STRATEGIES AFFECTING PERFORMANCE OF HEALTH INSURANCE COMPANIES IN KENYA: A CASE OF JUBILEE INSURANCE COMPANY IN NAIROBI

BY

MERCY W. MUGO

A Research Project Report Submitted to the School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SPRING 2017
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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution, or university other than the United States International University in Nairobi for academic credit.

Signed: ________________________    Date: ________________________

Mercy W. Mugo (624419)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________    Date: ________________________

Dr, Juliana M. Namada

Signed: ________________________    Date: ________________________

Dean, Chandaria School of Business
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ACKNOWLEDGEMENT

First, I would like to thank God for giving me the capability to proceed with this research project. I would also like to express my gratitude to my professor and supervisor, Dr. Juliana Namada for providing the much needed guidance, patience, dedication and availability for me to proceed with this research.

I would like to express my gratitude to my parents for their support, encouragement and mentorship throughout my education. I extend my gratitude to USIU and my lecturers for contributing greatly to the knowledge I acquired from the institution during my undergraduate and graduate studies. Further, I give special appreciation to my workmates for supporting my studies by building flexible schedules that allowed me meet my obligations as a USIU student.
DEDICATION

This project is dedicated to my family and friends for the inspiration and encouragement rendered to me throughout this journey.
ABSTRACT

The general purpose of the study was to determine strategies affecting performance of Health Insurance Companies with focus on jubilee insurance. The study was guided by the below research questions: How does cost strategy affect performance in Health Insurance? How does differentiation strategy affect performance in Health Insurance? How does the focus strategy affect performance in Health Insurance?

The study utilized a descriptive research design where both quantitative and qualitative research were used to gain a better understanding of the results. The primary population of study selected for this research was limited to Jubilee Insurance Company of Kenya Limited. Non-probability sampling, specifically judgment and convenience was applied in the sample selection and out of a total population of sixty-six employees; only fifty-seven operational staff were considered for the study. Primary data was collected by administering open and close-ended questionnaire to the respondents. The descriptive statistical tool, Statistical Package for Social Sciences (SPSS) and excel applications were utilized to undertake descriptive analysis by use of means, standard deviations, and frequencies. The quantitative data collected on the other hand were analysed using Anova and regression analysis to determine the relation between the performance and other variables and results was displayed by use of tables.

The findings based on the first research question revealed that most of the firms are in constant pursuit of cost reduction and offer outstanding customer service. It was also established that the company’s affordable prices influence market share while cost reduction has led to a benefit from economies of scale. A regression analysis revealed that eighty nine percent of the variation in profitability was caused by the variation in the cost strategy. The findings based on the second research question revealed that most of the firms undertakes new product development, have unique products in the market and hence the unique products and services created value for consumers. The findings based on the third research question revealed that most of the firms have improved efficiency through specialization, and targeting special segment hence affecting firms’ profitability. As a result, this has enabled easy penetration into new markets as well as attracts customer attention products and service.
The study concluded that for a firm to be able to perform better there is a need for organization to undertake a vigorous pursuit of cost reduction and have an operational total quality control unit. Organization should undertake new product development and value creation for consumers, specialization in special market segments, targets low priced segments, offer outstanding customer service and targeting only special segment that have potential for profitability. For further studies, the study recommends that a similar but comparative study could be considered especially between Jubilee Insurance and other insurance firms in Kenya. It is also a fact that most firms use either generic strategies as outlined by porter or a hybrid strategy, there is therefore a need to determine the impact of hybrid strategy on the firm performance and alternatively undertake a comparative analysis between the hybrid and generic strategy and how they influence performance.
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### ABBREVIATIONS AND ACRONYMS

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<tbody>
<tr>
<td>AKI</td>
<td>Association of Kenya Insurers</td>
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<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
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<tr>
<td>CHCC</td>
<td>Community Hospital Of Central California</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IIR</td>
<td>Insurance Industry Report</td>
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<tr>
<td>IRA</td>
<td>Insurance Regulatory Authority</td>
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<tr>
<td>KES</td>
<td>Kenya Shillings</td>
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<tr>
<td>R &amp; D</td>
<td>Research and Development</td>
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<tr>
<td>ROI</td>
<td>Return on Investment</td>
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<tr>
<td>SD</td>
<td>Standard Deviation</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
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<td>WHO</td>
<td>World Health Organization</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the study

The long-term profitability of a firm has been shown to be related to the firm's ability to innovate in the strategy, marketing and economics literatures (Geroski, Machin & Van Reenen, 1993). Recently, the marketing strategy literature has presented evidence that a firm's strategic orientation as a market-driven company is a significant indicator of its performance, including management's perception of the success of new products (Narver & Slater 1990; Slater & Narver 1994). These two issues (i.e. innovating and strategic orientation) are not, however, independent. It is possible that the strategic orientation of the firm leads to, at least in part, superior performance because of the innovations, which are brought to market. Indeed, this is consistent with the adoption of innovation research, which indicates that the innovation's characteristics are strong determinants of the adoption of an innovation (Rogers, 1983; Gatignon & Robertson 1985).

In the context of shifting customer anticipations, technological discontinuities and growing environmental uncertainties there is a big challenge of creating the accurate strategic choice and setting strategic priorities for business success (Hilman & Kaliappen, 2014). Therefore, to deal with the modern encounters, the service businesses must have more unique and decisive innovation strategies and they should be excellently executed (McDermott & Prajogo, 2012). Market orientation, which reflects the broad strategy of a firm, is a concept, which does not concern solely the activities, which facilitate the understanding of customers' needs. A strong product policy is required to serve better the needs of consumers through the "augmented product" (Levitt, 1980; Narver & Slater, 1990).

The role of the strategic orientation of the firm on the ability to develop successful new products has not been investigated. However, this strategic orientation choice is critical to guide the actions that lead to strong performance. While being market-driven may lead to general benefits for the firms' marketing activities, a direct benefit concerns the ability to bring to market new products, which present the characteristics necessary to be successful. The literature on market orientation includes not only the concept of customer orientation, but also the concept of competitive orientation (Narver & Slater 1990). Both
orientations have been considered to have similar effects on performance (Slater & Narver, 1994).

All firms make decisions that affect their competitive position and profitability. Strategic planning is the organizational process of making these important decisions. It is undertaken in an effort to help the firm position itself against its competitors in the pursuit of competitive advantage (Ensign, 2001). A company has competitive advantage whenever it has an edge over rivals in securing customers and defending against competitive forces (Porter, 1985). Firm profitability is a function of industry attractiveness (structure) and the firm’s relative position within that industry. The search for industry attractiveness and an analysis of competitors can guide a firm in its choice of competitive strategy (Ensign, 2001).

Competitive strategy must be tied to how a firm can sustain a competitive position and achieve long-term profitability. A firm’s choice of strategy generally falls into one of three generic strategies. A generic strategy does not lead to superior performance unless it is sustainable vis-à-vis the firm’s competitors (Ensign, 2001). In this sense, there are as many competitive strategies as there are companies trying to compete. However, beneath all the nuances, the approaches to competitive strategy fall into three categories: Striving to be the overall low-cost producer in the industry (a low-cost leadership strategy). Seeking to differentiate one's product offering from rivals' products (a differentiation strategy). Focusing on a narrow portion of the market rather than the whole market (a focus or niche strategy) (Porter, 1980).

Striving to be the low-cost producer is a powerful competitive approach in markets where many buyers are price-sensitive. The aim is to open up a sustainable cost advantage over competitors and then use lower cost as a basis for either underpricing competitors or gaining market share at their expense or earning a higher profit margin selling at the going price (Abu Aliqah, 2012).

Differentiation strategies come into play whenever buyers' needs and preferences are too diverse to be satisfied by a standardized product. Competitive advantage results when enough buyers become strongly attached to the attributes of a differentiator’s product offering (Porter, 1985).
Focusing starts by choosing a market niche where buyers have distinctive preferences or requirements. A focuser’s basis for competitive advantage is either lower costs than competitors in serving the market niche or an ability to offer niche members something different from other competitors (Porter, 1985). The challenge of competitive strategy: low-cost, differentiation, or focus is to create a competitive advantage for the firm. (Porter 1980, 1985).

To obtain firm performance within the scope of sustainable competitive advantage and decisions on shaping firm’s competitive strategies are one of the main issues for managers under firms’ business level strategy (Yasar, 2010). Therefore, the impact of competitive strategies on firm performance is a major issue of unease for the policy makers and has been playing an important role to refine firm performance for a long time. Competitive advantage is the result of a strategy helping a firm to maintain and sustain a favorable market position. This position is translated into higher profits compared to those obtained by competitors operating in the same industry (Calcagno, 2007).

The effect of competitive strategies on firm performance is analyzed in numerous studies. According to Porter (1980, 1985), firms with a clear strategy outpace firms without a strategy. The literature on strategy defines three essential conditions for the firm success attaining a competitive position or series of competitive positions that lead to superior and sustainable financial performance. Porter (1980) also contends that generic strategies, which are namely; cost leadership, product differentiation, and focus strategies, are mutually limited or at least non-complementary, and there are rare companies that can adopt more than one of these strategies simultaneously because of its high cost.

Karnani (1984) derives that a superior cost or differentiation position leads to a larger market share, which in turn leads to higher profitability. White (1986) handles the strategy organization performance context within Porter’s competitive strategies’ typology. White (1986) concludes that business units that employ pure cost strategies achieve higher return on investment (ROI) when they have low autonomy, and the sales growth of pure differentiation strategies benefits from strong functional coordination for key functions under the responsibility of business unit manager. Wright et al (1991) denotes that the adoption of both low cost and differentiation strategy can lead to highest performance.
Tehrani (2003) discusses the impact of five types of competitive strategies (product differentiation, low cost, marketing differentiation, focus product differentiation, and focus low cost) on preeminent performance among sixteen segments of high-tech industries in the US and EU. The results indicate that the relationship between competitive strategy and performance depends on the geographies the firm operates in, since US firms that adopt product differentiation, low cost, and focus product differentiation had superior performance than others while in Europe only the low cost firms outperformed other firms.

Health insurance is a type of insurance that pays for medical expenses in exchange for premiums. There is an enormous literature evaluating and comparing health insurance systems around the world. The US system is at its heart an employment-based health insurance system in which employers play a key role as sponsors of their employees. By one count, there are over 1200 private insurance companies offering health insurance in the US, which are regulated primarily by the 50 states and not at the federal level (Ellis, Chen & Luscombe, 2014). The US relies on both private and public insurance and it is sometimes called a mixed insurance system. Altogether, the US spends nearly 18 percent of GDP on health care, the highest of any developed country (Ellis et al., 2014).

In developing countries, more than 2 billion people experience health systems afflicted by inefficiency, inequitable access, inadequate funding, and poor quality services. The World Health Organization (WHO) estimates that more than 150 million people suffer financial catastrophe every year, having to make unexpected out-of-pocket expenditures for expensive emergency care (Escobar, Griffin & Shaw, 2010). The World Health Assembly passed a policy resolution whereby the WHO would advocate formally mandated social health insurance to mobilize more resources for health in low-income countries, pool risk, provide more equitable access to health care for the poor, and deliver better quality care (Escobar et al., 2010).

Experts agree that the force behind insurance business is the existence of risk. Risk can be defined as a condition in which there is a possibility of an adverse deviation from a desired outcome that is accepted or hoped for (Vaughan, 2001). The insurance industry in Kenya dates back to the colonial times. However, the concept has been in existence long before that particularly the ‘Social Insurance Programme’ dealing with socio economic problems (Kenyatta, 1962).
The Kenyan insurance market continues to be largely non–life business driven unlike the world leading economies in insurance. Non–life insurance premiums contribute two-thirds (64.6%) of the total premiums in Kenya while life premiums contribute 35.4%. The global scenario on the contrary is dominated by life insurance business at 54.8% and non-life insurance contributing 45.2%, which is however, a more balanced position in terms of contribution by class (Insurance Industry Report- IIR, 2015).

The total industry’s premiums were KES. 173.26 billion by end of the year 2015 compared to premiums of KES. 157.78 billion of 2014. This was a year on year nominal growth of 9.8% over the period of 1 year. The premium income reported under life insurance amounted to KES. 61.26% billion while that under general business was KES. 112.00 billion (Insurance Industry Report- IIR 2015).

1.2 Statement of the Problem

The very low health insurance penetration in Kenya implies an inherent problem in the economy. According to the IRA 2013 industry outlook and the AKI reports (2013; 2014) the insurance penetration in Kenya is at 3% of the country’s GDP and is low and not consistent with our aspiration to be a middle-income country by the year 2030. For us to get there the contribution of insurance to the GDP has to get to at least 10%. Our figure of 3% is compared to South Africa’s 14% and Malaysia’s 10% (Awino, 2008). Insurance companies both regionally and globally have to re-evaluate their strategies in order to operate at a profitable level in the turbulent environment. Success of any organization is based on its core competencies and strengths, which match up with the environment in which it operates (Porter, 2008).

Studies have been conducted to establish how strategies affect performance. Pulaj et.al, (2015) conducted a study on the impact of generic strategies on organizational performance. The findings found significant positive effects of cost leadership, differentiation and focus strategies on performance. Damilola et.al, (2015) analyzed the impact of strategic management on competitive advantage and organizational performance. The findings revealed that indeed the adoption and implementation of strategic management practices makes the organizations not only to be proactive to changes but also initiates positive changes that consequently lead to competitive advantage and sustainable performance. Lucas et.al, (2016) investigated strategic thinking
and organization performance and found that a positive relationship exist between strategic thinking and firm performance. Yamin (1999) evaluated the relationship between generic strategies, competitive advantage and organizational performance. The findings suggest those star companies that utilize both cost leadership and differentiation strategies effectively are more likely to enhance their financial performance and financial management compared with any other group. Ochenge (2015) evaluated the role of competitive advantage strategies on organizational performance. The study found out that differentiation strategy and cost leadership strategy affected organizational performance largely whereas market focus strategy and corporate growth strategy affected organizational performance to a great extent.

This study therefore seeks to address the knowledge gap that exists on the effects of strategies on organization performance and attainment of competitive advantage in Health Insurance. It also aims to establish the relationship between strategies and performance in Health Insurance Companies in Kenya.

1.3 Purpose of the Study

The purpose of this study is to determine strategies affecting performance of Health insurance companies in Kenya.

