CORPORATE ENTREPRENEURSHIP, STRATEGIC MANAGEMENT, EXTERNAL ENVIRONMENT AND PERFORMANCE OF INSURANCE COMPANIES IN NAIROBI, KENYA

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ABSTRACT

This study sought to establish the effect of corporate entrepreneurship and strategic management on firm performance of insurance companies in Nairobi, Kenya.. The study used descriptive survey design. The respondents were senior executives and managers of all the 49 registered insurance firms in Nairobi. Data was analyzed using descriptive statistics and interpreted using frequencies, percentages and mean score. Results were presented in form of frequency tables. The results indicated that insurance companies use rewards to motivate, proactive and innovative employees. Insurance companies also use management support and organizational boundaries to set precise explanations of outcomes expected from organizational work and development of mechanisms for evaluating selecting and innovations within the organization. It is evident that new products have been the reason behind high organizational performance among insurance companies. The study concludes that insurance companies in Kenya through rewarding employees and offering them the necessary support, provide innovative products to the market which will then lead to higher firm performance. The study recommends that companies should leverage internal resources, especially the employees, to help them gain competitive advantage.

Keywords: Corporate Entrepreneurship, Strategic Management, Profit Maximization theory, Resource Based theory, Firm performance.

INTRODUCTION

The business economic environment is changing rapidly through phenomena such as the globalization, changing customer and investor demands, and the ever increasing product-market competition. Such changes have adverse effects on the organizations performance and profitability (Porter 1985). Organizations are slowly realizing that corporate entrepreneurship is initiative they can easily start within their organization. To tap into the talents of-managers that are innovative, companies need to create a conducive environment (Homsby, Kuratko & Zahra, 2002). The pursuit of a competitive position requires the organization reinvents itself continually. Companies that do not innovate, that are not flexible, or fast, or aggressive are not in a position to adapt to dynamic and complex external environments will not survive in the long run (Heavey et al., 2009). The ability to attain high performance through entrepreneurial activities sustainably requires a clear understanding of the constraints constantly facing entrepreneurship, as well as specific enablers and measures of entrepreneurial outcomes (Mohanty, 2005). Attaining a competitive position and improving firm performance compared to their competitors are the main aims that business organizations should specifically strive to attain (Raduan, Jegak, Haslinda and Alimin, 2009).

Several theories have been advanced to conceptualize entrepreneurship, strategic management and performance in organizations. The profit maximizing theory stipulates that the maximizing the long term profits should be the main objective of any organization in order to attain a high competitive position compared to its competitors (Barney, 1995). According to the resource-based theory a firm's competitive advantage lies in its internal resources (Barney, 2001). Specific types of resources owned and controlled by firms have uniqueness and potential to give the firm a competitive advantage and high firm performance (Ainuddin et al, 2007). The survival-based theory urges firms to always adapt to the environment in order to survive (Barney 2001). The contingency theory recommends that organizations should develop managerial plan based on the situation and condition they are experiencing because there is no one way to succeed. (Ainuddin et al 2007). The insurance industry in Kenya is rapidly growing, a fact attributed to the growth of the middle class, which means that more Kenyans have disposable income. According to the Association of Kenyan Insurers (AKI, 2015), Kenya is at the top of the insurance market in the African region that covers Tanzania, Uganda, Rwanda and Burundi where it represents seventy percent (70%) of the total market share. There has been increased demand for insurance recently because of factors such as increased urbanisation, growth of the real estate and infrastructure projects, and a growing energy industry. These factors have led to the increase in penetration of insurance in Kenya and the insurance companies have increased their branch and agency network to areas that were not previously covered such as Lake region and cost region. This expansion will be further supported by the introduction of new products to the market.

