International Journal of Business Management, Entrepreneurship and Innovation, Volume 6, Issue 2, 2024, PP 69-90, ISSN 2707-8027

Differentiation Strategy and the Performance of Medical Insurance Companies in Kenya

Isabel Wanjiku Kimani[1], Patricia Kungu[2]

[1]*School of Business, Economics and Tourism, Kenyatta University, Kenya*

[2]*Lecturer, Department of Business Administration, School of Business, Economics and Tourism, Kenyatta University*

ABSTRACT

Against a backdrop of escalating global competition, health insurance firms grapple with the need to stand out amidst a saturated market. The study recognizes the imperative for organizations to adopt differentiation strategies, with a focus on product, personnel, distribution, and image differentiation. Acknowledging the current dearth of comprehensive research in the Kenyan context, the research problem centres on the critical need to investigate the extent to which differentiation strategies influence the performance of health insurance companies in the region. The general objective of the study was to investigate the effect of differentiation strategy on performance of Health Insurance Companies in Kenya. Drawing on established theories such as Porter's Competitive Advantage Model, Upper Echelons Theory, Resource-Based View, and Transaction Cost Economics, the study employs a multi-theoretical framework to provide a nuanced understanding of the complex relationships between differentiation strategies and organizational outcomes. Adopting the descriptive research design, the target population comprises 980 employees in the medical insurance firms in the top management and middle level management in Nairobi, drawn from the respective insurance firms' Human Resources Departments. Employing a multi-stage sampling technique, the established sample size is 101 top and middle level management staff who were reached by stratified random sampling. A semi-structured questionnaire was the main data collection instrument and was distributed through a drop-and- pick- latter approach. Data was analyzed using both descriptive and inferential statistics. Descriptive statistics measures of mean and standard deviation were used, while for inferential statistics, regression equations were employed. The study established that product differentiation strategy, personnel differentiation strategy, product differentiation strategy and image differentiation strategy had a positive significant effect on performance of health insurance companies in Kenya. The study concludes that product differentiation is the key aspect distinguishing one company's products or services from its competition. Personnel differentiation strategy gives an organization the ability to respond in time to the needs of their members through the skills and knowledge of employees. A differentiated distribution strategy allows insurance companies to expand their sale potential by getting their product in front of more potential customers. An effective image establishes the product's character and value proposition and a person responds differently to company and brand images. The study recommends that the insurance companies should consider opportunities for differentiation in all of its production areas: marketing, product management, engineering, sales, and customer support. Organizations looking to build personnel differentiation strategy will need to produce or design extremely unique or distinctive products or services that create increased value for the consumer. The insurance companies should devote resources to channel management preferably at least one dedicated manager whose sole responsibility is to manage those relationships and build the marketing programs to drive revenue through the channel. The insurance companies should identify their brand gaps, which are the discrepancies between their desired and actual brand performance.

Key Words: *Differentiation Strategy, Organization Performance, Medical Insurance Companies*

DOI 10.35942/0tjve607

Cite this Article:

Kimani, I., & Kungu, P., (2024). Differentiation Strategy and the Performance of Medical Insurance Companies in Kenya. International Journal of Business Management, Entrepreneurship and Innovation , 6(2), 69-90. https://doi.org/10.35942/0tjve607

1.0 Introduction

1.1 Background of the Study

In the contemporary landscape of intense global competition, gaining a competitive advantage is crucial for sustained business success (Atasel et al., 2020). Ali and Anwar's (2021) review of Porter's seminal work underscore the significance of two primary competitive advantage strategies: differentiation and low cost. Differentiation involves creating unique products or services, positioning the organization as distinctive in the market (Chod & Lyandres, 2021). This strategy, as argued by Hole and Bhaskar (2019), necessitates the implementation of a value-creating strategy not simultaneously adopted by competitors. Johnson et al. (2019) emphasize that differentiation, particularly through innovation, creates a barrier for competitors, making imitation expensive. Focusing on customer-centric differentiation is considered cost-effective compared to reactive strategies, making it a compelling choice for improving organizational performance in the highly competitive business environment (Banerjee & Savitha, 2021). As such, the adoption of a differentiation strategy is seen as effective in navigating the complexities of today's business landscape.

Differentiation strategy, according to Batool and Sahi (2019), involves a firm creating significant distinctions in its offerings to make them unique compared to competitors. A robust differentiation approach may involve entering a market first, exploiting a broader market segment, setting prices, and ultimately realizing higher profits and growth. Innovation, as highlighted by Ali and Anwar (2021), is a cornerstone for achieving sustainable competitive advantages. Companies employing differentiation strategies differentiate themselves through product quality, innovative features, effective promotions, superior service, and strong brand development. This often allows these companies to command higher prices for their products, justifying the added value they bring, including prompt delivery, service quality, and well-established distribution channels (Ebrahimi, 2021). In the context of this research, the investigation into differentiation dimensions encompassed product, personnel, distribution, and image differentiation strategies.

Exploring differentiation dimensions in the research involves a nuanced examination of product, personnel, distribution, and image differentiation strategies. Product differentiation hinges on offering innovative features and superior quality, positioning the company uniquely in the market (Njuguna et al., 2019). Personnel differentiation involves creating a distinctive workforce, emphasizing skills and customer service, contributing to a competitive advantage (Hole & Bhaskar, 2019). Distribution differentiation explores innovative methods and approaches to product delivery, further setting the company apart from competitors (Hamal, 2020). Image differentiation revolves around building a strong and positive brand image through effective branding and marketing strategies (Banerjee & Savitha, 2021). The multifaceted nature of these differentiation dimensions underscores their role in creating a unique value proposition, fostering customer loyalty, and ultimately contributing to enhanced organizational performance in the competitive business environment.

2.0 Literature review

2.1 Theoretical Review

The discussions relating to the impact of differentiation strategy on performance can be anchored from three theories namely; the Porter's theory of competitive advantage, Upper echelon theory and the Institutional theory. These theories also explain the reasons why organizations employ different strands of differentiation strategies in their business operations.