1.4 Research Questions

The study was guided by the below research questions:

1.4.1 How does cost strategy affect performance in Health Insurance?
1.4.2 How does differentiation strategy affect performance in Health Insurance?
1.4.3 How does the focus strategy affect performance in Health Insurance?

1.5 Significance of the Study

1.5.1 Researchers and Academicians

The findings of this research will be beneficial to researchers and academicians as it will add to the existing body of knowledge in the field of Insurance and act as a spring board for further research in the same area and other related areas, in the financial sector. The findings of the research will act as a reference to start up Insurance companies in Kenya.
and to Developing countries as a whole, since the problem of low Insurance penetration is prevalent in the developing countries.

1.5.2 Policy Makers (Government and Insurance Regulators)

This study will be useful to policy makers for example, Executives of Individual Insurance Companies in Kenya will be able to use the findings to assist them in formulating policies to achieve growth. The Insurance Regulatory Authority will borrow from the findings so as to come up with structures, and policies to assist the Industry grow and enhance contribution to the Gross Domestic Product. The findings will also assist the East Africa Region countries who currently are relying on the Kenyan experience and knowledge to grow their markets.

1.5.3 Insurance Companies in Kenya and the management

Based on the area of focus for this study, which is strategy formulation and implementation, it provides a basis that Insurance companies can use in management recruitment into key positions in charge of strategy implementation. In addition, through this study, the management will be able to understand the needs and expectations of the customers in coming up with strategies within the organization. These strategies should be aimed at increasing uptake of medical insurance policies for the consumers.

1.6 Definition of Terms

1.6.1 Competitive Advantage
Competitive Advantage this is defined as the strategic advantage one business entity has over its rival entities within its competitive industry (Thomas & Wheelan, 2011).

1.6.2 Cost Strategy
This strategy is an assimilated set of action undertaken by a firm to produce goods or services acceptable to customers at the lowest cost. The strategy is aimed at allowing the firms to generate competitive advantage through offering lowest cost in the industry (Ireland et.al, 2011).
1.6.3 Differentiation Strategy

Differentiating the product is a process of offering unique products to the market. This could be through either offering different design, brand image or creating a number of features or via new technology (Ochenge, 2015).

1.6.4 Focus Strategy

Focusing starts by choosing a market niche where buyers have distinctive preferences or requirements. A focuser’s basis for competitive advantage is either lower costs than competitors in serving the market niche or an ability to offer niche members something different from other competitors (Porter, 1985).

1.6.5 Health Insurance

Health insurance allows the cost of treating a health event to be spread over a group of individuals or households (Preker et al, 2009).

1.6.6 Innovation

Innovation is a replicable process where the organizations not necessarily reinvent the whole process/product, but they just requisite to grow innovative ways out to satisfy the customers’ obligation that is neglected by the rivals. (Shah & Chattopadhyay, 2014).

1.6.7 Performance

A firm’s performance is measured by the firms’ profitability, market penetration into new markets as well as attractiveness of its products and service to the customers (Ireland et.al, 2011).

1.6.8 Strategic Management

Strategic management is concerned with deciding on a strategy and planning how the strategy is to be put into effect through strategic analysis, strategic choice, strategic implementation and control (Johnson & Scholes, 2002).
1.6.9 Strategic Orientation

A firm’s strategic orientation reflects the strategic directions implemented by a firm to create the proper behaviours for the continuous superior performance of the business (Narver & Slater, 1990). Insurance is a mechanism for financing health risks by combining sufficient loss-exposure units to make the loss predictable.

1.6.10 Strategy

Strategy is a pattern or plan that integrates an organization's major goal, policies and action sequences into a cohesive whole (Porter, 1998).

1.7 Chapter Summary

This chapter serves to introduce the problem and the purpose of the study. It covers several areas such as the background of the study where the context of the study is defined by providing key discussions of key theoretical approaches and findings reported in earlier related studies. The statement of the problem describes the need for the research project in terms of the knowledge gap to be filled. Importance of the study, which describes the value, accrued from conducting the research and the scope of the study where data will be collected from for analysis. In chapter two, the literature review is aimed at presenting review of the literature related to the problem or the purpose of the study. It will be arranged in the view of the research questions to ensure relevance to the research problem at hand. Chapter three will highlight the research methodology used in this study while chapter four reports on the results and findings obtained through data analysis. The final chapter focuses on discussions. Conclusions and recommendation based on the findings.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the literature related to the purpose of the study. It is organized according to the three specific objectives developed in the previous chapter, which include the examination of cost strategy and performance, differentiation strategy and performance and focus strategy and performance.

2.2 Cost Strategy and Performance

Porter (1985) describes cost leadership as perhaps the clearest of the three generic strategies. In it, a firm sets out to become the low cost producer in its industry. Porter also defines strategy of cost leadership as trading standard products (Porter, 1985) combined with aggressive pricing (Brandt, 2013). Cost leadership strategy is proposed by Porter (1985), as a successful way to achieve sustainable competitive advantage by reducing and controlling the costs.

According to Porter, the firm has a broad scope and serves many industry segments and may even operate in related industries thus the firms’ breadth is often important to its cost advantage. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology and preferential access to raw materials and other factors (Porter, 1985). If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry provided it can command prices at or near the industry average. At equivalent or lower prices than its rivals, a cost leader low cost position translates into higher returns (Porter, 1985).

With a specific end goal to accomplish cost advantage, an association must have a low-cost initiative methodology, low-cost producing, and a workforce focused on the low-cost system (Malburg, 2000). The association must possess the will to stop any exercises in which they lack a cost advantage and instead consider outsourcing exercises to different firms with a cost advantage (Malburg, 2000). For a powerful cost technique, a firm should have a huge piece of the pie (Hyatt, 2001). There are numerous regions to
accomplish cost advantage, for example, large scale manufacturing, mass circulation, economies of scale, innovation, item configuration, input cost, limit use of assets, and access to crude materials (Malburg, 2000; Venu, 2001; Davidson, 2001). Watchman (1985) implies just a single firm in an industry can be the cost pioneer (Venu, 2001; Sy, 2002) and if this is the main distinction between a firm and contenders, the best vital decision is the ease position of authority (Malburg, 2000).

Firms do not need to yield income to be the cost pioneer since high income is accomplished through getting a vast piece of the market share (Porter, 1979, 1987, 1996; Bauer and Colgan, 2001). Bring down costs prompt to higher request and, along these lines, to a bigger piece of the overall industry (Helms et al., 1997). As an ease pioneer, an association can display obstructions against new market participants who might require a lot of funding to enter the market (Hyatt, 2001). The pioneer then is to some degree protected from industry wide value diminishments (Porter, 1980; Hlavacka et al, 2001; Malburg, 2000). The cost initiative technique has burdens. It makes little client dedication and if a firm brings down costs excessively, it might lose incomes (Cross, 1999).

Improving cost requires continued development of proficient scale, enthusiastic quest for cost reduction, tight cost and overhead control, shirking of minor client records, and cost minimization in territories like R&D, administration, deals drive, and publicizing, etcetera. A lot of administrative thoughtfulness regarding cost control is important to accomplish these points (Porter, 1980). However, quality, benefit, and different territories cannot be overlooked. Having a low cost position yields the firm better than expected returns in its industry in spite of the nearness of solid focused powers. Its cost position gives the firm a resistance against contention from contenders, since its lower costs imply that it can at present acquire returns after its rivals have contended away their benefits through competition (Porter, 1980).

A low cost position shields the firm against intense competition since competition can apply control just to drive down costs to the level of the following most effective contender. Low cost gives a protection against capable providers by giving more adaptability to adapt to information cost increments. The elements that prompt to a low cost position for the most part likewise give significant section boundaries as far as scale economies or cost points of interest (Porter, 1980). At last, an ease position normally puts the firm in a good position versus substitutes in respect to its rivals in the business.
Accordingly, a low cost position secures the firm against each of the five forces and since dealing can just keep on eroding benefits until those of the most proficient contender are wiped out, and on the grounds that the less productive contenders will endure aggressive competition (Porter, 1980). Accomplishing a low general cost position regularly requires a high relative piece of the overall industry or different points of interest, for example, great access to crude materials. It might well require outlining items for straightforwardness in assembling, keeping up a wide line of related items to spread expenses, and serving all real client bunches with a specific end goal to construct volume (Porter, 1980).

Thus, executing the low cost procedure may require overwhelming in advance capital interest in best in class gear, forceful evaluating, and start-up misfortunes to manufacture piece of the overall industry. High piece of the pie may thus permit economies in acquiring which bring down expenses significantly further. Once accomplished, the low cost position gives high edges, which can be reinvested in new hardware and advanced offices with a specific end goal to keep up cost initiative. Such reinvestment may well be an essential to maintaining a low cost position (Porter, 1980). A cost initiative procedure can once in a while alter an industry in which the authentic bases of rivalry have been generally and contenders are not well arranged either perceptually or financially to make the strides vital for cost minimization (Porter, 1980).

The purpose of this strategy is the company's low cost products offers in an industry. The existing literature contains some discussions of why the relationship between leverage and performance depends on a firm’s choice of strategy. Firms pursuing a strategy of cost leadership will benefit more from the use of leverage in terms of the increased managerial efficiency, which corresponds to be monitored by lenders. According to Jensen (1986), monitoring by lenders also limits managers’ opportunistic behaviors by reducing the resources available for discretionary spending. Hence, Jensen (1986) proposed that the control function of debt is more important for companies that strive to be efficient (Jermias, 2008). Accordingly, Porter (1985) suggested that cost leadership firms need to control costs tightly, refrain from incurring too many expenses from innovation or marketing, and cut prices when selling their products.
2.2.1 Risks of overall cost leadership

The low cost strategy depends on finding and utilizing each conceivable wellspring of cost favorable position in a company's esteem chain of exercises (Li & Li, 2008). Once a firm seeking after an ease initiative technique has found a vital wellspring of cost change and decrease, how, it should then look for better approaches to lower its action costs significantly assist over the long haul (Sashi & Stern, 2008). At the end of the day, the wellsprings of ease preferred standpoint are not persevering or practical without constant change and progressing looks for enhanced process yields, streamlined item outline, or more effective method for conveying an administration (Treacy & Wiersema, 2009).

Building a cost-based favorable position in this way requires the firm to discover and misuse all the potential cost drivers that consider more prominent effectiveness in every esteem including movement (Abu Aliqah, 2012). A cost driver is a financial or mechanical variable that decides the cost of playing out some action. As indicated by Brandt (2013), essential cost drivers that shape the low cost administration procedure incorporate (1) economies of scale, (2) experience or expectation to learn and adapt impacts, (3) level of vertical joining, and even (4) area of action execution. Firms can tailor their utilization of these cost drivers to construct low cost authority crosswise over various esteem including exercises (Allen & Helms, 2009).

In seeking after a cost-based favorable position, Mooney (2007) states that no firm can clearly overlook such item properties as quality, administration, and dependability. In the event that it does, its offering may turn out to be unacceptable to the point that competition will decline to get it or will get it just if the cost is decreased to a level beneath what is expected to manage benefit (Mooney, 2007). A firm seeking after a cost-based preferred standpoint should subsequently endeavor to accomplish some level of value equality or nearness with different firms that have characterized the norms of item quality esteemed by clients (Bansal, 2008).

Endeavoring to be the low cost maker is a capable aggressive approach in business sectors where numerous competition are value touchy. The point is to open up a supportable cost advantage over contenders and after that utilization bring down cost as a reason for Rouse (2016) either under-pricing contenders or picking up piece of the overall industry to their detriment or procuring a higher net revenue offering at the going cost. A
cost-preferred standpoint will create prevalent gainfulness unless it is spent in forceful value slicing endeavours to win deals from opponents (Zekiri & Nedelea, 2011). Firms that accomplish low cost administration ordinarily make ease with respect to contenders the subject of their whole business methodology however they should be mindful so as not to seek after ease so ardently that their items wind up being excessively stripped down and efficiently made, making it impossible to produce purchaser offer (Bani-Han & AlHawary, 2009).

According to Porter, cost leadership imposes severe burdens on the firm to keep up its position, which means reinvesting in modern equipment, ruthlessly scrapping obsolete assets, avoiding product line proliferation and being alert for technological improvements. Cost declines with cumulative volume are by no means automatic, nor is reaping' all available economies of scale achievable without significant attention (Porter, 1980). Cost leadership is vulnerable to the same risks of relying on scale or experience as entry barriers and they include technological change that nullifies past investments or learning. Low-cost learning by industry newcomers or followers through imitation or through their ability to invest in state of the-art facilities; inability to see required product or marketing change because of the attention placed on cost and inflation in costs that narrow the firm's ability to maintain enough of a price differential to offset competitors' brand images or other approaches to differentiation (Porter, 1980).

Porter (1985) highlights some of the most common errors made by firms in assessing and acting upon cost position and they include: The mention of “cost”, most managers instinctively think of manufacturing. However, a significant if not overwhelming share of total cost is generated in activities such as marketing, sales, service, technology, development and infrastructure. An examination of the entire value chain often results in relatively simple steps that can significantly reduce cost position (Brandt, 2013). Many firms work diligently to reduce labor costs but pay scant attention to purchased inputs. Firms often allow many items to be purchased by individuals with little expertise or motivation to reduce cost. Modest changes in purchasing practices could yield major cost benefits for many firms (Porter, 1985).

Cost reduction programs usually concentrate on large cost activities and/or direct activities such as component fabrication and assembly. Activities that represent a small fraction of total cost seldom receive sufficient scrutiny (Porter, 1985). Firms often
misdiagnose their cost drivers. However, cost leadership may actually stem from the firms large regional share in the regions in which it operates. Failing to understand the sources of its cost advantage may lead the firm to attempt to lower cost by raising national share. As a result, it may worsen its cost position by reducing regional focus (Brandt, 2013).

Firms rarely recognize the linkages that affect cost, particularly linkages with suppliers and linkages among activities such as quality assurance, inspection and service. Failure to recognize linkages also leads to such errors as requiring each department to cut costs by the same amount, even though raising cost in some departments may lower total costs (Abu Aliqah, 2012). Firms often attempt to reduce cost in ways that are contradictory. They try to gain market share to reap the benefits of scale economies while at the same time dissipating scale economies through model proliferation. Cost drivers sometimes work in opposite directions and a firm must recognize the trade-offs (Porter, 1985).