Corporate Entrepreneurship

Corporate entrepreneurship refers to development of new ideas and opportunities within the organization that can help to directly improve, the company's profits and improve its competitive position. In a competitive environment, corporate entrepreneurship is essential in ensuring the success of the organization in the long term. Entrepreneurship is the practise of building worth by using unique resources that are brought together by combining various resources (Kuratko, Covin, and Hornsby, 2014). The general belief regarding the corporate entrepreneurship (CE) is that, it is the development of new ideas within large organizations that enable the organization to be profitable and improve its competitive position (May, 2012). It is possible to create value using CE by putting together the creativity and efforts of members of an organization. Through corporate entrepreneurship, value creation is possible by harnessing the creativity and efforts of the members of the organization. Corporate entrepreneurship takes into consideration the unique operational context of the organization because there is no time that business operating environment is static. This change is global and companies are expected to change with the times, adapt and become more innovative. Many companies have turned to corporate entrepreneurship to combat the lack of growth and innovation as well as the lethargy and bureaucracy that sometimes accompany size (Thornberry, 2003).

Corporate entrepreneurship is a key source of competitive advantage, a fact that managers are becoming aware of (Athur, 1994). Managers are using corporate entrepreneurship to encourage employees to be more innovative and to come up with products and services that set the organization apart.

Strategic Management

Strategy is the long term course that an organization takes so that it can achieve a competitive advantage in an environment through its re-alignment of resources whose aim is to satisfy the expectations of the stakeholders (Johnson, Whittington, and Scholes, 2011). The overall strategy of the organization is to set out its objectives, allocate and align its resources for implementation. Therefore the practice of laying down an organizations objectives, creating policies and plans to achieve and attain these objectives, and allocating resources so as to implement the policies and plans sums up the concept of strategic management (David, 2005). Therefore, strategic management involves activities such as analysing the competition, creating goals and objectives, formulating strategies, translating the strategies into actions and establishing accurate controls. Corporate entrepreneurship supports the activities of strategic management through innovation and proactive actions. It's the responsibility of managers to attain competitive position by using the firm's internal resources to take advantage of external environmental opportunities while at the same time avoiding threats ("Boundless Management", 2016). Strategic managers continually evaluate the film's industry environment to assess competitors and come up with strategies that take advantage of the existing potential. They should constantly reassess their strategies to gauge its suitability and how it can be adjusted to the relevant situation (Hoskisson et al., 1999) bridge the gap between the strategy creation and execution. Strategic management is basically about setting a direction for the company, and then steering the company in that direction and at the same time adjusting the specific actions taken along the way based on evaluation of the changes in the company's environment (David, 2005).

External Environment

External environment include economic, technological, socio- cultural, political legal and international forces (Daft 1997). Richard et al., (2008) posits that external environment consist of factors that exist outside the organization boundaries. Mogamed et al., (2011) contend that a firm has no control over dynamic forces shaping new trends in the turbulent environment. They contended that economic conditions, competition, technology and resources were environmental factors that moderate firm performance. Other researchers have posited that environmental dynamism and hostility are key components that moderate firm performance (Pagell , et al., 2003); Richard et al., 2008; Rogers 2009). This study will use Pestel as external environmental factors moderating the relationship between corporate entrepreneurship and firm performance.

Firm Performance

Firm performance is the organizational ability to attain goals by using resources in an efficient and effective manner (Daft 1991). According to Wernerfelt (1989) determinants of firm performance include characteristics of the industry, organization position relative to its competitors and quality and quantity of organizations resources. Hopkins and Hopkins (1997) used three measures of firm performance namely profits, return on investment and return on equity. Several studies have recommended use of both financial and non –financial indicators. Mayer et al., (1996) used non finances such as job satisfaction, organizational commitment, employee turnover and entrepreneur satisfaction. Delaney and Huselid (1996) used non financial indicators such as growth in sales, public image, goodwill, quality services and efficiency of operations. Gentry et al (2010) used market share, operational efficiency, business survival and shareholder satisfaction.

REVIEW OF RELATED LITERATURE

Profit Maximizing Theory

The profit maximization theory was first advanced by Adam Smith in his book 'The Wealth of Nations' (Lynch, 2000). The theory is based on the perception that an organization's main objective is to maximize long term profit and sustain a competitive advantage over its rivals in the same market. The profit maximizing theory is based on the industrial-organization viewpoint which views the organization's place in the external market as crucial for attaining and sustaining a competitive advantage. Traditionally the industrial organization perspective gave strategic management a methodical model for assessing competition within an industry (Porter, 1981). Sustainable competitive advantage usually leads to sustainable high organizational performance.

