differentiation on Organizational Performance

The first objective of the study was to determine the effect of product differentiation strategies on performance of non life insurance companies in Eldoret, Kenya. It was hypothesized that product differentiation has no effect on performance of insurance companies. The study found that there is a positive relationship between product differentiation and organizational performance. These findings indicate that product differentiation strategy helps the company to designed its products to meet changing customer needs in order to improve its performance. This therefore implies that company designs its products to suit the needs of their clients tailoring them with their clients in mind which therefore ensure that their organization performs better. Each client gets served according to their preferences which ensure that there are even willing to pay more for the services because it meets their requirements.

These findings concur with Ardekani (2006) and Shammot, (2011). Ardekani (2006) undertook a study on the relationship between product differentiation and performance of organizations. The results indicated that differentiating firms are able to achieve competitive advantage over their rivals because of the perceived uniqueness of their products and services. In a similar study, Shammot, (2011) report that product differentiation strategy can be a tool of competitive advantage which is adopted by organizations in order to provide products that satisfies individual customer's needs. This implies that in satisfying individual customer's needs, quality becomes a major differentiating factor among products and results in customers willing to pay more for products that cater to their individual size, taste, style, need or expression. Furthermore, a lot of organizations have come to realize that in order to provide value and win customers, there is a need to quickly and accurately identify changes in customer needs, develop more complex products which would satisfy those needs, provide higher levels of customer support and service (Hitt, Keats, and DeMarie, 1998).

4.6.2 Effect of Customer Focus on Organizational Performance

The second objective of the study was to establish the effect of customer focus strategies on performance of non life insurance companies in Eldoret, Kenya. It was hypothesized that customer focus has no effect on performance of insurance companies. The study found that there is a positive relationship between customer focus and organizational performance. These findings imply that the company provides customized services to enhance its competitiveness as a customer focus strategy in order to improve its performance. These findings imply that the organization focus on its customers, customizing their services to them in order to ensure that they are satisfied. This contributes to attracting clientele to the organization, boosting its performance since their clientele are well catered and they feel the organization has their needs at heart.

These findings concur with Johnson et al., (2011) who indicated that the Customer focus strategy targets a narrow segment of a market and tailors its products to the needs of that specific segment. These is in line with CRM behavioral component model of Sin, Tse and Yim (2004), which indicates that key customer focus is a composition of dialogue with customers on customizing their needs, customizing products, customer needs assessment, and implementation of customer needs information and are very significant in boosting the performance of the organization. Dowling (2002) further observed that customers-needs-driven CRM programs are common with firms that adopt business-to-business marketing strategies because customers-needs-driven CRM programs boost inter-firm relationships providing two way benefits.

4.6.3 Effect of Cost Leadership Strategy on Organizational Performance

The third objective of the study was to determine the effect of cost leadership strategies on performance of non life insurance companies in Eldoret, Kenya. It was hypothesized that cost leadership has no effect on performance of insurance companies. The study found that there is a positive relationship between cost leadership and organizational performance. These findings indicate that the company gives the clients flexible payment periods (daily, weekly, monthly, and quarterly and yearly) as a cost leadership strategy in order to improve its performance. These findings imply that the company gives its clients flexible payment periods. This enables their clients to pay their premiums making it possible for them to take up the various product offered in the organization since they can pay the premiums at their convenience.

These findings concur with Obuya (2013), that since the main focus of taking up various insurance products is affordability and financial accessibility to the clients which has caused a majority of the population have no insurance covers, insurance companies have taken to reduce the overhead cost of products, where premiums can now be paid daily, monthly, quarterly or annually through mobile phones, cheque, check-off or direct debit. British-American on its part, for instance rolled out one of its products in 2010 at a cost of KSh530 per year or staggered monthly payments of KSh69.17 or weekly payments of about KSh20. This was meant to be micro-insurance product that was expected to increase the pace of innovation in the insurance industry, although it is still struggling to increase penetration.

4.6.4 The Combined effect of product differentiation, customer focus and cost leadership strategies

The fourth objective was to establish the combined effect of product differentiation, customer focus and cost leadership strategies on performance of non-life-insurance companies in Eldoret, Kenya. It was hypothesized that the combined effect of product differentiation, customer focus and cost leadership strategies have no effect on performance of non-life-insurance companies. The study found that the use of product differentiation, customer focus and cost leadership strategies as marketing strategies would result into better performance of the organization.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the summary, conclusion and recommendations of the study.