2.1.1 Resource-Based View Theory

Resource-Based View (RBV) Theory, introduced by Wernerfelt (1984) and further developed by Barney (1991), is a strategic management framework that emphasizes the role of a firm's internal resources and capabilities in achieving sustainable competitive advantage. The core tenet of RBV is that a firm's unique and valuable resources, which can be tangible or intangible, must be rare, inimitable, and non-substitutable to create a sustainable competitive advantage (Wernerfelt, 1984). Resources that meet these criteria, often referred to as strategic assets, contribute to a firm's ability to outperform competitors over time. RBV encourages firms to identify, develop, and leverage their unique resources to gain a sustained competitive edge in the market (Barney, 2001).

Critics of the RBV theory argue that its focus on internal resources may lead to a neglect of external factors and market dynamics (Hunt, 2019; Lavie, 2020). They contend that RBV tends to be static and might not fully account for the dynamism and uncertainty present in many industries. Additionally, Kale et al. (2021) point out that the theory does not provide clear guidance on how to identify and measure the unique qualities of resources, making it challenging for practitioners to apply in a practical context. Despite these criticisms, RBV remains pertinent in the present study as it offers valuable insights into how health insurance companies in Kenya can leverage unique and valuable resources, especially in the context of product differentiation. The theory's emphasis on sustained competitive advantage through rare and valuable resources (Barney, 2001) aligns with the study's objective of determining how product differentiation strategies contribute to the performance of health insurance companies.

In the specific context of the study objective regarding the effect of product differentiation strategy on the performance of health insurance companies in Kenya, RBV is highly relevant. The theory helps to frame the investigation by directing attention to the unique and valuable resources that health insurance companies possess, which contribute to the differentiation of their products. By assessing the rarity, inimitability, and non-substitutability of these resources, the study can gain insights into how product differentiation, as a strategic initiative, enhances the competitive position and overall performance of health insurance companies. RBV provides a theoretical foundation for understanding why certain product differentiation strategies may lead to sustained competitive advantage and improved performance in the specific context of the health insurance sector in Kenya.

2.1.2 Agency Theory

Agency Theory, initially developed by Ross (1973) and Mitnick (1973) and later expanded by Jensen and Meckling (1976), explores the principal-agent relationship within organizations. The theory examines the dynamics between principals (typically shareholders or owners) and agents (managers or employees) and addresses the inherent conflicts of interest that arise due to the divergence of goals between these two parties. In an agency relationship, principals delegate decision-making authority to agents, and the challenge lies in aligning the interests of both parties to ensure that agents act in the best interest of the principals (Jensen & Meckling, 1976). Agency Theory provides insights into how contracts, incentives, monitoring

mechanisms, and performance measurement can be designed to mitigate the agency problem and promote effective governance within organizations.

Critics of Agency Theory argue that its assumptions of self-interest and opportunism may oversimplify human behavior and the motivations of individuals within organizations (Garba, et al., 2020). Some contend that the theory does not sufficiently consider the complexity of interpersonal relationships, trust, and social dynamics in organizational settings (Potucek, 2019). However, despite these criticisms, Agency Theory remains pertinent in the present study due to its enduring value in understanding the challenges and strategies associated with managing the principal-agent relationship. The theory offers a valuable lens for examining how personnel differentiation strategies impact the alignment of interests between executives (agents) and shareholders (principals) in health insurance companies. It helps frame the exploration of how incentives, contracts, and monitoring mechanisms can be designed to ensure that employees' actions contribute to organizational goals and overall performance.

In the context of the study's specific objective of examining the effect of personnel differentiation strategy on the performance of health insurance companies in Kenya, Agency Theory becomes highly relevant. The theory provides a framework for understanding the potential agency problems that may arise when executives or employees pursue their own interests instead of those of the shareholders. Through exploring how personnel differentiation strategies influence the behavior and performance of employees, the study can draw insights from Agency Theory to design effective incentive structures and monitoring mechanisms that align the interests of employees with the overarching goals of the health insurance companies. This perspective contributes to a nuanced understanding of how personnel differentiation strategies can be leveraged to mitigate agency problems and enhance organizational performance in the context of the health insurance sector in Kenya.

2.1.3 Transaction Cost Economics Theory

Transaction Cost Economics (TCE), introduced by Williamson (1975), is a theory that examines the costs associated with transactions and the choices organizations make regarding the allocation of economic activities. TCE posits that firms exist because they offer a more efficient structure for managing transactions compared to the market. The theory identifies two primary governance structures: market and hierarchy (Schmitz, 2019). In a market, transactions are coordinated through contracts and market mechanisms, while in a hierarchy, coordination is achieved through the internal organization of a firm. TCE suggests that the choice between these structures depends on transaction-specific factors, such as asset specificity, uncertainty, and frequency (Williamson, 1979). The theory argues that firms aim to minimize transaction costs, which include search and information costs, negotiation costs, and enforcement costs, in deciding the optimal governance structure for a particular transaction (Müller & Schmitz, 2021).

Critics of Transaction Cost Economics argue that it oversimplifies complex organizational phenomena and that its assumptions, particularly those related to human behavior and rationality, may not fully capture the intricacies of decision-making in organizations (Pessali, 2020). Some critics contend that TCE neglects the role of culture, trust, and social factors in shaping transactional relationships (Anderlini & Felli, 2022). However, despite these criticisms, TCE remains pertinent in the present study due to its ability to provide valuable insights into how organizations can optimize their distribution channels. The theory's emphasis on minimizing transaction costs (Schmitz, 2019) aligns with the study's exploration of how distribution differentiation strategies impact the efficiency and effectiveness of transactions in the health insurance sector in Kenya. TCE provides a theoretical foundation for understanding

how firms make decisions regarding the organization of distribution activities to reduce costs and improve overall performance.

In the context of the study's specific objective of assessing the effect of distribution differentiation strategy on the performance of health insurance companies in Kenya, TCE offers a relevant perspective. The theory helps frame the investigation by directing attention to the transactional aspects of distribution, emphasizing the costs associated with different coordination mechanisms. By exploring how distribution differentiation strategies impact transaction costs, the study can gain insights into how health insurance companies in Kenya can optimize their distribution channels. TCE provides a lens for understanding how firms make choices between market and hierarchy in the context of distribution, shedding light on the factors that influence the efficiency and effectiveness of distribution strategies. This theoretical foundation contributes to a nuanced understanding of how distribution differentiation strategies can be leveraged to minimize transaction costs and enhance the overall performance of health insurance companies in the specific context of the Kenyan market.

