
Caroline Minoo Matilu & Professor. Peter K’Obonyo
School of Business, University of Nairobi
Nairobi, Kenya

ABSTRACT
This study was carried with an objective to establish the relationship between competitive strategies and human resource management practices adopted by the insurance firms in Nairobi Kenya. The central hypothesis under investigation in this study is that firms that have aligned their corporate strategy with the Human Resource Management practices stand a better chance to attaining a sustainable competitive advantage as well as good performance. To achieve the objective of the study, the research used a descriptive research design and a census survey comprising of all the 42 registered insurance firms in Kenya. Primary data was collected using structured questionnaires. The questionnaires were dropped and picked up later and others were filled through direct interview. Once the pertinent data was collected, the researcher carried out an analysis of the same using mean, standard deviation and percentages. Where appropriate, the study results were presented in tables and charts. The study established that most insurance firms have aligned their corporate strategy with the human resource management practices in order to survive and compete in the market. To enhance the competitiveness, the insurance companies use low cost leadership strategy, and differentiation strategy by offering a wide range of products and services. To achieve this, the companies use high skilled and innovative staff and most companies’ use staff training and development as means to bridging the gap between human resource competence and competitive advantage.

Keywords: leadership strategy, competitive advantage, Human Resource Management

INTRODUCTION
Increasingly, service firms are pursuing strategies that feature a greater customer -orientation. In the implementation of these strategies, service firms are recognizing that getting customer-oriented behaviors from their employees is critical. Because these behaviors are often different from those exhibited by the employees in the past, service firms are utilizing their human resource practices to stimulate and reinforce the behaviors needed for the successful implementation of greater customer-oriented strategies (Jackson and Schuler, 1992). Firms are environment dependent and changes in the environment shape opportunities and challenges facing them. Understanding this is important in defining objectives and developing strategies that will ultimately result in competitive advantage (Pearce and Robinson, 1991).

In today’s turbulent business environment, managing both internal resources and challenges posed by the external environment are essential for the survival of any organization. To deal effectively with matters that affect growth and profitability, executives employ management processes that they believe will position a firm optimally in its competitive environment (Pearson and Robinson, 1991). Human resources play a key role in determining competitiveness of a business. To gain a competitive advantage, firms should ensure that their digital strategy are committed to world class products and services to its customers and should have a world – class work environment for its employees (Porter, 1980). This means organizations must attract and retain world – class people. The company’s operations should be guided by customer-focused and employee –centered core values such as social responsibility, diversity,
quality and a passion for innovation, speed and adaptability. The changing global environment has led to more competition, increased product choice, increased customer demand, lower prices, product innovations and information technology (Johnson and Scholes, 2001). Kotler (2006) posits that, consumers have become more educated and informed more than ever before and they have the tools to verify companies’ claim and seek out superior alternatives. Companies face intense competition from domestic and foreign brands which is resulting in rising promotion costs and shrinking profit margins. Due to changes in the market place, companies must cope with the dynamic environment in order to survive (Adcock et al, 2001).

1.1.1 Human Resource Management (HRM) Practices
Human resource management (HRM) is the strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business (Torrington & Hall 1987). Miller (1987) suggests that HRM relates to: "those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage". HRM also refers to “people practices” which support business goals. These practices are embedded in the HR function such as, analysis and design of work, HR planning, Recruiting (attracting potential employees), Selection (choosing employees), Training and development (teaching employees how to perform their job and prepare them for the future) Compensation (rewarding employees), Performance Management (evaluating their performance) and Employee Relations (creating a positive work environment). All these are geared strategically to maximize company performance. The HRM practices support business goals and objectives. That is, effective HRM practices are strategic. Effective HRM enhances company performance by contributing to employees and customer satisfaction, innovation, productivity and development of a favorable reputation in the firm’s community.

1.1.2 Competitive Strategies
Competitiveness refers to a company’s ability to gain and maintain a reasonably market share in its industry. A strategy is defined as the “skillful employment of tactics in planning and management” (Webster’s New American Dictionary). A strategy reflects companies’ awareness of how and where it should compete and for what purpose.

Pearson and Robinson (2007) define competition as the state within a market setting where firms work and set strategies to gain advantage or greater success over each other. Competition denotes the existence of firms that try to sell identical products or services to the same group of customers. A firm’s competitors may change over time in terms of their characteristics, strategies, and strategic focus due to environmental factors that affect the structure of the industry (Guilmanin and Paul, 1994).

Competitive strategy consists of all those moves and approaches that a firm is taking to attract buyers withstand competitive pressure and improve its market position (Thompson and Strickland, 2002). Competitive strategy, also known as a business strategy, is concerned with how a firm competes in a given industry or market (Grant, 1998).

1.1.3 Human Resource Management Practices and Competitive Strategies
As stated earlier, competitiveness refers to a company’s ability and performance to gain and maintain market share in its industry (Easterly and Levine, 2002). Human resource management practices, therefore, must help support the company’s strategy and provide services with customer value. The value of a product or service is determined by its quality and how closely the product fits customer needs. Competitiveness is related to company effectiveness which is determined by whether the company satisfies the needs of stakeholders (Barney, 1991). Important stakeholders include: stockholders who want a return on the investments; customers, who want a high-quality product or service; an employees, who desire interesting work and reasonable compensation for their services and the community, which wants the company to contribute to activities and projects and minimal pollution of the environment. Companies that do not meet stake holder’s needs are unlikely to have a competitive advantage over other firms in the industry.
Miles and Snow (1984) argued that HRM practices must be tailored to the demands of business strategy. They noted that successful firms display a consistent strategy supported by complimentary organization structures and management processes. Schuler and Jackson (1987) provided a detailed treatment of the three competitive strategies (innovative, quality enhancement and cost reduction) and the required role behaviors. They argued that it is more useful to think about what is needed from an employee who works with other employees in a social environment and the required employee behavior.