5.2 Summary of the Findings

The general objective of the study was to determine the effect of Porters Generic Competitive strategies on organizational performance.

The first objective of the study was to determine the effect of product differentiation strategies on performance of non life insurance companies in Eldoret, Kenya. It was hypothesized that product differentiation has no effect on performance of insurance companies. The findings revealed a positive relationship between product differentiation and organizational performance ($R^2 = 0.393$; beta = 0.627, t = 4.832, & $p < 0.05$) positive effect of product differentiation on organizational performance). Thus the Ho_1 was rejected.

The second objective was to establish the effect of customer focus strategies on performance of non-life-insurance companies in Eldoret, Kenya. It was hypothesized that customer focus has no effect on performance of insurance companies. The findings revealed a positive relationship between product differentiation and organizational performance ($R^2 = 0.255$; beta = 0.505, t = 4.441, & $p < 0.05$) positive effect of customer focus on organizational performance). Thus the Ho_2 was rejected.

The third objective of the study was to determine the effect of cost strategies on performance of non-life-insurance companies in Eldoret, Kenya. It was hypothesized that cost leadership has no effect on performance of insurance companies. The findings revealed a positive relationship between cost leadership and organizational performance ($R^2 = 0.487$; beta = 0.708, t = 6.616, & $p < 0.05$) positive effect of cost leadership on organizational performance). Thus the Ho_3 was rejected.

The fourth objective of the study was to establish the combined effect of product differentiation, customer focus and cost leadership strategies on performance of non-life-insurance companies in Eldoret, Kenya. It was hypothesized that the combined effect of product differentiation, customer focus and cost leadership strategies have no effect on performance of non-life-insurance companies. The findings revealed a positive relationship between the combined effect of Porter's Generic strategies and organizational performance (R^2 = 0.816; beta = 0.903, t = 12.62, & $p < 0.05$). Thus the Ho_4 was rejected.

5.3 Conclusions

The first objective of the study was to determine the effect of product differentiation strategies on performance. The result revealed that there is a positive relationship between product differentiation and organizational performance. This implies that the organization should design its products to meet changing customer needs.

The second objective was to establish the effect of customer focus strategies on performance. The result found out that there is a positive relationship between customer focus and organizational performance. This implies that organizations should focus on their customers' needs by customizing services to meet the specific needs of the customers.

The third objective of the study was to determine the effect of cost strategies on performance. The result revealed that there is a positive relationship between cost leadership strategies and organizational performance. This implies that in order of an organization to be cost leader in the relevant sector, it should give its clients flexible payment periods. This would encourage the customers to buy more products.

The fourth objective of the study was to establish the combined effect of Porter's Generic Competitive strategies on performance. The result showed a positive relationship between the combined effect and organizational performance. This implies that organizations which apply product differentiation, customer focus and cost leadership strategies together realize better performance than organizations which employ only one of the strategies at a time.

5.4 Recommendation

Based on the limitations of the study, the study recommends the following:

5.4.1 Recommendation for Policy Makers.

The management and Policy makers in the insurance industry should employ the Porter's generic competitive strategies while formulating their policies. This will enable them to improve the performance of their organization since these strategies bring significant contributions.

5.4.2 Recommendation for Further Research

The study was cross sectional done in Eldoret town Kenya. Similar studies should be done in other countries or other towns in Kenya using different industries other than insurance.

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APPENDIX I: QUESTIONNAIRE

Introduction

I am a post graduate student in Egerton University; I am undertaking a study on Effects of competitive strategies on performance of insurance Companies in Kenya: survey of Insurance companies in Eldoret town. You have been selected among the respondents for this study. You are kindly requested to respond to the questions to the best of your knowledge. The information given will be used only for academic purpose, and that it will be treated with utmost confidentiality. Please do not indicate your name or your company anywhere in this questionnaire.

Instructions

Respond to the questions by ticking the appropriate box.

Section A: Background information

1. What is your gender?

   Male [ ] Female [ ]

2. What is your age

   18-25 [ ] 26 -30 [ ] 31-35 [ ] 36-40 [ ] 41-45 [ ] Above 46

3. What is your highest level of Education

   Certificate [ ] Diploma [ ] Bachelors Degree [ ] Post graduate degree [ ]

4. Designation
   Branch Manager [ ] Assistant Branch Manager [ ]

5. Period of operation

   Below 5years [ ] 6-10 years [ ] 10-15 years [ ] 15-20years [ ] above 20years [ ]

Section B: Product Differentiation

This section seeks your opinion on the extent to which your Company has adopted product differentiation for example offering superior and variety of products and services to customers.

