

**THE LINK BETWEEN STRATEGY ADOPTION AND
PERFORMANCE OF INSURANCE FIRMS IN MERU COUNTY**



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ABSTRACT

This study focused on the link between strategy adoption and performance of insurance firms in Meru County, Kenya. It was carried out in the backdrop of increased competition due to the emergence of many insurance companies in Kenya which has led to reduced performance in these firms. Insurance uptake is still very low in Kenya, regardless of it being practiced world over for a thousand years. There have also been unsustainable premiums charged by insurers due to many competitors in the industry that has created price wars. Consequently, the delivery of services has been compromised since companies are not able to fund for good settlement of claims and deliverance of services to their clients. Low penetration characterized limited markets as compared to other countries outside Africa, are competed upon by over 40 licensed insurance companies. This has resulted to entrant of other players such as banks into the insurance industry. The emergence of bank-assurance poses a great challenge to insurance as banks provide insurance services and encourages their customers to purchase directly from them. This raises fundamental question on the nature of strategies adopted and implemented by insurance companies in Kenya to ensure sustainable performance in highly volatile environment. These problems were addressed by examining the link between growth strategy, differentiation strategy, merger and acquisition strategy and strategic alliance strategies and performance of insurance firms in Meru County, Kenya. The target population comprised of the insurance firms registered by the National Chamber of commerce and industry in Meru County, Kenya. The sample population was 39 managers and unit managers of these insurance firms in Meru County, Kenya. Closed ended questionnaires were used as the main instrument to collect data which were self-administered to the respondents. The study used logistic regression to show the relationship between the dependent variable, performance of insurance firms and independent variable growths strategy, differentiation strategy, merger strategy and strategic alliance. The study adopted descriptive research design and correlational study design. The study found that growth strategy and differentiation strategy had significant relationship with performance of insurance firms while merger and acquisition strategy and strategic alliance were found not to have a significant relationship with performance of insurance firms in Meru County Kenya. The study recommended that insurance firms ought to adopt growth strategy for them to be able to gain competitive advantage in addition to being a means of assessing returns of research and development. In addition, differentiation strategy was recommended for insurance firms since it commands a premium price for a product, increases sales because of additional buyers who are won over by the differentiating features.