According to the theory, for a firm to maintain a strong competitive position and performance, an organization has to formulate and implement strategies which maximize the organization's profitability in the long run with the ultimate purpose of developing sustainable competitive advantage over the competitor (Baker and Duhaime, 1995). The theory's main application is in company turn around. The reason any company employs a turning around strategy is to change the company financial situation from bad to good.

Resource Based Theory

Resource based theory (RBT) supports the profit maximizing theory by focusing on the internal resources (Barney, 1995). According to RBT, a company can achieve competitive advantage by focusing on creating unique internal resources. The organization should not basically focus on the opportunities and threats that the external environment provides, but should leverage internal resources to take advantage of these chances provided by the environment (Barney, 1995). RBT advances that the organization owns and controls certain unique resources that can be potentially exploited to give them a competitive advantage and eventually improve its performance (Ainuddin et al., 2007).

According to the RBT more practical to exploit internal resources to explore internal opportunities instead of looking for resources from outside the firm (Ainuddin et al., 2007). RBT looks at both the tangible and intangible-assets of the firm and holds two assumptions.

That the resources that the company possesses are different to other companies and are not transferable to in the short term. If the companies had similar internal resources, then there would be perfect competition because the company has nothing unique to offer the second assumption is that because the resources are not transferable, a company cannot copy another's resources to implement the same strategy as the other. Even if an organization takes the resources of another, they have to be changed to be applicable in the new organization.

Survival –Based Theory

Survival based theory was advanced by Herbert Spencer (Khairuddin, 2005) He proposed that organizations have to constantly adapt to changes in environment so that they can survive. According to Herbert Spencer, it's only natural for the organizations that change with the environment to survive. In addition, efficiency is a key strategy in order to survive. That organizations survive if they offer the best product that is produced in the least amount of time using the least amount of resources (Khairuddin, 2005). This strategy further reiterates that an organization cannot focus on one strategy. They have to select a set of strategies that lead to efficiency and by nature the best strategy is the one that adapts to the current environment (Lynch, 2000).

This theory is also applied in turning around the company based on the fact that most of the problems that companies face are related to inefficient systems, and all that is needed is to build efficiency to get back on track. The objective of turning around an organization is to primarily run that organization in an efficient manner to adapt to its environment. To achieve the ultimate goal of survival and improvement of profitability a company has to aim to become efficient in a competitive market (Baker and Duhaime, 1995). Therefore, the survival-based theory stresses that if a company does not adapt to the environment which is ever changing, it basically will not survive.

Contingency Theory

The Contingency theory is broadly applied in strategic management and it is considered to have the most influence on studies on strategy and the organization (Barney, 2005). (The contingency theory's main principle states that every organization is unique and what works for one organization cannot be applied in another. Also, no organization can depend on one strategy to succeed managers must adopt strategies based on the current situation that the organization is facing. The strategic management approach used should be the tools applied to assist managers develop, implement and evaluate strategy, and to guide them to make other strategic decisions (Lynch, 2000).

The contingency theory states that the organization seeks to be effective by adapting itself with the current situation that organization is in at the moment (Baker and Duhaime, 1995). So the early contingency theories held that the organization’s that perform highly are projecting the fact that the company is suitably adapted to its environmental situation such as in terms of its size, its level of adaptation to the new technology, and changing its products to the changing needs of customers (Miller, 2003). Therefore if the current situation of an organization changes and the company does not immediately change to reflect these changes, then that company will perform poorly.

Corporate Entrepreneurship and Performance

Every organization has its purpose or their core objectives that they aspire to achieve. There are set tasks that are identified that the organization will have to carry out in order to meet its objectives. Performance can be expressed as the successful achievement of tasks based on a previously established standard that defines the expected outcomes ("What is performance? Definition and meaning, 2016). Performance in organizations can be seen both as individual and organizational performance Organizational and people capabilities drive performance and enable the organization to execute their strategy. A high performance organization is characterized by highly energized employees who are confident in the organization's strategy and they are clear about their tasks. Performance is related to how a particular group that is organized in a predefined manner and with a pre-defined purpose successfully carryout a specified task (James, 2012).

