# Factors that Influence Organizational Transformation: A Case of Life Insurance Companies in Kenya

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**Abstract**
***Aims:*** The general objective of the study was to establish the factors that influence organizational transformation in Life Insurance Companies in Kenya. The specific objectives of the study were; to determine the effect of changing customer preferences on organizational transformation in the life insurance industry in Kenya, to determine the effect of competition on organizational transformation in the life insurance industry in Kenya and to determine the effect of technology on organizational transformation in the life insurance industry in Kenya.***Metrology:*** A case study design was used to undertake the study focusing on the Life Insurance Sector, which comprises of six companies. A convenience sampling design was used to select the three respondents from each organization. The three were selected to meet the following criteria:- The Chief Executive Officer was meant to provide information on the strategic direction of their respective organizations; the marketing manager was selected in order to provide information on competition and changing customer preferences with respect to their organizations; and the Information Technology manager was selected in order to provide information on changes in information technology and their influence on organizational transformation. Survey method was used to collect primary data, a semi-structured questionnaire being the main data collection tool. The researcher used the questionnaire with open questions, aimed at meeting the objectives of the study. Primary data were analyzed by employing descriptive statistics such as frequency distributions and percentages. Statistical Package for Social Sciences (SPSS) was used as an aid in the analysis. ***Results:*** The findings indicate that the factors that were greatly influenced by changing customer preferences were: product diversification, market differentiation, personal selling, offering products and services online; and establishment of customer care desks/centers. The findings also show that competition in the insurance industry has resulted to the organizations adopting product diversification, personal selling, increased branch networks, establishment of customers care desks/centers and reduction of premiums costs and related charges. Further, the findings show that technological changes had greatly influenced adoption of product diversification, personal selling, offering products and services online, increased branch networks and reduction of related charges.
**Keywords:** Organizational transformation; Life insurance companies; changing customer preferences; competition technology

## 1.0 INTRODUCTION

### 1.1 Background of the Study

There is no doubt that, as financial service institutions have become immersed in the new economy, sweeping change has permeated virtually every aspect of business. Market boundaries that were once clearly defined have been erased, raising competition to unprecedented levels. Technology, a critical element in today's business world, has completely restructured how companies interact with their customers and with each other. Traditional business models are giving way to new and more innovative market strategies.

The changing marketplace has forced financial institutions to be adaptive to remain competitive. In an effort to cut costs, many financial institutions have eliminated branch offices, since the largest expenses for financial institutions include labor costs and real estate (Orlow, Radecki and Wenninger, 2004). The insurance sector, like all other financial services segments, has been impacted by an array of economic trends and market forces, including soft market conditions, sluggish sales results and fierce competition. In this study, the researcher considers the significant factors contributing to the changing landscape of the insurance sector and predicts the impact of these factors on the industry.

Driven by the need to grow market share, provide services, expand distribution capabilities and improve operational efficiency, many financial services organizations are continuously pressured to look for synergetic acquisitions and shed unprofitable or non-core business (Krishnan, Ramaswamy, Meyer and Damien, 2003). According to Fader and Lee (2003), consolidation is the result of a variety of factors, including: globalization of financial markets; homogenization of financial products; demands of customers who want to obtain a full range of financial services from a single institution; lack of opportunities for organic growth; existence of too many inefficient insurance companies; insurers seeking to acquire new distribution channels; access to better technology; and entry into new markets through affiliations and acquisitions.

Globalization being the most important of these trends, will lead to the harmonization of Accounting and Governance standards, as foreign providers of capital demand improvements in disclosure and transparency.

National markets will have smaller populations of dominant firms, linked in global marketplaces. Niche markets, such as offshore tax havens and jurisdictions with protective secrecy laws, will diminish in importance. The global insurers will assume a much higher profile within the overall financial services environment (Patterson and Spreng, 2003). More specifically, increased competition, technological developments, changes in customer preferences and the growth of the various institutions have significantly altered the environment in which Insurance companies operate. In reality, insurance companies in developed countries have started to lose their market shares, while technology has minimized transaction costs and the number of competitors is continuously increasing. Legislative liberalization has strengthened competition not only among the insurance companies but also among other non-financial services organizations (Avery, Bostic, Calem and Canner, 2003; Krishnan *et al*., 2003; Orlow *et al.,* 2004).

Understanding the factors that influence the transformation in the organizations could help the implementers of organization transformation develop rational strategies to effectively respond. This research project will look at the factors that stimulate organizational transformation in Life Insurance firms in Kenya. The focus of this study was the influence of the factors identified by Orlow *et al* (2004), namely: competition; technological changes; and changes in customer preferences on adoption of organizational transformation. Understanding the factors influencing organizational transformation is important for senior management of insurance organizations, because it would potentially help them improve their strategic planning process.

## 1.2 Statement of the Problem

Today, Life Insurance Companies are competing not just on a national arena, but increasingly at international and global level. With six Life Insurance Companies operating in Kenya, the market for insurance services seems oversupplied and margins for the companies are being depressed in a highly competitive market place. Profitability will be determined by the extent to which organizations develop appropriate strategies to 'combat' the growing competitive forces. Among the alternative ways that companies have adopted in pursuit of their broad goals and objectives is the adoption of strategies that would best address the changing customer preferences. The companies are trying to woe individual customers and also meet their expectation with an aim of retaining them through quality service and fair charges.

A study by Prowse (2003) shows that research on the factors that influence organizational transformation of organizations is indeed scarce. This shortage is confirmed by Oman (2004) who holds a consensus that although the subject of organizational transformation in developed economies has recently received a lot of attention, the literature in developing economies has been almost ignored by researchers, an idea shared by Stanger, (2004).

Whereas the study by Mazrui (2003) focused on marketing strategies used by managers to address customer service challenges in financial institutions in Kenya, the one by Musa (2004) focused on the extent to which financial institutions in Kenya have adopted and implemented integrated marketing. There is thus no known study that focused on the factors that influence organizational transformation in the life insurance industry in Kenya.

## 1.3 Research Objectives

How the insurance companies have transformed as a result of increasing customer demands a result of consolidation. The general objective of the study was to establish the factors that influence organizational transformation in Life Insurance Companies in Kenya.

### 1.3.1 Specific Objectives

The study was guided by the following specific objectives:

i) To determine the effect of changing customer preferences on organizational transformation in the life insurance industry in Kenya

ii) To determine the effect of competition on organizational transformation in the insurance industry in Kenya

iii) To determine the effect of technology on organizational transformation in the insurance industry in Kenya

## 1.4 Importance of the Study

***Management of insurance companies:*** Secondly, the study will also make managerial contributions for players in the insurance industry, in that it will provide a basis for the personnel charged with the responsibility for leading organizational transformations in the sector to better understand the factors that would influence the transformation processes and could use the information to identifying the shortcomings of the process and improve on it.

***Policy makers:*** The research findings shall also aid in the formulation and enforcement of legislation that would facilitate full implementation of organization transformations that are legally binding.

***Researchers:*** The study will make a significant contribution to the growing body of research on organizational transformations owing to the fact that despite a growing interest in organizational transformation, occasioned by environmental changes, few studies have been yet developed. The findings may also be used as a source of reference for other researchers. In addition, other academic researchers may need the study findings to stimulate further research in this area of organization transformation and as such form a basis of good background for further researches.

### 1.5 Scope of the Study

The Association of Kenya Insurers' report of June 2013 indicates that the total number of Life Insurance firms in Kenya is six, with their headquarters strategically located in Nairobi. Consequently, the study focused on all the Life Insurance Companies based in Nairobi. The study respondents in each of the organizations were the Chief Executive Officer, the Marketing Manager, and the Information Technology manager. Despite the researcher's determination to contact only the respondents mentioned above, some of them were either away on official duties or leave, or were busy and as such, delegated to their juniors. In their absence therefore, the researcher hopes that the responses from the officers who were delegated the responsibility of responding to the questionnaires provided objective answers. The study took a period of Eleven months, commencing February, 2008.

## 2.0 LITERATURE REVIEW

### 2.1 Introduction

This chapter presents a review of the literature related to the purpose of the study. The chapter is organized according to the specific objectives in order to ensure relevance to the research problem. The review was undertaken in order to eliminate duplication of what has been done and provide a clear understanding of existing knowledge base in the problem area. The literature review is based on authoritative, recent, and original sources such as journals, books, theses and dissertations.

### 2.2 The Effect of Changing Customer Preferences on Organizational Transformation

According to Bonoma (2005), customer needs are one of several powerful forces for change in the demand for, and delivery of financial services. Bonoma further argued that the key developments causing customer needs to change include; changing demographics, changing work patterns, increasing financial assets and liabilities of households, increasing awareness of value, and willingness to adopt technology.

According to Peppers and Rogers (2003), changes to consumer lifestyles, improved living standards and the trend towards a diversification of product requirements means that customer demand for products that conform to individual tastes is increasing day by day. One-on-one marketing has emerged as a result and this trend has encouraged the life insurance industry to turn its attention to the development of a plethora of "individualized services". Among these developments is the use of e-business implementation by the life insurance industry to integrate, filter, organize and analyze data collected from policy sales, appraisals, and claim settlements (Ford, 2004). This further assists personnel to obtain these data on demand for use in satisfying customer requirements and providing individualized services.

Organizations operating in the insurance industry are faced with working in an environment that is rapidly changing and increasing in its complexity (Bonoma, 2005). New market entrants, changing customer preferences and market erosion across product lines demand creative approaches to product development, and a willingness to keep up with the rapid changes in technology.

Meidan (2005) argued that changes in customer behavior have also imposed changes in decisions related to offered services, as these services need to be of high quality in order to satisfy today's demanding clients. The price must be proportional to the perceived value, while distribution means should be used in order to achieve a high level of satisfaction. Orlow *et al.* (2004) asserted that since customers have more choice and more control, long lasting and strong relationships with them are critical to achieve and maintain competitive advantages and, as a consequence, earnings. However, due to the similarity of the offers of many financial services, loyal customers have a huge value, since they are likely to spend and buy more, spread positive word-of-mouth, resist competitors' offers, wait for a product to become available and recommend the service provider to other potential customers.

Harrison (2005) concludes that the traditional segmentation variables of age, stage in the family life cycle and social class have provided little insight into the financial services customer behavior. In order to take full advantage of the factors which could affect take-up and usage of financial services, Harrison develops a multi-dimensional model. The analysis has suggested four customer segments for financial services on the basis of customers' own perceived knowledge, confidence and interest in financial maturity, defined by the type and complexity of financial services currently in use. Each of the four segments is distinct in terms of the financial objectives exhibited, motivations for financial services usages and attitudes and behavior towards financial services.

Machauer and Morgner (2005) prefer segmentation by expected benefits and attitudes could enhance an organization's ability to address the conflict between individual service and cost-saving standardization. Lee and Marlowe (2003) investigate how consumers choose a financial institution for their checking accounts. It was found that, although most customers' value convenience as one of the most important decision-making criteria, their definitions of convenience varies across consumers. Another important finding of the study is that the participants facing new financial needs start their search process from the institution where they have their checking accounts.