### 1.1.4 Insurance Industry in Kenya

Insurance industry in Kenya is one of the most risky businesses to venture in mainly because of the potential risks that are involved and thus it is of interest to understand the survival tactics in such a risky business. The main players in the Kenyan insurance industry are: insurance companies, reinsurance companies, insurance brokers, insurance agents and the risk managers. The statute regulating the industry is the insurance Act; laws of Kenya, chapter 487. There is also self regulation of insurance by the Association of Kenya Insurers (AKI). The professional body of the industry is the insurance institute of Kenya. In 2006 there was formed, the Insurance Regulatory Authority (IRA) to take up the role of regulating, supervising, and developing the insurance industry players. Over the years, Kenya’s insurance industry has continued to endeavor itself to the existing and potential customers through new products and a significant improvement on its service delivery platforms, guaranteeing consumers of world class service delivery. According to the AKI (2009), there were 42 licensed insurance companies with 20 companies writing general insurance, 7 writing life insurance while 15 were composite. The insurance industry has been growing widely in Kenya and hence faced with stiff competition in the market. As a result, I have found this industry appropriate for my study to establish the competitive strategies used to survive and the role of human resource management practices in attaining companies’ sustainable competitive advantage.

### 1.2 Statement of the problem

The concern with the link between business strategy and human resource strategy today represents a growing recognition of the importance of people in the achievement of organizational strategy. The human resource management practices make the human resource strategy where, employees are seen as key in the implementation of the declared organizational strategy outcomes. The human resource function should ideally respond to organizational strategy by defining a strategy which meets organizational needs. For a company to be successful in attaining high performance, the link between its strategies should be holistic, with the people in the organization being recognized as the key to competitive advantage rather than just way of implementing organizational strategy. Human resource strategy therefore becomes critical and, as Baird et al (1983) argued, there can be no corporate strategy without human resource strategy. Boxall (1996) develops this idea in relation to resource based firm and argues that business strategy can usefully be interpreted as broader than a competitive strategy (or positioning in the marketplace). Butler (1989) identified the HR-driven model which places human resource strategy in prime position. He suggested that, if people are key to competitive advantage, then we need to as the implementers of strategy to human resources as a driving force in the formulation of the strategy. The model acts as a shift from human resources.

Despite the importance of the link between human resource management practices to corporate competitive strategies there appears to be no study that has addressed the relationship between these two concepts more so in Kenya. Given the developing nature of the Kenyan economy, one cannot assume that firms in the insurance sector have automatically made this alignment. If some of them have made the alignment and others have not, it would be important to demonstrate empirically there is a significant difference between those companies that have achieved their alignment and those that have not done so. This will help bring out more clearly the importance of such alignment. This is what the proposed study sets out to do.

Some studies have been done in Kenya on the area of competitive strategies. For example, Kimaru (2006) conducted a study on competitive strategies used by the agricultural chemical suppliers in Kenya. His objectives were to determine the competitive strategies used by agricultural chemical suppliers in Kenya.
and also to determine the factors that influence the choice of such strategies. His findings were that low cost strategy, differentiation strategy and the focus strategy as used by different companies, while the factors affecting choice of strategy comprised of product, its quality, entrepreneurship and market or focused learning capability. This study did not highlight the role of human resource management practices in the implementation of corporate strategy. Wacuka, (2007) conducted a study on competitive strategies adopted by car dealers in Nairobi and she found that different companies used strategies such as quality services delivery to customers, competitive pricing, quality products and discounts. These studies revealed the existence of competitive strategies in the firms studied. However, they did not address the link between the competitive strategies adopted and the role of human resource management practices in the firms studied. Hence this study seeks to fill the knowledge gap on the relationship between human resource management practices and the competitive strategies used by insurance firms in Kenya to gain a competitive advantage in the market competition.

**Objective of the Study**

**LITERATURE REVIEW**

**2.1 Concept of Strategy**

Johnson and Scholes, (1993) defines strategy as the direction and scope of an organization over the long term, which ideally matches resources to its changing environment and its particular markets so as to meet stakeholders’ expectations. This definition identifies three key components of strategy namely definition of scope and range of an organization’s activities within the specific environment it faces, the need of customers and markets matched against resource capability to determine long-term direction and lastly, the roles of stakeholders have on the strategy articulation because of their influence over the values, beliefs and principles which govern organizational behavior and business conduct.

Chandler (1962) defines strategy as the determination of the basic long term goals and objectives of an enterprise, the adoption of action and the allocation of resources necessary for carrying out these goals. This means that strategy is about managing new opportunities. The strategy that is chosen should be one that optimizes the resources available in order to achieve organizational goals and objectives. According to (Thompson and Strickland, 1998) a strategy is a game plan that management has for positioning the company in its chosen market in order to compete successfully, please its customers and also achieve good business performance. Strategy is therefore crucial for organizations to obtain a viable match between their external environment and their internal environment and capabilities and it also helps to continuously and actively adapt the organization to meet the demands of an ever-changing environment. Muriuki (2005) notes that strategy has become very critical and contributes to the organizational success and comes in handy as organizations continue to face turbulent environment.