2.1.4 Brand Equity Theory

Developed by Aaker (1991), Brand Equity Theory has been widely developed and discussed in the fields of marketing and brand management. It revolves around the idea that a brand possesses inherent value beyond its tangible attributes. The theory suggests that a strong brand is an intangible asset that can contribute to a firm's long-term success (Alhaddad, 2019). Brand equity is a measure of the brand's impact on consumer choice, preference, and loyalty. It encompasses various dimensions, including brand awareness, perceived quality, brand associations, and brand loyalty (Ansary et al., 2020). The theory posits that a positive brand image can lead to increased customer satisfaction, loyalty, and willingness to pay premium prices for products or services associated with the brand. Effective brand management, therefore, becomes crucial for building and sustaining brand equity over time (Aaker, 1991).

Critics of Brand Equity Theory argue that it places too much emphasis on the consumer's perception of a brand and neglects the broader environmental and competitive factors that may influence brand success (Kotler, 2022). Some contend that the theory lacks precision in its measurement, making it challenging to quantify and manage brand equity effectively (Neumeier, 2019). Despite these criticisms, Brand Equity Theory remains pertinent in the present study due to its continued significance in understanding how a positive brand image can impact organizational performance. The theory provides a valuable perspective for exploring the influence of image differentiation strategies on the performance of health insurance companies in Kenya. By assessing the various dimensions of brand equity, the study can gain insights into how image differentiation strategies contribute to the creation and enhancement of a positive brand image, ultimately affecting customer perceptions and behavior.

In the context of the study's specific objective of determining the effect of image differentiation strategy on the performance of health insurance companies in Kenya, Brand Equity Theory offers a relevant framework. The theory helps frame the investigation by directing attention to how image differentiation strategies contribute to the dimensions of brand equity, such as brand awareness, perceived quality, and brand loyalty. By exploring the impact of image differentiation on these dimensions, the study can provide insights into how health insurance companies in Kenya can build and manage a positive brand image, influencing customer preferences and loyalty. Brand Equity Theory contributes to a nuanced understanding of the link between image differentiation strategies and the overall performance of health insurance

companies in the specific context of the Kenyan market, emphasizing the enduring importance of brand perception in shaping consumer behavior and organizational success.

2.1.5 Dynamic Capabilities Theory

Dynamic Capabilities Theory, formulated by Teece et al. (1997), provides a framework for understanding how organizations can develop and leverage their capabilities to adapt and innovate in a rapidly changing environment. The theory suggests that a firm's competitive advantage lies not only in its existing resources but in its ability to integrate, build, and reconfigure these resources dynamically in response to external changes (Ludwig & Pemberton, 2011). Dynamic capabilities encompass a firm's capacity for sensing changes in the market, seizing new opportunities, and reconfiguring internal resources and processes to stay competitive. It emphasizes the importance of continuous learning, strategic flexibility, and adaptability in achieving long-term success (Basiouni et al., 2019).

Critics of Dynamic Capabilities Theory argue that the concept is too abstract and lacks clear operationalization, making it challenging for organizations to implement and measure dynamic capabilities effectively (Basiouni, 2022). Some argue that the theory does not provide specific guidance on how firms can develop and sustain dynamic capabilities in practice (Wang, 2019). Despite these criticisms, the theory remains pertinent in the present study due to its enduring value in explaining how organizations can navigate and thrive in dynamic environments. The evolving nature of the health insurance industry in Kenya, influenced by regulatory changes, technological advancements, and shifts in consumer preferences, makes the dynamic capabilities framework particularly relevant. Organizations in this sector need to constantly adapt and innovate to succeed, and Dynamic Capabilities Theory provides a valuable lens for understanding how health insurance companies can build the capacity to respond effectively to changes in their operating environment. In the context of the organizational performance aspect of the study, Dynamic Capabilities Theory is highly relevant, especially when measured by the Balanced Scorecard (BSC) framework. The BSC considers financial and non-financial aspects of organizational performance, aligning well with the dynamic capabilities' perspective. By employing Dynamic Capabilities Theory, the study can explore how health insurance companies in Kenya develop and leverage dynamic capabilities to enhance their performance across various BSC perspectives.

2.2 Empirical Review

This section discusses extant literature regarding the effect of firm strategic alliances and its effect on competitiveness. The four tenets of differentiation strategies include, product, personnel, distribution and image.

2.2.1 Product differentiation strategy and Organizational performance

The organization pursuit of the product differentiation strategy requires the development of unique products and services that is unmatched by competitors due to the strong customer loyalty (Matsa, 2009). The high quality of a product or service comes out of the unique features that can justify higher prices. Firms that pursue the product differentiation objective would invest in research and development activities with a view to increasing their innovative capability and enhance their ability to keep up with their competitors' innovations (Jermias, 2008). In the words of Davidow and Uttal, (2009) differentiation strategy is concerned with positioning a brand in such a manner that it differentiates itself from competitors. Consequently, product differentiation strategy requires that products have valuable features, such as quality, innovation, and customer service. To achieve these goals, product differentiation requires that firms invest on quality as a source of competitive advantage. Product quality can have large effects on demand and consumer welfare. Not only has product

quality been recognized as a strategic organizational priority, it is also an important element of competition in a wide range of markets and industries. Further, product design is another unique feature that offers both functional and aesthetic benefits to consumers, which could become an important source of differentiation (Koter and Keller 2011). Further, product differentiation is manifested through rapid product innovation, responsive customer service, perceive prestige and unusual features. The perceived effect of product differentiation is organizational outcome is manifested by the number of studies that have been carried out.