Devlin (2004) investigates the relative importance of choice criteria according to consumers and also analyses differences in the importance of choice criteria with respect to a number of demographic and related factors. The study shows that choosing a home loan institution on the basis of professional advice is the most frequently cited choice criterion, closely followed by interest rates. Differences in the importance of choice criteria with respect to gender, class, household income, educational attainment, ethnicity and financial maturity are apparent.

Organizations, in order to face the challenges of the external environment successfully focus on market-driven products, in their effort to satisfy their clients' needs (Saatcioglu and Whinston, 2004). According to Howells and Hine (2003), as competition grows constantly, it is very important to examine the factors that have a positive impact on consumer purchasing decisions, so that organizations can create the appropriate marketing strategy. Most of today's financial institutions pay great attention to service delivery by promoting and advertising more and more competitive products within an environment that is based on offering the best services and suitable products for the client's benefit.

According to Orlow *et al.* (2004), clients communicate with other clients, study brochures and receive information from television and the Internet. Therefore, clients are more influenced than in the past by organizations' pricing policies and seek low costs for the provision of services. Today's clients turn easily towards the services of another organization than in the past, especially when they only find little and insignificant differences among the various products and services. According to Kaufman and Mote (2004), financial institutions, for example, in order to distinguish in the field of service delivery, have adopted a strategy that not only covers and meets all requirements and needs of the clients, but also provides innovation to those products that attract clients and persuade them for the rightness of their choice. This is also achieved by creating and promoting the particular characteristics and comparative advantages of the various products (Anderson and Narus, 2003).

Peppers and Rogers (2003) assert that Life insurance companies are facing stiff competition as new intermediaries from outside the industry try to attract Baby Boomers to their retirement products via nontraditional sales channels. For example, capital markets and banks are purchasing policies from their original owners and reselling them. This issue of Stranger-Owned Life Insurance (STOLI) is a Pandora's Box that already has been opened in part, by the industry itself and it needs to be addressed. Older policyholders (particularly empty nesters) are questioning why they have to continue paying large premiums when their insurance needs have changed. However, when they ask their carrier for cash back from their payments, they get very meager returns. Banks have jumped into the breach by offering many creative retirement products that provide consumers better returns. In response, the insurance industry should strive to create a viable marketplace and appropriate products; so that people can get some value from a product they no longer need.

Product and service innovation – Insurance products can appear very similar to consumers, whether they are offered by traditional insurance firms or their competitors (Butz and Goodstein, 2003). Insurance industry executives need to ask, "What can I do differently to be viewed distinctly and positively by the public to advance my organization in this marketplace? What opportunities exist for brand and product differentiation?" The quest for product and service innovation requires commitment and funding (Stanger, 2004).

Insurance companies may need to allocate a larger share of their budgets to product development, advertising, customer service, and distribution. For some, increased expenditures in these areas may require looking at ways to reduce costs and enhance operating efficiencies in others. Insurance companies also need to be more flexible, nimble, and open-minded regarding sources of innovation, such as adopting leading practices from other industries. For example, the consumer product, telecommunications, and banking industries have been using data mining and predictive modeling for years to better understand customer preferences and buying habits and thus enhance opportunities to cross-sell and up sell. Yet, only recently have these tools been attracting the attention of the insurance industry (Ford, 2004).

## 2.3 Effect of Competition on Organizational Transformation

Globalized competition has stressed the strategic importance of satisfaction, quality and consequently loyalty, in the battle for winning consumer preferences and maintaining sustainable competitive advantages. In the service economy especially, these prove to be key factors reciprocally interrelated in a causal, cyclical relationship. The higher the (perceived) service quality, the more satisfied and loyal the customers (Petruzzellis, D'Uggento and Romanazzi, 2006). Furthermore, the increasingly competitive environment prevailing in the global market and rapid advances in customer intelligence technologies have led organizations to look for new business and marketing models for realizing intelligence-driven customer transactions and experiences (Morgan and Wyman, 2004). Nowadays great attention is paid to all the customer touch-points, aiming to optimize the interaction, towards affecting specific customer behavior variables.

In the past customer retention strategy was just one weapon to use against competitors and was downplayed because marketing professionals focused primarily on attracting new customers. However, firms that continue to acquire new customers but are unable to retain them are unlikely to see positive results and customer retention has become essential to survival (McDonald and Keasay, 2003). Indeed, the relationship between the customers and organizations seems to be built around two different types of factors: social bonds, namely relational components that result in direct relationships, and structural bonds, namely structural components which provide knowledge about the parties involved.

The services market is becoming ever more competitive, as price competition intensifies and the shifting of loyalty becomes an acceptable practice. Many industries have already experienced a rearrangement of marketing budgets in order to devote more resources to defensive marketing, namely customer retention (Patterson and Spreng, 2003). Several initiatives have been undertaken to improve retention, including value chain analysis, customer satisfaction and loyalty programmes (Gummerson, 2004).

The customer satisfaction-retention link has received more attention among marketing and management practitioners and academics. Customer satisfaction has long been regarded as a "proxy" for firm success since it is inextricably linked to customer loyalty and retention. Several authors (Bloemer and Lemmink, 2003; Bloemer and Kasper, 2003; Sharma and Patterson, 2004) highlighted, however, that the link between customer satisfaction and customer retention is reliant, to some extent, upon other factors such as the level of competition, switching barriers, proprietary technology and the features of individual customers. The relationship between these two key constructs is considered to be far more complex than it might first seem (Fournier and Mick, 2003).

Satisfaction has a significant impact on customer loyalty (Sharma and Patterson, 2004) and, as a direct antecedent, leads to commitment in business relationships (Burnham, Fels and Mahajan, 2003), thus greatly influencing customer repurchase intention (Morgan and Hunt, 2004). Indeed, the impact of satisfaction on commitment and retention varies in relation to the industry, product or service and environment. However, customer commitment cannot be dependent only on satisfaction (Burnham *et al*., 2003). Relational switching costs, which consist in personal relationship loss and brand relationship costs and involve psychological or emotional discomfort due to loss of identity and breaking of bonds (Burnham *et al*., 2003), have a moderating effect on the satisfaction – commitment link (Sharma and Patterson, 2004). Since relational switching costs represent a barrier to exit from the relationship, they can be expected to increase the relationship commitment. High switching barriers may mean that customers have to stay (or perceive that they have to) with suppliers who do not care for the satisfaction created in the relationship. On the other hand, customer satisfaction is usually the key element in securing repeat patronage; this outcome may be dependent on switching barriers in the context of service provision (Jones, Mothersbaugh and Beatty, 2003).

Indeed, if the firm is able to manage the customer switching costs, it can still retain the customer even though the satisfaction may be lower. The longer the relationship, the more the two parties gain experience and learn to trust each other (Dwyer, Schurr and Oh, 2004). Consequently, they may gradually increase their commitment through investments in products, processes, or people dedicated to that particular relationship. Moreover, a switch in suppliers involves set-up costs and termination costs; the former include the cost of finding another supplier who can provide the same or better performance than the current supplier or the opportunity cost of foregoing exchange with the incumbent, while the latter include the relationship specific idiosyncratic investments made by the customer that have no value outside the relationship (Dwyer *et al.,* 2004).

The extreme competition and saturation in the financial services markets and the growing demand of products and services through new media, such as the Internet and mobile phone (Methlie and Nysveen, 2003; Jun and Cai, 2001; Bradley and Stewart, 2003), have forced organizations to quickly respond to the new changes and challenges with new and different business models. In the financial services industry, a long term relationship with customers (Grönroos, 2003; Berry, 2004) is the key success factor that is enormously increasing with the electronic channels. The proliferation of new channels and the high demand for differentiated products has presented customers with a wide choice in terms of which service to use in order to profitably interact with the insurer. The extended portfolio does not only offer benefits to customers, but also to organizations. The organizations have now the opportunity to capitalize on the beneficial characteristics of the various products and channels, for example while electronic channels help to reduce the costs of interaction with the customer by substituting labor intensive operations with automated sales processes, the interactivity of a face to face consultation provides various cross-sell opportunities (Clemons, Hitt, Gu, Thatcher and Weber, 2003).

The decision to adopt a service is primarily driven by the perceived benefits and perceived costs of using the new "product" (Eastlick and Liu, 2004), that is its adoption depends on the value the "product" can provide to a customer. Such a value is identified by: the "product" service quality (Montoya-Weiss, Voss and Grewal, 2003), the convenience it offered (Black, Robinson, Schlottmann and Schweitzer, 2004; Devlin and Yeung, 2003), the risk involved in conducting transactions through the "product" (Black *et al*., 2004; Grewal, Levy, and Marshall, 2004; Reardon and McCorkle, 2004), and the costs of conducting business through it (Devlin, 2004). Moreover, the organizational attributes such as perceived convenience, service quality and price (Bhatnagar and Ratchford, 2004), influences the perceived value of a service which, therefore, depends not only on its attributes but also on moderating effects such as situation or customer features (Mattson, 2003). Hence, the importance of an organizational attribute for the choice decision might vary for different situations and customers.

Therefore, consistently with the literature, it is possible to distinguish two loyalty dimensions: A past loyalty (Zins, 2003) which associates more to the consumer's behavioral loyalty (Snehota and Söderlund, 2004; Chaudhuri and Holbrook, 2003) and represents the relative importance of a specific organization's service in the previous customer's transactions decisions; and A cognitive loyalty, defined as the behavioral intention of using the organization's service in future (Methlie and Nysveen, 2003; Van Riel, Liljander and Jurriens, 2004). The perceived service quality, satisfaction and past loyalty are antecedents of the intention of continuing to use the service or future loyalty. Organizations should assure a high quality in the services offered to be able to survive in the highly competitive markets and to achieve a sustainable advantage in the long term (Mefford, 2003; Jun and Cai, 2004).

In conclusion, the customer involvement in the production has evolved from servuction (Eiglier and Langeard, 2003) to prosumption (Sigala, 2005), which has two dimensions, namely the willingness to be involved and the competences to take part in designing and projecting the service output. Its obvious consequence is customer satisfaction (Cermak and Prince, 2004), and it takes place together, or interacting, with other customers (Kelley, Skinner and Donnelly, 2003). Moreover, customer inputs and their co-production performance considerably affect productivity, added value and efficiency of the provider; thus highlighting the profitability of customer loyalty.