Firms often engage in unwitting cross subsidy when they fail to recognize the existence of segments in which costs behave differently. Unwitting cross subsidy often provides an opening for competitors that understand costs and use them to undercut a firm’s price and improve their market position. Cross subsidy also exposes a firm to focused competitors that only compete in the overpriced segments (Porter, 1985). Cost reduction efforts often strive for incremental cost improvements in the existing value chain, rather than finding ways to reconfigure the chain. Incremental improvement can reach the point of diminishing returns while reconfiguring the chain can lead to a whole new cost plateau (Brandt, 2013). Cost reduction can undermine differentiation if it eliminates firm’s sources of uniqueness to the buyer. Cost reduction efforts should concentrate most on activities that do not contribute to a firms’ differentiation. A cost leader will improve performance, moreover, if it differentiates in activities wherever differentiation is not costly (Abu Aliqah, 2012).

2.2.2 Strategic Cost Analysis

Porter (1985) highlights the steps in strategic cost analysis and selection; identify the appropriate value chain and assign costs and assets to it. Diagnose the cost drivers of each value activity and how they interact. Identify Competitor value chains and determine the relative cost of competitors and the sources of cost differences. Develop a strategy to
lower relative cost position through controlling cost drivers or reconfiguring the value chain and/or downstream value. Ensure that cost reduction efforts do not erode differentiation, or to make a conscious choice to do so. Test the cost reduction strategy for sustainability (Porter, 1985).

If firm sustains profits that exceed the average for its industry, the firm is said to possess competitive advantage over its rivals, the goal of much of business strategy is to achieve a sustainable competitive advantage (Porter, 1985). Competitive advantage arises from the differential among firms along any dimension of firm attributes and characteristics that allows one firm to better create customer value than do others. Generic sources of competitive advantage include ownership of assets or position; access to distribution and supply, as well as proficiency knowledge, competence, and capability in business operation (Porter, 1985).

The proper unit of investigation in setting focused technique is industry (which is a gathering of big business in direct rivalry). Deliberately, an industry might be recognized from another by the reality it proposes items that have comparable wellsprings of upper hand. The undertaking, with its upper hand, must characterize and expound a beneficial approach of its industry. There is no all-inclusive methodology: to be fruitful, a system must be particular to the venture and the business under thought. The procedure must be founded on the endeavours’ extent of ability and genuine means. On each aggressive system, there are two parts to recognize. In the first place, the structure of the business in which develops the venture: From one industry to another, the gainfulness may change. Second, the situating of the undertaking inside the business (a few positions will be more invaluable than another will whatever the gainfulness level) (Brandt, 2013).

During the past two decades, organizations have had to respond to the trends and changes in the business environment with newer and better approaches to managing their businesses. These new approaches are being implemented in organizations under names such as total quality management, employee involvement and empowerment business process reengineering, continuous improvement, and other approaches (Kumar & Sonepat, 2011). These philosophies require organizations to be responsive agile, and flexible in profitably providing value-added products and services to customers at competitive prices. Thus, organizations are now discovering that they must be able to manage a complex and rapidly changing environment without the significant costs that
traditionally have attended these characteristics. Within this changing environment, organizations have witnessed a significant rebirth of new accounting approach; strategic cost management (Kumar & Sonepat, 2011).

In the modern business environment, cost management has become a critical survival skill for many organizations. However, it is not sufficient to simply reduce costs instead, costs must be managed strategically (Cooper & Slagmulder, 1998). Managers today operate in a dynamic environment that reflects the convergence of profound technological, competitive, and behavioural changes. These forces of change are compelling executives to challenge the most fundamental operational and economic assumptions of their businesses. Strategic cost management takes a broad view of the organization’s costs, both internal and external in such a way as to enhance competitive advantage. Strategic cost management tools could help with this issue by providing important information for strategy formulation, evaluation of strategy implementation, and highlighting the practical limitations or problems with the adopted strategy (Shank & Govindarajan, 1993).

2.3 Differentiation Strategy and Performance

The second nonexclusive technique is one of separating the item or administration offering of the firm, making something that is seen industry wide as being one of a kind (Porter, 1980). As indicated by (Porter 1985), a firm separates itself from its rivals on the off chance that it can be extraordinary at something that is significant to competition. The degree to which rivals in an industry can separate themselves from each other is likewise an imperative component of the business structure. Porter (1985) likewise contends that organizations are regularly extraordinary yet not separated on the grounds that they seek after types of uniqueness that competitors don't esteem.

According to (Porter, 1985), differentiation allows a firm to command a premium price, to sell more of its product at a given price, or to gain equivalent benefits such as greater buyer loyalty during cyclical or seasonal downturns. Differentiation leads to superior performance if the price premium achieved exceeds any added costs of being unique. Differentiation strategy aims to create the largest gap between the buyer value created (and hence the resulting price premium) and the cost uniqueness in a firms value chain (Porter, 1985). The cost of differentiating in various ways will depend on the firms’
position vis-à-vis cost drivers, which can influence the firms approach to differentiation and its resulting performance (Brandt, 2013).

Obasi et al., (2006) states that the separation procedure permits associations to charge an exceptional cost to catch piece of the overall industry. The separation technique is viably executed when the business gives extraordinary or better an incentive than the client through item quality, highlights, or after deal support and administration. Firms taking after a separation technique can charge a higher cost for their items in light of the item attributes the conveyance framework, the nature of administration, or the appropriation channels. Clients esteem the separated items more than they esteem low expenses. (Obasi et al., 2006) distinguished three strategies, which are altogether identified with authoritative execution, and they incorporate advancement in promoting innovation and techniques, cultivating development and imagination and an attention on building high piece of the pie.

Porter (1980) argues that differentiation, if achieved, is a viable strategy for earning above-average returns in an industry because it creates a defensible position for coping with the five competitive forces, albeit in a different way than cost leadership. Differentiation provides insulation against competitive rivalry because of brand loyalty by customers and resulting lower sensitivity to price. It also increases margins, which avoids the need for a low-cost position. The resulting customer loyalty and the need for a competitor to overcome uniqueness provide entry barriers (Porter, 1980). Differentiation yields higher margins with which to deal with supplier power, and it clearly mitigates buyer power, since buyers lack comparable alternatives and are thereby less price sensitive. Finally, the firm that has differentiated itself to achieve customer loyalty should be better positioned vis-a-vis substitutes than its competitors (Porter, 1980).

Accomplishing separation may here and there block picking up a high piece of the overall industry. It regularly requires an impression of restrictiveness, which is inconsistent with high piece of the pie. All the more generally, be that as it may, accomplishing separation will infer an exchange off with cost position if the exercises required in making it are intrinsically expensive, for example, broad research, item outline, amazing materials, or concentrated client bolster (Porter, 1980). While clients industry wide recognizes the prevalence of the firm, not all clients will or ready to pay the required higher costs. In
different organizations, separation may not be incongruent with generally low expenses and equivalent costs to those of contenders (Porter, 1980).

Miller (1987) argued that product differentiation firms tend to invest heavily in research and development activities in order to increase their innovative capability and enhance their ability to keep up with their competitors’ innovations (Jermias, 2008). The constraints of increased debt and requirements to satisfy debt covenants will likely impede managers’ creativity and innovation, qualities which are critical to maintain competitive advantage for product differentiation firms (Balakrishnan & Fox, 1993; Simerly & Li, 2000; Jermias, 2008). Biggadike (1979) argued that product differentiation firms face high uncertainty, as their strong emphasis on innovation requires them to engage in more risky activities and bet on products that have not yet crystallized. This might make it both difficult and undesirable for firms to use a greater amount of debt (Jermias, 2008).

The key stride in conceiving a separation methodology is to figure out what makes an organization not quite the same as a contender's (McCracken, 2002; Reilly, 2002; Berthoff, 2002; Rajecki, 2002; Tuminello, 2002; Surowiecki, 1999). Variables including market segment nature of work, the span of the firm, the picture, graphical achieve, association in customer associations, item, conveyance framework, and the showcasing approach have been proposed to separate a firm (McCracken, 2002; Davidson, 2001). To be viable, the message of separation must achieve the customers (McCracken, 2002), as the client's view of the organization are essential (Berthoff, 2002; Troy, 2002). Van Raaij and Verhallen (1994) recommend bowing the client's will to coordinate the organization's central goal through separation.

Some key principles necessary for establishing differentiation include: speaking about the product to select panels (McCracken, 2002); writing on key topics affecting the company in the association's magazine or newsletter (McCracken, 2002), becoming involved in the community (McCracken, 2002); being creative when composing the company's portfolio (Tuminello, 2002); offering something the competitor does not or cannot offer (Rajecki, 2002); providing e-commerce (Chakravarthy, 2000); making access to company information and products both quick and easy (Chakravarthy, 2000); using company size as an advantage (Darrow et al., 2001); preparing employees with in-depth item and administration learning (Darrow et al., 2001); offering enhanced or creative items (Helms
et al., 1997); underlining the organization's state-of-the-art innovation, quality administration, and one of a kind items/administrations (Hlavacka et al., 2001; Bright, 2002); utilizing photographs and renderings in leaflets (McCracken, 2002) and selecting items and administrations for which there is a solid nearby need (Darrow et al., 2001)

2.3.1 Risks of overall Differentiation

There are, obviously, no guarantees that the strategy will deliver a significant upper hand (Thompson & Strickland, 2012). On the off chance that competitors see little an incentive in uniqueness (a standard thing addresses their issues), a low cost technique can without much of a stretch thrashing a separation procedure. Likewise, separation can be vanquished from the start if contenders can rapidly duplicate the endeavour at separating. Fast impersonation implies that organizations never accomplish genuine separation in light of the fact that contending brands continue changing in like routes regardless of proceeded with endeavours to make uniqueness. Therefore, to be fruitful at separation, a firm should seek out sturdy wellsprings of uniqueness that can't be rapidly or inexpensively imitated (Spanos, Zaralis, & Lioukas, 2004).

Beside these contemplations, other normal pitfalls include: Trying to separate on the premise of something that does not bring down a purchaser's cost or upgrade a purchaser's prosperity (as saw by the purchaser) (Shammot, 2011). Over separating with the goal that cost is too high in respect to contenders or item quality or administration levels surpass competitors' needs. Attempting to charge too high a value premium (the greater the premium, the more competitors can be tricked away by lower-estimated contenders) (Thompson & Strickland, 2012). Disregarding the need to flag esteem and depending just on unmistakable item ascribes to accomplish separation. What's more, not comprehension or distinguishing what competitors consider as esteem (Olson & Swanson, 2010).

As per Ireland, et al. (2011) expanded cost differential between low cost makers and the separating firm will propel mark steadfastness clients to switch brands. Along these lines, consumers would give up some extra elements and picture for colossal reserve funds in cost. Impersonation may limit down the apparent contrast. In the event that a separating firm falls behind excessively, a low cost firm may assume control over the market of the separating firm. The Japanese engine cycle maker Kawasaki for example, made advances into the domain of separated players, for example, Harley-Davidson and Triumph by
offering enormous cost reserve funds to purchasers. Shammot (2011) trusts that the dangers related with a separation technique incorporate impersonation by contenders and changes in client tastes. Also, different firms seeking after concentration techniques might have the capacity to accomplish significantly more noteworthy separation in their market sections.

A separation system calls for making an item or administration with adequately particular qualities that it separates your business from the opposition. On the off chance that your separation system works, you might have the capacity to charge your clients a premium for your item or administration. Be that as it may, such a system may blowback without adequate market acknowledgment. You additionally confront different dangers that can affect your main concern (Spanos et al. 2010). A separation procedure may not be perfect for each organization. It is hard to keep up separation for an inconclusive measure of time due to rivalry (Thompson & Strickland, 2012). Many organizations endeavour to locate the correct adjust by contending on such things as value, administration and quality, or on any mix of traits that it accepts are vital to its clients to pick up an upper hand. For instance, an organization that separates itself in light of cost may give up quality to draw in clients who are value touchy. Amid market downturns, the organization may appreciate higher deals than one that contends in view of separation quality (Ramayah, et al., 2011).

Porter (1980) highlights a series of risks involved with differentiation and they include: The cost differential between low-cost competitors and the differentiated firm becomes too great for differentiation to hold brand loyalty. Buyers thus sacrifice some of the features, services, or image possessed by the differentiated firm for large cost savings. Buyers' need for the differentiating factor falls. This can occur as buyers become more sophisticated. Imitation narrows perceived differentiation, a common occurrence as industries mature. The first risk is so important as to be worthy of further comment. A firm may achieve differentiation, yet this differentiation will usually sustain only so much of a price differential. Thus if a differentiated firm gets too far behind in cost due to technological change or simply inattention, the low cost firm may be in a position to make major inroads (Porter, 1980).

(Porter, 1985) states that most of the pitfalls of differentiation result from an incomplete understanding of the underlying bases of differentiation or its cost. The fact that a firm is unique at something does not necessarily mean it is differentiated. Uniqueness does not
lead to differentiation unless it lowers buyer cost or raises buyer performance as perceived by the buyer. A good test of the value of uniqueness is whether a firm can command and sustain a price premium in selling to well informed buyers (Porter, 1985).

If a firm does not understand the mechanisms by which its activities affect buyer value or the perception of value, it may be too differentiated. Unnecessary differentiation is the result of failure to diagnose performance thresholds or diminishing returns in buyer purchase criteria. This in turn stems from lack of understanding of how a firm’s activities relate to the buyer’s value chain (Porter, 1985). The price premium from differentiation is a function of value of differentiation and its sustainability. A differentiated competitor will be abandoned by buyers if the premium gets too high. The appropriate price premium is a function not only of a firm’s extent of differentiation but also of its overall relative cost position (Porter, 1985).

Firms sometimes ignore the need to signal value, basing their differentiation strategies on use criteria that are seen as the “real” bases for differentiation. Ignoring signaling criteria can open a firm to attack from a competitor providing inferior value but having a better understanding of the buyers purchasing process (Brandt, 2013). Differentiation does not lead to superior performance unless its’ perceived value to the buyer exceeds its cost. Firms often do not isolate the cost of the activities they perform to differentiate themselves but instead assume that differentiation make economic sense. Thus, they either spend more on differentiation than they recover in the price premium, or fail to exploit ways of reducing the cost of differentiation through understanding its cost drivers (Porter, 1985).

Some firms see differentiation only in terms of the physical product, and fail to exploit opportunities to differentiate in other parts of the value chain (Porter, 1985). Buyer purchase criteria and their ranking usually vary among buyers creating buyer segments. If a firm does not recognize the existence of these segments, its strategy may not meet the needs of any buyer very well, making it vulnerable to focus strategies (Porter, 1985).