Zehir, Can and Karaboga (2015) sought to assess the influence of entrepreneurial orientation to firm performance on the join predictor of differentiation strategy and innovation performance. The research was a survey of 991 middle and senior managers of 331 manufacturing firms operating in Turkey, in the year 2014. The data from the 331 questionnaires were analyzed using SPSS and in testing the hypothesis, a simple linear regression was adopted. The findings to the study show that differentiation strategy mediates the relationship between entrepreneurial orientation and firm performance. This finding is in line with extant literature which points out that EO can be mediated by other internal and external factors (Zahra & Garvis, 2010; Alegra & Chiva, 2013). The study recommends that for entrepreneurial practice to have meaningful result on the performance, then there is need to complement with internal process which creates a synergy between the variables.

Dirisu, Iyiola and Ibidunni (2016) investigated how product differentiation acts as a tool of competitiveness at Uniliver plc in Nigeria. The study adopted a survey research design with the population of the study being customers/ consumers of the Uniliver plc based at the Ota state in eight months period ending Dec 2012. The targeted respondents were consumers of households goods from the company. The sample population was taken majorly from schools, banking halls, shopping malls and market places located at Ota, Ogun state. In total the sample was made of 235 respondents. The results suggest that there is a positive and significant relationship between the quality of a product and the sales growth of the product. The same result was found between product design and sales growth of the product. This result is in support of the earlier finding by Daniel and Reitsperger (2011) who while researching among the Japanese manufacturing firms a significant and positive relationship between differentiation strategy and performance of the firms. The study concludes that business organizations should not only see product differentiation as a tool of increasing sales but rather putting the organization in the limelight and thus enhancing the firm competitive advantage position.

Nyambura and Kungu (2021) investigated how the strategic management practices affect the performance of national government affirmative action fund in Kiambu County. The research adopted a descriptive survey design with the population being a total of 2000 in which women, youth and persons with disabilities being 1000 and 500 respectively. The data was collected using a questionnaire while the analysis of was done using inferential measures of regression and correlation. The findings reveal that the performance of the national government affirmative action fund was influenced by the fund management committee with the strategy practices adopted such as the mission and vision of the fund, understanding of the strengths of the external environment, SWOT analysis and being able to exploit the available opportunities being significantly affecting the performance of the institution. The findings is in support of that by Ghani, et al., (2010) who while researching on the critical factors affecting an organization planning posit that the ability of a firm to scan for both environmental and internal factors within which it operates, influences the performance outcome. The study recommends that government organizations incorporate the views of stakeholders when coming up with their strategic management practices.

The effect of competitive strategies on the performance of Uber online taxi firm in Nairobi was investigated by Wakhu and Bett (2019). The study research design was descriptive on a target population of 2,100 operators operating in the Nairobi Central Business District. The research adopted a purposive sampling design in which 130 operators formed the sample size. From the distributed questionnaires, 91 were collected having been duly filled. Data analysis was done through use of both descriptive and inferential statistics. The findings suggest that cost leadership, differentiation strategy and focus strategy had a positive and significant effect on performance. However, the results suggest that focus strategy had the highest influence on the performance of Uber in Nairobi (β=.945) while cost leadership had the least effect (β=.655). This implies that choosing a strategic location, clients and economic standing of the location neighbourhood had the greatest influence on Uber performance. The study recommends that the management of Uber can pursue location concentration and in the city with a view to increasing their market share.

Kyengo, Ombui and Iravo (2016) sought to determine the influence of competitive strategies on the telecommunication companies in Kenya performance. The competitive strategies to the firm were represented by cost leadership, market focus, differentiation strategy and corporate growth strategies. A descriptive research design was adopted on three telecommunication firms in Kenya. A sample of 120 middle and top cadre staff was utilized. Both primary and secondary data was collected with a questionnaire forming the main data collection instrument. The findings suggest that all the four competitive strategy variables had a positive and significant effect on the performance of telecommunication firms (cost leadership, β=.752, p=0.0192; market focus strategies, β=.487, p=0.0269; differentiation strategy, β=.545, p=0.0251; corporate growth strategies, β=.439, p=0.0454). The study recommends that the telecommunication firms in Kenya continually evaluate their leadership status with a view to placing persons with the requisite competence of implementing appropriate strategies.

2.2.2 Personnel differentiation strategy and Organizational performance

Human resources are a term used to represent individuals that form the workforce of an organization, although it is also used in labor economics to describe business sectors or even a whole nation (Agus, & Ismail, 2016). According to the resource based view (Barney, 1991), firms can develop a competitive advantage only by creating value in a way that is difficult for competitors to imitate. However, traditional sources of competitive advantage such as technology, financial and economies of scale can be used to create value, can easily be copied and thus its competitiveness is temporal. Rather complex social structures such as employment systems has been suggested to be a more formidable internal resources that cannot be copied easily in the market. Human resource policies and practices – such as selection of the top management to guide the organization in the realization of its objectives may be an especially important source of sustained competitive advantage (Jackson & Schuler, 1995). In order to increase the uniqueness of the organizations human resources, there need to be a good and fair internal career opportunities to all the staff as well as provision of training opportunities through either through selection or the socialization processes to obtain required skills (Mbugua & Kinyua, 2019). To increase the employee differentiation capacity, the organization need to institute an elaborate outcome-based performance ratings and the extent to which subordinate views are taken into account in these ratings as well as inculcate employment security in the organizations structures.

In order for the personnel differentiation strategy adopted by a firm to be a source of competitiveness, Dees, Nestler and Kewley (2013) opined that the staff need to exhibit four key competence, namely; business competence, integration competence professional and technical knowledge, and ability to manage change. This is achieved through a process of

aligning the supply of skilled and qualified individuals and the capabilities of the current workforce, with the organization's ongoing and future business plans and requirements with a view to maximize return on investment and secure future survival and success. Richte, Dickmann and Grauber (2008) advocate the establishment of training programs for employees through direct observation and experience –coupled by workshops mostly led by consultants at senior level. In addition, employment of the on-the-job training and formal workshops involving human resource staff, external trainers, and some consultants at senior level helps in increasing employee competence.