**2.2 Competitive Strategies**

Competitive strategies consists of all the business moves and approaches that a firm undertakes to attract buyers, withstand competitive pressure and improve its market position (Thomson and Strickland, 1993). It concerns what a firm is doing to in order to gain a sustainable competitive advantage. They are of the opinion that a company has competitive advantage whenever it has an edge over its rivals in securing customers and putting the company apart from its competitors. Competitive strategy is concerned with how a firm competes in a given industry (Grant, 1998)

Competitive strategy is defined as the bases on which a business unit might achieve competitive advantage in its market. Firm achieve this competitive advantage by providing their customers with what they want, or need, better or more effectively than competitors, and in ways in which their competitors find difficult to imitate (Johnson and Scholes, 2002). Porter (1980) refers to strategy as to how a company competes in a given industry and how a company can gain a competitive advantage through distinctive ways of competing.
There are several generic competitive strategies that a firm can use in order to gain a sustainable competitive advantage according to Michael porter and will be used in this study because they deal with the core issues that many organizations are concerned with, like cost efficiency and product/service quality and are very crucial in the management of the insurance firms. Porter (1998) posits that a firm can use three potential successful generic strategies to outperform other firms in an industry. They include:

**Low cost leadership strategy:** Firms that chooses a low cost leadership strategy, focuses on gaining advantages by reducing its economic costs below the cost of all its competitors (Barney, 1997). Competitive advantage through low prices might be sustained in a number of ways like; an organization accepting reduced margins because it can sell more volume than competitors, an organization being prepared to sustain and win price war with competitors, an organization having cost advantage through organizationally specific capabilities that can drive down cost throughout the value chain, that is, being the low cost producer in the industry and exploiting all sources of cost advantage for, example by obtaining raw materials at lower prices than competitors, producing more efficiently, locating the firm in an area where labor cost is low among other ways. Low cost leadership can also be achieved through focusing on market segments where low price is particularly valued by customers (Johnson and Scholes, 2008). Once Low cost is achieved, the position provides high margin which can be re-invested in new equipment and modern facilities in order to maintain cost leadership (Porter, 1998).

**Differentiation:** this involves offering products or services that are perceived industry-wide as being unique (Porter, 1998). Successful differentiation is based on a study of buyers’ needs and behavior in order to learn what they consider important and valuable that, understands well customer perception (Barney, 1997). The basis for competitive advantage is a product whose attribute differ significantly from rivals products and creates difficulties of imitation. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes (Bowman and Faulkner, 1997).

**Focus strategy:** the focus strategy basis for competitive advantage is either lower costs than competitors serving that market segment or an inability to offer niche members something different form competitors (Pearce and Robinson, 1997). Focusing is based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members. Firms pursuing this strategy are willing to service isolate geographic areas, satisfy needs of customers with specific financing or servicing problem or even to tailor the products to somewhat unique demands of the focused customers.

### 2.3 Human Resource Management

Human resource management is the strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business. The terms "human resource management" and "human resources" (HR) have largely replaced the term "personnel management" as a description of the processes involved in managing people in organization. In simple words, HRM means employing people, developing their capacities, utilizing, maintaining and compensating their services in tune with the job and organizational requirement. The human resource management (HRM) plays a key role in determining the survival, effectiveness and competitiveness of any company. HRM refers to the policies, practices, and systems that influence employees’ behavior, attitude, and performance. (Gerhart and Wright, 2006). The HRM function has evolved over time and it began as purely administrative function but due to the market growth and competition globally, it is now changing to a strategic function. As a result, this has brought up the strategic human resource management (SHRM) which is defined as the linking of human resources with strategic goals and objectives in order to improve business performance and develop organizational culture that foster innovation, flexibility and competitive advantage. SHRM means accepting and involving the HR function as a strategic partner in the formulation and the implementation of the company’s strategies through HR activities such as recruiting, selecting, training and rewarding personnel (Boxall, 1992). The goal of human resource management is to help an organization to meet strategic goals by attracting, and
maintaining employees and also to manage them effectively. The key word here perhaps is "fit", i.e. a HRM approach seeks to ensure a fit between the management of an organization’s employees, and the overall strategic direction of the company (Miller, 1989).

2.4 Human Resource Management Practices

HRM practices are a primary means for defining, communicating and rewarding desired role behaviors (Aldrich, 1979). Effective and efficient human resource management (HRM) practices are key to success in many industries. Organizations use their HRM practices to encourage the behaviors needed to successfully carry out the employment roles. Given that the managerial role is different from the roles of lower-level employees in organizations, it is reasonable to expect that organizations would use somewhat different human resource management practices for the two groups of employees (Jackson and Schuler, 1992). Specifically, given the nature of the managerial role, it is probable that compared to hourly employees in service-based organizations; managers would be more likely to be influenced by the following practices:

Jobs with greater skill variety and responsibility, Performance appraisals that focus on results, Performance appraisals that focus on projects that takes a longer period of time, Compensation schemes based on company-wide bonuses, Training that is provided for longer-term and broader skill development, and More training hours per year.

HRM practices must be cost-effective while simultaneously assuring employee attraction and retention as well as protection from legal liability. HRM and its practices are at the heart of organizational success and the common HRM practices include:

- **Analysis and design of work**: Job analysis refers to the process of getting detailed information about jobs. This is because, to achieve high quality performance, or a firm to succeed, it must have detailed information about the requirements of jobs and attempt to place people in occupation that best suit their aptitudes. Job analysis entails two parts namely: Job description and job specifications. A job description is a list of the tasks, duties, and responsibilities that a job entails. A job specification on the other hand is a list of the knowledge, skills, abilities and other characteristics that an individual must have to perform the job. Job design on the other hand is the process of defining how work will be performed and the tasks that will be required in a given job. Also is job redesign which refers to changing the tasks or the way work is performed in an existing job (Gerhart and Wright, 2006).