2.3.2 Steps in selecting Differentiation

Porter (1985) highlights the steps in selecting differentiation and they include: The firm, institution or household is not the real buyer, but rather one or more specific individuals within the buying entity who will interpret use criteria as well as define signaling criteria
(Abu Aliqah, 2012). A firm’s direct and indirect impact on its buyers’ value chain will determine the value a firm creates for its buyers through lowering buyer cost or raising buyer performance. A firm must clearly understand all the ways it does or could affect its buyer value chain, and how possible changes in the buyers’ value chain will impact the equation (Abu Aliqah, 2012).

Analysis of the buyers’ value chain provides the foundation for determining buyer purchase criteria. Purchase criteria take two forms, use criteria (uniqueness in meeting use criteria creates buyer value) and signaling criteria (uniqueness in meeting signaling criteria allows that value to be realized). An analysis of the buyer’s value will suggest purchase criteria that the buyer does not currently perceive. Purchase criteria must be identified in terms that are operational and their link to buyer value calculated and ranked (Porter, 1985).

The cost of differentiation is a function of the cost drivers of the activities that lead to it. The firm deliberately spends more in some activities to be unique. Normally, however, a firm must deliberately spend more than it would have to otherwise to be unique. A firm’s position vis-à-vis cost driver will make some forms of differentiation more costly than others relative to competitors (Abu Aliqah, 2012).

A subtle understanding of the relationship between the firms’ and the buyer’s value chains will allow a firm to select a configuration of activities that creates the largest gap between buyer value and the cost of differentiation (Porter, 1985). A successful differentiator reduces cost aggressively in activities that are unimportant to buyer value. This will not only reduce the vulnerability of differentiators to attack by cost-oriented competitors because the price premium becomes too large (Abu Aliqah, 2012). Differentiation will not lead to superior performance unless it is sustainable against erosion or imitation. Sustainability grows out of selecting stable source of buyer value and differentiating in ways that involve barriers to imitation or where the firm has a sustainable cost advantage in differentiating (Abu Aliqah, 2012).
2.4 Focus Strategy and Performance

The final generic strategy is focusing on a particular buyer group, segment of the product line, or geographic market; as with differentiation, focus may take many forms (Abu Aliqah, 2012). Although the low cost and differentiation strategies are aimed at achieving their objectives industry wide, the entire focus strategy is built around serving a particular target very well, and each functional policy is developed with this in mind (Porter, 1980).

Through concentration procedure, the organization expects to serve the clients in a thin market fragment (Davidson, 2001; Porter, 1980, 1985, 1987, Cross, 1999; Hlavacka et al., 2001) through low cost or separation (Porter, 1980). The technique lays on the start that the firm is in this way ready to serve its thin vital target more adequately or proficiently than contenders who are contending all the more comprehensively. Thus, the firm accomplishes either separation from better addressing the requirements of the specific target, or lower costs in serving this objective, or both (Porter, 1980).

The firm can concentrate on a select client aggregate, item go, geological range, or administration line (Anon, 1998; Hyatt, 2001; Darrow et al., 2001; Martin, 1999; McCracken, 2002). For instance, some foreign firms concentrate exclusively on the European market (Stone, 1995). Focus goes for developing piece of the overall industry through working in a specialty advertise or in business sectors either not alluring to, or ignored by bigger contenders. These specialties emerge from various variables including geology, purchaser attributes, and item particulars or prerequisites (Allen & Helms 2006).

An effective concentration procedure relies on an industry section sufficiently huge to have great development potential however not of key significance to other real contenders (Abu Aliqah, 2012). Showcase infiltration or market improvement through concentration procedure, the organization expects to serve the clients in a thin market fragment (Davidson, 2001; Porter, 1980, 1985, 1987, Cross, 1999; Hlavacka et al., 2001) through low cost or separation (Porter, 1980). The technique lays on the start that the firm is in this way ready to serve its thin vital target more adequately or proficiently than contenders who are contending more comprehensively. Thus, the firm accomplishes either separation from better addressing the requirements of the specific target, or lower costs in serving this objective, or both (Abu Aliqah, 2012).
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An effective concentration procedure relies on an industry section sufficiently huge to have great development potential however not of key significance to other real contenders (Porter, 1980). Showcase infiltration or market improvement can be a vital concentration system. Average size and substantial firms utilize focus-based procedures yet just in conjunction with separation or cost initiative bland methodologies. In any case, focus procedures are best when customers have particular inclinations and when opponent firms (David, 2000) have not sought the specialty after. Focus might be utilized to choose targets slightest helpless against substitutes or where contenders are the weakest. The concentration technique dependably infers a few confinements on the general piece of the overall industry achievable. Concentrate essentially includes a trade-off amongst productivity and deals volume. Like the separate methodology, it might include an exchange off with general cost position (Abu Aliqah, 2012).nt can be a vital concentration system. Average size and substantial firms utilize focus-based procedures yet just in conjunction with separation or cost initiative bland methodologies. In any case, focus procedures are best when customers have particular inclinations and when opponent firms (David, 2000) have not sought the specialty after. Focus might be utilized to choose targets slightest helpless against substitutes or where contenders are the weakest. The concentration technique dependably infers a few confinements on the general piece of the overall industry achievable. Concentrate essentially includes a tradeoff amongst productivity and deals volume. Like the separate methodology, it might include an exchange off with general cost position (Abu Aliqah, 2012).

Developing the studies about Porter’s competitive strategies, (Thompson et al., 2008) declared that a focused strategy aimed at securing a competitive edge based on either low cost or differentiation becomes increasingly attractive as more of the following conditions
are met: The target market niche is big enough to be profitable and offers good growth potential. Industry leaders do not see that having a presence in the niche is crucial to their own success. It is costly or difficult for multi segment competitors to put capabilities in place to meet the specialized needs of buyers comprising the target market niche and at the same time satisfy the expectations of their mainstream customers. The industry has many different niches and segments, thereby allowing a focuser to pick a competitively attractive niche suited to its resource strengths and capabilities (Thompson et al., 2008).

Despite the fact that the concentration procedure does not accomplish ease or separation from the point of view of the market overall, it achieves either of these positions opposite its limited market target (Porter, 1980). The firm accomplishing center may likewise possibly win better than expected returns for its industry. Its concentration implies that the firm either has a low cost position with its key target, high separation, or both. An association may pick a mix methodology by blending one of the non-specific systems of low-cost or separation with the concentration technique. For instance, a firm may have a concentration/separation system or a concentration/cost authority technique (Obasi et al., 2006).

### 2.4.1 Focus/low cost and Performance

Obasi et al. (2006) recognizes four strategies, which have all the earmarks of being basic for associations endeavoring a concentration/low cost technique, and they incorporate giving extraordinary client benefit, enhancing operational proficiency, controlling the nature of items or administrations and broad preparing of cutting edge work force. While client administration may not at first appear like a low cost strategy like aggregate quality control, giving quality administration the first run through at the underlying client experience energizes institutionalization in strategies and decreases protestations and the season of chiefs and representatives to tackle issues. Performing administrations right spares time and expenses from not doing them over (Obasi et al., 2006).

A case of an ease retailer that spotlights on client administration is the Men's Wear house. This organization, a markdown retailer of men's suits, attire, and frill, expects and produces incomes of $1.71 billion. Their development, up 10 percent over the 2004 levels, is because of their emphasis on men's dressing alongside hands on administration to help their clients in the determination of work and dressy easy going apparel. Their
suits ordinarily offer for 20-30 percent not as much as equivalent contenders. Hence, cost and accommodation are their keys to achievement. Their staff is exceptionally noticeable and there is even a tailor on the premises. Few retail chains offer this level of administration and none have tailors nearby. They have taken administration and determination and consolidated it under one rooftop for men is dress (Grant, 2005).

The second strategy incorporates specialty low-cost firms, which may enhance their operational proficiency by adaptable assembling frameworks, data systems, or aggregate quality administration frameworks. These frameworks can enhance work process, in this manner sparing time and costs (Obasi et al., 2006). The accompanying case from the social insurance industry displays the potential cost reserve funds accessible by enhancing operational productivity. Group Hospitals of Central California (CHCC) diminished their supply thing costs by more than 19 percent in under eighteen months (Barly, 1996). This office focuses on conveying practical social insurance to their local clients in California. To accomplish these funds, CHCC adopted an offbeat strategy by putting a drug store chief responsible for the doctor's facility's asset appropriation division. His group decreased supply costs by concentrating on the way toward purchasing, disseminating, and utilizing supplies. For instance, CHCC's store network required quick consideration and drug store operations were overhauled by utilizing Med Stations to diminish the process duration of getting meds to the floor from two hours to 30 minutes. Med Stations store and administer meds in unit measurements augments and are situated at every nursing unit and can now be arranged to interface with materials administration and charging frameworks to track use, stock and expenses. Presently the healing facility recognizes what has been utilized for every patient and can all the more precisely decide pharmaceutical expenses per quiet per method and have diminished expenses by diminishing medicine misfortune (Barly, 1996).

Controlling the nature of items and administrations is a key practice for center/low-cost suppliers, which for instance, lessen squanders. Decreasing squanders controls expenses and spare cash (Obasi et al., 2006). One approach to control item and administration quality and give effective administration and different operations is through preparing representatives. Preparing ought to be centred around institutionalized strategies and the best and proficient conveyance techniques to spare time and in this manner spare costs (Obasi et al., 2006). Southwest Airlines is a decent illustration. The aircraft positioned as
the most appreciated organization in the business in a current Fortune (2005) magazine survey "Where Companies Rank." Southwest Airline is the best low passage, high recurrence, indicate point transporter in the USA, averaging about 3,000 flights for every day with the assistance of 34,000 representatives. Since 1987, Southwest Air has had the least client objections in the carrier business ("Southwest Airlines Fact Sheet," Revised May 4, 2005, at www.southwestair.com). The organization prevails by benefiting from human connections. Notwithstanding cautious enrolment, representative preparing is streamlined since the carrier utilizes just Boeing 737 flying machine. Workers are broadly educated so they can play out various undertakings, along these lines diminishing the turnover time of planes at the door. Southwest Air's "College for People" offers a full range of preparing and tracks worker preparing and improvement needs through specific programming from Pathlore, Inc. (www.pathlore.com).

As per Allen and Helms (2006) the concentration/cost technique is unique in relation to the immaculate cost administration system. While enhancing operational effectiveness is imperative, the other basic achievement elements concentrated more on quality and administration issues. Giving exceptional client administration was imperative (Obasi et al., 2006). This can be expert by concentrating on one of the other noteworthy practices broad preparing of front-line staff. These practices thus make it workable for the association to make another basic progress work on controlling the nature of their items or administrations (Obasi et al., 2006).

2.4.2 Focus/differentiation and Performance

Another blend centred procedure is a concentration/separation methodology where the association has a special quality item offered to a focused on market section or specialty. The fundamentally essential strategies incorporate creating forte items and benefits and delivering items or administrations for high value portion markets (Obasi et al., 2006). The following are a few reviews showing how associations have fulfilled these strategies.

Pier 1 contends even more viably in the retail advertise by concentrating on giving novel forte items and administrations. Dock 1 was initially established in 1962 as an immediate shipper of low-cost, low-quality kitchen items for the adolescent culture of the period. The CEO repositioned Pier 1 by gathering classes of stock imported specifically from 42
nations to address the issues of clients with family unit salaries of $50,000 and up, changing the organization from a focus-low cost to a focus-differentiation system. Wharf 1 turned out to be North America's biggest claim to fame retailer of beautiful home furniture, endowments, and related things. About 40 percent of what Pier 1 offers every year is new and not quite the same as the earlier year (Triplett, 1994).

The Cadillac Division of General Motors is separating the brand to speak to China's tip top high-flying business visionaries, the main market fragment that can bear the cost of Cadillac's powerful $63,000 sticker price, with promoting that interests to their spearheading soul. By concentrating just on the restricted market of the most wealthy clients, Cadillac wants to quickly separate themselves as a quality item in another however developing business sector portion (Madden, 2004).

Despite the fact that building high piece of the pie was additionally a huge key practice for the separation system, this practice isolates the separation technique separated from the concentration/separation methodology (Allen and Helms 2006). While the separation system objective is building an expansive share of a wide market, the concentration/separation methodology is a great deal more focused on (Allen and Helms 2006). Center technique includes yet another arrangement of dangers and they incorporate (Porter, 1980): The cost differential between expansive range contenders and the concentrated firm extends to take out the cost favorable circumstances of serving a thin target or to counterbalance the separation accomplished by core interest. The distinctions in sought items or administrations between the key target and the market in general limits in this manner contenders find submarkets inside the vital target and out concentration the focuser (Abu Aliqah, 2012).

Erel (2014) highlights some of the benefits of focus strategy, which unlike in generalized marketing where market competition is still, niche marketing has quite less competition for the viable customers purchasing the products. Niche marketing makes it possible for businesses to build their brand loyalty. This marketing approach lets you provide customers with products and services they need and desire. The business ends up having a leg up on the competition because items in a niche market are difficult to find in general products. Niche marketing is all about selling to a segmented market. It is about taking the products to people who have an interest in receiving them. This can be beneficial in
redefining business, leading it in a new product directions and services. This ends up creating new opportunities for the business by selling similar or support products. The beginning of concentration towards niche marketing results in learning about new products, innovations and ideas about the market. Niche marketing makes it easy for saving on the marketing dollars. With this approach, the business will be able to reach a larger percentage of people who are more likely to use services or purchase products (Erel, 2014).

Eisner, D. L. (2008) highlights some of the drawbacks experienced by firms in assessing and selecting a focus strategy and they include: erosion of cost advantages within the narrow segment, focused products and services still subject to competition from new entrants and from imitation and focusers can become too focused to satisfy buyer needs. (Erel, 2014) states some of the disadvantages of focus strategy as, due to the small market size this marketing approach is not suitable for a company that is small and intends to grow in the current market. The smaller market makes it difficult to enjoy a larger profit margin in the market. There is limited growth because there is a small group of customers to buy products.

2.5 Chapter Summary

This study aims to fill the current knowledge gap based on literature and it is designed to find out how the strategies affect performance. This chapter covered an analysis of empirical literature consisting of summaries of other related studies conducted in other countries around the world in support of this research. The general objective of this study is to determine strategies affecting performance of Health Insurance Companies in Kenya. This chapter extensively covered the three research objectives that have formed the backbone of this research.