Corporate entrepreneurship is used as a way for organizations o improve the capabilities of employees to innovate and also grow the success of the corporation through venturing into new areas (Mohanty, 2005). Firms that support entrepreneurship are characterized by higher growth (Covin, 2012). Innovation is a direct result of the activity of entrepreneurship and it has a direct effect on the performance of the organization. The more open to innovation and risk taking a firm is, the higher the chances for that company to perform well. Corporate entrepreneurship means that the company is offering unique products that keep the customers interested and thus they keep buying the products.

Corporate Entrepreneurship and Strategic Management

The strategic management activities of a firm has the ability to set it apart and give it a competitive edge above its competitors. The strategic management activities of a firm determine its stand on entrepreneurship and other activities that form the organization's culture. Key strategic management characteristics of an organization that encourages entrepreneurship include quick decision making processes, availability of resources to explore the ideas, and management support of creative ideas (Covin & Wales, 2012). The management responses and subsequent actions when suggestions and innovative ideas are brought forward determines the rate of success of the entrepreneurial efforts of the firm. This means that if entrepreneurship is encouraged in the organization's corporate culture then that organization is likely to experience higher performance.

A manager is considered effective when they can quickly diagnose and a situation and then adapts the organization's activities to meet demands of that situation (Racelis, 2010). This calls for the manager to create an entrepreneur friendly internal organizational environment. Rigidity and conservativeness among managers almost always suffocate the entrepreneurial efforts of employees yet entrepreneurship is a key source of strategy for organizations (Brown, Davidsson, & Wiklund, 2001). Innovative ideas and efforts provide the answer to strategic renewal and therefore management should support these efforts in order to survive and achieve higher levels of performance compared to competitors.

Corporate Entrepreneurship, Strategic Management, and Performance

In an organization, corporate entrepreneurship thrives when the management of that organization consciously look out for and recognize good ideas within the organization. These managers' aim should be to create a culture that encourages entrepreneurship from all levels of employees on the organizational chart. This freedom to come forward removes fear in employees and encourages them to expand their minds ((Racelis, 2010). The ultimate lessons that are gained from all the ideas that are brought forward lead to selection of one big idea that eventually leads to business success and keeps the organization moving forward.

Businesses improve performance and achieve higher levels of success by making a conscious effort to carry out specific activities that enable them to be aligned to the challenges posed by the external environment. The profitability of the firm, its market share, its rate of growth and the overall performance of the business are positively affected by organizational activities such as risk taking, innovative strategies, job freedom and an aggressive competition (Bhardwaj & Momaya, 2006). That means that the innovative activities an organization chooses to focus on are dictated on the external environmental factors. That the external environment can directly or indirectly affect the performance of the organization through the activities that organization chooses to focus on (Covin & Wales, 2012). The more dynamic and competitive the external environment, the more positive an impact an organization's entrepreneurial activities will have on its performance.