Kindly indicate your response by ticking in the appropriate box. The choices are explained as follows 1= Strongly Disagree (SD), 2 = Disagree (D), 3 = Undecided (U), 4 = Agree (A), 5 = Strongly Agree (SA).

5. Indicate the extent in which you agree or disagree with the following statements

Section B: product differentiation	**SD**	**D**	**U**	**A**	**SA**
The company has adopted technology in new product development.					
The company gives special emphasis on branding of its products.					
The company has design its product to meet changing customer needs.					
The company changes the existing products to meet exclusive requirement					
The company has developed new product for the market.					
The company provides quality service to its customers.					
The company has improved quality of service to customers through timeliness.					
The company collects information from customers that are used to improve products and services.					
The company under takes customer needs assessment in order to improve sales of premiums.					

Section C: Customer focus	**SD**	**D**	**U**	**A**	**SA**
The company provides customized services to enhance its competitiveness					
Our company provides extensive customer services to improve competitiveness					
Marketing innovation is well supported in our company as a competitive edge					
The company provide customer support to enhance competitiveness					
The products and services offered are targeted towards particular market segments to gain competitiveness					
The management uses data base to establish customer needs in order to gain competitiveness					
The employees are trained on customer relations strategies to enhance customer satisfaction and competitiveness					
The company undertakes customer needs assessment in order to improve its competitiveness					

Section D: Cost Leadership Strategy	SD	D	U	A	SA
The company strives to offer low cost insurance products in the market					
The company gives the clients flexible payment periods (daily, weekly, monthly, quarterly and yearly)					
The company offers its customers low cost premiums to attract customer.					
The company gives grace period to customers who experience difficulties with regular payments of premiums.					
The company gives customers flexible maturity periods for their products					
Section E. Organizational Performance					
i) Market share					
The company sales its products under different brands to meet various customer needs					
The company sells insurance products based on different customers' needs thus increasing market share.					
The company uses print and electronic media to market its products.					
The company prices its products according to market segments					
ii) Written premiums					
There is continuous pricing of different products by the company as per market segments					
The company has high yearly written premiums					
The company sometimes offers reduces premium cost to its customers.					

THANK YOU

APPENDIX II: INSURANCE COMPANIES IN ELDORET

Number	Insurance Company	Respondents
1.	AAR Insurance Kenya Limited	1
2.	A P A Insurance Limited	1
3.	Africa Merchant Assurance Company Limited	1
4.	AIG Kenya Insurance Company Limited	1
5.	British-American Insurance Company (Kenya) Limited	1
6.	Cannon Assurance Limited	1
7.	Elbimaa insurance Limited	1
8.	Continental insurance Limited	1
9.	Corporate Insurance Company Limited	1
10.	Directline Assurance Company Limited	1
11.	Shiri Assurance Company Limited	1
12.	Fidelity Shield Insurance Company Limited	1
13.	First Assurance Company Limited	1
14.	G A Insurance Limited,	1
15.	Gateway Insurance Company Limited	1
16.	Geminia Insurance Company Limited	1
17.	ICEA LION General Insurance Company Limited	1
18.	Intra Africa Assurance Company Limited	1
19.	Invesco Assurance Company Limited	1
20.	Kenindia Assurance Company Limited	1
21.	Kenya Orient Insurance Limited	1
22.	Jamko Insurance Agency	1
23.	Madison Insurance Company Kenya Limited	1
24.	Mercantile Insurance Company Limited	1
25.	Metropolitan Life Insurance Kenya Limited	1
26.	Occidental Insurance Company Limited	1
27.	Pamco Insurance Company Limited	1
28.	Pacis Insurance Company Limited	1
29.	Pan Africa Life Assurance Limited	1
30.	Phoenix of East Africa Assurance Company Limited	1
31.	Pioneer Assurance Company Limited	1
32.	Real Insurance Company Limited	1
33.	Resolution Insurance Company Limited	1
34.	Shield Assurance Company Limited	1
35.	Takaful Insurance of Africa Limited	1
36.	Tausi Assurance Company Limited	1
37.	The Heritage Insurance Company Limited	1
38.	The Jubilee Insurance Company of Kenya Limited	1
39.	The Monarch Insurance Company Limited	1
40.	Trident Insurance Company Limited	1

41.	UAP Insurance Company Limited	1
42.	Xplico Insurance Company Limited	1
Total		42

Source: AKI Report (2016)