## 2.4 Effect of Technology on Organizational Transformation

In the increasingly competitive marketplace, information technology (IT) is now frequently being employed as a distribution channel and medium of interaction (Gilbert, Powell-Perry and Widijoso, 2003; Glynn, 2004). Organizations that do not learn and adapt to changing technology can face painful competition, but integrating technology can require substantial re-thinking of the exact nature of customer relationships (Zineldin, 2003). For high-level financial services, it is frequently difficult to separate technology from the relationship between firms and their customers. Some technology implementations may reduce interaction across the employee – customer interfaces (Quinn, 2005). However, customer satisfaction in many services depends strongly on the service encounter (Jones and Suh, 2005). For technology to enhance competitiveness, it must deliver real value to customers in the service interaction, and customers must like it. Thus, the impact of technology on customer satisfaction in the service interaction is a critical area of research.

The use of information technology in service offering creates unprecedented opportunities for organizations in the ways they organize their product development, delivery, and marketing via the Internet. While it offers new opportunities to organizations, it also poses many challenges such as the innovation of IT applications, the blurring of market boundaries, the breaching of industrial barriers, the entrance of new competitors, and the emergence of new business models (Saatcioglu and Whinston, 2004; Liao and Cheung 2003). Now, the speed and scale of the challenge are rapidly increasing with the pervasiveness of the Internet and the extension of information economy (Holland and Westwood 2004).

However, to successfully cope with the challenge of the Information Technology innovation in organizations, the nature of the change and capability barriers that it presents must be understood by the organizations (Southard and Siau, 2004). Without this understanding, attempts to transform organizations may be doomed to failure. Organizations that are equipped with a good grasp of the e-business phenomenon will be more able to make informed decisions on how to transform them into e-companies and to exploit the e-business to survive in the new economy (Southard and Siau 2004). From the resource-based view (Grant 2003, Mahoney and Pandian 2005), in such a context, the organizations must constantly reconfigure, renew, or gain organizational capabilities and resources to meet the demands of the dynamic environment. Developing core capabilities can help the organizations redeploy their resources and renew their competences to sustain competitive advantages and to achieve congruence with the shifting business environment.

According to Afuah (2003), an innovation is the use of new technological and business-related knowledge to offer new products or services that customers want. Zwass (2003) argues that in order to comprehend the scope and impact of an innovation, it is necessary to organize them systematically and to understand them fully. Abernathy and Clark's (2004) innovation model classifies innovations based on the impact on the existing technological and business capabilities of the adopting firm. Accordingly, the innovation encompasses a set of aspects: IT, customer, finance, marketing, and strategy. These aspects can be classified into two major domains: technology and business model that underpin an organization's capabilities (Holland and Westwood 2004, Wu and Hsia 2004). Thus, the researcher proposes a two-dimensional model, adopted from Abernathy and Clark, to analyze the e-business innovation as described below.

According to Abernathy and Clark (2004), the taxonomic model indicates that the subject of innovation can be described in terms of its technological knowledge and business model. An innovation can be placed anywhere on a continuum from incremental, transitional, radical, to disruptive depending on the extent to which the innovation impacts the technological knowledge and business model of an organization. An innovation is incremental if it preserves the existing technological knowledge and business model; transitional if it destroys technological knowledge but preserves the business model, radical if it destroys the business model but preserves the technological knowledge and disruptive if both the technological knowledge and business model become obsolete.

Business model is often used to describe the key components of a given business. Chesbrough and Rosenbloom (2003) defined business model as a coherent framework that converts the new technologies through markets into business value and identified the six components of a business model: value proposition, market segment, cost structure, profit potential, value network, and competitive advantage. Afuah and Tucci (2003) proposed a set of components of Internet business model, including profit site, customer value, scope, pricing, revenue sources, implementation, capabilities, and sustainability. Based on the literature, the functions of a business model are to: articulate the value proposition (customer value); distinguish a market scope; estimate the cost structure; assess the profit potential; identify the structure of the value network within the insurance needed to collaborate with their customers and other stakeholders. We therefore define the dimensions of the business model, including value proposition, market scope, and cost structure, profit potential, and value network.

Based on the resource-based view (Grant 2003), a firm's competitive advantage depends on its superior deployment of capabilities (Christensen and Overdrof 2003). There are growing evidences that core capabilities are often critical drivers of firm performance (Teece *et al*., 2003). The core capabilities refer to the firm-specific ability to combine efficiently a number of resources, identify market opportunities, determine strategic situation, and create competitive advantage. In this respect, the development of core capabilities reflects a firm's ability to cope with the change in a timely way. Following the core capabilities perspective, several scholars explored the core capabilities for an electronic business (e-business). For instance, Rindova and Kotha (2004) employed the perspective to examine how the organizational form, function, and competitive advantage of E-business co-evolve. Heijden (2003) identified three information technology (IT) capabilities such as IT governance, business system thinking, and relationship building in an electronic commerce (e-commerce) context.

Daniel and Wilson (2003) identified eight core capabilities that are necessary for E-business transformation and identified practices in developing these capabilities that are both effective and common across firms. Wheeler (2004) proposed the Net-Enabled Business Innovation Cycle (NEBIC) model for measuring, predicting, and understanding a net-enabled business's ability to create customer value through the use of innovative IT. This approach incorporated both a process view of net-enabled business innovation and defined four essential capabilities: choosing new IT, matching economic opportunities with technology, executing business innovation for growth, and accessing customer value for net-enabled business innovation that creates customer value. The strengths or weaknesses of these capabilities can be used to predict the net-enabled business's ability to create value in the face of technological change.

A firm's ability to embrace and exploit an innovation is a function of the extent to which the innovation renders the firm's existing capabilities obsolete (Afuah 2003). The foregoing discussions show that e-business is a disruptive innovation that will render the incumbent organizations' established capabilities obsolete. In facing the change, the incumbent insurer needs to undergo business transformation in order to exploit e-business. To do this, organizations have to change their conventional mindsets and reconfigure their capabilities around the needs of e-business. It requires careful coordination with the development of core capabilities in order to successfully respond to the technological and business changes (Wheeler 2004, Daniel and Wilson 2003).

The results of comparison suggest pronounced differences in technological knowledge and business model between traditional insurance and e-business. The differences raise a number of challenges including issues related to the technical infrastructure, service offerings, and transaction security, which means a radical overhaul of the way of doing business for the organizations. Based on the proposed innovation model and the core capabilities perspective, a business's ability to exploit the e-business relate to two generic capabilities: technical and business.

## 3.0 METHODOLOGY

### 3.1 Introduction

This chapter covers a description of the study design, target population, sample design, data collection methods, research Procedures and data analysis and presentation.

## 3.2 Research Design

A case of the Life Insurance sector, comprising of a total of Life Insurance Companies was undertaken. According to Brown, Askew, Baker, Denvir and Millett (2003), research design provides the glue that holds the research project together. A design is used to structure the research, to show how all of the major parts of the project, which include the samples or groups, measures, treatments or programs, and methods of assignment that work together to try to address the central research questions.

Case studies involve collecting empirical data, generally from one or a small number of cases. It usually provides rich detail about those cases, of a predominantly qualitative nature (Yin, 2004). Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. A case study generally aims to provide insight into a particular situation and often stresses the experiences and interpretations of those involved. It may generate new understandings, explanations or hypotheses. However, it does not usually claim representativeness. Therefore, researchers using case studies should be careful not to over-generalize (Ball, 2004).

Case study research excels at bringing researchers to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research (Hamel, Dufour and Fortin, 2003).). According to Eisenhardt (2004), case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Social scientists, in particular, have made wide use of this qualitative research method to examine contemporary real-life situations and provide the basis for the application of ideas and extension of methods (Miles and Huberman, 2003). Many well-known case study researchers such as Stake (2005), Simons (2003) and Yin (2004) have suggested techniques for organizing and conducting the case study research successfully. This case study research draws upon their work and proposes six steps that the should be used are, determine and define the research questions, select the cases and determine data gathering and analysis techniques, prepare to collect the data, collect data in the field, evaluate and analyze the data, and prepare the report.

The study took a holistic, in-depth approach and as such, the case study was the most appropriate methodology. According to Feagin, Orum and Sjoberg (2004), case study is an ideal methodology when a holistic, in-depth investigation is needed. Case studies are multi-perspective analyses. The researcher considered not just the voice and perspective of the actors, but also of the relevant groups of actors and the interaction between them. This one aspect is a salient point in the characteristic that case studies possess. However, case studies tend to provide in-depth information about a limited number of subjects, and may produce new insights that generate additional studies. The major challenge expected in using the case study approach is that the researcher is required to have excellent knowledge of the topic when designing questions. The researcher approaches the subjects of study with an inquisitive mind and an openness that permits subjects to respond in an unlimited number of directions. This less structured approach may take the researcher down avenues he did not anticipate traveling and open doors to new kinds of understanding.

## 3.3 Population and Sampling Design

### *3.3.1 Population*

The study focused on the Insurance Industry in Kenya. The population of interest was the Life Insurance Companies operating in Kenya, whose number stood at six (Appendix I) according to Association of Kenya Insurers, June 2013. The Life Insurance companies offer life covers, group life products, and medical and savings products. The study will focus on the Chief Executive Officer, Marketing Manager and the Information Technology manager were the study respondents in each of the six organizations**.**

### *3.3.2 Sampling Design*

***Sampling Fram**e:* A sampling frame is a list from where the population is drawn. For purposes of the current study, the sampling frame was the Life Insurance companies in Kenya. A list obtained from the Association of Kenya Insurers shows that there were 6 Life Insurance Companies in Kenya as at June 2013, with their headquarters strategically located in Nairobi. Each of the six organizations provided a list of its Chief Executive Officer, Marketing Manager and the Information Technology Manager who were the respondents.

***Sampling Technique and Sample Size:*** A census of all the six organizations was undertaken, each of the organizations being represented by three respondents. Researchers usually cannot make direct observations of every individual in the population they are studying. Instead, they collect data from a subset of individuals, referred to as a sample and use those observations to make inferences about the entire population. Ideally, the sample corresponds to the larger population on the characteristic(s) of interest. In that case, the researcher's conclusions from the sample are probably applicable to the entire population. A convenience sampling design was used to select the three respondents from each organization. The three were selected to meet the following criteria:- The Chief Executive Officer was meant to provide information on the strategic direction of their respective organizations; the marketing manager was selected in order to provide information on competition and changing customer preferences with respect to their organizations; and the Information Technology manager was selected in order to provide information on changes in information technology and their influence on organizational transformation.

### 3.4 Data Collection Methods

Primary data was collected using survey method, a semi-structured questionnaire being the main data collection instrument. Section I of the questionnaire consisted of items pertaining to profile of the respondents while section II consisted of items pertaining to the area of study. Since all the Life Insurance Companies have their head office in Nairobi, questionnaires were hand delivered then collected after completion by the respondents.

### 3.5 Research Procedures

The questionnaires were pilot tested on six randomly selected respondents before they were administered. The purpose of the pilot testing was to ensure that the questionnaires were understood in their correct perspective, in order to meet the research objectives. The procedure that was used in collecting data was through distribution of the questionnaires that is, dropping and picking questionnaires from respondents at their most convenient time that was agreeable to both parties. A letter of introduction, which stated the purpose of the study, was attached to each questionnaire. In addition, the researcher made telephone calls to the respective respondents to make follow up on the questionnaires that were delivered to the respondents. Once completed, the researcher personally collected the questionnaires. This gave her the opportunity to clarify certain issues arising from the various responses.