Mbugua and Kinyua (2019) aimed to address the question on how personnel differentiation affects the performance of deposit taking micro-finance institutions in Nairobi City County, Kenya. A stratified sampling and probability sampling was adopted on 123 managers from the 41 deposit taking organizations with descriptive research design being employed. The inferential statistics adopted used simple linear regression to determine the nexus between the two variables. The results to the findings is that there exists a positive relations between the performance of the DT microfinance institutions and the personnel differentiation strategy adopted by the firms (r=0.639, p-value 0.000). In line with the Schober, Boer and Schwarte (2018) suggested standard, r – value ranging between 0.40 to 0.69 is considered to have a moderate effect and this results fits within this range. The regression results likewise supported the positive influence of personnel differentiation strategy on organization performance of the deposit taking MFI - a position that is in line with that of Kariuki, Ko'bonyo and Ogutu (2018) who while investigating the influence of management practices on te performance of firms listed at the NSE found that personnel strategies had a positive and significant effect on performance. The study recommended that there need to deliberate training of staff to enhance their customer service capabilities.

Agus and Ismail (2016) employed a quantitative and a cross-sectional research methodology to determine the perception of management on influence of training in supply chain management on the relationship between personnel differentiation and business performance. The sampling frame were manufacturing firms listed in the Federation of Malaysian Manufacturing Directory from which a sample of 56 firms was studied. The findings suggest that employee training in production processes was the dominant strategy (M=5.143) and the least loading was on employee training in supply chain (M=4.960). Further, the linkage between training to personnel differentiation was relatively high with a loading of 0.690. However, the results indicate that training had a non-significant influence on business performance but that personnel differentiation mediated the relationship between training and business performance. The results support most previous studies or findings. According to Bartlett (2001), the organizations that are able to create effective training programs will be able to achieve greater performance outcomes. Further, the research concluded that training practices used by organizations may have an effect, direct or indirect on both employees" motivation and organizational commitment.

Chiguvi, Tadu, Khumalo and Mahambo (2020) considered a new perspective by seeking to determine how personnel differentiation influenced the competitive advantage in the Private Tertiary Education Institutions in Botswana. The research was undertaken between 2017 and June 2018 with the personnel differentiation being measured by the staff level of competence, courtesy, credibility, reliability, and responsiveness and communication acumen. Towards the realization of the research objective, a descriptive survey design was employed and the probability-stratified random sampling was used on the target population. The target sample was 200 respondents distributed evenly among the two universities under consideration. Data was collected through a drop-and-pick later questionnaire distribution method. The findings

suggest that credibility and communication of staff was found to be significant factor influencing performance of the educational institutions. This findings supports that of Dunkin et al., (2016) who find that qualified and competent staff affects level of university competitiveness and that resources should be directed towards recruitment of qualified staff and that without appropriate training, the entire process of university service delivery, program design innovativeness and research would be compromised. Consequently, the research concludes the training and retaining of qualified staff is essential in the achievement of competitive advantage in the educational institutions.

2.2.3 Distribution differentiation strategy and Organizational performance

The ability to transfer manufactured goods to the customer is one of the challenges facing marketing managers. This means that one of the important decisions that a firm needs to make is how to transfer manufactured goods to a place of purchase or consumption and the ability to effectively do the same defines firm competitiveness. One of the most important challenges for marketing managers and manufacturers is to transfer their manufactured goods to the target markets. The importance of the decisions made on distribution channels is due to the fact that the company has to adhere to these decisions for a long time, because, it takes several years for a distribution system to be properly deployed and it is not easy to change.

The distribution strategy that is adopted should in such a way that it can facilitate supply and sale of the product when needed and therefore being able to formulate distinctive design of their distribution channels. Channel differentiation is achieved through different methods, such as differentiating in the distribution of the company or selling and offering products to the customers. It includes the expertise of channel managers and channel efficiency in ease of ordering, services, and employee (Kotler & Keller, 2007). Distribution channels consist of many different factors, including partnerships and location. A broad category includes wholesalers, retailers, customers, and users. Each of them has certain responsibilities regarding the others. These obligations must be in order to realize the correct channel performance (McCalley, 1996). An intermediary or a distributor's business position can be an important indicator in the choice of distributors (Braglia and Petroni, 2000). Manufacturers often want to obtain information about current and former customers of the distributors, therefore, the infrastructure of the distribution companies and their rivals are important. Knowledge and expertise of distributors are related to the amount of knowledge and expertise in that industry. The distributors who have enough expertise and knowledge about the products and services in a particular industry are more successful in providing the products and communicating with the customers (Kaleka, 2002).

Ghahroudi and Sagheb (2018) investigated the role of differentiation strategies on the women fashion-clothing Performance through the mediation role of the customer satisfaction. The research sample was 100 firms dealing with women clothing stores in Tehran with the research covering the period 2016. A cross-sectional research design was adopted in the study and structural equation models (SEM) and the partial least square (PLS) equations was used to establish the relationships in the variables. The research independent variables that represented the differentiation strategies included product, service, employee, channel and image. the mediating variable was customer satisfaction. The results confirmed at 95% confidence level the existence of the individual effect of product, employee and image differentiation customer satisfaction and also existence of a significant effect of customer and product differentiation on the company performance. Further, the findings reveal existence of the mediating role of customer satisfaction in the relationship between service differentiation and fashion company performance is statistically confirmed (P< 0.05). The results showed that employee differentiation has a direct effect on customer satisfaction, which is consistent with the

Bokhari's et al. (2014) study. The positive relationship between product differentiation and organizational performance is consistent with the results of Dirisu's et al. (2013) study. The results indicate that product differentiation has a great effect on customer satisfaction, therefore, the study recommends that meson managers should be more focused on distinct their products among other competitors.

Maina and Kagiri (2016) investigated the influence of differentiation strategies on the competitiveness of East Africa Breweries Ltd, Kenya. A case study research design was adopted with 14 departmental managers being the targeted respondents. The main data collection instrument was a semi-structured questionnaire with data being analyzed using descriptive measures of mean, standard deviation and for the qualitative questions, content analysis was adopted. The results reveal that EABL had established a unique distribution channel using third parties and that the supplies at the grassroots have been locked up via binding agreements which prevents them from dealing with competitor products. In addition, by using a localised distribution strategy, contracted distributors are not allowed to operate outside their designated areas and this helps to improve the efficiency of the networks. The study recommends that organization leadership impact on the nature of distribution strategy adopted and hence firm's top management should be strategic in their leadership. Akingbade (2020) later replicated the same by seeking to determine how service differentiation strategy affects the organizational performance of Nigerian small and medium enterprises in Lagos State. Through use of the survey research design, the study found was based on 249 registered SMEs in the Lagos state and from the same, a sample of 152 firms was chosen based on cluster sampling technique. The research findings suggest that SMEs that adopted distribution strategy recorded increased performance as compared to those that did not. Therefore, the study recommended that firms adopt appropriate distribution strategies that match their product line and that the performance is influenced directly due to improved customer's satisfaction, loyalty and retention.