Chapter three describe the methods and procedures used to carry out the study. It is important as it has direct influence on the findings of the study. The methodology used is described very clearly in this chapter as it enables another researcher to follow the procedures to reach similar conclusions without difficulty.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter aims to describe the methods and procedures used to carry out the study. It is an important section of this research project as it has a direct influence on the findings of the study. It analyses the research design applied in the study as well as the population and the sample, approaches and techniques used in the data collection segment, techniques that were used in the data analysis and a summary of the chapter in the closing section.

3.2 Research Design

Research design is the conceptual structure within which the research is conducted: It constitutes the blue print for the collection, measurement and analysis of data (Kothari, 2004). Research design is also defined as the determination and statement of the general research approach or strategy adopted of the particular project; it is the heart of planning. If the design adheres to the research objective, it ensures that the client's needs was served (Cooper & Schindler, 2008). According to (Kothari, 2004), the formidable problem that follows the task of defining the research problem is the preparation of the design of the research project popularly known as the “research design”. Decisions regarding what, where, when, how much, by what means concerning an inquiry or a research study constitute research design.

The descriptive research plan was valid to this study as it is was concerned with finding out who, what, where, when or how much (Cooper & Schindler, 2008). It also tries to measure the types of activities, how often, when, where and by whom. The descriptive research design addresses the questions posed by exploratory research thus offering solutions to different business issues (Shajahan, 2008). Descriptive studies attempts to identify and explain variables that exist in a given situation and to describe the relationship that exists between these variables in order to provide a picture of a particular phenomenon (Cooper & Schindler, 2008). Descriptive research is considered appropriate because subjects are normally observed in their natural set up and can result in accurate and reliable information (Britt, 2006).
This study adopted the survey approach which is defined as a method of collecting data from people about who they are, how they think- motivations and beliefs and what they do- behavior (Malhotra & Birks, 2007). A survey in form of standardized questions in a questionnaire was to collect data. This study was guided by the independent (Strategies) and dependent variable (Performance).

3.3 Population and Sampling Design

3.3.1 Population

Population is the entire group of individuals, events or objects that have common desirable observable characteristics (Mugenda & Mugenda 2003). Population is the group the researcher wants to generalize on or learn about (Tull & Hawkins 2008). Population is the total elements on which inferences can be made (Cooper & Schindler, 2008).

The primary population of study selected for this research was limited to Jubilee Insurance Company of Kenya Limited based on its top ranking in terms of premiums and profits in Medical Insurance. Out of a total population of 66 employees, only 57 was used, as they were the support staff that interact with the customers. The population was ideal as they are equally engaged in the process of strategy formulation and implementation to ensure success. The study assumed that the selected respondents would complete the questionnaire objectively and accurately based on the research objectives.

3.3.2 Sampling Design

Sampling design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample (Kumar, 2008). Kumar further explains that sample design may as well lay down the number of items to be included in the sample i.e. the size of the sample. Sample design is determined before data is collected. Sampling provides a better alternative on when it would be impracticable to conduct a survey of the whole population, budget constraints preventing the survey of the entire population and time constraints preventing the survey of the entire population (Saunders, Lewis, & Thornhill, 2012).
3.3.2.1 Sampling Frame

A sample frame refers to a list of elements from where the sample is actually drawn and is closely connected to the population (Cooper & Schindler, 2008). Turner (2003) defines a sampling frame as the set of source from which the sample is chosen. The definition also includes the purpose of sampling frames, which is to offer a way for selecting the actual members of the target population that to be interviewed within the study. A sampling frame can additionally be outlined because the complete list of all the cases within the population from that a likelihood sample is drawn from (Saunders, Lewis, & Thornhill, 2012).

3.3.2.2 Sampling Technique

A sampling technique is the practise of picking elements from the population that will signify the population of study (Collins & Hussey, 2006). A sampling technique is the name or other identification of the specific process by which the entities of the sample have been selected (Wolcott, 1997).

Non-probability sampling, specifically Judgment and Convenience would be applicable in the sample selection. Judgment sampling refers to selection of a sample because it conforms to some criteria. On the other hand, convenience sampling is unrestricted, meaning the survey is conducted to whoever is available or where samples are selected because they are accessible to the researcher (Cooper & Schindler, 2008). The two sampling procedures ensured the assortment of representative respondents with the requisite facts to address the precise research questions thereby enhancing the credibility and reliability of the findings of this study. This study was carried out with the use of a census survey. A census is a count of all the elements of a population (Cooper & Schindler, 2008).

3.3.2.3 Sample Size

Sample size is the set of elements where data is collected from (Cooper & Schindler, 2008). A decent specimen size ought to give data that is nitty gritty and thorough. A sample size is a limited part of a factual populace whose properties are to be examined to pick up data about the whole populace under review (Jankowicz, 2002). Jackson, Thorpe & Smith, (2008) argue that researchers rarely survey the entire population for two
reasons: high cost and dynamism of the population. A census was carried out in this study due to the small number of elements in the population.

### 3.4 Data Collection

Data collection is the process of acquiring subjects and gathering information needed for a study; methods of collection will vary depending on the study design (Saunders, 2003). Data collection is critical to clinical research, and often is a prominent factor in determining the cost and success of a research project (Wilcox, Gallagher, Boden-Albala & Bakken, 2012). How data is collected has a sizeable impact on how data is managed, and ultimately how the research is performed (Wilcox et al. 2012).

Bowling (2005) states that one of the main primary data collection instruments in social, health and research is the survey questionnaire. Modes of data collection by questionnaire differ in several ways, including the method of contacting respondents, the medium of delivering the questionnaire to respondents, and the administration of the questions. These are likely to have different effects on the quality of the data collected (Bowling, 2005). A questionnaire is a document designed with the purpose of seeking specific information from the respondents (Sansoni, 2011). Cooper & Schindler (2008) explain that a questionnaire is an instrument delivered by to the participant via personal or non-personal means that is completed by the participant.

The data collection method would be based on a structured approach due to the target population and their nature of work. A formal letter of introduction would be used to introduce the researcher as well as highlight the set time frames to complete the questionnaire would be attached to the questionnaires. In addition, the introductory letter also include the purpose of the questionnaire, benefits that was flown from it, information sought, how the information was used, confidentiality/anonymity and contact details for queries and complaints (Sansoni, 2011).

The questionnaires would contain both open ended as well as closed ended questions. (Cooper & Schindler, 2008) explain that questions may be structured in questionnaires therefore presenting participants with a fixed set of choices; often called closed questions. On the other hand questions can also be unstructured therefore not limiting the responses
but still providing a frame of reference for participants’ answers; often called open ended questions (Cooper & Schindler, 2008).

3.5 Research Procedure

The research procedures section describes how the researcher gathered the relevant data for this study. The research procedure provides a detailed description of the steps taken in the conduct of research. A questionnaire pilot should be conducted in order to determine whether the results provide the relationship sought after. A pilot test is a tool that is administered to detect weaknesses in the research design and instruments (Cooper & Schindler, 2008). A series of tests needs to be conducted before ascertaining that the instrument for collecting data is good (Lee & Lings, 2008). Saunders, Lewis, and Thornhill (2012) additionally agree by recommending that a pilot test is completed to recognize issues and pilot testing ought to be utilized to assess polls for ambiguities, stream, language structure and clarity of the inquiries.

It is appropriate to analyze the responses to the pilot survey (are some response categories never used, analyze some response categories never used, analyze the missing data, are some misunderstood?) Ask the respondents or colleagues for feedback as well as feedback about design and questions (Sansoni, 2011). Based on the feedback obtained, the questionnaire is fine-tuned resulting in the final data collection instrument administered to the sample. Bias issues in follow up and respondent satisfaction surveys are prone to arise. However, the responses would be analyzed in terms of the researcher’s aims and objectives (Sansoni, 2011).

3.6 Data Analysis

Data analysis is an exploration method for the goal, efficient and subjective portrayal of the show substance of a correspondence (Cooper & Schindler, 2008). As per Collins & Hussey (2006), distinct insights includes a procedure of changing a mass of crude information into tables, graphs, with recurrence dispersion and rates, which are an imperative piece of understanding information.

The examination information was broke down utilizing the Microsoft excel and Statistical Package for Social Sciences (SPSS) program and presented using tables and charts to give a clear picture of the research findings at a glance. To ensure ease in analysis, the
questionnaires would be coded accordingly to each variable of the study and entered into the SPSS program. The quantitative tool to be employed is descriptive statistics, which include measures of central tendencies. These tools of analysis would be used to determine views of commonality and deviations from commonality. Correlation would be another useful statistic tool that describes the degree of relationship between the variables used. The output after analysis would be prepared using frequency tables, graphic presentations and inferential statistics outputs.

3.7 Chapter Summary

This chapter discussed the methodology and research design that were adopted in the research process highlighting the target population and the procedure used to select the sample. Further, the research instruments that were used to collect data have been specified. Finally, the research procedures used as well as the methods used in data analysis was also explained in this chapter.

Chapter four presents and explains the data collected rather than draw interpretations or conclusions. The findings are presented and analyzed based on the research questions, specific objectives or hypothesis. The chapter also include tables, charts or graphs to represent quantitative data when appropriate as well as use of brief description in words of what is shown on the tables or figures.
CHAPTER FOUR

4.0 DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the findings established from the study as well as their interpretations. The chapter has the results on demographics of the respondents such as gender, age, level of education, position, work experience, strategy of operations. The chapter further outlines the strategies affecting performance of Health Insurance Companies in Kenya.

4.1.1 Response Rate

The response rate of a test measures the statistical power of a research and the higher the rate the better. In this study, the researcher distributed 57 questionnaires and all were filled and returned were sufficient. This represents a response rate of 100% as shown in table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and collected</td>
<td>57</td>
<td>100</td>
</tr>
<tr>
<td>Non Responded</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 Demographic Information

This section of the analysis offers the results on the demographic factors of the respondents who participated in this research study.

4.2.1 Gender

From the study, the variable gender was evenly distributed with a mean of 1.45 and a standard deviation of 0.503. Majority of the respondents were male accounting for 52.6% of the population while the female accounted for 43.9% as shown in table 4.2. This was attributed to the fact that male’s respondents are approachable and thus they were able to fill in more of the questionnaire than the female respondents were.
Table 4.2: Gender

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Male</td>
<td>30</td>
</tr>
<tr>
<td>Female</td>
<td>25</td>
</tr>
<tr>
<td>Missing</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
</tr>
</tbody>
</table>

4.2.2 Age

To investigate the age of the respondents the variable had a mean of 2.58 and a standard deviation of 1.224. The age group 26-35 were the majority with 30 respondents accounting for 52.6% of the population; this was followed by those between 31-35, and above 41 with 8 respondents each and accounting for 14% of the total. Those of between 18-25 were seven and this was 12.3% of the total. Those between 36-40 were four and represented 7% as shown in table 4.3. Most of the insurance firms employ fresh graduates and for commission young teens who have just finished high school, therefore this explains why majority and aged between the ages of 18-30 has 64.9% of the total population.

Table 4.3: Age Range

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>18-25</td>
<td>7</td>
</tr>
<tr>
<td>26-30</td>
<td>30</td>
</tr>
<tr>
<td>31-35</td>
<td>8</td>
</tr>
<tr>
<td>36-40</td>
<td>4</td>
</tr>
<tr>
<td>Above 41</td>
<td>8</td>
</tr>
<tr>
<td>Totals</td>
<td>57</td>
</tr>
</tbody>
</table>
4.2.3 Level of Education

To investigate the education level of the respondents the variable had a mean of 2.77 and a standard deviation of 0.567. Degree holders were the majority with 36 respondents accounting for 63.2% of the population; certificate and diploma holders followed this with 17 respondents accounting for 29.8% of the total. Masters holders were 4 and this was 7% of the total as shown in table 4.4 currently in the country there are many degree holders in the various industries including insurance and this explains the high number of certificate, diploma and bachelor degree holders from the respondents.

Table 4.4: Education

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Certificate/Diploma</td>
<td>17</td>
</tr>
<tr>
<td>Bachelor</td>
<td>36</td>
</tr>
<tr>
<td>Masters</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57</strong></td>
</tr>
</tbody>
</table>

4.2.4 Management level

To analyze the management level the variable was found to have a mean of 2.58 and a standard deviation of 0.680. From the finding 31 of the respondents were support staff, accounted for 54.4%, Middle level managers were 24 accounting for 42.1%, while senior managers were only two, and represented 3.5% of the total as shown in Table 4.5. Staff at the operational are the highest in number in the insurance firms and therefore had the highest response rate. This shows the accessibility of the respondents. The middle and operational staff were very easy to access as opposed to the senior management who could only be reached after making appointments.
Table 4.5: Management Level

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior</td>
<td></td>
<td>2</td>
<td>3.5</td>
</tr>
<tr>
<td>Middle</td>
<td></td>
<td>24</td>
<td>42.1</td>
</tr>
<tr>
<td>Operation</td>
<td></td>
<td>31</td>
<td>54.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>57</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.5. Work Experience

To investigate respondents have been in working for the firm the variable had a mean of 1.32 and a standard deviation of 0.723. The findings revealed that most of the employees had worked for up to 5 years representing 64.9%, those who have worked between 6-10 years old this represented 24.6% of the total respondents. Those of between 11-20 years were only 10.5% as shown in table 4.6. Majority of the employee have worked for between 0-5 years and 6-10 years although those of between 11-20 years are also not few. This shows how the firm maintains a diverse team.

Table 4.6: Work Experience

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td></td>
<td>37</td>
<td>64.9</td>
</tr>
<tr>
<td>6-10</td>
<td></td>
<td>14</td>
<td>24.6</td>
</tr>
<tr>
<td>11-20</td>
<td></td>
<td>6</td>
<td>10.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>57</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.6. Perception of Strategy Adopted

The study sought to establish the perception of strategy adopted. The findings revealed that the majority believe that the firms were offering unique products and services representing 66.7% of the total, focus strategy represented 21.1% while low cost leadership was 7.0% as shown in table 4.7
Table 4.7: Perception of Strategy Adopted

<table>
<thead>
<tr>
<th>Variable</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>Low Cost Leadership</td>
<td>4</td>
<td>7.0</td>
</tr>
<tr>
<td>Unique Products and Services</td>
<td>38</td>
<td>66.7</td>
</tr>
<tr>
<td>Focus</td>
<td>12</td>
<td>21.1</td>
</tr>
<tr>
<td>Missing</td>
<td>3</td>
<td>5.3</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3 Effects of Cost Strategy on Performance

The first objective of the study sought to establish the effects of cost strategy and performance and the respondents were asked several questions that they were rating with the least being Strongly Disagree (1) and the highest being Strongly Agree (5).

