Full-length Research Paper

Strategic responses by general insurance agencies to adoption of Banc assurance in Kisumu city

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Accepted 3 September, 2012

The purpose of the study was to establish the strategic responses which have been employed by insurance Agents in Kisumu to cope with the adoption of Banc assurance. The study was guided by the following specific objectives: (i) to establish the strategic responses which have been employed by insurance Agents in Kisumu to cope with the adoption of Banc assurance in Kisumu; and (ii) to identify the challenges faced by the Agents in implementing the strategic responses to Banc assurance. A descriptive survey was undertaken. The population of this study was all insurance agents in Kisumu quoted at the Insurance Regulatory Authority directory as at 30th June, 2011. This is a total of 42 General Insurance Agencies. A census of all these organizations was conducted and they were interviewed. Primary data was collected from the Chief Executive Officers and senior managers of the insurance agencies with the aid of semi-structured questionnaires. Data analysis was conducted using descriptive statistics, which includes measures of central tendency, measures of variability and measures of frequency among others. Findings of the study indicate that the strategic responses which have been employed by insurance Agents in Kisumu to cope with the adoption of Banc assurance include the following: Acceptance of the changes occasioned by adoption of Banc assurance and doing nothing about it; transfer; avoid; and reduce. Others are: analysis of the institutions and its clients; mergers, amalgamations and acquisitions; insurance intermediaries; continuous investment in new equipment and system upgrade; continuous capacity building of staff; clients education on dealing with insurance agents; networking and collaboration with other insurance agents; investment in marketing activities; and development of new markets On the basis of the findings of study, the insurance agents need to continuously scan the environment in order to identify and address all challenges posed by changes in the environment. In addition, the agents need to put in place strategic plans and strictly adhere to them.

Key Words: Banc assurance; Strategic response; Organization, Strategy and Environment

INTRODUCTION

Over the past few years, insurance companies and intermediaries in many countries have begun implementing changes to help them mitigate the impact of the turbulent business environment. These changes have required significant buy-in at high levels of the organization, analysis of the institution and its clients, and the foresight and strategic planning to implement new activities that will strengthen the intermediary's performance in this difficult environment. Institutions have had to look critically at their client base, their external environment, their risk management strategies, their trends in financial performance, the appropriateness of their products and services, and their staff and the trends related to staff productivity and expense.

Berger et al. (1999) analyzed the potential benefits and synergies from an expansion of banking business into
non-banking activities both from the cost perspective as a result of economies of scale and from the revenue perspective, due to the ability of banks to raise revenues from complementarities in financial services consumption. The result did not show that such synergies exist. This research study has attempted to look at the process resulting in the decision to pro-actively respond to the changes in the business environment, occasioned by the advent of banc assurance, the strategies that have been developed by the insurance intermediaries, ethical and legal dilemmas faced. The study sought to gain a better understanding of the ways in which insurance intermediaries have responded to challenges emanating from the adoption of banc assurance in Kenya that affect the intermediaries, both positively and negatively and the factors which influence these responses.

Statement of the Problem

With the adoption of Bancassurance concept in Kenya, the market for insurance services is oversupplied and margins for the companies are being depressed in a highly competitive market place. Profitability will be determined by the extent to which organizations develop appropriate strategies to ‘combat’ the growing competitive forces. Driven by the need to grow market share, provide services, expand distribution capabilities and improve operational efficiency, many insurance intermediaries are continuously pressured to look for synergetic acquisitions and shed unprofitable or non-core business. As outlined in Chen et al. (2008), most studies dealing with Banc assurance have only been descriptive in nature, providing a broad insight into economic rationales, advantages and drawbacks for all the institutions involved. Only few authors have provided quantitative findings, focusing on the strategic responses adopted by the insurance intermediaries, which risk being thrown out of the market (Laderman, 2000).

A study by Prowse (2003) shows that research on the strategic responses to environmental changes is indeed scarce. Whereas the study by Wairegi (2004) focused on the strategic response by life insurance companies in Kenya to changes in their environment; the one by Salesio (2006) focused on Risk mitigation strategies adopted by insurers in Kenya; and Mwarania (2003) focused on responses by reinsurers companies in Kenya to changes in the environment, the case of Kenya Re. There is thus no known study that focused on the strategic responses adopted by insurance intermediaries to the adoption of bancassuarance in Kenya. This research has attempted to look at the strategic responses adopted by insurance intermediaries in Kenya and the challenges faced in implementation of the strategic responses, with a view to helping them improve their own strategic planning process.