Newton, Gilinsky and Jordan (2015) while using a desktop research design sought to determine the differentiation strategies on the winery financial performance of 71 firms in the USA. Data was collected for the five year period covering 2006 -2010 and this provided the necessary longitudinal robustness. The population consisted of 148 wineries based in the states of Oregon, California and Washington. The independent variables assumed by the study include distribution channel, business model and the supply chain adopted. On the other hand, the performance measures were proxied by growth in production and revenues. The results shows that wineries have pursued distribution strategy choices as a way to differentiate themselves whether to gain customers, increase its wine club membership, or mitigate the three-tier distribution. The study also finds that wineries that adopted a direct to customer distribution (DTC) channel outperformed those that used intermediaries in their distribution model. This finding supports earlier works by Wagner et al (2012) who pointed out that, though expensive, DTC distribution option resulted in increased sales as compared the resultant long supply chain from using third-party logistics firms. The study recommends the decentralization of production plans to near the customers in order to adopt the direct-to-customers delivery system.

2.2.4 Image differentiation strategy and Organizational performance

According to Marito and Radi (2019), image differentiation can be expressed through media, atmosphere, symbols and events that are designed in such a way to bring on board a meaningful differences to differentiate the company's offer from competitors' offers. Image differentiation helps in customers easily differentiating a product and this means that a company has to communicate that image so that it becomes a source of competitive advantage that the company

has in the long term (Putra et al., 2018). Improve the image by creating positive activities or events and implementing policies in accordance with the needs of the community so as to improve the image of the product or service throughout society. In terms of price setting, image differentiation demands that the price of a product is set neither too low nor too high because by setting too low, it creates the perception that the service or product is of low quality. Promotions that are carried out should convey product or service personalizations without violating business ethics display the features of the product / service and target the right target market (Sharp & Dawes, 2011).

Markwick and Fill (1997) highlighted that a company's image can be shared to the targeted consumer and the public in general through the generation of the promotional activities, specifying rival activities, environmental factors, rivals' activities, or be shared through mouth-to-mouth advertisements. A customer's image about a product or service is the total sum of all the experiences, values, and impressions that they have about the company. Kotler and Keller (2011) posit that an effective product image is associated with three things or a company, namely; it creates a planned product personality, generates emotional power among the target customers and distinguishes the products from competing products. The image differentiation plays an important role especially in situations where products are alike and thus an image is a powerful tool for differentiating between the available offerings. Kotler and Armstrong (2010) while researching on the effect of the mental image of grocery stores, distance, and customer satisfaction in Western U.S. university campus, found out that mental image of the grocery store is differentiated through the marketing features, store space and services, and marketing attractiveness. The store distance has a significant positive relationship with customer satisfaction, which retailers must seek to address the weakness of the distance.

Foster, Punjaisri and Cheng (2010) explored the relationship between corporate, internal and employer branding by developing a framework linking the three branding variables. The researchers reviewed various literature on branding and established the importance of employer branding and internal branding, and its potential to support the corporate brand-building initiatives. Further, it was established an inter-relationships among the three concepts of branding with their combined effect resulting in increased product performance. From the context of the hospitality industry, Ramli (2017) investigated the nexus between patient satisfaction, hospital image and patient loyalty in West Sulawesi Province, South Africa. The research employed a cross-sectional survey design, with the data collection procedure being through use of a questionnaire. The data was collected from 124 patients admitted in the private hospitals. The results of the study provide suggest that patient satisfaction affects and can improve the image of the hospital. High patient satisfaction also has an impact on patient loyalty, as well as the higher image has a positive and significant influence on patient loyalty

2.3 Conceptual Framework

A conceptual framework provides a streamlined familiar configuration, which is predestined to aid in gaining insight into a phenomenon that an individual intends to elaborate.