### 3.6 Data Analysis Methods

According to Marshall and Rossman (2003), data analysis is the process of bringing order, structure and interpretation to the mass of collected data. For purposes of the current study, the data were analyzed by employing descriptive statistics such as frequencies and percentages. Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data. Descriptive statistics help us to simply large amounts of data in a sensible way. Each descriptive statistic reduces lots of data into a simpler summary. The findings pertaining to the three objectives of the study are presented in form of percentages. Statistical Package for Social Sciences (SPSS) was used as an aid in the analysis. The researcher preferred SPSS because of its ability to cover a wide range of the most common statistical and graphical data analysis. For purposes of presentation, frequency tables, charts and bar graphs were used.

## 4.0 RESULTS AND DISCUSSION

### 4.1 Introduction

This chapter covers the data analysis, presentation and interpretation of primary data collected. A case study of the Life Insurance sector was undertaken and primary data was obtained from three respondents from each of the six respondent organizations with the aid of a questionnaire. The three respondents from each of the organizations were the Chief Executive Officer, Marketing manager and Information Technology manager. The general objective of the study was to establish the factors that influence organizational transformation in Life Insurance Companies in Kenya. All the 18 questionnaires that were distributed to the various respondents were returned completed (100% response rate).

### 4.2 Demographic Data

This section presents the profile of the respondent organizations and the study subjects. The section covers brief information on period the Life Insurance Companies have been in operation in Kenya, ownership of the companies in terms of whether they are local or foreign, number of full time employees in each of the organizations, Number of branches each of the companies has in Kenya and Number of years of service by respondents in current organization.

#### *4.2.1 Number of Years the Organization had been in Operation in Kenya*

The researcher sought to establish the number of years the various Life Insurance Companies had been in operation in Kenya. Table 4.1 presents a summary of the responses pertaining to the number of years the organization had been in operation in Kenya.

 

**Table 4.1: Period of Operation in Kenya**

| Number of years in operation in Kenya | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Less than 1 year | 0 | 0 |
| 1 to 5 years | 3 | 17 |
| 6 to 10 years | 3 | 17 |
| 11 to 15 years | 6 | 33 |
| 16 years and above | 6 | 33 |
| **Total** | **18** | **100** |

Table 4.1 shows that 33% of the organizations had been in operation in Kenya for at least 16 years, 33% had been in operation for between 11 and 15 years, 17% had been in operation in Kenya for between 6 and 10 years while 17% had operated for between 1 and 5 years. None of the organizations had been in operation in Kenya for less than 1 year.

### *4.2.2 Ownership of Life Insurance companies*

The researcher sought to establish the ownership structure of the various organizations in terms of whether they are local or foreign. Table 4.2 presents a summary of information pertaining to ownership of the Life Insurance Companies in Kenya.

**Table 4.2: Ownership of Life Insurance companies**

| Ownership structure | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Balanced between foreign and local (50/50) | 0 | 0 |
| Predominantly foreign | 3 | 17 |
| Predominantly local | 15 | 83 |
| **Total** | **18** | **100** |

Table 4.2 shows that 83% of the Life Insurance Companies are predominantly locally owned while only 17% are foreign owned.

### *4.2.3 Number of full time employees*

Information pertaining to the number of employees is presented in this sub section of the demographic data. The researcher sought to determine the size of the Life Insurance Companies by establishing the number of full time employees. Table 4.3 presents a summary of the responses.

**Table 4.3: Number of full time employees**

| Number of full time employees | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Less than 25 | 0 | 0 |
| 26 to 50 | 0 | 0 |
| 51 to 75 | 3 | 17 |
| 76 to 100 | 6 | 33 |
| 101 employees and above | 9 | 50 |
| **Total** | **18** | **100** |

The findings in table 4.3 show that 83% of the Life Insurance companies in Kenya are employing more than 76 people.

### *4.2.4 Number of branches*

This sub section of the demographic data presents information on the number of branches each of the organizations has. The responses are summarized and presented in terms of numbers and percentages in table 4.4.

**Table 4.4: Number of Branches**

| Number of branches | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Less than 5 | 3 | 17 |
| Between 5 to 10 | 9 | 50 |
| Between 11 and 20 | 6 | 33 |
| Above 20 | 0 | 0 |
| **Total** | **18** | **100** |

The findings from table 4.4 indicate that majority of the Life Insurance companies (83%) had at least 5 branches in Kenya, 33% of the companies had over 10 branches across Kenya hence the spread of their services countrywide. Only 17% of the companies had less than 5 branches.

#### *4.2.5 Number of years of service in current organization*

Information pertaining to the number of years the respondents had worked in their current organizations is presented in this sub section of the demographic information. The respondents were asked to indicate the period of time they had worked in their current organizations. Table 4.5 presents a summary of responses pertaining to the number of years of service by employees in the current organization.

**Table 4.5: Number of years of service in current organization**

| Number of years of service in current organizations | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Less than 1 year | 3 | 17 |
| Between 1 and 5 years | 6 | 33 |
| Between 6 and 10 years | 5 | 28 |
| Between 11 and 15 years | 4 | 22 |
| **Total** | **18** | **100** |

The findings in table 4.5 indicate that 83% of the respondents had worked in their current organizations for a period exceeding 1 year with only 17% of the respondents having worked in the company for less than a year. 50% of the respondents had actually worked in the current organizations for over 5 year.

### 4.3 The Effect of Changing Customer Preferences on Organizational Transformation in the Life Insurance Industry in Kenya

This section presents the findings on whether changing customers preferences has resulted to the organizations adopting transformations like product diversification, market differentiation, personal selling of organizations products and services, offering products and services online and establishment of customer care desks/centers.

#### *4.3.1 The Effect of Changing Customer Preferences on Product Diversification*

This sub section presents the responses pertaining to the influence of changing customer preferences on product diversification.

**Table 4.6: The Effect of Changing Customer Preferences on Product Diversification**

| Responses on adoption of product diversification | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 15 | 83 |
| No | 3 | 17 |
| **Total** | **18** | **100** |

The findings from Table 4.6 indicates that whereas 83% of the respondents indicated "Yes", 17% indicated that changing customer preferences did not influence product diversification in their respective organizations.

***New Products Developed:*** The respondents who gave 'yes' as their answer were further required to give a listing of the new products they had developed. Table 4.7 presents the new products.

**Table 4.7: The New Products Developed**

| Products | Category | | | |
|---|---|---|---|---|
| | Savings | | Composite | |
| | Frequency | Percentage | Frequency | Percentage |
| Single Injection | 9 | 60 | - | - |
| Personal financial planning | 3 | 20 | - | - |
| Toboa Investment | 3 | 20 | - | - |
| Scholar Plan | - | - | 9 | 60 |
| Income Builder Plan | - | - | 6 | 40 |
| Individual Pension Plan | - | - | 12 | 80 |

The findings from table 4.7 indicate that 60% of the 15 respondents indicated that they had developed Single Injection savings products, 20% had developed personal financial planning products, and 20% had adopted Toboa Investment products. The findings further show that 60% of the respondents had developed Scholar plan products, 40% had developed Income Builder Plan products and 80% had developed Individual Pension Plan products.

#### *4.3.2 The Effect of Changing Customer Preferences on Market Differentiation*

This sub section presents the responses pertaining to the influence of changing customer preferences on market differentiation. Table 4.8 presents a summary of the findings.

**Table 4.8: The Effect of Changing Customer Preferences on Market Differentiation**

| Responses to Adoption of Market Differentiation | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 18 | 100 |
| No | 0 | 0 |
| **Total** | **18** | **100** |

The findings from Table 4.8 indicate that all the respondents (100%) indicated that changing customer preferences had influenced their respective organizations adopting market differentiation.

***Marketing Differentiation Strategies:*** The respondents who had adopted marketing differentiation as a result of changing customer preferences were asked to indicate some of the marketing differentiation strategies adopted. The responses are summarized and presented in table 4.9.

**Table 4.9: Marketing Differentiation Strategies**

| Marketing Differentiation Strategies | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Price/Value position | 15 | 83 |
| Marketing Focus position | 12 | 67 |
| Product/Service position | 15 | 83 |

The findings in table 4.9 indicate that while 83% of the respondents indicted that they had adopted Price/Value position strategies, 67% had adopted Marketing Focus position strategies and 83% had adopted product/service position strategies. Multiple responses were allowed.

### *4.3.3 The Effect of Changing Customer Preferences on Personal Selling*

This sub section presents the responses pertaining to the influence of changing customer preferences on personal selling of organization's products and services. The responses are summarized and presented in table 4.10.

**Table 4.10: The Effect of Changing Customer Preferences on Personal Selling**

| Responses to Adoption of Personal Selling | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 15 | 83 |
| No | 3 | 17 |
| **Total** | **18** | **100** |

The findings in table 4.10 indicate that whereas 83% of the respondents indicated that changing customer preferences had influenced personal selling of organization's products and services in their respective organizations, 17% indicated that changing customer preferences had not influenced personal selling of organization's products.

***The Personal Selling Activities:*** The respondents were asked to indicate the personal selling activities that they adopted as a result of changing customer preferences. The responses are summarized and presented in table 4.11. Multiple responses were allowed.

**Table 4.11: The Personal Selling Activities Adopted**

| The Personal Selling Activities Adopted | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Commission sales staff assigned to different territories | 6 | 33 |
| Straight salaried staff | 3 | 17 |
| Both commission and straight salaried staff undertaking the sales function | 9 | 50 |

The findings in table 4.11 indicate that the 33% of the respondents indicated that their respective organizations employed strictly commission sales staffs who were assigned different territories to undertake their sales activities, 17% employed straight salaried staff while 50% relied on both commission and straight salaried staff to undertake the sales function.

### *4.3.4 The Effect of Changing Customer Preferences on Offering Products and Services Online*

This sub section presents the responses pertaining to the influence of changing customer preferences on offering of products and services online. The responses are summarized and presented in table 4.12.

**Table 4.12: The Effect of Changing Customer Preferences on Offering Products and Services Online**

| Responses to Adoption of Offering Products Online | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 18 | 100 |
| No | 0 | 0 |
| **Total** | **18** | **100** |

The findings in table 4.12 indicate that all the respondent organizations had resulted to offering products and services online as a result of changing customer preferences. Products and Services Offered Online: The respondents were asked to indicate the products and services offered online. Multiple responses were allowed. The responses are summarized and presented in table 4.13.

**Table 4.13: The Products and Services Offered Online**

| The Products and Services Offered Online | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Online application services | 15 | 83 |
| Account balance inquiries | 12 | 67 |
| Statement inquiries | 12 | 67 |
| Fund value computations | 6 | 33 |

The findings in table 4.13 indicate that whereas 83% of the respondents indicated that their respective organizations offered online application services, 67% indicated they offered account balance inquiries 67% indicated that they offered statement inquiries and 33 % indicated that they offered Fund Value Computations online.