Objectives of the Study

The study was guided by the following specific objectives: (i) To establish the strategic responses which have been employed by insurance Agents in Kisumu to cope with the adoption of Bancassurance in Kisumu. (ii) To identify the challenges faced by the Agents in implementing the strategic responses to Bancassurance.

LITERATURE REVIEW

Responses to changes in the environment

After identifying and analyzing business risks associated with changes in the business environment, management decides how these risks should be managed. This requires comparing the costs of reducing business risks against the costs of potential loss from risks. Hofer and Schendel (1978) argue that there are four categories of possible responses to business risks - accept, transfer, avoid, and reduce. The first three are passive responses to risk while the last response is active. The four categories may be defined as follows:

(i) **Accept**: Accepting a business risk means doing nothing to avoid it. This response is based on a conscious decision that the costs of other responses outweigh the potential benefits or that the risk is acceptable

(ii) **Transfer**: Transferring the business risk to another party alleviates management's responsibility for managing it. Examples of this response are buying insurance and outsourcing

(iii) **Avoid**: Avoiding the business risk is a decision to change a business objective because no other response can reduce the business risks to an acceptable level in a cost-effective manner

(iv) **Reduce**: Reducing the business risk means reducing either the likelihood of its occurrence or the magnitude of its impact. Management usually establishes an effective control environment to reduce business risks.

Strategic responses are part of competitive strategies that organizations develop in defining their goals and policies. They are reactions to what is happening on the environment of the organization. Strategic responses are concerned with the long-term strategy of an organization involving high investments and embracing the organization as a whole. Strategic responses are usually on a long-term basis. Their implementation takes over one year and the responsibility lies in corporate and
business level management. They are company wide and huge amounts of resources are required to enforce them.

Ansoff (1965) observed that strategic responses may take many forms depending on the organization’s capability and the environment in which it operates. Well-developed and targeted strategic responses are formidable weapons for the firm in acquiring and sustaining a competitive edge. These strategic responses include restructuring, marketing, information technology, and culture change etc, Kiptugen (2003). Ansoff (1965) proposed four strategies for growth which can be neatly summarized in the matrix below: To portray alternative corporate growth strategies, Ansoff (1965) presented a matrix that focused on the firm’s present and potential products and markets (customers). By considering ways to grow via existing products and new products, and in existing markets and new markets, there are four possible product-market combinations.

**Bancassurance**

Bancassurance is a method of distributing insurance products through the bank network. It is a global movement that is gradually breaking down the traditional barriers between the various businesses of supplying financial products and services. The aim is to provide banking and insurance products through a common distribution channel and/or to the same client base. Bancassurance has enjoyed considerable success, especially in Europe (Lin et al., 2006) According to Wever (2000), Bancassurance is the distribution of insurance products through banking networks; the collaboration between banks and insurers to distribute insurance products to bank customers. Often, banks calculated that creating a subsidiary engaging in insurance services, or perhaps both a life and a non-life subsidiary, would create good synergy, as they could market the insurance products via branch unit locations (Voutilainen, 2005).

Through diversification, the Bancassurance approach reduces the resources required to manage risk, which in turn results in lower costs (Hughes et al., 1999). Korhonen and Voutilainen (2006), Korhonen et al. (2006) and Korhonen et al. (2005) applied the expert panels and the AHP to explore the most suitable alternative alliances between banks and insurance companies from executive management perspectives, supervisory authorities, and customers, respectively. According to Arena (2006), the prime reasons for a company to consider a new model like Bancassurance are; to the banks- an additional fee based income as commission, improved resource utilization, additional cash-flow through premium deposits, and potential for getting new customers by offering special deals, to insurance companies- greater geographical reach through bank’s network, financial gain through bank’s database, gaining credibility in customers, introduction of co-branded products and ease of operations. The aim of this paper was to identify the strategic responses employed by insurance intermediaries in Kisumu to respond to the adoption of Bancassurance in Kenya.