CONCEPTUAL MODEL

Moderating variable

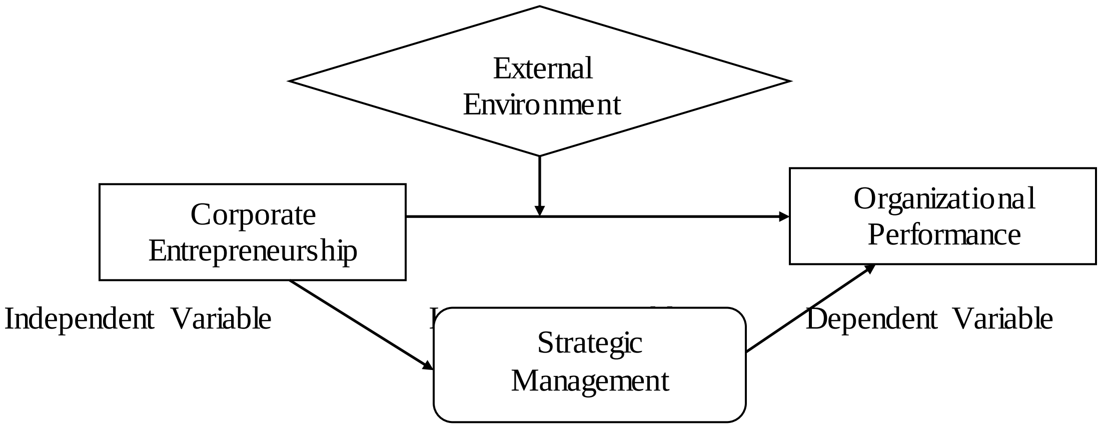

Figure 1: Conceptual Model

Research Objectives

1. To establish the effect of corporate entrepreneurship on firm performance.
2. To determine the mediating role of strategic management in the relationship between corporate entrepreneurship and firm performance
3. To establish the moderating role of external environment in the relationship between corporate entrepreneurship firm performance

MATERIALS AND METHODS

The study sued a survey research design of census study was done among all 49 registered insurance companies in Nairobi Kenya. Data was analysed using descriptive statistics and interpreted using frequencies, percentages and mean scores results were presented using frequency tables.

DATA ANALYSIS AND RESULTS

Corporate Entrepreneurship

One objective of this study was to evaluate the effect corporate entrepreneurship has on the performance of the organization. To achieve this objective, the researcher sought to evaluate whether the organization encourages risk taking, innovation, proactiveness, and rewards, factors that the researcher felt are commonly used in organizations to encourage entrepreneurship. The respondents responses were rated on a five likert scale where 1) represented Not at all, (2) Little extent, (3) Moderate extent, (4) Great extent, and (5) Very great extent. The frequencies mean scores and percentages were computed and the results presented in the table1.

Table 1: Factors used to encourage entrepreneurship among employees

Statement	Response	Frequency	Percent	Mean	S.D
Risk Taking	**Not at all**	**25**	**62.5**	1.9	1.236
	Moderate extent	**10**	**25**		
	Great extent	**4**	**10**		
	Very great extent	1	**2.5**		
	Total	40	100		
Innovation	**Moderate extent**	**3**	**7.5**	4.68	0.616
	Great extent	**7**	**17.5**		
	Very great extent	**30**	**75**		
	Total	40	100		
Proactiveness	**Not at all**	**1**	**2.5**	3.4	0.778
	Moderate extent	**25**	**62.5**		
	Great extent	**10**	**25**		
	Very great extent	**4**	**10**		
	Total	40	100		
Rewards	**Moderate extent**	**5**	**12.5**	4.35	0.700
	Great extent	**16**	**40.0**		
	Very great extent	19	**47.5**		
	Total	40	100		

Table 1 presents data on factors used encourage entrepreneurship among employees. Out of a maximum score of 5 on the likert scale, innovation had the highest mean score of 4.68 with the lowest standard deviation of 0.616. This was followed by rewards which had a mean score of 4.34 and a standard deviation of 0.700. Proactiveness came in third with a mean score of 3.4 and a standard deviation of 0.778. According to the findings, risk taking was the factor that was least used because it had the least mean score of 1.9 and the highest standard deviation of 1.236.

Strategic Management

Another aspect of the objective of this study was to evaluate what role strategic management plays in encouraging entrepreneurship and hence the high performance of the company. To achieve this objective, the researcher sought to evaluate whether the companies practice management support, work discretion/ autonomy, rewards/ reinforcements, time availability and organizational boundaries, strategic management factors that the researcher found are commonly used in organizations to encourage entrepreneurship. The participants responses were rated on a five Likert scale where 1) signified Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly agree. The frequencies mean scores and percentages were calculated and the results laid out in the table 2.