4.3.1 Descriptive of Cost Strategy

Most respondents agreed that the business strives to provide outstanding customer service (4.25), they also agreed that firms affordable prices has an influence on market share (4.19). Additionally, it was also agreed that cost reduction has led to a benefit from economies of scale (4.14). The respondents however disagreed that pricing below competitor translate into higher returns (2.56) as shown in table 4.8.

This means that most of the respondents agree that strategies such as the pursuit of cost reduction, provision of outstanding customer service, offering affordable prices that influence market share and initiating cost reduction positively affects the organizations performance. The respondents however disagree that pricing below competitor translate into higher returns.

However, there is uncertainty about the firm offering low cost products and services at acceptable quality, having an existing cost control system in place and an operational total quality control unit as well as being the lowest cost manager compared to competitors. Most of the respondents are also unaware of the firm reduce overhead costs over time. Most respondents also disagree with the fact that pricing below competitor translate into higher returns considering the nature of insurance products.
On analysis of the standard deviation pricing below competitor translate into higher returns had the highest deviation of 1.541. This means that there was a big variation between those who agreed, disagreed and neutral. The least standard deviation was for the variable affordable prices has an influence on market share with a value of 0.611 as such implies that there was little variation between those who agreed, disagreed and neutral.

**Table 4.8: Descriptive of Cost Strategy.**

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>MEAN</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The pursuit of cost reduction</td>
<td>4.04</td>
<td>.981</td>
</tr>
<tr>
<td>Low cost products and services at acceptable quality</td>
<td>3.49</td>
<td>1.104</td>
</tr>
<tr>
<td>Cost control system in place</td>
<td>3.65</td>
<td>.896</td>
</tr>
<tr>
<td>Outstanding customer service</td>
<td>4.25</td>
<td>.844</td>
</tr>
<tr>
<td>Operational total quality control unit</td>
<td>3.72</td>
<td>.840</td>
</tr>
<tr>
<td>Pricing below competitor translate into higher returns</td>
<td>2.56</td>
<td>1.541</td>
</tr>
<tr>
<td>Lowest cost management compared to competitors</td>
<td>3.33</td>
<td>.970</td>
</tr>
<tr>
<td>Reduce overhead costs over time</td>
<td>3.76</td>
<td>1.018</td>
</tr>
<tr>
<td>Affordable prices have an influence on market share</td>
<td>4.19</td>
<td>.611</td>
</tr>
<tr>
<td>Cost reduction has led to a benefit from economies of scale</td>
<td>4.14</td>
<td>.639</td>
</tr>
</tbody>
</table>

**4.3.2 Regression between Effects of Cost Strategy and Performance**

**Table 4.9: Model Summary on Cost Strategy and Performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>.944a</td>
<td>.890</td>
<td>.859</td>
<td>.38762</td>
<td>.890</td>
<td>28.387</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df1: 10a</td>
<td>df2: 35</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sig. F Change: .000</td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), pursuit of cost reduction, acceptable quality, cost control system in place, outstanding customer service, operational total quality control unit, Pricing below competitor translate into higher returns, lowest cost management, managed to reduce overhead costs over time, affordable prices has an influence on market share, Cost reduction has led to a benefit from economies of scale

A regression analysis was done between variables of cost strategy and performance. On analysis, the R square value was 0.890 and a p-value of (0.000) was significant as
indicated in Table 4.9. This means that 89% of the variation in profitability was caused by the variation in the factors of cost strategy.

**Table 4.10: ANOVA on Cost Strategy and Performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>42.651</td>
<td>10</td>
<td>4.265</td>
<td>28.387</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>5.259</td>
<td>35</td>
<td>0.150</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>47.910</td>
<td>45</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

b. Predictors: (Constant), cost reduction, acceptable quality, cost control, customer service, total quality control unit, Pricing, lowest cost, reduce overhead costs over time, affordable prices on market share, Cost reduction has led to a benefit from economies of scale

An ANOVA analysis was done between effects of cost strategy and performance at 95% confidence level, the F critical was 28.387 and the P value was (0.000) therefore significant the results are shown in table 4.10. This result therefore show that there was a statistically significant difference in the mean between the various variables of cost strategy that influence performance.

**4.3.3 Coefficient of Cost Strategy and Performance**

A Pearson correlation was done between performances (dependent variable) against other factors of cost strategy. The results of the regression coefficients, t-statistics, standard errors of the estimates and p values are shown in table 4.11.

When organizational performance was predicted on cost strategy Constant (p value=0.001). The organization undertakes a vigorous pursuit of cost reduction (Beta=0.452, p value =0.014); Low cost products and services of acceptable quality (Beta=-0.047, p value =0.665); cost control system in place (Beta=-0.011, p value =0.934); provide outstanding customer service (Beta=-0.188, p value =0.107); operational total quality control unit (Beta=0.301, p value =0.004); pricing below competitor translate into higher returns (Beta=0.259, p value =0.021); firm has lowest cost management compared to competitors (Beta= 0.115, p value =0.512); reduce overhead costs over time (Beta=-0.445, p value =0.007); affordable prices has an influence on market share (Beta=0.050, p value =0.774); Cost reduction has led to a benefit from economies of scale (Beta=-0.336, p value =0.004).
From the analysis above, only the variables vigorous pursuit of cost reduction, the firm has an operational total quality control unit, and pricing below competitor translate into higher returns were significant (p-value < 0.05), however, the variable cost reduction has led to a benefit from economies of scale was significant but had a negative Beta (-0.336).

This implies that for a firm to be able to perform better there is a need for organization to undertake a vigorous pursuit of cost reduction and have an operational total quality control unit. Apart from that there is a need to price the insurance products and services below competitor and strive to maintain a low cost. When this happens, the firm can offer affordable prices that may have an influence on market share. However, other areas need to be analysed to improve the performance and they include the introduction of Low cost products, cost control system, customer service, overhead costs and areas that could result in benefit on economies of scale.

Table 4.11: Coefficients of Cost Strategy on Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>I</td>
<td>(Constant) Performance</td>
<td>4.636</td>
</tr>
<tr>
<td></td>
<td>Vigorous pursuit of cost reduction</td>
<td>.436</td>
</tr>
<tr>
<td></td>
<td>Low cost products and services of acceptable quality</td>
<td>-.043</td>
</tr>
<tr>
<td></td>
<td>Cost control system in place</td>
<td>-.012</td>
</tr>
<tr>
<td></td>
<td>Outstanding customer service</td>
<td>-.212</td>
</tr>
<tr>
<td></td>
<td>Operational total quality control unit</td>
<td>.352</td>
</tr>
<tr>
<td></td>
<td>Pricing below competitor translate into higher returns</td>
<td>.173</td>
</tr>
<tr>
<td></td>
<td>Lowest cost management compared to competitors</td>
<td>.113</td>
</tr>
<tr>
<td></td>
<td>Reduce overhead costs over time</td>
<td>-.441</td>
</tr>
<tr>
<td></td>
<td>Affordable prices influence market share</td>
<td>.090</td>
</tr>
<tr>
<td></td>
<td>Benefit from economies of scale</td>
<td>-.539</td>
</tr>
</tbody>
</table>
4.4 Effect of Differentiation on Performance

The study sought to establish the effects of differentiation on performance and the respondents were asked a few questions that they were rating with the least being Strongly Disagree (1) and the highest being Strongly Agree (5).

4.4.1 Descriptive on Differentiation Strategy

Most respondents agreed that unique products and services creates value for consumers (4.21), and that the firm has increased income through its unique product and services (4.21). They also agreed that the firm created brand loyalty among customers through our exclusive products (4.11) as shown in table 4.12. This means that most of the respondents agreed that firms undertake new product development and unique products and services creates value for consumers. Most of the respondents also affirmed that they had unique products and that the firms could charge a premium for its unique product. The study also revealed that most of the firm have increased income through unique product and services. In addition, they have created a brand loyalty among customers through exclusive products. There was uncertainty in the firms developing a recognized brand name and whether the firms can compete in areas other than price. It was also discovered that there was some uncertainty level in utilizing marketing innovation in the industry and high quality unique products and services compared to other firms.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop a recognized brand name</td>
<td>3.88</td>
<td>1.310</td>
</tr>
<tr>
<td>Undertakes new product development</td>
<td>4.02</td>
<td>.623</td>
</tr>
<tr>
<td>Unique products and services creates value for consumers</td>
<td>4.21</td>
<td>.674</td>
</tr>
<tr>
<td>No other products like ours in the market</td>
<td>4.04</td>
<td>.981</td>
</tr>
<tr>
<td>Business can compete in areas other than price</td>
<td>3.73</td>
<td>.932</td>
</tr>
<tr>
<td>Utilizing marketing innovation in the industry</td>
<td>3.86</td>
<td>.953</td>
</tr>
<tr>
<td>The business charges a premium for its unique product</td>
<td>4.07</td>
<td>.704</td>
</tr>
<tr>
<td>High quality unique products and services compared to other firms</td>
<td>3.91</td>
<td>.763</td>
</tr>
<tr>
<td>Increased income through its unique product and services</td>
<td>4.21</td>
<td>.619</td>
</tr>
<tr>
<td>Created brand loyalty through our exclusive products</td>
<td>4.11</td>
<td>.673</td>
</tr>
</tbody>
</table>
4.4.2 Regression between Differentiations on Performance

Table 4.13: Regression between Effects Differentiation on Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>F Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df1</td>
</tr>
<tr>
<td>1</td>
<td>.936a</td>
<td>.877</td>
<td>.848</td>
<td>37447</td>
<td>.877</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

b. Predictors: (Constant), recognized brand name, new product development, unique products, compete in areas other than price, utilize marketing innovation, charges a premium, high quality products and services, increased income, brand loyalty

A regression analysis was done between variables of differentiation strategy and performance. On analysis, the R square value was 0.877 and a p-value of (0.000) was significant as indicated in Table 4.13. This means that 87.7% of the variation in performance.

Table 4.14: ANOVA of Effects Differentiation and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>43.798</td>
<td>10</td>
<td>4.380</td>
<td>31.233</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>6.170</td>
<td>44</td>
<td>.140</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>49.968</td>
<td>54</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

b. Predictors: (Constant), recognized brand name, new product development, unique products, compete in areas other than price, utilize marketing innovation, charges a premium, high quality products and services, increased income, brand loyalty

An ANOVA analysis between effects of differentiation on performance at 95% confidence level revealed that the F critical was 31.233 and the P value was (0.000) therefore significant the results are shown in table 4.14. This result therefore show that there was a statistically significant difference in the mean between the various variables of differentiation strategy that influence performance.


4.4.3 Coefficient of Differentiation and Performance

A Pearson correlation was done between performances (dependent variable) against other factors of differentiation. The results of the regression coefficients, t-statistics, standard errors of the estimates and p values are shown in table 4.15.

Table 4.15: Coefficient of Differentiation and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)Performance</td>
<td>2.277</td>
<td>.550</td>
<td>4.143</td>
</tr>
<tr>
<td></td>
<td>Recognized brand name</td>
<td>.322</td>
<td>.079</td>
<td>.446</td>
</tr>
<tr>
<td></td>
<td>Often undertakes new product development</td>
<td>-.259</td>
<td>.109</td>
<td>-.168</td>
</tr>
<tr>
<td></td>
<td>Creating value for consumers</td>
<td>-.384</td>
<td>.116</td>
<td>-.258</td>
</tr>
<tr>
<td></td>
<td>No other products like ours in the market</td>
<td>.687</td>
<td>.163</td>
<td>.714</td>
</tr>
<tr>
<td></td>
<td>The business is able to compete in areas other than price</td>
<td>.344</td>
<td>.112</td>
<td>.333</td>
</tr>
<tr>
<td></td>
<td>Utilizing marketing innovation in the industry</td>
<td>.176</td>
<td>.091</td>
<td>.173</td>
</tr>
<tr>
<td></td>
<td>Charges a premium for its unique product</td>
<td>.610</td>
<td>.198</td>
<td>.439</td>
</tr>
<tr>
<td></td>
<td>High quality unique products and services compared to other firms</td>
<td>.058</td>
<td>.141</td>
<td>.045</td>
</tr>
<tr>
<td></td>
<td>Increased income through unique product and services</td>
<td>-.034</td>
<td>.176</td>
<td>-.022</td>
</tr>
<tr>
<td></td>
<td>Brand loyalty through exclusive products</td>
<td>-1.030</td>
<td>.242</td>
<td>-.709</td>
</tr>
</tbody>
</table>

When organizational performance was predicted on differentiation (Constant p value=0.000). The firm strives to develop a recognized brand name (Beta=0.446, pvalue=0.000); organization often undertakes new product development (Beta=-0.168, pvalue=0.022); unique products and services creates value for consumers (Beta=-0.258,
p-value=0.002); there is no other products like ours in the market (Beta=0.714, 
p-value=0.000); through unique product and services the business is able to compete in 
areas other than price (Beta=0.333, p-value=0.004); The firm has been utilizing 
marketing innovation in the industry (Beta=0.173, p-value=0.060); The business charges a 
premium for its unique product (Beta=0.439, p-value=0.004); The business offers high 
quality unique products and services (Beta=0.045, p-value=0.682); The firm has increased 
income through its unique product and services (Beta=-0.022, p-value=0.847); created 
brand loyalty among our customers through our exclusive products (Beta=-0.709, 
p-value=0.000).

From the analysis above, all the variables were significant except the variables; the firm is 
has been utilizing marketing innovation in the industry (p value= 0.060), the business 
offers high quality unique products and services compared to other firms (p value= 
0.682), the firm has increased income through its unique product and services (p value= 
0.847).

This result implies that among the differentiation areas that has resulted in improved 
performance of Jubilee insurance include; development of a recognized brand name, 
creation of unique products and services that enable the firm to compete in areas other 
than price and at the same time the business charging a premium for its unique product. 
On the other side, there are areas that the firm need to work on to improve their 
performance and this include; The organization often undertaking new product 
development and value creation for consumers.