***4.3.5 The Effect of Changing Customer Preferences on Establishment of Customer Care Desks/Centers***

This sub section presents the responses pertaining to the influence of competition on the establishment of customer care desks/centers

**Table 4.14: The Effect of Changing Customer Preferences on Establishment of Customer Care Desks/Centers**

| Responses to Adoption of Establishment of Customer Care Desks/Centers | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 12 | 67 |
| No | 6 | 33 |
| **Total** | **18** | **100** |

The findings in table 4.14 indicate that whereas 67% of the respondents indicated that changing customer preferences had influenced their establishment of customer care desks, 33% indicated that changing customer preferences had not influenced establishment of customer care desks in their respective organizations.

***Services Offered at the Customer Care Desks:*** The respondents were asked to indicate the services offered at the customer care desks. The responses are summarized and presented in table 4.15. Multiple responses were allowed.

**Table 4.15: The Services Offered at the Customer Care Desks**

| Services Offered at the Customer Care Desks | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Handling of customer inquiries | 12 | 100 |
| Receiving customer payments | 3 | 25 |
| Printing customer statements | 12 | 100 |
| Handling policy alteration requirements | 6 | 50 |
| Receiving customer applications and providing policy quotations | 12 | 100 |

The findings in table 4.15 indicate that all the respondent organizations offered the following services at the customer care desks: - handling of customer inquiries, printing customer statements, and receiving customer applications and providing policy quotations. While 25% of the respondents indicated that their respective organizations offered the services of receiving customer payments, 50% handled policy alteration requirements.

### 4.4 The Effect of Competition on Organizational Transformation in the Life Insurance Industry in Kenya

This section presents the findings on whether competition in the insurance industry has resulted to the organizations adopting product diversification, personal selling of organizations products and services, increased branch networks, establishment of customers care desks/centers and reduction of premiums costs and related charges.

#### *4.4.1 The effect of competition on product diversification*

This sub section presents the responses pertaining to the influence of competition on product diversification.

**Table 4.16: The Effect of Competition on Product Diversification**

| Responses on Product Diversification | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 15 | 83 |
| No | 3 | 17 |
| **Total** | **18** | **100** |

The findings in table 4.16 indicate that whereas 83% of the respondents indicated competition had influenced product diversification, only 17% indicated that competition did not influence product diversification in their respective organizations.

***The Classification of New Products Developed:*** The respondents were asked to indicate the categories of products developed. The responses are summarized and presented in table 4 17. Multiple responses were allowed.

**Table 4.17: The Classification of New Products Developed**

| Classification of New Products Developed | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Premium Products | 9 | 75 |
| Standard products | 12 | 100 |

The responses in table 4.17 indicate that 75% of the respondents indicated that their respective organizations had developed premium products targeted at high end customers while all the respondents indicated that all their organizations had developed standard products.

#### *4.4.2 The Effect of Competition on Personal Selling*

This sub section presents the responses pertaining to the influence of competition on personal selling of organization's products and services. The responses are summarized and presented in table 4.18.

**Table 4.18: Responses on the Effect of Competition on Personal Selling**

| **Responses on Adoption\of Personal Selling** | **Distribution** | |
|---|---|---|
| | **Frequency** | **Percentage** |
| Yes | 18 | 100 |
| No | 0 | 0 |
| **Total** | **18** | **100** |

The responses in table 4.18 indicate that all the respondents indicated that competition had influenced personal selling in their respective organizations.

***The Benefits Realized from Personal Selling Practices:*** The respondents were further asked to indicate the benefits their respective organizations had realized as a resulting of adopting personal selling practices. The responses are summarized and presented in table 4.19. Multiple responses were allowed.

**Table 4.19: The Benefits Realized from Personal Selling Practices**

| **The Benefits Realized from Personal Selling Practices** | **Distribution** | |
|---|---|---|
| | **Frequency** | **Percentage** |
| Increased geographical area of coverage | 15 | 83 |
| More accurate information about the products | 12 | 67 |
| More personalized services offered | 12 | 67 |

The findings in table 4.19 indicate that while 83% of the respondents had increased geographical area of coverage, 67% had disseminated more accurate information about their products and 67% had more personalized services offered.

### *4.4.3 The effect of competition on increased branch network*

This sub section presents the responses pertaining to the influence of competition on Increased branch Network.

**Table 4.20: The Effect of Competition on Increased Branch Network**

| Responses on Adoption of Increased Branch Network | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 15 | 83 |
| No | 3 | 17 |
| **Total** | **18** | **100** |

The findings in table 4.20 indicate that whereas 83% of the respondents indicated that competition had influenced increase in branch network in their respective organizations, 17% indicated “No”.

***The number of new branches opened:*** The respondent organizations that had expanded their branch networks because of competition were as shown in table 4.21.

**Table 4.21: The Number of New Branches Opened**

| Number of new branches | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Less than 3 | 3 | 20 |
| Between 3 and 5 | 9 | 60 |
| Between 6 and 10 | 3 | 20 |
| 11 and above | - | 0 |
| **Total** | **15** | **100** |

The findings in table 4.21 indicate that as a result of competition, 20% of the respondent organizations had opened less than 3 branches, 60% of them had opened between 3 and 5 branches and 20% of them had opened between 6 and 10 branches. None of the organizations had opened 11 or more branches.

### *4.4.4 The effects of competition on establishment of customer care desks/centers*

This sub section presents the responses pertaining to the influence of competition on the establishment of customer care desks/centers.

**Table 4.22: Effects of Competition on Establishment of Customer Care Desks/Centers**

| Responses on Adoption of Customer Care Desks/Centers | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 18 | 100 |
| No | 0 | 0 |
| **Total** | **18** | **100** |

The findings in table 4.22 indicate that all the respondent organizations had adopted the establishment of customer care desks as a result of competition.

***The benefits derived from establishment of customer care desks:*** The respondents were asked to indicate the benefits derived from establishment of customer care desks. The responses are summarized in table 4.23. Multiple responses were allowed.

**Table 4.23: Benefits derived from establishment of customer care desks**

| Benefits Derived from Establishment of Customer Care Desks | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Improved customer care and service delivery | 15 | 83 |
| Improved quality of information that was passed to the customers | 12 | 67 |
| Improved organization and customer relationships. | 9 | 50 |

The findings in table 4.23 indicate that improved customer care and service delivery was considered a benefit by 83% of the respondents, improved quality of information that was passed to the customers was considered a benefit by 67% and improved organization and customer relationships was considered a benefit by 50% of the respondents.

### *4.4.5 Effects of competition on reduction of premium costs and related charges*

This sub section presents the responses pertaining to the influence of competition on the reduction of premium costs and related charges.

 

**Table 24: The Effects of Competition on Reduction of Premium Costs and Related Charges**

| Responses Reduction of Premium Costs and Related Charges | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 18 | 100 |
| No | 0 | 0 |
| **Total** | **18** | **100** |

The findings in table 4.24 indicate that all the respondents were positive competition influenced reduction of premiums costs.

***The Effects of Reduction of Premium Costs and Related Charges on the Business of the Organizations:*** The respondents were further asked to indicate the effects of reduction of premium costs and related charges on the business of the organization. The responses are summarized and presented in table 4.25. Multiple responses were allowed.

**Table 4.25: The Effects of Reduction of Premium Costs and Related Charges on the Business of the Organizations**

| Responses on the Effects of Reduction of Premium Costs and Related Charges on the Business of the Organizations | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Increased revenue | 15 | 83 |
| Reduced profit margins | 12 | 67 |
| Increased number of customers | 18 | 100 |

The responses in table 4.25 indicate that increased revenue was considered an outcome of reduction of premium costs and related charges by 83% of the respondents, 67% of the respondents indicated that they were affected by reduced profit margins while all the respondents indicated that as a result of reduced premium costs and related charges, the number of customers had increased.

## 4.5 The Effect of Technological Change on Organizational Transformation in The Life Insurance Industry in Kenya

This section presents the findings on whether technological changes has resulted to the organizations adopting product diversification, personal selling of organizations products and services, offering products and services online, increased branch networks and reduction of premiums costs and related charges.

### *4.5.1 The effect of technological changes on product diversification*

This sub section presents the responses pertaining to the influence of technological changes on product diversification.

**Table 4.26: The Effects of Technological Changes on Product Diversification**

| Responses on Adoption of Product Diversification | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 15 | 83 |
| No | 3 | 17 |
| **Total** | **18** | **100** |

The findings in table 4.26 indicate that whereas 83% of the respondents indicated technological changes had influenced product diversification only 17% indicated that technological changes did not influence product diversification in their respective organizations.

***Benefits of product diversification as a result of technological changes:*** When asked to indicate the benefits derived from product diversification, the respondents listed the benefits as shown in table 4.27. Multiple responses were allowed.

**Table 4.27: The Benefits of Product Diversification as a Result of Technological Changes**

| Responses on the Benefits of Product Diversification as a Result of Technological Changes | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Reduction in product development costs | 6 | 40 |
| Diversification of Risks | 15 | 100 |
| Increased Revenue sources | 12 | 80 |

The findings in table 4.27 indicate that reduction in product development costs was considered a benefit derived from product diversification by 40% of the respondents. While all the respondents indicated that diversification of risks was a benefit derived from product diversification, 80% indicated that increased revenue sources was a benefit derived from product diversification.

### *4.5.2 The effect of technological changes on personal selling*

This sub section presents the responses pertaining to the influence of technological changes on personal selling of organization's products and services.

**Table 4.28: The effect of technological changes on personal selling**

| Responses on Adoption of Personal Selling | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 15 | 83 |
| No | 3 | 17 |
| **Total** | **18** | **100** |

The findings from Table 4.28 indicate that whereas 83% of the respondents were positive that technological changes influenced personal selling of the organization's products and service only 17% thought technological changes had not influenced the transformation.

***The effect of technology on personal selling:*** When asked to indicate how technology had impacted on personal selling, the responses provided are summarized and presented in table 4.29. Multiple responses were allowed.

**Table 4.29: The effect of technology on personal selling**

| The Impact of Technology on Personal Selling | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| There were more interactive presentation methods by the sales agents | 15 | 100 |
| Products and services catalogues can now be sent online cost-effectively | 12 | 80 |
| There was increased use of the websites and chat facility | 9 | 60 |
| Customers and sales agents can log in and transact business online | 9 | 60 |

The findings in table 4.29 indicate that 100% of the respondents were positive that as a result of technological changes, there were more interactive presentation methods by the sales agents, 80% indicated that products and services catalogues can now be sent online cost-effectively, 60% of the respondents indicated that there was increased use of the websites and chat facility, and 60% of the respondents indicated that customers and sales agents can log in and transact business online.