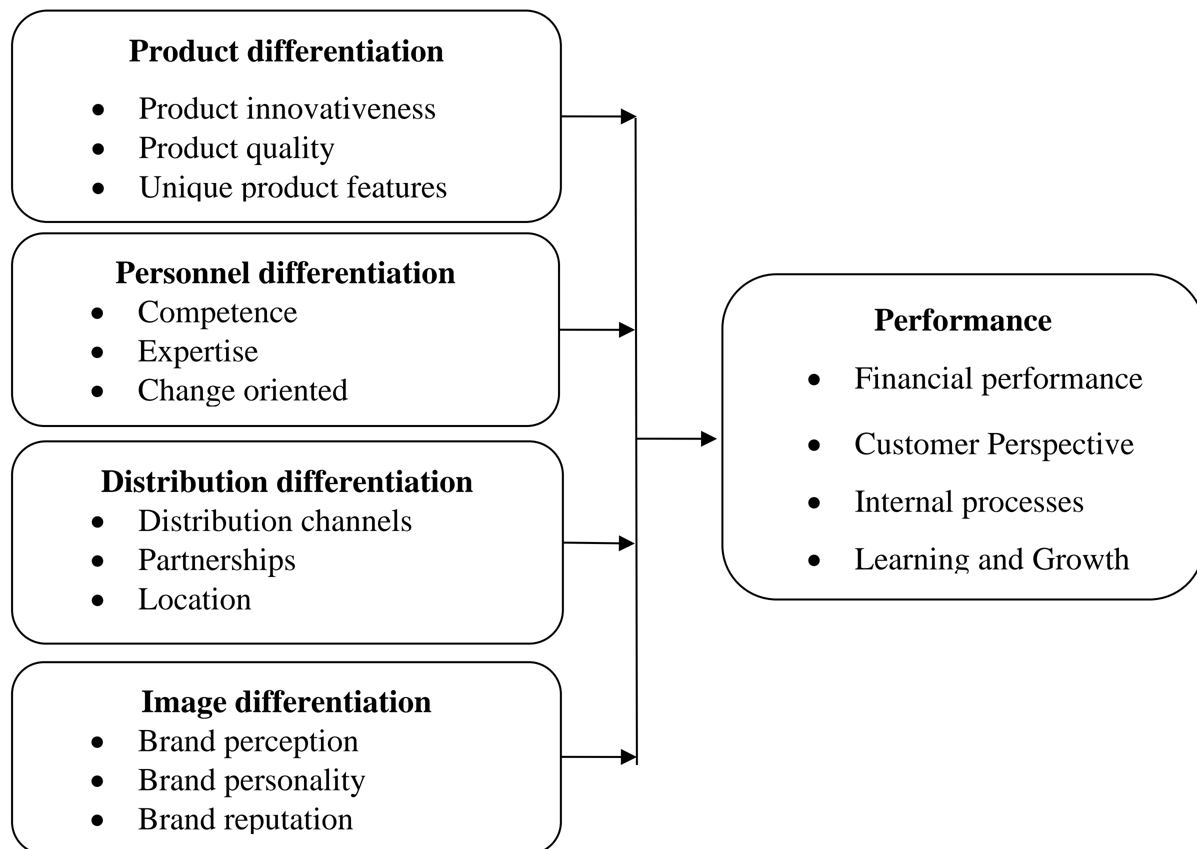

Figure 1: Conceptual Framework

3.0 Research Methods

This study employed a descriptive research design, which is particularly relevant for this study aiming to investigate the effect of differentiation strategies on the performance of health insurance companies in Kenya. Descriptive research allows for a systematic exploration and detailed description of the existing phenomena, in this case, the various differentiation strategies employed by health insurance companies and their impact on performance. As highlighted by Saunders et al. (2019), descriptive research is suitable when the researcher seeks to provide an accurate portrayal of the characteristics of a particular situation or phenomenon.

Given the complex and dynamic nature of the insurance industry, a descriptive design enables a comprehensive examination of the differentiation strategies, including product, personnel, distribution, and image differentiation, offering a detailed account of how these strategies are implemented and their subsequent effects on organizational performance. Additionally, this design aligns with the study's objective of providing insights into the current state of differentiation practices within the health insurance sector in Kenya, contributing to a deeper understanding of the competitive landscape and informing potential areas for strategic improvement (Kothari, 2019).

The complete collection of instances or units about which the researcher seeks to make conclusions is referred to as the study population. Defining the population in accordance with the study's goals is one of the most important tasks in developing a research design. Saunders

et al. (2019) defines a population as a complete count of all elements that display similar characteristics under investigation. The population of the study comprised of 980 employees in the medical insurance firms in the top management and middle level management in Nairobi. The target population was obtained from the respective insurance firms' Human Resources Departments.

A multi-stage sampling technique was adopted to select the respondent in the study. As described by Collis and Hussey (2021), multi-stage sampling typically involves breaking down the population into successively smaller and more manageable units, with sampling decisions made at each stage. The first stage was a census of all top and middle level management of the fifteen insurance firms engaged in medical services after which the two-grading structure of staff, according to the grading adopted by each organization is adopted as a strata, upon which the employees are to be selected. The benefit of stratification of a population is that different staff have varied competence and qualities and hence when interviewing, persons of similar characteristics is to be taken together, to cater for characteristics of each stratum. The second stage involved taking a sample of 10% from every stratum using simple random sampling technique. According to Kothari (2019), a sample was considered representative if it considers at least 10% of the entire population or a stratum. The resultant sampling frame from taking a 10% sample is presented.

The study utilized primary data that was gathered using an interview guide and a structured questionnaire. The questionnaire contained closed ended questions aimed at capturing the outcomes that can be enumerated during analysis. The open-ended questions in the interview guide was aimed at eliciting responses that can be analyzed qualitatively and capture factors relevant to the study but cannot be set by structured questions. A questionnaire is preferred, as it offers several advantages, including efficiency, consistency, and ease of analysis. As noted by Clark et al. (2021), questionnaires enable standardized data collection, ensuring that all respondents receive the same set of questions in a uniform manner. This uniformity enhances the reliability of responses and allows for straightforward comparisons across participants. Questionnaires are especially well-suited for surveys where a large number of participants need to be reached, as they can be administered to a diverse and geographically dispersed sample (Bell et al., 2019). The questionnaire was made up of three sections. Part A sought to capture the respondents' and medical insurance firms demographic information while Part B sought to establish the differentiation strategies being employed by the firms. Part C sought to assess how the differentiation strategies employed influence the firms' performance. The questionnaire was administered to the targeted respondents through a "drop and pick" later strategy and target the employees in the two cadres in the medical insurance firm as presented in the sampling table. Upon identifying the target respondents through the simple random sampling procedure, the researcher administered the questionnaire and the same to be collected within a week thereafter. The respondents provided their responses in a five-point Likert scale. Similarly, the researcher collected the qualitative data using an interview guide. This was distributed to one interviewee per organization.

4.0 Research Findings

The regression analysis was done to estimate the relationships between the independent variables and the dependent variable. The results are presented as follows:

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.822[a]	.676	.655	1.912

Source: Survey Data (2024)

From the findings in Table 1 the value of adjusted r squared was 0.655 (65.5%). This shows the extent to which the performance of health insurance companies in Kenya was influenced by the changes in product differentiation strategy, personnel differentiation strategy, distribution differentiation strategy and image differentiation strategy. This therefore means there is a remaining 34.5% that explains variables left out in the study.

Table 2: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	302.521	4	75.630	113.225	.001
	Residual	60.117	90	.668		
	Total	362.638	94			

Source: Survey Data (2024)

The results in Table 3 indicate that the statistical F value is 113.225 more than the statistical mean value of 75.630. The significance value is 0.001[a] which is less than 0.05 thus the model is statistically significance in predicting how the independent variables had an influence on dependent variable. Therefore, this confirms that the model was significant.