- **Human Resource Planning**: Human resource planning is a process which consists of forecasting, goal setting and program implementation and evaluation. Forecasting refers to the attempt to determine the supply and demand for various types of human resources to predict areas within the organization where there will be future labor shortage or surpluses (Schuler, 1987). After forecasting, is goal setting and strategic planning. The purpose of setting specific quantitative goals is to focus attention on the problem and provide a benchmark for determining the relative success of any programs aimed at redressing a pending labor shortage or surplus. The goals should come directly from the analysis of labor supply and demand and should include a specific figure for what should happen with the job category or skill area and a specific timetable for when results should be achieved.

- **Human Resource Recruitment**: Recruitment involves attracting a pool of applicants upon which selection procedures will later be applied. Research suggests staffing effectiveness is both a function of the quality and quantity of the applicant pool (Fisher, 1989). This is the practice carried on by the organization with the primary purpose of identifying and attracting potential employees. Recruitment activities are designed to affect; the number of people who apply for vacancies, the type of people who apply for them and or the likelihood that those applying for the vacancies will accept positions if offered. The goal of an organizational recruitment program is to ensure that the organization has a number of reasonably qualified applicants to choose from when a vacancy occurs (Gerhart, 2006). Recruitment can be external or internal where internal recruitment provides ample opportunity for advancement and promotion of the existing employees.

- **Selection and Placement**: Personnel selection is the process by which companies decide who will or will not be allowed into organizations. There are five generic standards to be met in any selection process
namely: reliability, validity, generalizability, utility and legality. There are several methods used in the selection process like, interviews, physical ability tests, cognitive ability tests, work sample tests, among others (Robinson, 1981).

Training and Development: Training refers to a planned effort by a company to facilitate employees’ learning of job-related competencies (Gerhart, 2006). These competencies include knowledge, skills or behaviors that are critical for successful job performance. (Mathias and Jackson, 2000) define training as a learning process whereby people acquire capabilities to aid in achievement of organizational goals. The goal of training is to provide employees with knowledge, skills and behaviors emphasized in the training program and apply them to their day-to-day activities. Recently, training has been acknowledged to offer a competitive advantage and thus training should include more than just basic skill development to a broader focus of creating and sharing knowledge (Wright et al. 2006). A key characteristic of training activities that contribute to competitiveness is that they are designed according to the instructional design process which has several steps mainly: Needs assessment by analyzing the organization, the individual and the task, ensuring employees’ readiness for training, creating a learning environment, selecting training methods and evaluating the training programs in terms of training outcomes and cost benefit analysis.

On the other hand, employee development involves learning that goes beyond today’s job; it has a more long term focus (Mathias and Jackson, 2000). It prepares employees to keep pace with the organization as the company changes and grows. (Wright and Gerhart, 2006) defines development to be the formal education, job experiences, relationships, and assessment of personality and abilities that help employees prepare for the future. Its learning is not necessarily related to the current job. It is the acquisition of knowledge, skills, and behavior that improves an employee’s ability to meet changes in job requirements and in client and customer demands.

Performance Management: Companies that seek competitive advantage through employees must be able to manage the behavior and results of all employees. (Wright and Gerhart, 2006) defines performance management as the process through which managers ensure that employees’ activities and output are congruent with the organization’s goals. They further explain that, performance management has three parts namely: defining performance rooted from job analysis, measuring performance through performance appraisal, and feedback performance information to employees. The purposes of performance management system in an organization are of three kinds: strategic, administrative, and developmental.

Compensation: Compensation refers to all forms of pay or rewards that employees receive as part of employment relationship (Fisher, 1989). Compensation can be direct financial payments in form of wages, salaries, bonuses and commissions and it also involves indirect payments in form of financial benefits like employer paid insurance, paid vacations/leaves among others. Organizations should therefore design their pay and benefit systems. The major concern in pay and benefit system design is to create reward systems that elicit desired and necessary behaviors from employees. Pay and benefits, while often thought of separately, should be considered simultaneously since they collectively represent an organization’s overall strategy to motivate employee behaviors. Compensation design decisions are firm and situation-specific, making it difficult to develop a packaged solution for all firms. Strategically, because compensation issues are important contributors to organizational effectiveness, decisions regarding pay and benefit design should be made in house and be administered in a fair, timely, legal, and equitable manner. (Armstrong, 2001) highlights that, organization’s compensation management is very vital for it supports the achievement of a business strategy.

Employee Relations: Employee relations involve creating and maintaining harmonious employer-employee relationships that contribute to satisfactory profitability, productivity, motivation, and job satisfaction for an organization (Gennard and Graham, 2007). It is concerned with preventing and resolving problems involving individuals that arise out of or affect work situations. Industrial or employee relations can also be regarded as a system or web of rules regulating employment and the way in which people behave at work. (Dyer, 1985) states that the role of the system is to produce the regulations and
procedural rules that govern how much is distributed in bargaining process and how the parties involved in the industrial relation relate to one another. Employee relations mainly concern the pay-work bargain and the agreement between employers and employees. The main concern of employers is simply to get employees who will do what they are instructed to do at minimum cost. On the other hand, employees want a say in how much they are rewarded, their terms and conditions of employment and the way in which their work is organized. They want good working conditions, security of employment, good and safe working environment and the scope to raise and resolve grievances.