There are several forms of Bancassurance, more or less successful depending on institutional and economic framework, type of business mix and objectives of the firms involved. Following existing literature (Genetay and Molyneux, 1998; Van der Berghe and Verweire, 2001; Voutilainen, 2005; Staikouras, 2006) we can distinguish between various models as follows:

The first model is the cross selling agreement: this takes the form of a simple partnership; banks sell insurance products through their branches, on behalf of a single company or several companies. This kind of agreement has many advantages: it is simple and reversible, not implying any change in the ownership structure or in the organizational model of the firms involved that remain absolutely independent. On the other hand, we have to consider the existence of some drawbacks: for example, conflicts of interest between banking and insurance products sharing the same distribution channel are more likely in absence of coordination between two different managements. It is also important to notice that banks can only offer simple and standardized insurance products, not requiring consulting services by highly specialized resources (Genetay and Molyneux, 1998; Van der Berghe and Verweire, 2001).

The second model is the cooperation between two independent partners, realized through strategic alliances (often reinforced by cross ownerships in the form of minority stakes) or joint ventures. Surely, a joint venture is a stronger form of cooperation, aiming to exploit in the best way the skills of every participant, enforcing their specializations: generally insurance companies take care of product design, while banks realize distribution. These alliances can reach significant synergies concerning know how, human capital, cross selling and scope (Voutilainen, 2005; Staikouras, 2006).

Banks have an important incentive to market insurance products through their branches. Such sales increase income, particularly in environments where competitive pressures continue to erode margins from spread income on interest. Furthermore, the advantages that bank distribution of insurance products offer over more traditional distribution methods can lead to increased productivity. Insurers have an incentive to distribute their products through banks. The banks provide a wider client base than is normally available to insurance companies. According to Nicholson (1990), for Bancassurance to work, the key parties to the transaction - the insurer, the
bank and the customer - must obtain certain benefits. For example, the insurer often seeks to: align itself with the public image of the bank using the bank’s reputation; establish a relationship sooner in a customer’s life (e.g., individuals open bank accounts at a much earlier age than they purchase insurance); gain access to a client base that is normally not available to it through other means; and obtain business at a lower acquisition cost than usual, thanks to the bank’s easy access to its client base and the strong relationships it normally maintains with its clients.

The bank often expects to: increase the overall productivity of its client relationship, including its branch network profitability; better leverage its positive image financial services; position itself as a one-stop purchasing source for the client, increasing customer loyalty and retention; and diversify its product base by making insurance products available to its client base (OECD, 1993). According to Nicholson (1990), the customer hopes to: pay a lower price because acquisition costs are lower; have the convenience of one-stop shopping for financial services products and an easier way to make payments (through the bank); and enjoy better client services because of the bank’s expanded relationship with the customer.

CONCLUSION

Banks and insurers worldwide have rushed into mergers with one another, hoping to reap economies of scale and boost revenues by cross-selling. From the insurers’ point of view, Bancassurance offers the prospect of reduced distribution costs compared to the traditional agent channel. Insurers are also strategically aiming to seize the opportunity of reaching new customers not easily accessed by their agent network. At the same time, bankers see their profit margins being squeezed, and additional fee-income sources emerge as a solution to stabilize profitability and increase the range of their financial services. It is therefore theoretically justified for the bank-insurance trend to emerge, without ignoring the pertinent obstacles and opportunities (Staikouras, 2006) that can threaten/sustain its existence.

RESEARCH METHODOLOGY

Research design

A descriptive survey was undertaken. Census surveys based on the whole population in Kisumu can produce results that are broad, credible and generalizable to the whole population in Kenya. Survey is preferred as a result of financial constraints.

Study Site

According to Kenya Association of Insurers (AKI) (2011), there are 46 insurance companies in Kenya chasing an insuring public of about 17 million people. Of this segment of the population that ideally ought to enjoy insurance cover, only a pitiable 3 million that have some form of insurance or other. There are over 200 insurance brokers and over 1000 insurance agents who operate as intermediaries for the customers seeking to get insurance covers.

Population

The population of this study was all insurance agents in Kisumu quoted at the IRA directory as at 30th June, 2011. This is a total of 42 General Insurance Agencies. A census of all these organizations was conducted and they were interviewed.