4.5 Effect of Focus Strategy on Performance
The study sought to establish the effect of focus strategy on performance and the 
respondents were asked a number of questions that they were rating with the least being 
Strongly Disagree (1) and the highest being Strongly Agree (5).

4.5.1 Descriptive on Effect of Focus Strategy
To analyze the descriptive statistic most respondents agree that the firm aim to provide 
outstanding customer service (4.51), through specialization the firm has improved its 
operational efficiency (4.21), targeting special segment has an impact on the firms 
profitability (4.16), and targeting special segment has enabled easy penetration into new 
markets (4.11) as shown in Table 4.16
Therefore most respondents agree that Jubilee insurance provides outstanding customer services and through specialization the firm has improved its operational efficiency. Targeting special segment has also had an impact on the firm’s profitability, enabled easy penetration into new markets and attract customer attention towards the products and service. There is however uncertainty on the firm specializing in serving special market segment, targets low priced segments, special segment having an impact on the firm’s market share and the business creating brand loyalty by targeting special segment. The respondents however, disagree that the firm targets high priced segments.

Table 4.16: Descriptives of Focus Strategy

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving special market segments</td>
<td>3.40</td>
<td>1.294</td>
</tr>
<tr>
<td>The firm targets high priced segments</td>
<td>2.93</td>
<td>1.307</td>
</tr>
<tr>
<td>The firm targets low priced segments</td>
<td>3.04</td>
<td>1.068</td>
</tr>
<tr>
<td>The firm aim to provide outstanding customer service</td>
<td>4.51</td>
<td>.630</td>
</tr>
<tr>
<td>Specialization the firm has improves operational efficiency</td>
<td>4.21</td>
<td>.725</td>
</tr>
<tr>
<td>Targeting special segment has an impact on the firms profitability</td>
<td>4.16</td>
<td>.797</td>
</tr>
<tr>
<td>Targeting special segment has an impact on the firms market share</td>
<td>3.89</td>
<td>.772</td>
</tr>
<tr>
<td>Easy penetration into new markets</td>
<td>4.11</td>
<td>.557</td>
</tr>
<tr>
<td>The business creates brand loyalty by targeting special segment</td>
<td>3.86</td>
<td>.875</td>
</tr>
<tr>
<td>Attracts customer attention products and service</td>
<td>4.05</td>
<td>.692</td>
</tr>
</tbody>
</table>

4.5.2 Regression analysis between variables of Focus Strategy and Performance

A regression analysis was done between variables of focus strategy and performance as shown in table 4.17. On analysis, the R square value was 0.805 and a p-value of (0.000) was significant. Therefore, 80.5% of the variation in performance was caused by the variation in focus strategy.
Table 4.17: Model Summary on Focus Strategy and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.897a</td>
<td>.805</td>
<td>.763</td>
<td>.46017</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change: 805</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>F Change: 19.003</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df1: 10a</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df2: 46</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sig F change: .000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

b. Predictors: (Constant), serving special market segments, targets high priced segment, targets low priced segments, provide outstanding customer service, specialization improved its operational efficiency, firms profitability, firms market share, easy penetration into new markets, brand loyalty by targeting special segment, attracts customer to products and service

Table 4.18: ANOVA on Focus Strategy and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>40.240</td>
<td>10</td>
<td>4.024</td>
<td>19.003</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>9.741</td>
<td>46</td>
<td>.212</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>49.980</td>
<td>56</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

b. Predictors: (Constant), serving special market segments, targets high priced segment, targets low priced segments, provide outstanding customer service, specialization improved its operational efficiency, firms profitability, firms market share, easy penetration into new markets, brand loyalty by targeting special segment, attracts customer to products and service

An ANOVA analysis between effects of focus strategy on performance at 95% confidence level revealed that the F critical was 19.003 and the P value was (0.000) therefore significant, the results are shown in table 4.18. This result therefore show that there was a statistically significant difference in the mean between the various variables of focus strategy that influence performance.
4.5.3 Coefficients of variables of Focus Strategy and Performance

Table 4.19: Coefficients of Focus Strategy and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant) Performance</td>
<td>1.665</td>
<td>1.120</td>
</tr>
<tr>
<td>Specializes in special market segments</td>
<td>-.049</td>
<td>.094</td>
</tr>
<tr>
<td>The firm targets high priced segments</td>
<td>.397</td>
<td>.082</td>
</tr>
<tr>
<td>The firm targets low priced segments</td>
<td>-.231</td>
<td>.083</td>
</tr>
<tr>
<td>Outstanding customer service</td>
<td>-.496</td>
<td>.177</td>
</tr>
<tr>
<td>Improved operational efficiency</td>
<td>.641</td>
<td>.147</td>
</tr>
<tr>
<td>Impact on the firms profitability</td>
<td>-.001</td>
<td>.133</td>
</tr>
<tr>
<td>Special segment impact on market share</td>
<td>.333</td>
<td>.123</td>
</tr>
<tr>
<td>Easy penetration into new markets</td>
<td>.476</td>
<td>.187</td>
</tr>
<tr>
<td>The business creates brand loyalty</td>
<td>-.499</td>
<td>.147</td>
</tr>
<tr>
<td>Attracts customer to the products and service</td>
<td>.045</td>
<td>.197</td>
</tr>
</tbody>
</table>

A Pearson correlation was done between performances (dependent variable) against other factors of focus strategy. The results of the regression coefficients, t-statistics, standard errors of the estimates and p values are shown in table 4.19. When organizational performance was predicted on focus strategy (Constant p value=0.144), the variables firm specializes in serving special market segments (Beta=-0.067, pvalue =0.604); firm targets high priced segments (Beta=0.549, pvalue=0.000); firm targets low priced segments (Beta=-.0262, pvalue = 0.007); provide outstanding customer service (Beta=-0.331, pvalue=0.007); specialization the firm has improved its operational efficiency (Beta=0.492, pvalue=0.000); impact on the firms profitability (Beta=-0.001, pvalue=0.993); impact on the firms market share (Beta=0.272, pvalue=0.010); enabled easy penetration into new markets (Beta=0.281, pvalue=0.014); the business creates...
brand loyalty by targeting special segment (Beta=- 0.463, pvalue=0.001); attracts customer attention products and service (Beta=0.033, pvalue=0.819).

From the analysis, majority of the variables had a significant positive effect on organizational performance except the variable the variable firm specializes in serving special market segments (p value=0.604), targeting special segment has an impact on the firm’s profitability (pvalue=0.993), targeting special segment attracts customer attention products and service (pvalue =0.819).

Jubilee has experienced improved performance as a result of specialization that has improved operational efficiency also the targeting special segment impacted on the firm’s market share, in addition to the firm targeting high priced segments. However, there are particular areas that the firm needs to improve on to achieve better performance. This include specialization in special market segments, targets low priced segments, offer outstanding customer service and targeting only special segment that have potential for profitability. In addition, the business doesn’t need to create brand loyalty by only targeting special segment.

4.6 Chapter Summary

This chapter has presented the interpreted results and findings. The first section provided an analysis of the various demographic data on the respondents. The second section analyzed the findings how cost strategy affect performance. The third section provided findings on how differentiation strategy affect performance. The fourth section presented the effects of focus strategy on performance. The next chapter discusses the findings, conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

In this chapter, the findings of this study are first presented in a summary. Subsequently, the findings are discussed by including the literature for, or against the findings and conclusions are drawn. Thus, the chapter entails four subsections this are; discussion of the findings, conclusions, recommendations and areas of further studies.

5.2 Summary

The purpose of this study was to determine strategies affecting performance of Health Insurance Companies in Kenya. The study sought to answer the following research questions: How does cost strategy affect performance in Health Insurance? How does differentiation strategy affect performance in Health Insurance? How does the focus strategy affect performance in Health Insurance? The study utilized a descriptive research design and the data collection tool used questionnaires to obtain relevant data from the respondents. The target population consisted of 57 employees working in Jubilee Insurance Company of Kenya Limited Nairobi central business district branch. A total census was done with the sample size of 57 respondents out of which all questionnaires were filled and returned. The data was then analyzed using both descriptive and inferential statistics by using SPSS and the results were presented in figures and tables.

The findings based on the first research question revealed that most of the employees agreed that the firm was in a constant pursuit of cost reduction and offered outstanding customer service. It was also established that the company’s affordable prices had an influence on market share while cost reduction had led to a benefit from economies of scale. There was however a disagreement on whether pricing below competitor translated into higher returns. Most respondents neither agreed nor disagreed with the fact that Jubilee insurance offered low cost products and services at acceptable quality, had a cost control system in place, had an operational total quality control unit, had the lowest cost management compared to competitors and reduced overhead costs over time. A regression analysis revealed that 89% of the variation in profitability was caused by the variation in the cost strategy.
The findings based on the second research question revealed that most of the respondents agreed that the firm undertakes new product development, had unique products in the market and the unique products and services created value for consumers. It was also revealed that the firm has increased income through its unique product and services, and created brand loyalty through exclusive products while charges a premium for its unique product. There was however uncertainty on whether Jubilee Insurance had develop a recognized brand name, could compete in areas other than price, utilized marketing innovation in the industry and offered high quality unique products and services compared to other firms. A regression analysis was done between variables of differentiation on performance showed that 87.7% of the variation in performance was caused by the variation in the differentiation.

The findings based on the third research question revealed that most of the respondents agreed that the firm has improved its operational efficiency through specialization, and targeting special segment had an impact on the firms’ profitability, and enabled easy penetration into new markets, as well as attracts customer attention products and service. It was also revealed that the firm aim to provide outstanding customer service. The results denied that the firm targets high priced segments. There was uncertainty on whether or not Jubilee insurance specializes in serving special market segments, targets low priced segments, targeting special segment had an impact on the firm’s market share or the business creates brand loyalty by targeting special segment. A regression analysis done between variables of focus strategy and performance show that 80.5% of the variation in performance was caused by the variation in focus strategy.

5.3 Discussion

5.3.1 Cost Strategy and Performance

The findings revealed that most firm are in a constant pursuit of cost reduction (4.04) and this is in line with the findings by Tunji & Moageed (2013) who found out that nowadays managements of firms have become progressively cost aware and are perpetually finding out new ways of controlling cost and eliminating wastages. Carr, Kolehmainen & Mitchell (2013) also highlighted that one amongst the objectives of cost accounting is to realize price management. it's not enough if costs are figured out and conferred frequently to the management, the effectiveness of cost accounting is judged primarily from the
extent to that it’s could bring forth an impact over the production and alternative costs. Noordin, Zainuddin, Mail & Mail (2014) agree that in any business, there will be the need to cause sensible costs and management to guarantee watchful and proficient utilization of assets in order to accomplish the set standard or target.

The findings also revealed that the firm offered outstanding customer service (4.25). Previous studies such as Gilmour Borg & Duffy (2013) have concluded that a high status of customer satisfaction provides several positive aspects to a firm and it is believed that it has a positive relationship with the economic profit of a firm and lowers customer’s price sensitivity. Other studies have also revealed that it contributes to the creation of loyal customers thus guarantee future cash flow. Any organization that has satisfied customers is bound to upgrade customer base and hence affect profitability (Tucker, 2013).

It was also established that the company’s affordable prices had a positive influence on market share (4.19) and similar findings have been outlined by Austin and Hungerford (2010) who outline that Insurance markets are regularly exceptionally thought with one firm representing more than half of the market. Worries about fixation in medical coverage markets are connected to more extensive issues about the cost, quality, and accessibility of social insurance. The further add that the market structure of the medical coverage and clinic businesses may have assumed a part in rising social insurance costs and in restricting access to reasonable health care coverage and medicinal services. Chakrabarti & Shankar (2015) contend that the focus has prompted to higher insurance prices. Higher costs for social insurance or human services protection may then make social insurance less moderate and consequently less available for a few families.

The study revealed that cost reduction has led to a benefit from economies of scale (4.14). Similar studies have established the same results and Atikiya, Mukulu & Waiganjo (2015) established that cost advantages do indeed arise from economies of scale, scope, upgrade in technology, and some time access to materials. Majority of the respondents disagreed that pricing below competitor translated into higher returns. While there are other ways of setting prices Xia et al. (2004) elaborates that the price is considered fair by consumers if its assessment is considered reasonable, justifiable and acceptable. Similarly, Herrmann et al. (2007) concluded that customer satisfaction is directly affected by the price perceptions through fairness and lastly impact on the revenue.
A regression analysis done between factors of cost strategy on performance of Jubilee insurance revealed that the 89% of variation in performance was attributed to variations in the cost strategy. These results are similar to those established by Atikiya, Mukulu & Waiganjo, (2015) in their study of manufacturing firm where it was depicted that there was a positive relationship between cost leadership strategy and manufacturing firm performance and thus, a unit increase in cost leadership strategy resulted to a rise in manufacturing firm performance.

5.3.2 Differentiation Strategy and Performance

The study also revealed that Jubilee insurance has undertaken new product development (4.02). This has been a trend in all industries and this is aimed at positioning a product to identify and address customers’ needs in comparison to competitor’s products. Shafiwu & Mohammed (2013) established that numerous strategies have been applied to position products in the market place. The positioning can be based on features, benefit, price, quality, and unique characteristics.

The study revealed that the insurance firm have had unique products in the market and the unique products and services created value for consumers (4.21). Previous studies have indicated that the presence of intense global competition and a drastic technology change have compelled organizations to continually undertake product development (Cooper & Kleinschmidt, 2000). The advancement of new products development is globally recognized as a very vital source of competitive advantage. However, despite the importance of this both the present and future prosperity of companies, a high percentage of new products fail when released into the market (Gmelin & Seuring, 2014).

The study established that the firm has increased income through its unique product and services (4.21), and created brand loyalty through exclusive products (4.11), and that firms charge a premium for its unique product (4.07) however, there was uncertainty on whether Jubilee Insurance had developed a recognized brand name (3.88). Similarly, Knapp (2000) established that establishing a brand is a longtime commitment that takes time, and require successful planning to produce intangible outputs, which include greater customer satisfaction, and minimized price sensitivity. Alexander et al. (2002) highlights that customers value their relationships the brand, employees and the institution. He adds that the brand needs to identify and focus on differentiation points that provide
sustainable competitive advantage to the institution. Brand identity has also been found to involve understanding of the institutions customers, business environment and competition.