### *4.5.3 The effect of Technological Changes on Offering Products and Services Online*

This sub section presents the responses pertaining to the influence of technological changes on offering of products and services online.

**Table 4.30: The Effect of Technological Changes on Offering Products and Services Online**

| Responses on Adoption of Offering Products and Services Online | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 18 | 100 |
| No | 0 | 0 |
| **Total** | **18** | **100** |

The findings from Table 4.30 indicate that 100% of the respondents were positive that technological changes had greatly influenced the offering of their products and service online.

***The application of technologies in products and services offering:*** When asked to indicate how the technology had been applied, the responses provided are summarized and presented in table 4.31. Multiple responses were allowed.

**Table 4.31: The Application of Technologies in Products and Services Offering**

| Responses on the Application of Technologies in Products and Services Offering | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Support for online information access | 15 | 100 |
| Support for online application | 12 | 80 |
| Support for customers making queries online | 9 | 50 |

 

The findings in table 4.31 indicate that all the respondents indicated application of technologies in products and services offering had supported online information access by clients, 80% indicated that the application of technologies had supported online applications while 50% of the respondents indicated that the application of technologies has supported customers in making queries online.

### *4.5.4 The effect of technological changes on increased branch network*

This sub section presents the responses pertaining to the influence of technological changes on Increased branch Network.

**Table 4.32: The effect of technological changes on increased branch network**

| Responses on Adoption of Increased Branch Network | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 18 | 100 |
| No | 0 | 0 |
| **Total** | **18** | **100** |

The findings in table 4.32 indicate that 100% of the respondents were positive that technological changes had greatly influenced establishment of new branches across the country and even within the region.

***The application of technology on branch network:*** When asked to indicate how the new technologies had been applied on the branch network, the responses provided are summarized and presented in table 4.33. Multiple responses were allowed.

**Table 4.33: The Application of Technology on Branch Network**

| Responses on Application of Technology on Increased Branch Network | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Usage of Local Area Network Platform | 18 | 100 |
| Possibility of Networked Office | 18 | 100 |
| Usage of Wide Area Network Platform | 18 | 100 |

The findings in table 4.33 indicate that all the respondents indicated as follows:- that the Local Area Network and Wide Area Network platform had enabled system integration where information could be processed and uploaded to the main server located at the head office without having to travel or courier data to be processed at the head office, and Technological changes had provided an option of a networked office from the head office to the branches.

### *4.5.5 The effect of technological changes on reduction of premium costs and related charges*

This sub section presents the responses pertaining to the influence of technological changes on the reduction of premium costs and related charges.

**Table 4.34: The Effect of Technological Changes on Reduction of Premium Costs and Related Charges**

| Responses on Adoption of Reduction of Premium Costs and Related Charges | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Yes | 15 | 83 |
| No | 3 | 17 |
| **Total** | **18** | **100** |

The findings from figure 4.34 indicate that whereas 83% of the respondents indicated that technological changes had influenced the reduction of premium costs and related charges only 17% of the respondents indicated that technological changes had not influenced reduction of premiums costs and other related charges.

***The influence of technology on reduction of premium costs and related charges:*** When asked to indicate the influence of technology on reduction of premium costs and related charges, the responses are summarized and presented in table 4.35. Multiple responses were allowed.

**Table 4.35: The influence of technology on reduction of premium costs and related charges**

| The Influence of Technology on Reduction of Premium Costs and Related Charges | Distribution | |
|---|---|---|
| | Frequency | Percentage |
| Reduced costs of product development | 15 | 100 |
| Reduced administration costs | 12 | 80 |
| Reduced turn around times | 12 | 80 |

The findings in table 4.35 indicate while 80% indicated that technology had led to Reduced turn around times and reduced administration costs, 100% indicated that product development costs had reduced.

## 4.6 Discussions

### *4.6.1 Influence of changing customer preferences on organizational transformation*

The findings indicate that changing customer preferences had greatly influenced transformations in the life insurance industry like product diversification, market differentiation, personal selling, offering products and services online, and establishment of customer care desks/centers. According to Bonoma (2005), customer needs are one of the powerful forces for change in the demand for and delivery of financial services. Bonoma further argued that the key developments causing customer needs to change include changing demographics, changing work patterns, increasing awareness of value and willingness to adopt technology. The findings show that 83% of the respondents indicated that customer changing preferences had influenced product diversification.

According to Stanger (2004) the quest for product and service innovation requires commitment and funding. According to Peppers and Rogers (2003), changes to consumer lifestyles ,improved living standards and the trend towards a diversification of product requirements means that customer demands for products that conform to individual tastes is increasing day by day. The new products developed were categorized into two, savings and composite. The responses show that the savings products developed were single injection, as indicated by 60% of the respondents, personal financial planning, as indicated by 20% of the respondents and Toboa investment as indicated by 20% of the respondents. The composite products developed included scholar plan, as indicated by 60% of the respondents, income builder plan, as indicated by 40% of the respondents and individual pension plan, as indicated by 80% of the respondents. According to Kaufman and Mote (2004), financial institutions, for example, in order to distinguish in the field of service delivery, have adopted a strategy that not only covers and meets all requirements and needs of the clients, but also provides innovation to those products that attract clients and persuade them for the rightness of their choice. This is also achieved by creating and promoting the particular characteristics and comparative advantages of the various products (Anderson and Narus, 2003).

The findings also show that all the respondents indicated that changing customer preferences had influenced market differentiation. The marketing differentiation strategies adopted included Price value position as indicated by 83%, the Marketing focus position by 67% and the product/service position as indicated by 83% of the respondents. According to Howells and Hine (2003), as competition grows constantly, it is very important to examine the factors that have a positive impact on consumer purchasing decisions so that organizations can create the appropriate marketing strategies.

The findings also show that changing customer preferences had influenced adoption of personal selling, as indicated by 83% of the respondents. The personal selling activities adopted included the assignment of sales staff to different territories, as indicated by 33% of the respondents, employment of straight salaried staff, as indicated by 17% of the respondents, and employment of both commission and straight salaried staff undertaking the sales function, as indicated by 50% of the respondents. One-on-One marketing has emerged as a result and this trend has encouraged the life insurance industry to turn its attention to the development of a plethora of “individualized services” (Saatcioglu and Whinston, 2004).The importance of personal selling is emphasized in the literature. Orlow and Radecki (2004) argued that since customers have more choice and more control, long lasting and strong relationships with them are critical to achieve and maintain for maximum competitive advantages.

The findings further show that all respondents indicated that changing customer preferences had influenced the practice of offering products and services online. The products offered online included online application services, as indicated by 83% of the respondents, account balance inquiries, as indicated by 67% of the respondents, statement inquiries as indicated by 67% of the respondents, and fund value computations as indicated by 33% of the respondents. Sixty seven percent of the respondents indicated that changing customer preferences had influenced the establishment of customer care desks. The services offered at the customer care desks included the handling of customer inquiries, as indicated by all the respondents, receiving of customer payments, as indicated by 25% of the respondents, printing of customer statements as indicated by 50% of the respondents and receiving of customer applications and providing policy quotations, as indicated by all the respondents. Meidan (2005) argued that changes in customer behavior have also imposed changes in decisions related to offered services, as these services need to be of high quality in order to satisfy today’s demanding clients. The price must be proportional to the perceived value, while distribution means should be used in order to achieve a high level of satisfaction.

***Influence of competition on organizational transformation***

The findings indicate that competition in the insurance industry had greatly influenced the adoption of transformations like product diversification, personal selling of organizations products and services, increased branch networks, establishment of customers care desks/centers and reduction of premiums costs and related charges. Petruzzellis *et al.* (2006) noted that Globalized competition has stressed the strategic importance of satisfaction, quality and consequently loyalty, in the battle for winning consumer preferences and maintaining sustainable competitive advantages. Petruzzellis *et al.* further assert that the higher the (perceived) service quality, the more satisfied and loyal the customers. Eighty three percent of the respondents indicated that competition had influenced product diversification. The new products developed were categorized into two – premium products as indicated by 75% of the respondents and standard products, as indicated by all the respondents. Meidan (2005) argued that changes in customer behavior have also imposed changes in decisions related to offered services, as these services need to be of high quality in order to satisfy today's demanding clients. Organizations, in order to face the challenges of the external environment and to satisfy their clients' needs successfully focus on market-driven products (Saatcioglu and Whinston, 2004). According to Howells and Hine (2003), as competition grows constantly, it is very important to examine the factors that have a positive impact on consumer purchasing decisions, so that organizations can create the appropriate marketing strategy. Most of today's financial institutions pay great attention to service delivery by promoting and advertising more and more competitive products within an environment that is based on offering the best services and suitable products for the client's benefit.

All the respondents indicated that competition had influenced the adoption of personal selling. Whereas 83% of the respondents indicated that as a result of adoption of personal selling by their respective organizations, they had benefited from increased geographical area of coverage, 67% indicated that they had benefited from more accurate information about products, and 67% of the respondents indicated that they had benefited through offering of more personalized services. According to McDonald and Keasay (2003), in the past customer retention strategy was just one weapon to use against competitors and was downplayed because marketing professionals focused primarily on attracting new customers. However, firms that continue to acquire new customers but are unable to retain them are unlikely to see positive results and customer retention has become essential to survival. Orlow and Radecki, (2004) asserted that since customers have more choice and more control, long lasting and strong relationships with them are critical to achieve and maintain competitive advantages and as a consequence, earnings.

The findings also show that competition had influenced increased branch network, as indicated by 83% of the respondents. As a result of competition, 20% of the respondent organizations had opened less than 3 branches, 60% of them had opened between 3 and 5 branches and 20% of them had opened between 6 and 10 branches. None of the organizations had opened 11 or more branches. All the respondents indicated that competition had influenced the establishment of customer care desks. The benefits derived from establishment of customer care desks included improved customer care and service delivery, as indicated by 83% of the respondents, improved quality of information that was passed to the customers, as indicated by 67% of the respondents, and improved organization and customer relationships, as indicated by 50% of the respondents. Furthermore, the increasingly competitive environment prevailing in the global market and rapid advances in customer intelligence technologies have led organizations to look for new business and marketing models for realizing intelligence-driven customer transactions and experiences (Morgan and Wyman, 2004). Nowadays great attention is paid to all the customer touch-points aiming to optimize the interaction, towards affecting specific customer behavior variables. The extreme competition and saturation in the financial services markets and the growing demand of products and services through new media, such as the Internet and mobile phone (Methlie and Nysveen, 2003; Jun and Cai, 2001; Bradley and Stewart, 2003), have forced organizations to quickly respond to the new changes and challenges with new and different business models.