2.5 Link between Competitive Strategies and Human Resource Management Practices

A firm’s digital strategy should be committed to world class products and services for its customers and a world class work environment for its employees. This means, attracting and retaining world class people (Starner, 2004). The companies operation should be guided by customer focused and employee – centered core values such as social responsibility, diversity, quality and a passion for innovation, speed and adaptability. The human resource function is a shared services organization in which pay, bonuses, staffing and recruiting, benefits, diversity, learning and HR systems are all part of corporate human resource.

Human resource in any organization should provide support for the business strategy as it evolves to help the business survive. The human resource department should align its strategies to the corporate strategy in order to help the firm achieve its goals and objectives. For, example the human resource strategies should ensure practices like recruiting and selecting the best workforce, ensure that talented employees get the right experiences, job assignments, visibility and learning opportunities. Rewarding employees through good pay and recognition motivates employees to the commitment of the corporate competitive strategy planning and implementation (Pearce and Robinson, 1997) Human resource should focus on key initiatives like employee value proposition and building a high performance culture.

The strategy underlying the HRM practices need to be considered to maximize their influence on company performance, by contributing to employee and customer satisfaction, innovation, productivity and development of favorable reputation in the firms community. A strategic choice perspective recognizes that multiple design options are often available to organizations, but does not necessarily assume that all options are equally effective within a given environment (Porter 1980, 1985). Thus, inappropriate managerial decisions can create organizational practices that are less than optimal, in which case organizational effectiveness is likely to suffer. When applied to the issue of human resource management systems, this view of organizational adaptation leads to the prediction that when organizations operating within a given industry sector are compared, those that are more effective will be the organizations that have adopted HRM practices consistent with the demands of the industry.

Based on the previous discussion and the literature, several differences would be expected between the human resource practices in more effective service firms in comparison to less effective service firms. Specifically, the more effective service firms are more likely that; Job designs will be characterized by skill variety and autonomy, Employees will have input into their performance appraisals, Clients will have input on appraisals, Performance appraisal results will be used in determining training needs, There will be a great deal of training of new employees, and Performance appraisal.

HRM was primarily reactive; that is, human resource issues were a concern only if they directly affected the business. Although this still remains the case in many companies that have yet to recognize the competitive value of HRM practices, other companies believe that HRM is important for business success and therefore have expanded the role of HRM as a change agent and a strategic partner (Gerhart and Wright, 2006). Recent studies show that human resource is being transformed from a specialized, stand-alone function to a broad corporate competency in which human resource and line managers build partnership to gain competitive advantage and achieve overall business goals and also, HR managers are increasingly included on high level committees that are shaping the strategic direction of the company (Halcrow, 1988).
RESEARCH METHODOLOGY

3.2 Research Design
The research design used was descriptive survey of the employees in the insurance firms. This design is considered for this study because of comparative analysis that will be done to achieve the research objective.

3.3 Population of the Study
The population of the study consisted of all the 42 insurance firms in Nairobi where their main offices are based. This will be a census study since all the 42 insurance firms will be involved.

3.4 Data Collection
Primary data will be used in this study; a structured questionnaire will be used to collect data. The questionnaire will contain both closed-ended questions and few open ended. The questionnaire will consist of three sections. Section one will be designed to obtain general information on person and organization profile. Section two consists of questions on the competitive strategies and section three contains questions on the human resource management practices. The questionnaire will be administered through “drop and pick later” method. Respondents will be the human resource managers in all the 42 insurance firms within Nairobi. The response rate was 52% meaning that out of the questionnaires administered to all the 42 insurance companies registered in Kenya 22 were returned duly filled. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for statistical reporting. Therefore, the study’s response rate of more than 50% is considerably efficient for data analysis. Data is presented in form of tables, charts and graphs.

3.6 Data Analysis
Before analysis, data will be checked for completeness and consistency. Simple descriptive statistics such as mean, standard deviation, frequencies and percentages will be used. The data will then be summarized and presented in form of table and charts. Pearson’s product moment correlation technique will be used to establish the relationship between competitive strategies and human resource management practice adopted by the insurance firms in Kenya.

DATA ANALYSIS AND INTERPRETATION

4.2 General Findings
Figure 4.1 below presents the findings on the gender of the respondents. Majority (59%) of the respondents were male while 41% were female.

Figure 4.1: Distribution of the Respondents by Gender
Table 4.1: Distribution of the Respondents by Length of Service and Age of the Firm

<table>
<thead>
<tr>
<th></th>
<th>Less than 10 years</th>
<th>Between 10 and 20 years</th>
<th>More than 20 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of service in this organization</td>
<td>81.8</td>
<td>9.1</td>
<td>9.1</td>
<td>100</td>
</tr>
<tr>
<td>Length of time the company has been in existence</td>
<td>40.9</td>
<td>9.1</td>
<td>50.0</td>
<td>100</td>
</tr>
</tbody>
</table>

As indicated in table 4.1, 81.9% of the respondents had served for a period of less than 10 years, where as 9.1% had served for a period between 10 and 20 years or more. The table also indicates that 50% of the insurance companies had been in operation for a period of more than 20 years while 40.9% had been in existence for a period of less than 10 years, indicating an increasing % of new entrants in the Kenyan insurance industry.

Figure 4.2: Classification of the Companies by the type of Business

As shown in figure 4.2, 59% of the insurance companies surveyed were classified as writing general insurance, 23 % were in writing a composite class while 18% were classified as writing life insurance. The classification is important in terms of the type of competitive strategies adopted by firms in the insurance industry.

Figure 4.3: Classification of Firms by Number of Branches
Figure 4.3 presents the number of branches and the corresponding number of firms. It is noted that majority of the insurance companies 57% had more than four branches; 23% had three branches, 12% had four, while 8% had one branch. This is indicates horizontal growth as a competitive strategy adopted by most of the insurance companies in Kenya.