Data collection

Primary data was collected from the Chief Executive Officers and senior managers of the insurance agencies with the aid of semi-structured questionnaires. The questionnaires were administered by drop-and-pick method. Self-addressed envelopes were enclosed in letters to the respondents. A letter of introduction and questionnaire was enclosed in each. Telephone calls were made to the respective respondents to further explain the purpose of the study and set a time frame for the completion of the questionnaires.

Data Analysis and presentation

The collected data from the questionnaire and secondary sources was systematically organized in a manner to facilitate analysis. Data analysis involved preparation of the collected data - coding, editing and cleaning of data so that it may be processed using Statistical Package for Social Sciences (SPSS) package. The coded data was keyed into the SPSS program where it was developed into a database and hence analyzed. SPSS was preferred because it is very systematic and covers a wide range of the most common statistical and graphical data analysis. Data analysis was conducted using descriptive statistics, which includes measures of central tendency, measures of variability and measures of frequency among others.

FINDINGS AND DISCUSSIONS

This study sought to establish the strategic responses
Table 1. Effects of Banc assurance adoption in Kenya

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very much</td>
<td>19</td>
<td>55.9</td>
<td>55.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Much</td>
<td>6</td>
<td>17.6</td>
<td>73.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Somehow</td>
<td>3</td>
<td>8.8</td>
<td>82.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slightly</td>
<td>6</td>
<td>17.6</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>55.9</td>
<td></td>
<td>1.88</td>
<td>1.17</td>
</tr>
</tbody>
</table>

Table 2. Adoption of Banc assurance leading to Market Saturation and Lower Margins

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>20</td>
<td>58.8</td>
<td>58.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agree</td>
<td>6</td>
<td>17.6</td>
<td>76.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Somehow agree</td>
<td>3</td>
<td>8.8</td>
<td>85.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>5.9</td>
<td>91.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>3</td>
<td>8.8</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100.0</td>
<td></td>
<td>1.88</td>
<td>1.32</td>
</tr>
</tbody>
</table>

which have been employed by insurance Agents in Kisumu to cope with the adoption of Banc assurance in Kisumu. The study employed a combination of both quantitative and qualitative techniques were used in data collection. The study had target 42 respondents but the questionnaires that were returned completed were 34 representing 81% of the population. Descriptive statistics were used in analysis of data pertaining to the second objective of the study. Computation of frequencies and percentages, standard deviations and mean scores were used in data presentation. The information is presented and discussed as per the objectives and research objectives of the study.

Strategic Responses Employed by Insurance Agents to cope with the Adoption of Banc assurance

This section presents responses pertaining to the objectives of the study.

Effects of Banc assurance Adoption in Kenya

Respondents were asked to indicate the extent to which the adoption of Banc assurance in Kenya has affected operations of their organizations. The responses are summarized and presented in table 1.

The findings show that majority of the respondents (55.9%) indicated “very much”, (17.6%) of the respondents indicated “much”, another (17.6%) of the respondents indicated “slightly” and (8.8%) of the respondents indicated “somehow”. The findings show that adoption of banc assurance affected operations of the respondent insurance agents, as indicated by all the respondents. Further, the respondents were asked to indicate the extent to which they agree/disagree with the statement, “the adoption of Banc assurance in Kenya has led to the market for insurance services to be oversupplied and margins for the companies are being depressed in a highly competitive market place.” Responses are summarized and presented in table 2.

The findings in table 2 above shows that majority of the respondents (58.8%) “Strongly agreed”, (17.6%) of the respondents “agreed”, (8.8%) of the respondents “somehow agreed”, another (8.8%) of the respondents “strongly disagreed” and (5.9%) of the respondents “disagreed”. Findings of the study show that the adoption of Banc assurance had led to the market for insurance services to be oversupplied and margins for the companies are being depressed in a highly competitive market place, as indicated by 85.3% of the respondents.

