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ABSTRACT

The objective of the study was to determine the effect of value based management on the strategic renewal of insurance firms in Kenya. Two dimensions of strategic renewal were studied: the insurance firms' deliberate decision to imitate strategic renewal and strategic renewal by introduction of new product lines and rebranding. The target population was operative managers in 53 insurance firms. The sample size was 5 operative managers in 47 insurance firms resulting to a sample size of 235 respondents. The study used simple random sampling in the determination of respondents and used the Cochran's formula to determine sample size. The Likert scale questionnaire was used to collect data which was analyzed using descriptive and inferential statistics which were spearman's correlation and linear regression. Results of ANOVA, goodness of fit were used to make findings and conclusions about the study. Kuder-Richardson (KR_{21}) and Cronbach's alpha was used to measure reliability of the research instrument. The results of regression showed that value based management had a statistically significant influence on strategic renewal of insurance firms in Kenya. The study therefore recommended that insurance firms' managers should pay more attention to value based management since it is a major contributor to strategic renewal. The study was grounded on the dynamic capabilities theory which explains the link between a firm's inward abilities such as research and development, automation and creativity and innovation and its ability to work within those capabilities to initiate strategic renewal.

Key words: Value Based Management; Research and Development; Automation; Creativity and Innovation; Strategic Renewal

INTRODUCTION

According to a study by Williamson there is a huge global pressure on firms to deliver constantly superior value to their stakeholders regardless of their corporate heritage. It is because of this challenge that firms are obliged to measure their performance and this is evidenced by the maxim what gets measured gets done (Williamson, 2006). Value Based Management has been recognized within the last decade as an emerging paradigm that focuses on continuously increasing the value provided to the client and is widely accepted as an important tool in the successful management (Ellis, Wood and Keel, 2005). The idea of value based management can be traced back to the end of the 19th century (Marshall, 1949; Bausch, Hunoldt & Matysiak, 2009). Within the last two decades, increasing competition on the global capital markets in general and growing influence of institutional investors in particular have triggered the growing popularity of value based management concepts. They have also intensified the pressure on corporations to focus on creating value for shareholders (Bausch, Hunoldt & Matysiak, 2009). The use of value based management has spread to, inter-alia, strategic planning, process re-engineering, organizational change and concurrent engineering (Thiry, 2004). Value based management value based management has been used in the design of programmes intended to deliver strategic benefits (Thiry, 2010). The more recent advancements in the use of value based management has been the introduction of balanced scorecard and strategy maps (Davies & Davies, 2010) to deal with problems related to identification of areas of poor value, maximize the use of human resource and develop innovative ways to perform key activities (Stewart, 2010). In essence, new applications of value based management continue to emerge – making it a powerful tool for business development. According to a study by Chandra, value generation has taken

over as the main aim of business. Today, profit maximization is age-old, wealth maximization is matured and value maximization is today's wisdom (Chandra et al, 2012)

Problem Statement

Strategic research has investigated to some extent the process of strategic renewal, which has been generally recognized as critical for the sustained success of organizations. Despite these studies exploring strategic renewal and its necessity in today's competitive business setting, these publications have not studied strategic in insurance firms in a growing industry such as Kenya. Hence, this study identified a gap in the literature reviewed on strategic renewal, as well as value based management in that specific context. This informed the motivation to explore how insurance firms can drive and generate strategic renewal using value based management. Nationally, studies that have been done include a study on the challenges in the regulation of the insurance industry in Kenya (Koima, 2003); factors that influence insurance firms regional growth strategy (Kamanda, 2006); the relationship between value chain and competitive advantage in the insurance industry in Kenya (Ouma, 2007); the internet as a source of competitive advantage for insurance firms in Kenya (Kitua, 2009). These literature shows that most studies on insurance firms have not been on firm renewal. Therefore this study sought to fill the research gap by investigating and answering the broad research question; what is the influence of value based management in strategic renewal of insurance firms in Kenya?