Table 4.2: Distribution of Firms by Size

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 50</td>
<td>8</td>
<td>36.4%</td>
</tr>
<tr>
<td>50-100</td>
<td>3</td>
<td>13.6%</td>
</tr>
<tr>
<td>Over 100</td>
<td>11</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>

Human resources are one of the most prerequisite factors which determine the operation of businesses. It is noted in table 4.2 that 50% of the surveyed companies had over 100 employees, 36.4% had less than 50 employees while 13.6% had 50-100 employees as indicated in table 4.2.

Table 4.3: Respondents’ Rating of the Strength of Competition in Insurance Industry in Kenya

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weak</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Strong</td>
<td>9</td>
<td>40.9</td>
</tr>
<tr>
<td>Very Strong</td>
<td>10</td>
<td>45.5</td>
</tr>
<tr>
<td>Hyper</td>
<td>3</td>
<td>13.6</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>

Majority of the respondents (45.5%) perceive competition in the insurance industry in Kenya as very strong, 40.9% described it as strong, while 13.6% viewed it as hyper. This perception in the respondents as indicated by table 4.3 makes it imperative for these companies to adopt of the strategies that will enable them to remain in operation.

Figure 4.4: Length of Time the Strategic Plan Has Been In Operation

All the respondents agreed that their respective insurance companies had a strategic plan as shown in figure 4.4 above, this plan had been in operation for over 5 years in most companies (28%), while 22% of the respondents stated that this plan had been in operation for 4 years. Only a small percentage (4%) indicated that the plan had been in operation for less than one year.
Table 4.4: Brand and Company Attributes that attract Customers

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Slightly Disagree</th>
<th>Disagree</th>
<th>Undecided</th>
<th>Agree</th>
<th>Slightly Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The level to which low prices make customers prefer your brand</td>
<td>2</td>
<td>3</td>
<td>7</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>3.9</td>
<td>1.9</td>
</tr>
<tr>
<td>The level to which strategic location make customers prefer your brand</td>
<td>3</td>
<td>1</td>
<td>10</td>
<td>0</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>5.1</td>
<td>1.7</td>
</tr>
<tr>
<td>The level to which good customer service make customers prefer your brand</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>13</td>
<td>6.6</td>
<td>1.1</td>
</tr>
<tr>
<td>The level to which giving incentives make customers prefer your brand</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>2</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>4.9</td>
<td>1.6</td>
</tr>
<tr>
<td>The level to which aggressive marketing make customers prefer your brand</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>5.1</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Table 4.4 indicates the level of agreement with factors that attract customers to the company’s products. It emerged that good customer service is the most important factor which determines customer’s preference for a particular insurance product with a mean of (x=6.6). Strategic location, aggressive marketing and giving incentives are also factors dictating the customer’s preference an insurance company, as indicated by respondents mean scores of 5.1, 5.1 and 4.9, respectively. However, the respondents feel that lower prices has little influence on the customers preference for the insurance company as its mean score is low (x= 3.9).

Figure 4.5: Competitive Strategies Adopted by the Firms
Competitive strategy is defined as the basis on which a business unit might achieve competitive advantage in its market. Firms achieve this competitive advantage by providing their customers with what they want, or need, better or more effectively than competitors, and in ways in which their competitors find difficult to imitate (Johnson and Scholes, 2002). Differentiation emerges as the most competitive strategy adopted by most insurance companies in Kenya. As represented in figure 4.5 above, 50% of the surveyed companies use this strategy, 23% indicated that their organizations use focus strategy, 18% use niche strategy while 9% uses low cost leadership strategy.

**Table 4.5: Mean Scores on the Extent of Adoption of Low Cost Leadership**

<table>
<thead>
<tr>
<th>Adoption to Low Cost Leadership</th>
<th>Not at All</th>
<th>Less Extent</th>
<th>Moderate Extent</th>
<th>Great Extent</th>
<th>Very Great Extent</th>
<th>Mean</th>
<th>STDEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased number of competitors</td>
<td>1</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>3.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Foreign competition</td>
<td>3</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>3.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Unpredictable government policies</td>
<td>2</td>
<td>4</td>
<td>7</td>
<td>7</td>
<td>2</td>
<td>2.5</td>
<td>1.1</td>
</tr>
<tr>
<td>Rapid changes in interest rates</td>
<td>1</td>
<td>1</td>
<td>12</td>
<td>6</td>
<td>2</td>
<td>3.1</td>
<td>1.12</td>
</tr>
<tr>
<td>Constant changes in customer needs</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>10</td>
<td>4</td>
<td>3.3</td>
<td>0.89</td>
</tr>
<tr>
<td>Attracting large number of customers</td>
<td>0</td>
<td>2</td>
<td>8</td>
<td>4</td>
<td>8</td>
<td>3.6</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Table 4.5 above shows the mean scores and standard deviations on the adoption of low cost leadership strategy. Firms that choose a low cost leadership strategy, focuses on gaining competitive advantage by reducing its costs below the cost of all its competitors (Barney, 1997).

As shown in table 4.5, most companies applied ‘increased number of competitors’ strategy on low cost leadership strategy adoption as indicated by a mean score of 3.8. Attracting large number of customers, constant changes in customer needs, foreign competition are also strategies applied in the companies’ adoption of low cost leadership strategy as their mean scores drew close to 4 at 3.6, 3.3, and 3.2 respectively. However in majority of the companies surveyed, unpredictable government policies strategy is rarely applied in adoption of low cost leadership strategy as its mean score was low at 2.5.