Possible strategies that have been implemented by insurance agents in response to Banc assurance in Kenya

In order to meet the first objective of the study, “to establish the strategic responses which have been employed by insurance Agents in Kisumu to cope with the adoption of Banc assurance in Kisumu” the
Table 3. Strategies to help mitigate the impact of adoption of Banc assurance

<table>
<thead>
<tr>
<th>Strategies to help mitigate the impact of adoption of Banc assurance</th>
<th>Strongly agree (%)</th>
<th>Agree (%)</th>
<th>Total (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accept</td>
<td>23.5</td>
<td>20.6</td>
<td>44.1</td>
<td>2.94</td>
<td>1.556</td>
<td>4</td>
</tr>
<tr>
<td>Transfer</td>
<td>35.3</td>
<td>26.5</td>
<td>61.8</td>
<td>3.65</td>
<td>1.368</td>
<td>3</td>
</tr>
<tr>
<td>Avoid</td>
<td>38.2</td>
<td>32.4</td>
<td>70.6</td>
<td>3.88</td>
<td>1.225</td>
<td>2</td>
</tr>
<tr>
<td>Reduce</td>
<td>67.6</td>
<td>17.6</td>
<td>85.2</td>
<td>4.47</td>
<td>.896</td>
<td>1</td>
</tr>
<tr>
<td>Average Ranking (N = 34)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.50</td>
</tr>
</tbody>
</table>

Table 4. Other responses used by insurance agents in Kisumu to mitigate the impact of adoption of Banc assurance

<table>
<thead>
<tr>
<th>Other responses</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Total</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of the institutions and its clients</td>
<td>47.1</td>
<td>35.3</td>
<td>82.4</td>
<td>4.24</td>
<td>.923</td>
<td>6</td>
</tr>
<tr>
<td>Mergers, amalgamations and acquisitions</td>
<td>50</td>
<td>32.4</td>
<td>82.4</td>
<td>4.29</td>
<td>1.060</td>
<td>5</td>
</tr>
<tr>
<td>Insurance intermediaries</td>
<td>26.5</td>
<td>26.5</td>
<td>53</td>
<td>3.32</td>
<td>1.408</td>
<td>9</td>
</tr>
<tr>
<td>Continuous investment in new equipment and system upgrade</td>
<td>67.6</td>
<td>23.5</td>
<td>91.1</td>
<td>4.53</td>
<td>.861</td>
<td>3</td>
</tr>
<tr>
<td>Continuous capacity building of staff</td>
<td>47.1</td>
<td>29.4</td>
<td>76.5</td>
<td>3.97</td>
<td>1.314</td>
<td>8</td>
</tr>
<tr>
<td>Clients education on dealing with insurance agents</td>
<td>52.9</td>
<td>23.5</td>
<td>76.4</td>
<td>4.09</td>
<td>1.264</td>
<td>7</td>
</tr>
<tr>
<td>Networking and collaboration with other insurance agents</td>
<td>64.7</td>
<td>29.4</td>
<td>94.1</td>
<td>4.53</td>
<td>.788</td>
<td>3</td>
</tr>
<tr>
<td>Investment in marketing activities</td>
<td>85.3</td>
<td>8.8</td>
<td>94.1</td>
<td>4.71</td>
<td>.871</td>
<td>2</td>
</tr>
<tr>
<td>Development of new markets</td>
<td>79.4</td>
<td>14.7</td>
<td>94.1</td>
<td>4.72</td>
<td>.649</td>
<td>1</td>
</tr>
<tr>
<td>Average Ranking (N = 34)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

respondents were asked to indicate the extent to which their organization has used each of the listed strategies to help them mitigate the impact of adoption of Banc assurance in Kenya. The responses are summarized and presented in table 3.

Findings indicate that “reduce” was the highest ranked (85.2%), followed by “Avoid” (70.6%); “Transfer” (61.8%) and “Accept” was ranked least (44.1%) for responses “strongly agree” and “agree”. The responses were further asked to indicate the extent to which they agreed or disagreed each of the responses listed in table 4 below were used by their respective agents to mitigate the impact of adoption of Banc assurance by ticking as appropriate.

Findings in table 4 show that “Development of new markets” was the highest ranked item with (94.1%) responses for “strongly agree” and “agree”, followed by “Investment in marketing activities” (94.1%); Networking and collaboration with other insurance agents (91.1%) and “Continuous investment in new equipment and system upgrade” (91.1%) were third ranked. The least ranked item was “Insurance intermediaries” (53%).