Table 2: Strategic management elements that aid corporate entrepreneurship

Statement	Response	Frequency	Percent	Mean	S.D
Management Support	Neutral	5	12.5	4.35	0.700
	Strongly Agree	16	40		
	Agree	19	47.5		
	Total	40	100		
Work Discretion / Autonomy	Strongly Disagree	13	32.5	2.03	0.832
	Disagree	13	32.5		
	Neutral	14	35		
	Total	40	100		
Rewards / Reinforcement	Agree	6	15	4.85	0.362
	Strongly Agree	34	85		
	Total	40	100		
Time Availability	Strongly Disagree	25	62.5	1.9	1.236
	Neutral	10	25		
	Agree	4	10		
	Strongly Agree	1	2.5		
	Total	40	100		
Organizational Boundaries	Neutral	14	35	4.13	0.911
	Agree	7	17.5		
	Strongly Agree	19	47.5		
	Total	40	100		

Table 2 presents the results of the strategic management elements that aid corporate entrepreneurship. Rewards/ reinforcement had the highest mean of 4.85 and the lowest standard deviation of 0.362. Management support had the second highest mean of 4.35 and a standard deviation of 0.7. The third element was organizational boundaries with a mean of 4.13 and a standard deviation of 0.911. Work discretion scored a mean of 2.03 and a standard deviation of 0.832. Finally, time availability scored a mean of 1.9 and a standard deviation of 1.236.

Organizational Performance

Finally, the researcher sought to find out how corporate entrepreneurship and strategic management combined affect the performance of the firm. The researcher considered five factors that the researcher thought are characteristic of a company that has the correct mix of corporate entrepreneurship and strategic management that lead to high company performance. The participants responses were rated on a five Likert scale where 1) signified Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly agree. The frequencies mean scores and percentages were calculated and the results laid out in the table 3 .

Table 3: Elements of corporate entrepreneurship and strategic management that contribute to high corporate performance.

Statement	Response	Frequency	percent	mean	S.D
New Product Launch	Agree	25	62.5	4.38	0.490
	Strongly Disagree	15	37.5		
	Total	40	100		
New Division (New Markets)	Strongly Disagree	18	45	2.25	1.463
	Disagree	8	20		
	Neutral	6	15		
	Agree	2	5		
	Strongly Agree	6	15		
	Total	40	100		
Innovations and Inventions	Disagree	3	7.5	3.85	1.001
	Neutral	14	35		
	Agree	9	22.5		
	Strongly Agree	14	35		
	Total	40	100		
Mergers and Acquisitions	Strongly Disagree	5	12.5	3.33	1.439
	Disagree	10	25		
	Neutral	3	7.5		
	Agree	11	27.5		
	Strongly Agree	11	27.5		
	Total	40	100		
Research and Development	Strongly Disagree	4	10.8	3 41	1.066
	Disagree	3	8.1		
	Neutral	5	13.5		
	Agree	24	64.9		
	Strongly Agree	1	2.7		
	Total	40	100		

Table 3 presents data on elements of corporate entrepreneurship and strategic management and how they affect performance. New product development has the highest mean of 4.38 and the least standard deviation of 0.490. Innovations and inventions had a mean of 3.85 and a standard deviation of 1.001. Research and development had the third highest mean of 3.41 and a standard deviation of 1.066. Mergers and acquisitions had a mean of 3.33 and a standard deviation of 1.439. New divisions had a mean on 2.25 and a standard deviation of 1.463.

The External Environment

The last question was how external environment moderates the relationship between corporate entrepreneurship and performance. The following answers were given by the respondents:

(a) Supervision: Increased and risk based capital has caused mergers
(b) Growth of some product classes as a result of new emerging risks e.g. terrorism. The political violence and terrorism cover has increased in sales leading to growth of profits.
(c) Reduced profits due to newer unprecedented risks such as floods, terrorism, and political violence
(d) The external political and economic environments have affected our organizational performance negatively because we operate in different countries.
(e) It has enabled us to remodel our products to suite the targeted markets and to make them attractive to our clients.
(f) There are many entrants to the industry which creates competition
(g) Recent mergers and acquisitions have affected our banc assurance business.