**Table 4.6: Extent of Adoption to Differentiation Strategy**

<table>
<thead>
<tr>
<th>Adoption to Differentiation Strategy</th>
<th>Not at All</th>
<th>Low Extent</th>
<th>Moderate Extent</th>
<th>Great Extent</th>
<th>Very Great Extent</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wide range of products</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>12</td>
<td>4.2</td>
<td>1.13</td>
</tr>
<tr>
<td>Engaging high skilled staff</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>7</td>
<td>11</td>
<td>4.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Use of publicity</td>
<td>0</td>
<td>5</td>
<td>5</td>
<td>9</td>
<td>3</td>
<td>3.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Combining with competitors</td>
<td>3</td>
<td>11</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>2.4</td>
<td>1.00</td>
</tr>
<tr>
<td>Advertising extensively in media</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>7</td>
<td>5</td>
<td>3.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Coming up with new products in the market</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>11</td>
<td>4.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Offering flexible products to meet different levels of customer affordability</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>9</td>
<td>4</td>
<td>3.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Striving for leadership in technology</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td>3.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Differentiation involves offering products or services that are perceived industry-wide as being unique (Porter, 1998). Bowman and Faulkner, (1997) noted that profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes. Offering a wide range of products and engaging high skilled staff are the most applied in adoption of differentiation strategy by the insurance companies in Kenya.
companies in Kenya. These had a mean score of 4.2 each as indicated in table 4.6 above. Introducing new products in the market, offering flexible products to meet different levels of customer affordability, striving for leadership in technology, using of publicity are also other strategies applied to distinguish themselves and their products from those of their competitors as their mean scores were close to 4 at 4.0, 3.6, 3.5 and 3.5, respectively. However, advertising extensively in media, and combining with competitors are rarely applied as a differentiation strategy by insurance companies in Kenya, as indicated by mean scores of 3.4 and 2.4 respectively.

![Figure 4.6: Focus Strategies Used by Insurance Firms](image)

Majority of the respondents (90.9%) stated that differentiation focus strategy was applied in adoption of focus strategy in insurance companies in Kenya, while only a small percent of 13.6 agreed on the use of low cost focus strategy in adoption of focus strategy in insurance companies in Kenya as indicated by table 4.6 above.

**Table 4.7: Means and Standard Deviations for the Importance of Human Resource Practices**

<table>
<thead>
<tr>
<th>Human Resource Practice</th>
<th>Not Important</th>
<th>Less Important</th>
<th>Important</th>
<th>Very Important</th>
<th>Mean</th>
<th>STDEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job analysis and design of work</td>
<td>0</td>
<td>1</td>
<td>9</td>
<td>12</td>
<td>3.5</td>
<td>0.341</td>
</tr>
<tr>
<td>Human resource planning</td>
<td>0</td>
<td>2</td>
<td>8</td>
<td>12</td>
<td>3.45</td>
<td>0.461</td>
</tr>
<tr>
<td>Human resource recruitment</td>
<td>1</td>
<td>2</td>
<td>10</td>
<td>9</td>
<td>3.23</td>
<td>0.613</td>
</tr>
<tr>
<td>Selection and placement</td>
<td>1</td>
<td>2</td>
<td>12</td>
<td>7</td>
<td>3.14</td>
<td>0.549</td>
</tr>
<tr>
<td>Training and development</td>
<td>2</td>
<td>2</td>
<td>7</td>
<td>11</td>
<td>3.23</td>
<td>0.885</td>
</tr>
<tr>
<td>Performance management</td>
<td>0</td>
<td>3</td>
<td>7</td>
<td>12</td>
<td>3.41</td>
<td>0.508</td>
</tr>
<tr>
<td>Compensation</td>
<td>0</td>
<td>7</td>
<td>11</td>
<td>4</td>
<td>2.86</td>
<td>0.502</td>
</tr>
<tr>
<td>Employee relations</td>
<td>1</td>
<td>7</td>
<td>9</td>
<td>5</td>
<td>2.82</td>
<td>0.684</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>1</td>
<td>8</td>
<td>9</td>
<td>4</td>
<td>2.73</td>
<td>0.638</td>
</tr>
</tbody>
</table>

As indicated in table 4.7 above, job analysis and design of work, emerges as the most important human resource management practice, adopted by most insurance companies in Kenya in achievement of competitive strategy (x=3.5). This is also presented in figure 4.7 below with 38% response.
resource planning process which consists of forecasting, goal setting and program implementation and evaluation (Schuler, 1987), performance management, human resource recruitment, training and development are also human resource management practices adopted by most insurance firms in achievement of competitive strategy, according to the respondents with mean scores of 3.45, 3.41, 3.23 and 3.23 respectively. However compensation, employee relations and out sourcing are perceived to have less importance to the achievement of the insurance competitive strategy as their mean scores according to the respondents were, 2.86, 2.82 and 2.73 respectively.