All the respondents indicated that competition had influenced reduction of premium costs and related charges. The effects of reduction of premium costs and related charges on the business of the organizations included increased revenue as indicated by 83% of the respondents, 67% of the respondents indicated that they were affected by reduced profit margins while all the respondents indicated that as a result of reduced premium costs and related charges, the number of customers had increased. According to Meidan (2005), the price must be proportional to the perceived value, while distribution means should be used in order to achieve a high level of satisfaction. According to Orlow and Radecki (2004), clients communicate with other clients, study brochures and receive information from television and the Internet. Therefore, clients are more influenced than in the past by organizations' pricing policies and seek low costs for the provision of services. According to Gummerson (2004), the services market is becoming ever more competitive, as price competition intensifies and the shifting of loyalty becomes an acceptable practice. Many industries have already experienced a rearrangement of marketing budgets in order to devote more resources to defensive marketing namely customer retention.

***Influence of technological changes on organizational transformation***

The findings indicate that technological changes had resulted to the organizations adopting transformations like product diversification, personal selling of organizations products and services, offering products and services online, increased branch networks and reduction of premiums costs and related charges. According to Zineldin (2003), organizations that do not learn and adapt to changing technology can face painful competition, but integrating technology can require substantial re-thinking of the exact nature of customer relationships. In the increasingly competitive marketplace, information technology (IT) is now frequently being employed as a distribution channel and medium of interaction (Gilbert *et al*., 2004; Glynn, 2004). According to Afuah (2003), an innovation is the use of new technological and business-related knowledge to offer new products or services that customers want. Zwass (2003) argues that in order to comprehend the scope and impact of an innovation, it is necessary to organize them systematically and to understand them fully. Abernathy and Clark's (2004) innovation model classifies innovations based on the impact on the existing technological and business capabilities of the adopting firm. Accordingly, the innovation encompasses a set of aspects: IT, customer, finance, marketing, and strategy.

Eighty three percent of the respondents indicated that technological changes had influenced product diversification. The extreme competition and saturation in the financial services markets and the growing demand of products and services through new media, such as the Internet and mobile phone (Methlie and Nysveen, 2003; Jun and Cai, 2001; Bradley and Stewart, 2003), have forced organizations to quickly respond to the new changes and challenges with new and different business models. The findings further show that reduction in product development costs was considered a benefit derived from product diversification by 40% of the respondents. While all the respondents indicated that diversification of risks was a benefit derived from product diversification, 80% indicated that increased revenue sources was a benefit derived from product diversification.

Eighty three percent of the respondents indicated that technological changes had influenced the adoption of personal selling. Whereas all the respondents indicated that as a result of technological changes, there were more interactive presentation methods by the sales agents, 80% indicated that products and services catalogues can now be sent online cost-effectively, 60% of the respondents indicated that there was increased use of the websites and chat facility, and 60% of the respondents indicated that customers and sales agents can log in and transact business was increasingly being used. In the financial services industry, a long term relationship with customers (Grönroos, 2003; Berry, 2004) is the key success factor that is enormously increasing with the electronic channels.

The findings also show that all respondents indicated that technological changes had influenced the offering of products and services online. The products offered online included support for online information access as indicated by all the respondents, support for online application as indicated by 80% of the respondents, and support for customers making queries online as indicated by 50% of the respondents. For high-level financial services, it is frequently difficult to separate technology from the relationship between firms and their customers. Some technology implementations may reduce interaction across the employee – customer interfaces (Quinn, 2005). However, customer satisfaction in many services depends strongly on the service encounter (Jones and Suh, 2005). For technology to enhance competitiveness, it must deliver real value to customers in the service interaction, and customers must like it. Thus, the impact of technology on customer satisfactionn in the service interaction is a critical area of research.

All respondents indicated that technological changes had influenced increased branch network. In addition, all the respondents indicated that the Local Area Network and Wide Area Network platform had enabled system integration where information could be processed and uploaded to the main server located at the head office without having to travel or courier data to be processed at the head office, and technological changes had provided an option of a networked office from the head office of the branches. Holland and Westwood (2004) noted that the speed and scale of the challenge are rapidly increasing with the pervasiveness of the Internet and the extension of information economy.

Technological changes had also influenced the reduction of premium costs and related charges as indicated by 83% of the respondents. The effects of reduction of premium costs and related charges included reduced costs of product development as indicated by all the respondents, reduced administration costs as indicated by 80% of the respondents, and reduced turn around times as indicated by 80% of the respondents.

## 5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Introduction

This chapter presents a summary of important elements of the study, including the problem, purpose of the study, specific objectives, methodology and major findings of the study

### 5.2 Summary

Today, Life Insurance Companies are competing not just on a national arena, but increasingly at international and global level. With six Life Insurance Companies operating in Kenya, the market for insurance services seems oversupplied and margins for the companies are being depressed in a highly competitive market place. Profitability will be determined by the extent to which organizations develop appropriate strategies to 'combat' the growing competitive forces. Among the alternative ways that companies have adopted in pursuit of their broad goals and objectives is the adoption of strategies that would best address the changing customer preferences. As an executive of a life insurance business in Kenya it would be imperative to know what factors come into play when it comes to organizational transformation in Kenya .The information is not readily available hence the gap that has been filled by the study.

The general objective of the study was to establish the factors that influence organizational transformation in life insurance companies in Kenya. The specific objectives of the study were:- To determine the effect of changing customer preferences on organizational transformation in the life insurance industry in Kenya, to determine the effect of competition on organizational transformation in the life insurance industry in Kenya and to determine the effect of technology on organizational transformation in the life insurance industry in Kenya.

Findings of the study show that the organizations that participated in the study had been in operation in Kenya for a long period of time and as such, their responses were expected to be objective. Majority of the Life insurance companies in Kenya are predominantly locally owned. Majority of the Life Insurance companies in Kenya have employed workforce of more than 76 full time employees, an indication that the firms are relatively large in size. Majority of the Life insurance companies had at least 5 branches in Kenya, which is an indication that the companies are relatively big in size and are widely spread across the country. The findings further indicate that majority of the respondents had worked in their respective organizations for a period exceeding 5 years and therefore, understood operations of their organizations very well .

The findings also indicate that changing customer preferences had resulted to the Life insurance companies adopting product diversification, market differentiation, personal selling of organizations products and services, offering products and services online and establishment of customer care desks/centers. The new products developed were categorized into two. The first category is savings, which comprises of single injection, personal financial planning and Toboa investment. The second category, composite, comprised of scholar plan, income builder plan and individual pension plan. Due to market differentiation the firms have adopted marketing strategies such as Price/Value position, Marketing focus position and Product/Service position. The personal selling activities adopted were:- commission sales staff assigned to different territories, straight salaried staff and both commission and straight salaried staff undertaking the sales function. The products and services offered online were:- online application services, account balance inquiries, statement inquiries and fund value computations. The services offered online included handling of customer inquiries, receiving customer payments, printing customer statements, handling policy alteration requirements and receiving customer applications and providing policy quotations.

The findings also indicate that competition in the insurance industry has resulted to the organizations adopting product diversification, personal selling of organizations products and services, increased branch networks, establishment of customers care desks/centers and reduction of premiums costs and related charges. The new products developed were categorized into two – premium and standard products. The benefits realized from adoption of personal selling included increased geographical area of coverage, more accurate information about the products and more personalized services offered. Whereas none of the Life insurance companies had opened more than 11 branches, majority of them had opened between 3 and 5 branches countrywide. The benefits derived from the establishment of customer care desks included improved customer care and service delivery, improved quality of information that was passed to the customers, and improved organization and customer relationships. The effects of reduction of premium costs and related charges on the business of the organization included increased revenues, reduced profit margins and increased number of customers.

The findings further indicate that technological changes had resulted to the organizations adopting product diversification, personal selling of organizations products and services, offering products and services online, increased branch networks and reduction of premiums costs and related charges. The benefits derived from product diversification as a result of technological changes included reduction in product development costs, diversification of risks and increased revenue sources. The impact of technology on personal selling included interactive presentation methods, products and services catalogues can now be sent online cost-effectively, increased use of the websites and chat facility where customers and sales agents can log in and transact business was increasingly being used. The impact of technology on products and services included support for online information access, support for online application and support for customers making queries online. The impact of technological changes on branch network included the enablement of Local Area Network and Wide Area Network platform helped in system integration where information could be processed and uploaded to the main server located at the head office without having to travel or courier data to be processed at the head office. Technological changes had also provided an option of a networked office from the head office to the branches. Technology had also led to reduced costs of product development, reduced administration costs and reduced turn around times.

In response to changing customer preferences, the following measures are recommended: -Adoption of market differentiation strategies, in which specific needs of the various market segments should be identified and addressed accordingly; the companies should, through product diversification develop products that address the specific needs of the different market segment; offering of products online is highly advised as it supplements the efforts of the sales force and it enhances the ability to reach many customers in a short time and is cost effective and in order to provide more accurate information to the customers and enhance customer relations, it is advisable that the Life insurance companies establish customer care desks.

In response to competition the following measures are recommended:- Face to face interactions through personal selling of the companies products to enhance customers confidence; establishment of customer care desks to address customers needs and to supplement the efforts of the sales team ;expansion of branch network would lead to services being taken closer to the customers and an expanded geographical area coverage and product development should be cost effective for competitive pricing of the firms products.

In response to technology the following measures are recommended: Life companies should take advantage and invest in such technologies like in developing websites, from which products and services can be offered online, leading to reduced operational costs and enhances the effectiveness of the sales force as a communication tool; adoption of product diversification at a reduced product development costs and as a result reduce premium costs for competitive pricing and expand their branch network and interlink them so that the customers can be served from any branch in the same way they would have been served in the head office.

## 5.3 Conclusions

This section presents the conclusions to the findings of the study.

### *5.3.1 Influence of changing customer preferences on organizational transformation*

Changes in customer preferences influence organizational transformation. The transformations include adoption of product diversification, market differentiation, personal selling, offering products and services online and establishment of customer care desks/centers. The Life Insurance companies categorized their newly developed products into two – savings, which included single injection, personal financial planning and Toboa investment and composite, which included scholar plan, income builder and individual pension plan. In the process of adoption of market differentiation, companies had adopted marketing differentiation strategies like price/value position, marketing focus position and product/service position.

The personal selling activities adopted by the Life insurance companies as a result of changing customer preferences included the assignment of sales staff to different territories, employment of straight salaried staff, and employment of both commission and straight salaried staff undertaking the sales function. The products offered online included online application services, account balance inquiries, statement inquiries and fund value computations. The services offered at the customer care desks that were established in response to changing customer preferences included the handling of customer inquiries, receiving of customer payments, printing of customer statements, receiving of customer applications and providing policy quotations as indicated by all the respondents.

### *5.3.2 Influence of competition on organizational transformation*

Competition in the insurance industry had greatly influenced the adoption of product diversification, personal selling of organizations products and services, increased branch networks, establishment of customer care desks/centers and reduction of premiums costs and related charges. The Life insurance companies categorized their products into two - premium products and standard products. Personal selling had enhanced geographical area of coverage, enhanced accuracy of information disseminated and led to offering of more personalized services.