The challenges faced by the Agents in implementing the strategic responses to Banc assurance

In order to meet the second objective of the study, “to identify the challenges faced by the Agents in implementing the strategic responses to Banc assurance” the respondents were asked to list and briefly explain the challenges faced by their organizations in implementing the strategic responses to banc assurance. Findings of the study show that the major challenges faced by insurance agents due to the adoption of Banc assurance include the following: Increased competition for the already saturated market; loss of business resulting to reduced profits, increased competition and suspicions amongst the agents them selves, which hinders mergers; and financial constraints – insurance agents are small and thus unable to employ more staff to expand.
CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Findings of the study indicate that the strategic responses which have been employed by insurance Agents in Kisumu to cope with the adoption of Banc assurance include the following: acceptance of the changes occasioned by adoption of Banc assurance and doing nothing about it; transfer; avoid; and reduce. Others are: analysis of the institutions and its clients; mergers, amalgamations and acquisitions; insurance intermediaries; continuous investment in new equipment and system upgrade; continuous capacity building of staff; clients education on dealing with insurance agents; networking and collaboration with other insurance agents; investment in marketing activities; and development of new markets.

The findings also indicate that the major challenges faced by the insurance agents in Kisumu in implementing the strategic responses to Banc assurance in cluded the following: loss of business resulting to reduced profits, increased competition and suspicions amongst the agents them selves, which hinders mergers. Organizations and environments are considered not to be completely separated and independent from each other but, rather, to belong to the same continuum. This position, which contains a more complex representation of possible interactions between actors inside and outside the organization, introduces the idea of the construction of the environment. Meaningful environments are considered to be outputs of the process of organizing and not inputs to it: the process of organizing implies the creation of the environment (Weick, 1979). This interpretative perspective connects knowledge and conduct, in the sense that the environmental context is made up of cognition, experiences, thoughts and actions (Smircich and Stubbart, 1985).

Limitations of the study

The focus on insurance agents in Kisumu city only could be a limiting factor, and may thus not be representative of the whole population of insurance agents in Kenya. The findings may, therefore not be generalized. However, the sampling technique used ensured that each respondent had a non-zero chance of being selected to participate in the study. Though the researcher was determined to undertake the study to completion within the given time frame, various constraints were encountered as earlier envisaged. The time allocated for data collection may not have been sufficient to enable the respondents complete the questionnaires as accurately as possible, considering that they were at the same time carrying out their daily duties and priority is of essence. The researcher preferred to administer the data collection tools to only the sampled respondents, however, this was practically not possible as some of them delegated this request since they were either too busy or were away on official duties.

RECOMMENDATIONS OF THE STUDY

Recommendations for policy and practice

Understanding the impact of environmental changes on the organizations could help practitioners in the field ensure that the insurance agents develop rational strategies to effectively respond. The following are measures are highly recommended:

*Environmental scanning on a continuous basis:* the acquisition and use of information about events, trends, and relationships in an organization's external environment, the knowledge of which would assist management in planning the organization's future course of action. The insurance agents ought to scan the environment in order to understand the external forces of change so that they may develop effective responses that secure or improve their position in the future. This will enable them to avoid surprises, identify threats and opportunities, gain competitive advantage, and improve long-term and short-term planning.

*Strategic planning:* Information derived from environmental scanning should be used to drive the strategic planning process by the insurance agents. There is research evidence to show that environmental scanning is linked with improved organizational performance. However, the practice of scanning by itself is insufficient to assure performance – scanning must be aligned with strategy, and scanning information must be effectively utilized in the strategic planning process. Coupled with the availability of information on external change, scanning can induce strategic, generative organizational learning.

Recommended areas of Further Research

The findings of this study, it is hoped, will contribute to the existing body of knowledge and form basis for future researchers. The following areas of further researcher are thus suggested: (i) whereas the current study focused on responses from the management of the insurance agents, future studies should focus on responses from the clients for insurance services. This will shed light on
the kind of responses the clients employ when affected by changes in the business environment and (2) Findings of the study should be replicated to other sectors of the economy. All sectors of the economy are affected by changes in the business environment. It would thus be important to know how they respond.

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