Aaker & Joachimsthaler (2000) states that brand identity should be aligned with the business strategy and willingness of the institution to invest in the processes needed for the brand to appeal to the customers. They also highlight that a strong brands results into customer loyalty, potential for premium prices, and considerable branding to support new product and service being launched. However, they highlight that the companies need to have thorough knowledge of customer beliefs, product and service attributes, behaviors and competitors. The study also revealed that there was an uncertainty on whether the firm could compete in areas other than price and, utilized marketing innovation in the industry. The most recent innovation used by the insurance firms has been the utilization of technology to advertise and make payments. Supporting this statement is the Genesys (2008) report that highlighted that consumers are increasingly using the internet to research about the products and prices. On the contrary, while many use the internet for comparison shopping, very few complete a sale as most websites are incapable of offering agent interaction avenues.

5.3.3 Focus Strategy and Performance

The findings based on the third research question revealed that the firm has improved its operational efficiency through specialization (4.21). This is a very important aspect as expressed by Hamel (2008) who deduced that job specialization has become one of the key facades of the modern capitalist economy. He further established that job specialization had potential to increase workers output and productivity. Adeyoyin, Agbeze-Unazi & Ladoke (2015) also states that specialization enables every employee to be a professional and involves giving workers particular job roles. Durkheim (2009) also established that the benefits of specialization in the society involves placing of employees into different job roles thus bringing economic efficiency. The study also established that targeting special segment had an impact on the firms’ profitability. Similar findings were established by Arasa & Gathinji, (2014) in their study to identify the competitive strategies utilized by Kenyan firms in the telecommunication industry where they also revealed that market focus strategies adopted led to an improved overall firm performance.
which they measures via changes in sales, market share, product innovation, customer retention and profitability.

Most of the respondents also highlighted that focus strategy enabled easy penetration into new market (4.11) as well as attracts customer attention to products and service (4.05). This is a fact that has also been expressed and according Ghemawat (2010) a firm that has adopted a focus strategy often enjoys a high level of customer loyalty hence are able to pass the higher costs to customers. In addition, he also notes that firms that succeed in this strategy have been able to tailor a broad range of product development thus offering a variety. It was also revealed that the firm aim to provide outstanding customer service. Indeed, Frumkin (2015) did establish that any business relies on the happiness and satisfaction levels of the customers. She further outlined that it was the responsibility of the firm to ensure that customers benefit as it is always very expensive to acquire new customers.

The results denied that the firm targets high priced segments (2.93) neither did it agree nor disagree with the fact that Jubilee insurance specializes in serving special market segments (3.40) or targets low priced segments (3.04). This could be attributed to the low insurance uptake and the high insurance costs in country and that is in line with Odemba (2013) study that revealed that high cost of premiums and inefficient claims settlement were the main contributors hindering the penetration of insurance in Kenya. Other major factors also noted was poor customer service, complicated nature of insurance products, poor sales methodology and lack of income by most Kenyans.

In line with the market share the study established that there was uncertainty about the whether the firm targeting special segment had an impact on the firm’s market share (3.89) or if the business creates brand loyalty by targeting special segment (3.86). In line with how focus strategy influenced performance there has been both positive and negative response (4.16). To begin with, the negative side a study by Yasar (2010) to investigate the effect of focus strategy on carpeting industry established that there was no significant relationship between competitive strategies and firm performance. On the other hand, George (2010) examined the relationship of competitive strategies and performance in telecommunication industry. The findings revealed that Safaricom Kenya Limited was in a vigorous pursuit of providing specialty products/services. This affected its performance in terms of growth in total revenue, total asset, and market share.
A regression analysis done between variables of focus strategy and performance show that 76.3% of the variation in performance was caused by the variation in focus strategy. Mary (2014) reports similar results in her study when she established that focus strategy significantly affected firm's competitive advantage. Contrary to this, Otuya (2016) findings from the regression analysis between cost leadership, differentiation and focus indicated that focus strategy had no significant influence on paint manufacturing firms in Kenya.

5.4 Conclusions

5.4.1 Cost Strategy and Performance

From the study, most of the respondents agree that strategies such as the pursuit of cost reduction, provision of outstanding customer service, offering affordable prices that influence market share and initiating cost reduction positively affects the organizations performance. The respondents however disagree that pricing below competitor translate into higher returns considering the nature of insurance products. However, there is uncertainty about the firm offering low cost products and services at acceptable quality, having an existing cost control system in place and an operational total quality control unit as well as being the lowest cost manager compared to competitors. Most of the respondents are also unaware of the firm reduce overhead costs over time.

This implies that for a firm to be able to perform better there is a need for organization to undertake a vigorous pursuit of cost reduction and have an operational total quality control unit. Apart from that, there is a need to price the insurance products and services below competitor and strive to maintain a low cost. When this happens, the firm can offer affordable prices that may have an influence on market share.

5.4.2 Differentiation Strategy and Performance

The study revealed that firms undertake new product development and unique products and services creates value for consumers. Most of the respondents also affirmed that they had unique products and that the firms could charge a premium for its unique product. In addition, most of the firm have increased income through unique product and services and they have created a brand loyalty among customers through exclusive products. There was uncertainty in the firms developing a recognized brand name and whether the firms can compete in areas other than price. It was also discovered that there was some
uncertainty level in utilizing marketing innovation in the industry and high quality unique products and services compared to other firms. This results implies that among the differentiation areas that has resulted in improved performance of Jubilee insurance include; development of a recognized brand name, creation of unique products and services that enable the firm to compete in areas other than price and at the same time the business charging a premium for its unique product. On the other side, there are areas that the firm need to work on to improve their performance and this include; The organization often undertaking new product development and value creation for consumers.

5.4.3 Focus Strategy and Performance

Jubilee insurance provides outstanding customer services and through specialization the firm has improved its operational efficiency. Targeting special segment has also had an impact on the firm’s profitability, enabled easy penetration into new markets and attract customer attention towards the products and service. There is however uncertainty on the firm specializing in serving special market segment, targets low priced segments, special segment having an impact on the firm’s market share and the business creating brand loyalty by targeting special segment. The respondents however, disagree that the firm targets high priced segments. Jubilee has experienced improved performance because of specialization that has improved operational efficiency also the targeting special segment impacted on the firm’s market share, in addition to the firm targeting high priced segments. However, there are areas that the firm needs to improve on to achieve better performance. This include specialization in special market segments, targets low priced segments, offer outstanding customer service and targeting only special segment that have potential for profitability. In addition, the business doesn’t need to create brand loyalty by only targeting special segment.

5.5 Recommendations

5.5.1 Recommendation for improvement

5.5.1.1 Cost Strategy and Performance

Jubilee insurance need to come up with a suitable pricing strategy that may include charging below the competitor and considering the low insurance uptake in the sector might result into increased customers and ultimately increased profitability. The firm also needs to articulate well its intention to its employees whether it is a low cost or a high cost strategy. They also need to inform all the employees about cost control systems and
operational total quality control unit that exist within the establishment. The firm also need to introduce departmental budgeting to make the employees aware of the firms intended strategies to maintaining overhead costs over time.

5.5.1.2 Differentiation Strategy and Performance
Jubilee need to come up with a way to ensure that the customers can recognized their brand name as well as come up with other areas to compete other than price. This might include coming up with new products and services. The firm also needs to utilize marketing innovation as huge number of Kenyans have phones and access to the internet and this will foster the introduction of high quality unique products and services compared to other firms.

5.5.1.3 Focus Strategy and Performance
The firm needs to specialize in serving special market segment and this could involve targeting a low-priced segment and thus such moves can have an impact on the overall firm’s market share and brand loyalty. However, there are areas that the firm needs to improve on to achieve better performance. The firm also needs to insist on offering outstanding customer service and targeting only special segment that have potential for profitability. In addition, the business can create brand loyalty by not only targeting special segment.

5.5.2 Recommendations for Further Studies
This study was confined within insurance business in Kenya though particularly to jubilee insurance. A similar but comparative study could be considered especially between Jubilee Insurance and other insurance firms in Kenya. It is also a fact that most firms either use generic strategies as outlined by porter or a hybrid strategy, there is therefore a need to determine the impact of hybrid strategy on the firm performance and alternatively undertake a comparative analysis between the hybrid and generic strategy and how they influence performance.
REFERENCES


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APPENDIX I: INTRODUCTION LETTER

MERCY W. MUGO
P.O. BOX 75552 - 00200
Nairobi, Kenya
Email: mugomercyw@gmail.com

October 2016

Dear Respondent,

RE: REQUEST FOR PARTICIPATION IN RESEARCH WORK
I am a graduate understudy at United States International University seeking after a Master's degree in Business Administration (MBA) with a fixation in Strategic Management. In incomplete satisfaction of the necessity for the degree, I am doing an exploration extend on “Strategies affecting performance of Health Insurance Companies in Kenya.”

I should acknowledge in the event that you benevolently total the encased survey, which will be utilized to gather the information significant to my review. Of significance to note is that you have been arbitrarily chosen to take an interest in this review. It is assessed that it will take under twenty (20) minutes of your opportunity to finish the poll. Mercifully react as genuinely and impartially as could be expected under the circumstances. Commitment from your end is exceptionally vital for the accomplishment of this review and it will be greatly loved. I guarantee you that the data gave will be dealt with extraordinary secrecy and may be utilized for scholastic purposes. In the event of any inquiries or worries about finishing the encased survey, kindly don't waver to reach me whenever through my contact gave at the highest point of this letter. I anticipate getting finished surveys and I might want to express my earnest appreciation for your kind collaboration ahead of time.

Thank you in advance,
Yours Sincerely,

Mercy Mugo.
APPENDIX II: RESEARCH QUESTIONNAIRE

Data collected in this survey is intended for academic purposes only and will be used in partial fulfillment of an MBA research project. All information gathered will be handled with the strict confidentiality.

The Research Questionnaire contains four (4) sections:

SECTION A: GENERAL INFORMATION

1. Gender: Male [ ] Female [ ]

2. Age: Between 18-25 [ ] 26-30 [ ] 31-35 [ ] 36-40 [ ] Above 41 [ ]

3. Level of education:
   - ‘O’ level [ ]
   - College certificate/ diploma [ ]
   - Bachelor’s Degree [ ]
   - Master’s Degree [ ]

4. Please indicate your position at Jubilee Insurance Co. Ltd.
   - Senior Management [ ]
   - Middle Management [ ]
   - Support Staff [ ]

5. Please Indicate your work experience
   - 0-5 years [ ] 6-10 years [ ] 11-20 years [ ] Above 20 years [ ]

6. From the statement below tick one strategy that best describes your institution.

   i. We strive to achieve low cost leadership [ ]
   ii. We strive to achieve market uniqueness about products and services [ ]
   iii. We focus on specific group of a specific market segment [ ]
SECTION B: COST STRATEGY AND PERFORMANCE

1. Using a scale of one to five rate, the following statements about Cost strategy by ticking the appropriate space provided with 1(Greatly disagree), 2 (disagree), 3(neutral), 4(agree) and 5(Greatly Agree)

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<tr>
<td>1 The organization undertakes a vigorous pursuit of cost reduction</td>
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<td>2 We offer low cost products and services of acceptable quality</td>
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<td>3 The firm has a cost control system in place</td>
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<td>4 The business strives to provide outstanding customer service</td>
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<td>5 The firm has an operational total quality control unit</td>
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<td>6 Pricing below competitor translate into higher returns</td>
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<td>7 Our firm has lowest cost management compared to competitors</td>
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<td>8 The organization has managed to reduce overhead costs over time</td>
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<td>9 The firms affordable prices has an influence on market share</td>
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<td>10 Cost reduction has led to a benefit from economies of scale</td>
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11. What other factors influences cost advantage in your organization

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SECTION C: DIFFERENTIATION

Using a scale of one to five rate, the following statements about differentiation by ticking the appropriate space provided with 1(Greatly disagree), 2 (disagree), 3( neutral), 4(agree) and 5(Greatly Agree)

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<tr>
<td>1  The firm strives to develop a recognized brand name</td>
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<td>2  The organization often undertakes new product development</td>
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<td>3  unique products and services creates value for consumers</td>
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<td>4  There is no other products like ours in the market</td>
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<td>5  Through unique product and services the business is able to compete in areas other than price</td>
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<td>6  The firm is has been utilizing marketing innovation in the industry</td>
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<td>7  The business charges a premium for its unique product</td>
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<td>8  The business offers high quality unique products and services compared to other firms</td>
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<td>9  The firm has increased income through its unique product and services</td>
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<td>10 We have created brand loyalty among our customers through our exclusive products</td>
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<td>11 The firm has had increased revenue growth through its unique products</td>
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12. What other factors influences differentiation in your organization

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SECTION D: FOCUS STRATEGY

Using a scale of one to five rate, the following statements about focus by ticking the appropriate space provided with 1(Greatly disagree), 2 (disagree), 3( neutral), 4(agree) and 5(Greatly Agree)

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<tbody>
<tr>
<td>1 The firm specializes in serving special market segments</td>
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<td>2 The firm targets high priced segments</td>
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<tr>
<td>3 The firm targets low priced segments</td>
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<td>4 The firm aim to provide outstanding customer service</td>
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<td>5 Through specialization the firm has improved its operational efficiency</td>
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<td>5 To maintain the quality of products or services the firm has set up a control system</td>
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<td>6 The firm undertakes regular extensive training of its front line personnel</td>
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<td>7 Targeting special segment has an impact on the firms profitability</td>
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<td>8 Targeting special segment has an impact on the firms market share</td>
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<td>9 Targeting special segment has enabled easy penetration into new markets</td>
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<td>10 The business creates brand loyalty by targeting special segment</td>
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<td>11 Targeting special segment attracts customer attention towards our products and services</td>
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12. What other factors influences focus strategy in your organization

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SECTION E: PERFORMANCE

Using a scale of one to five rate, the following statements about performance by ticking the appropriate space provided, with 1(greatly disagree), 2 (disagree), 3( neutral), 4(agree) and 5(greatly agree)

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<td>1</td>
<td>vigorous pursuit of cost reductions has an influence on the firms profitability</td>
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<td>2</td>
<td>Targeting special segment has an influence on the firms sales volume</td>
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<td>3</td>
<td>Offering unique products and services influences the firms market share</td>
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<td>4</td>
<td>The firms brand in the industry influences the pricing</td>
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<td>5</td>
<td>Targeting a specific market niche or segment influences return on equity</td>
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THANK YOU VERY MUCH FOR TAKING YOUR TIME TO COMPLETE THIS QUESTIONNAIRE