The Life insurance companies in response to competition increased their branch network besides establishing customer care desks. The customer care desks established led to improved customer care and service delivery, improved quality of information that was passed to the customers and improved organization and customer relationships. Competition also led to the Life insurance companies reducing premium costs and related charges, which resulted to increased revenues, reduced profit margins and increased number of customers.

### *5.3.3 Influence of technological changes on organizational transformation*

Technological changes resulted to the Life insurance companies adopting transformations like product diversification, personal selling of organizations products and services, offering products and services online, increased branch networks and reduction of premiums costs and related charges. As a result of product diversification, there was increased diversification of risks and increased revenue sources. Technology led to improvements in personal selling by enhanced interactive presentation methods by the sales agents, enabled products and services catalogues to be sent online cost-effectively and enhanced use of the websites and chat facility. The products offered online as a result of technological changes included support for online application and support for customers making queries online. Technological changes also influenced the reduction of premium costs and related charges, which led to reduced costs of product development, reduced administration costs and reduced turn around times.

## 5.4 Recommendations

### *5.4.1 Recommendation for Improvement*

***Influence of Changing Customer Preferences on Organizational Transformation:*** Changes in customer preferences affect decisions related to the development of products and services and the markets to serve by Life insurance companies. In view of the findings of the study, the following recommendations are made:

In response to changing customer preferences, the Life insurance companies should adopt market differentiation strategies, in which specific needs of the various market segments should be identified and addressed accordingly. The companies should, through product diversification, develop products that address the specific needs of the market segments identified. The companies should not only involve the customers in the product development process to ensure that their needs are addressed adequately, but also invest in research and development activities.

In response to changing customer preferences, it is recommended that Life insurance companies adopt personal selling practices. Personal selling will only be effective if adequate investment is made through availability of the necessary resources in terms of personnel, equipment and facilities. The offering of products online is highly advised as it supplements the efforts of the sales force and it enhances the ability to reach many customers in a short time and is cost effective.

In order to provide more accurate information to the customers and enhance customer care and relations, it is advisable that the Life insurance companies establish customer care desks

***Influence of Competition on Organizational Transformation:*** Competition poses a challenge to the organization to change in order to enhance their service delivery in order to remain competitive. In view of the findings of the study, the following recommendations are made:

When faced with competition, it is highly recommended that the Life insurance companies scan the environment to identify the strengths and weaknesses of the competitors. Adoption of personal selling becomes handy in that a face to face interaction is an effective source of market information.

In order to supplement the efforts of the sales force, it is also recommended that customer care desks be established from where customer complaints and other needs can be adequately addressed. In addition, expansion of branch network would lead to services being taken closer to the customers and an expanded geographical area of coverage.

The Life Insurance companies, in response to competition in the industry, should strive to develop their products and services cost-effectively so as price them competitively. There is also need to undertake market surveys and establish the prevailing market prices for similar products and services. Where need be the Life insurance companies may be called upon to reduce premium costs and related charges. In order to spread risks as a result of industry competition, it is advisable that the Life insurance companies adopt product diversification.

***Influence of Technology on Organizational Transformation:*** Technology not only acts as the channel of interaction and communication among the Life insurance companies, but also changes the way an organization works and practices.

When faced with technological changes, it is highly advisable that Life insurance companies take advantage and invest in such technologies like in developing websites, from which products and services can be offered online leading to reduced operational costs. Technology also enhances the effectiveness of the sales force when used as a communication tool.

Since technological changes lead to reduced costs of products and services development, it is advisable that the Life insurance companies adapt the new technologies in products and service development which enhances product diversification. As a result of reduced product and service development costs, the Life insurance companies will be able to reduce premium costs and related charges and remain competitive. Owing to changes in technology, it is recommended that the Life insurance companies expand their branch network and interlink them so that the customers can be served from any branch in the same way they would have been served in the head office.

### *5.4.2 Recommended Areas of Further Studies*

The findings of this study, it is hoped, will contribute to the existing body of knowledge and form basis for future research. The following areas of further research are thus suggested: Whereas the current study focused on the factors that influence organizational transformation in the life insurance industry in Kenya, future studies should seek to establish whether the same factors influence transformations in the other sectors of our economy. Further studies should also focus on what factors to consider for effective implementation of the transformation process.

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## ABBREVIATIONS

| | |
|---|---|
| e-Business | Electronic Business |
| e-Commerce | Electronic Commerce |
| IFA | Independent Financial Advisor |
| IS | Information Systems |
| IT | Information Technology |
| NEBIC | Net-Enabled Business Innovation Cycle |
| SPSS | Statistical Package for Social Sciences |
| STOLI | Stranger-Owned Life Insurance |
| US | United States |

**Definition of Terms**

The following is the definition of the various terms used in this study:

**Competition:** Goods and services will be bought from those who, in the view of buyers, provide 'the most for the money.' Hence competition will tend to reward the more efficient producers and/or suppliers and so lead the economy toward efficient use of resources (Moore, 2006).

**Strategy:** Strategy is about means. It is about the attainment of ends, not their specification. The specification of ends is a matter of stating those future conditions and circumstances toward which effort is to be devoted until such time as those ends are obtained (Robert, 2003).

**Technology:** The term "technology" is used to refer to the stock of knowledge -whether codified or tacit-about the set of all industrial techniques available at a given time. It should be kept in mind that technology plays a twofold role in the technological innovation process: it is both the output of the innovation process as well as its principal input. The literature uses different terms to refer to the output of the innovation process, such as innovation, discovery, invention, technological knowledge, etc. All of them also signify stock magnitudes (Betz, 2003)

## APPENDIX I: LIST OF INSURANCE COMPANIES IN KENYA

| | COMPANY | CONTACT | PRINCIPAL OFFICER |
|---|---|---|---|
| 1. | CFC Life Assurance | Tel. 020-2866000<br>Fax 020-2718365 | G. Eaton |
| 2. | A P A Insurance Limited | P. O. Box 30065-00100<br>Tel 020-2862000<br>Hughes Building<br>Kenyatta Avenue<br>Nairobi. | A.K.M. Shah |
| 3. | British-America Insurance Company (K) Limited | P.O. Box 30375,<br>Tel. 710927/38<br>British American Centre,<br>Mara/Ragati Roads,<br>Nairobi. | B. Wairegi |
| 4. | Old Mutual Life Assurance Company Limited | P.O. Box 30059,<br>Tel. 221187/8, 335407,<br>Old Mutual Building<br>Mara/Hospital Road,<br>Nairobi. | S.L. Henderson |
| 5. | Pan Africa Life Assurance Company Limited | P.O. Box 62551,<br>Tel. 339511-9<br>Pan Africa House,<br>Kenyatta Avenue,<br>Nairobi | A. Greenwood |
| 6. | UAP Provincial Insurance Company Limited | P.O. Box 43013,<br>Tel. 271275/2850000,<br>Bishop's Graden Towers,<br>Bishop's Road<br>00100-Nairobi | J.N. Muguiyi |

**Source:** Association of Kenya Insurers (AKI), June, 2013

 

## APPENDIX II: QUESTIONNAIRE

This questionnaire has been designed to collect information from the staff of Life Insurance Firms in Kenya and is meant for academic purposes only. The questionnaire is divided into two sections. Section I seeks to capture the profile of respondents while section II will capture issues pertaining to the area of study. Please complete each section as instructed. Do not write your name or any other form of identification on the questionnaire. All the information in this questionnaire will be treated in confidence.

### SECTION I: BACKGROUND INFORMATION

1. For how long has this organization been in operation in Kenya? (Tick as appropriate)
   a. Less than 1 year [ ]
   b. 1 to 5 years [ ]
   c. 6 to 10 years [ ]
   d. 11 to 15 Years [ ]
   e. 16 years and above [ ]

2. Please indicate the ownership in terms of (local or foreign) of the organization using the categories below (please tick one)
   a. Predominantly local (51% or more) [ ]
   b. Predominantly foreign (51% or more) [ ]
   c. Balanced between foreign and local (50/50) [ ]

3. How many full time employees does the organization have (Pleas tick as appropriate)?
   a. Less than 25 [ ]
   b. 26 to 50 [ ]
   c. 51 to 75 [ ]
   d. 76 to 100 [ ]
   e. 101 employees and above [ ]

4. For how long have you worked in the organization? (Tick as appropriate)
   a. Less than 1 year [ ]
   b. Between 1 and 5 years [ ]
   c. Between 6 and 10 years [ ]
   d. Between 11 and 15 years [ ]
   e. 16 years and above [ ]

5. Using the categories below, please indicate the number of branches you have in Kenya
   a. Less than 5 [ ]
   b. Between 5-10 [ ]
   c. Between 11-20 [ ]
   d. Above 20 [ ]

### SECTION II: ORGANIZATIONAL TRANSFORMATION PRACTICES

7. Please indicate whether your organization has adopted the following practices as a result of changing customer preferences (Tick as appropriate):-

(i) Product diversification (a) Yes (b) No

If yes, please list the new products developed

______________________________________________________________________

______________________________________________________________________

____________________________________________________________

(ii) Market differentiation (a) Yes (b) No

If yes, please indicate the marketing differentiation strategies adopted

______________________________________________________________________

(iii) Personal selling of organization's products and services (a) Yes (b) No
If yes, please briefly explain how the personal selling activities are undertaken by the organization

(iv) Offering products and services online (a) Yes (b) No
If yes, please list and briefly explain the products and services offered online

(v) Establishment of customer care desks/centers (a) Yes (b) No
If yes, please briefly explain the services offered to customers at the customer care desks.

8. Please indicate whether your organization has adopted the following practices as a result of competition (Tick as appropriate):-

(i) Product diversification (a) Yes (b) No
If yes, please indicate the classification of the new products developed

(ii) Personal selling of organization's products and services (a) Yes (b) No
If yes, please briefly explain the benefits derived from adoption of personal selling in your organization

(iii) Increased branch network (a) Yes (b) No
If yes, please indicate the number of new branches opened in order to remain competitive

(vi) Establishment of customer care desks/centers (a) Yes (b) No
If yes, please briefly explain the benefits derived from establishment of customer care desks.

(v) Reduction of premium costs and related charges (a) Yes (b) No
If yes, briefly explain how this has affected the business of your organization.

9. Please indicate whether your organization has adopted the following practices as a result of changes in technology (Tick as appropriate):-

(i) Product diversification (a) Yes (b) No

If yes, please briefly explain the benefits derived from adoption of new products in your organization

(ii) Personal selling of organization's products and services (a) Yes (b) No

If yes, please briefly explain the impact of changing technology on personal selling activities

(iii) Offering products and services online (a) Yes (b) No

If Yes, please list and briefly explain how new technologies are applied in products and services offering in your organization

(iv) Increased branch network (a) Yes (b) No

If yes, please briefly explain how technology is applied on the branch network

(v) Reduction of premium costs and related charges (a) Yes (b) No

If yes, briefly explain how new technologies influence reduction of premium costs and related charges