DISCUSSION OF RESULTS

The research findings reveal that risk taking is the least favorable factor that organizations use to encourage corporate entrepreneurship. This is reasonable considering that risks can sometimes be expensive. In a cut throat competitive environment, taking risks should be a calculated move because the costs incurred affect the firms profitability and hence performance. This then affects the firm's position in the mind of the customer which could lead to the company eventually going under. However, it is evident that most of the companies favor rewards as a means of encouraging employees. This goes in line with the resource based theory. That a firm has resources that it owns and that it can control that have the potential to give the firm a competitive edge and eventually a higher firm performance (Ainuddin et al., 2007).

Innovation and proactiveness are the most commonly used factors by insurance companies that use corporate entrepreneurship as a strategy to achieve competitive advantage. This supports the survival based theory. According to Lynch (2000) a company is at a better position if they experiment with several strategies at the same time so that they can eventually choose the one or two that achieve the best results. Target locking one strategy is too risky for any business but trying out different strategies can lead the company to discover a combination of strengths that it can use to take on new markets in terms of new customers or in terms of new business from existing customers.

Rewards and reinforcements came first as a strategy that is used by the managers to encourage employees' entrepreneurial behavior. That means that rewards play a major role in motivating employees towards entrepreneurship. An organization that has a clear way of rewarding employees is able to retain great talent and highly motivated employees. Recognition of great performance motivates the employee and benefits the company in terms of increased profitability. A good reputation is an advantage to the organization because it attracts the best talent and improves their public image. This translates to more profits because generally customers favor organizations with a good reputation.

In addition, management support is rated as the best under strategic management elements that aid corporate entrepreneurship. Racelis (2010) agrees that without management support, employees become demotivated and turnover is high. It is evidence that whatever the managers do has a resounding impact on the organization's performance. The management are in charge of creating a policy and a culture that encourages employees to be innovative. The idea is to create a good relationship between the managers and employees because it shows that a good relationship enhances the chances that an employee will come out with ideas, mission, and objectives. The expected outcomes from organizational work helps to mold the direction that employees take even as they innovate. It is essential to develop mechanisms for evaluating, selecting, and using innovations that come up within the organization. This was supported strongly by 65% of the respondents. Frustrations arising from not being able to hit the mark at work contribute greatly to employees' departure from the organization. Setting boundaries for innovation and entrepreneurial activities minimizes the levels of frustrations. Employees direct their actions towards activities that will lead to their reward and improved performance for the organization.

Work discretion and availing time were rated low and this shows that despite the company being willing to offer support and rewards to innovation, they do not allow employees to do as they please or give them -extra time to come up with innovative products. Therefore, employees are left with no choice than to adapt to the situation.

Mohanty (2005) agrees that corporate entrepreneurship is used as a strategy for organizations to enhance the innovative capabilities of their employees. The organization then achieves success because new products and ventures create new business for the organization. In addition, Innovation and Invention, Research and development, Mergers and Acquisition and New Division were reasonably rated. This agrees with the contingency based theory that that there is no one method or approach to run an organization successfully. That means that the companies that were surveyed use a combination of strategies to ensure profitability. As the profit maximizing theory recommends that an organization can achieve and maintain a competitive edge over its competitors by achieving its most important objective of constantly increasing its long term profits.

CONCLUSION OF THE STUDY

The study concludes that Innovation is a common strategy being used in the insurance companies. The managers are supportive of innovation among employees and they have put in place strategies on how to evaluate, select and use these innovations to give the organization a competitive advantage. Also, mechanisms have been put in place to evaluate performance and reward employees.

Through rewarding employees and offering them the necessary support, they can continuously provide innovative products to the market which will then lead to higher firm performance.

The companies have to use a combination of strategies such as creating new divisions, and mergers and acquisitions. A company focuses on corporate entrepreneurship as the only strategy at its own peril and will face failure in the long run because other players in the industry are working on a combination of strategies.

In support of the resource based theory, the study recommends that companies leverage internal resources, especially the employees to help them gain competitive advantage. The employees are the best sources of new ideas and this should be encouraged through rewards and support from the management. It is relatively cheaper for the company to use internal resources to increase profits.

The research also recommend that the insurance companies constantly review the external environment. This is in line with the survival based theory. The firm cannot operate in isolation or without regard for the external environment and industry environment in order to survive.

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