![Figure 4.7: Means and Standard Deviations for the Importance of Human Resource Practices](image)

**Table 4.8: Means and Standard Deviations of the Respondents’ Rating of Benefits from the Employer**

<table>
<thead>
<tr>
<th>Benefit Description</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees are highly valued towards the success of the organization</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>17</td>
<td>3.7</td>
<td>0.43</td>
</tr>
<tr>
<td>There is a clear communication of the organization goals to all employees in different departments</td>
<td>0</td>
<td>2</td>
<td>13</td>
<td>7</td>
<td>3.2</td>
<td>0.6</td>
</tr>
<tr>
<td>This link has a great impact on the company’s positive performance</td>
<td>0</td>
<td>1</td>
<td>14</td>
<td>7</td>
<td>3.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Employees have input into their performance appraisal and results obtained are used in determining training needs</td>
<td>4</td>
<td>1</td>
<td>13</td>
<td>4</td>
<td>2.8</td>
<td>0.97</td>
</tr>
<tr>
<td>Human resource managers are always included on high level committees that shapes the strategic direction of the company</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>7</td>
<td>3.1</td>
<td>0.75</td>
</tr>
<tr>
<td>Compensation of employees is highly linked to individual qualifications and Performance</td>
<td>0</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>2.9</td>
<td>0.8</td>
</tr>
</tbody>
</table>
Table 4.8 shows the extent of the respondents’ agreement with the various statements which represent benefits their organization uses to link corporate strategy to its human resource management practices. The respondents were supposed to indicate their levels of agreement i.e. strongly disagree, disagree, agree and strongly agree.

As indicated in the table most of the respondents, (? %) agreed that employees are highly valued towards the success of the organization hence giving a mean score of 3.7 This perception concurs with Stanes (2004) that a firm’s digital strategy should be committed to world class products and services for its customers and a world class work environment for its employees. This means, attracting and retaining world class personnel. Pearce and Robinson, (1997) noted that rewarding employees through good pay and recognition motivates employees to the commitment of the corporate competitive strategy planning and implementation. A clear communication of the organization goals to all the employees in different departments has great impact on the corporate’s competitive strategy to its human resource management practices on the companies positive performance. The fact that human resource managers are always included on high level committees that shapes the strategic direction of the company are also the prerequisite considerations representing the benefits most insurance companies uses to link corporate strategy to its human resource management practices as their mean scores drew close to 4 at 3.2,3.2 and 3.1 respectively. However, the respondent perceived the fact that Employees have input into their performance appraisal and results obtained are used in determining training needs; and compensation of employees is highly linked to individual qualifications and performance to have little benefits in insurances to link corporate strategy to its human resource management practices as their mean scores were low at 2.8 and 2.9 respectively.

4.3 Competitive Strategies and Human resource Management Practices

Table 4.9: Correlation between Competitive Strategies and HRM Practices

<table>
<thead>
<tr>
<th></th>
<th>Low Cost Leadership Strategy</th>
<th>Differentiation Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Cost Leadership</td>
<td>Pearson Correlation</td>
<td>1.000</td>
</tr>
<tr>
<td>Strategy</td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>Differentiation</td>
<td>Pearson Correlation</td>
<td>0.195</td>
</tr>
<tr>
<td>Strategy</td>
<td>Sig. (2-tailed)</td>
<td>1.000</td>
</tr>
<tr>
<td>Human Resource</td>
<td>Pearson Correlation</td>
<td>0.385</td>
</tr>
<tr>
<td>Management Practices</td>
<td>Sig. (2-tailed)</td>
<td>-0.218</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.405</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.330</td>
</tr>
</tbody>
</table>

The study grouped the competitive strategy indicators (low cost leadership strategy and differentiation strategy) presented in tables 4.5 and 4.6 and correlated these with human resource practices indicators presented in tables 4.7. The Pearson Product Moment correlation was done at 95% confidence level. From the table, human resource strategy had a low but positive and insignificant association with low cost leadership strategy at a correlation coefficient of 0.187, which was not significant and a negative association with differentiation strategy which was not significant.

Table 4.10: Reliability of the Scale

<table>
<thead>
<tr>
<th>Scale/Group</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Cost Leadership Strategy Scale</td>
<td>0.435</td>
</tr>
<tr>
<td>Differentiation Strategy Group</td>
<td>0.6502</td>
</tr>
<tr>
<td>Human Resource Management Practices Scale</td>
<td>0.8362</td>
</tr>
</tbody>
</table>

To determine the reliability of the groupSCALE used in the correlation, the study conducted a Cronbach’s reliability test from which it was established that differentiation and human resource management
practices were most reliable as they exceeded 0.6 threshold. According to Nunnally (1967), an alpha value of 0.6 is sufficient hence an Alpha of value 0.65 and 0.836 is even better.

5.3 CONCLUSION
The main aim of the study was to establish the link between the Human Resource Management practices and the competitive strategies adopted by the insurance firms in Kenya. The study concludes that insurance companies consider such HRM practices such as job analysis and design of work, human resource planning, performance management and training and development as key to achieving the competitive advantage.

The study also concludes that though the insurance companies have adopted focus, niche, low cost leadership and differentiation strategies, they mostly use differentiation strategy for competitive advantage. Nevertheless, the insurance companies’ HRM practices are more geared towards having low cost leadership than products/service differentiation owing to negative correlation between HRM practices and the latter.

5.4 RECOMMENDATIONS
Based on the findings of the study, the study recommends that the insurance companies should consider outsourcing some HR functions since the study found that they really outsource as a HRM practice. Outsourcing would enhance the insurance companies’ low cost leadership and ensure that some highly specialized functions like fraud investigations are undertaken by experts. Employee relations and compensation should also be encouraged as Human Resource Management practices since they are practiced the least. This would enhance employees’ motivation. The study also recommends that insurance companies should ensure that HRM practices are geared more towards or relevant to product differentiation. Product differentiation as a strategy would, in turn, enhance their competitive position in the industry.

Lastly, the study recommends that insurance companies should improve on their good customer service which determines customer’s preference on the choice of insurance companies. In a bid to remain in the competitive market an insurance company should ensure its efficiency in marketing, giving incentives and being in a strategic location.

REFERENCES