Table 3: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.674	.251		2.685	.000
Product differentiation strategy	.803	.119	.318	6.748	.001
Personnel differentiation strategy	.796	.347	.120	2.294	.000
Distribution differentiation strategy	.684	.229	.614	2.987	.001
Image differentiation strategy	.779	.403	.713	1.933	.001

Source: Survey Data (2024)

The results as presented in Table 3 indicate that, holding the product differentiation strategy, personnel differentiation strategy, distribution differentiation strategy and image differentiation strategy constant, the performance of health insurance companies in Kenya would be 0.674. In addition, an improvement in product differentiation strategy, personnel

differentiation strategy, distribution differentiation strategy and image differentiation strategy would improve the performance of health insurance companies in Kenya by .803, .796, .684 and .779. This results to the following regression equation;

Performance = .674 + .803 (product differentiation strategy) + .796 (personnel differentiation strategy) + .684 (distribution differentiation strategy) and .779 (image differentiation strategy).

The results in Table 3 indicate that product differentiation strategy had a positive significant effect on the performance of health insurance companies in Kenya (β=.318, p=.001). The finding agree with Zehir, Can and Karaboga (2015) who sought to assess the influence of entrepreneurial orientation to firm performance on the join predictor of differentiation strategy and innovation performance. The findings to the study show that differentiation strategy mediates the relationship between entrepreneurial orientation and firm performance.

The study established that personnel differentiation strategy had a positive significant effect on the performance of health insurance companies in Kenya (β=.120, p=.000). The finding concur with Agus and Ismail (2016) who employed a quantitative and a cross-sectional research methodology to determine the perception of management on influence of training in supply chain management on the relationship between personnel differentiation and business performance. The findings suggest that employee training in production processes was the dominant strategy. The study found that distribution differentiation strategy had a positive significant effect on the performance of health insurance companies in Kenya (β=.614, p=.001). The finding is in line with Ghahroudi and Sagheb (2018) who investigated the role of differentiation strategies on the women fashion-clothing Performance through the mediation role of the customer satisfaction. The results confirmed at 95% confidence level the existence of the individual effect of product, employee and image differentiation customer satisfaction and also existence of a significant effect of customer and product differentiation on the company performance. The finding revealed that image differentiation strategy had a positive significant effect on the performance of health insurance companies in Kenya (β=.713, p=.001). The finding agree with Markwick and Fill (1997) who highlighted that a company's image can be shared to the targeted consumer and the public in general through the generation of the promotional activities, specifying rival activities, environmental factors, rivals' activities, or be shared through mouth-to-mouth advertisements. A customer's image about a product or service is the total sum of all the experiences, values, and impressions that they have about the company.

5.0 Conclusions and Recommendations

5.1 Conclusions

The study concludes that product differentiation is the key aspect distinguishing one company's products or services from its competition. Successful product differentiation leads to brand loyalty and an increase in sales. A product differentiation strategy involves identifying and communicating the unique qualities of a product or company while highlighting the distinct differences between that product or company and its competitors. Product differentiation goes hand in hand with developing a strong value proposition so that a product or service is attractive to a target market or audience.

The study concludes that personnel differentiation strategy gives an organization the ability to respond in time to the needs of their members through the skills and knowledge of employees. Through personnel differentiation the organization obtains differential advantage by hiring and training staff better than competitors. Personnel differentiation strategy is an approach businesses develop by providing customers with something unique, different and distinct from items their competitors may offer in the marketplace.

The study concludes that a differentiated distribution strategy allows insurance companies to expand their sale potential by getting their product in front of more potential customers. This might decrease their reliance on marketing communications spending. Using a single-channel distribution strategy produces economies of scale that can improve your profit margins, but it often reduces the sales potential. Using multiple distribution channels can increase their sales, but the strategy comes with increased costs. The study recommends that an effective image establishes the product's character and value proposition. A person responds differently to company and brand images. Identity comprises the ways that a company aims to identify or position itself or its product, whereas image is the way the public perceives the company or its products. Image is affected by many factors beyond the company's control.

5.2 Recommendations

The study recommends that the insurance companies should consider opportunities for differentiation in all of its production areas: marketing, product management, engineering, sales, and customer support. Quantifying and qualifying the success of product differentiation requires customer surveys and feedback to assess satisfaction, loyalty, perception, and preference. A product differentiation strategy may require adding new functional features or might be as simple as redesigning packaging. Sometimes, differentiation marketing does not require any changes to the product but a new advertising campaign or other promotions.

The study recommends that organizations looking to build personnel differentiation strategy will need to produce or design extremely unique or distinctive products or services that create increased value for the consumer. The insurance companies should evaluate what is important to you and your business and the areas your organization succeeds in. This way, they will be able to provide a narrow differentiator to your customers. Write down the strengths and weaknesses of their overall brand or specific products. The organization can carry out research and development on personnel differentiation strategy to assist in aligning their business' offerings with the wants and needs of current and potential customers. This will also inform on their selection of differentiators to make their expertise more appealing.

The study recommends that the insurance companies should devote resources to channel management preferably at least one dedicated manager whose sole responsibility is to manage those relationships and build the marketing programs to drive revenue through the channel. Know who their best sales performers are at each point in the channel. Build relationships at each step of your channel. Take ownership of the marketing campaigns that will drive revenue at all levels through the channel. The study recommends that the insurance companies should identify their brand gaps, which are the discrepancies between their desired and actual brand performance. These companies should compare their brand perception, awareness, loyalty, and advocacy withtheirr goals and expectations. The insurance companies should also measure their brand equity, which is the value of their brand in the eyes of their customers. As a source of competitive advantage, a company may differentiate itself from its competitors by image; the particular image or 'personality' it acquires is created by its logo and other symbols, its advertising, its atmosphere, its events and personalities.

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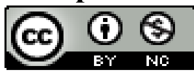
Declaration by the Author(s)

This is our original work and has not been submitted to any other journal. We have taken all measures to ensure highest compliance with ethical standards set by the journal. We confirm strict adherence to quality and originality in preparation of the research article.

This is an open-access article published and distributed under the terms and conditions of the  **Creative Commons Attribution 4.0 International License of United States unless otherwise stated. Access, citation and distribution of this article is allowed with full recognition of the authors and the source. Copyright, content ownership and liability for content herein remain with the authors.**

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