Objective of the Study

The objective of the study was to establish the influence of value based management on strategical renewal of insurance firms in Kenya.

Hypotheses

H₀1: Value based management has no significant influence on strategical renewal of insurance firms in Kenya.

THEORETICAL FRAMEWORK

The Dynamic Capabilities Theory

The dynamic capabilities view argues that a firm’s success is basically driven by its aptitude to adapt to a changing environment to secure value creating potential and, thus achieve a competitive advantage. Competitive dynamics and processes compel firms to pursue new, unique competitive strategies. The design and execution of these strategies promotes the creation and innovative use of resources and capabilities. In the face of discontinuity, division, evolution and decline of markets, a significant determinant of a firms success is strategic agility (Junni, Sarala, Tarba, & Weber, 2015; Weber and Tarba, 2014; Doz and Kosonen, 2010) which is the capability to continue being flexible, to adjust to new conditions, and effect innovative ideas that generate value in firms and within business ecosystems (Davenport et.al., 2006). Different theorists have presented varying descriptions of dynamic capabilities.

Conceptual Framework

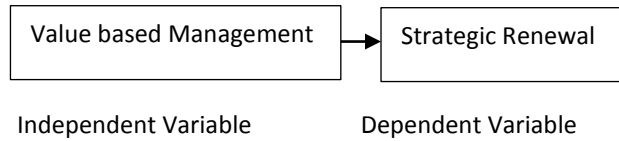


Figure 1: Conceptual Framework

METHODOLOGY

This study employed the descriptive survey research design by administering Likert scale questionnaires with close ended questions (Salaria, 2012). The target and study population for this research consisted of insurance firms licensed by Insurance Regulatory Authority (Kenya) to operate in Kenya. Some of the firms had registered more than one firm under the same umbrella name thus the researcher identified such units and treated them as separate entities as long as their management was different. There were a total of fifty three insurance firms registered to operate in Kenya (IRA, 2018). Primary data was collected using a questionnaire while secondary data was obtained from published materials about insurance industry in Kenya.

Table 1: Measurement of Variables

Dependent variable		
Variable	Operationalization of research variables	Measure
Strategic renewal	<ul style="list-style-type: none"> ▪ Deliberate plans to initiate strategic renewal ▪ New products and product rebranding 	Mixture of qualitative and quantitative measurements
Independent variables		
Value Based Management Model	<ul style="list-style-type: none"> ▪ Research and development ▪ Automation ▪ Creativity and innovation 	5-Point Likert Scale

Table 2: Statistical Models

Hypothesis		Analytical Models
H1.	H ₀ There is significant influence of value based management model on strategic renewal of insurance firms in Kenya.	<p>To use a linear regression equation that is;</p> $y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$ <p>strategic renewal (SR) is a function of Research and development (RD) + Automation (A) + Creativity and innovation (CI) thus:</p> $SR = \beta_0 (\text{constant}) + \beta_1 (\text{Research and development}) + \beta_2 (\text{Automation}) + \beta_3 (\text{Creativity and innovation})$ <p>Success (y) therefore is due to: X₁ - research and development X₂ - Automation X₃ - Creativity and Innovation</p> <p>Hence;</p> $y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$

Data analysis is the process of making meaning from collected data (Simon, 2011). Inferential statistics were obtained using statistical packages for social sciences (SPSS) version 20.0 which was used for data analysis to reach conclusions and to make inferences from collected data. The regression model used to test the hypotheses at .05 level of significance in this study as below:

$$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

y – Strategic renewal

β_0 – The constant

β_1 – Relationship between research and development and strategic renewal

β_2 Relationship between automation and strategic renewal respectively

β_3 - Relationship between creativity and innovation and strategic renewal

x₁ – research and development

x₂ – automation

x₃- creativity and innovation

e - Stochastic term

The regression model was used to test hypotheses and determine the type, strength and statistical significance of the relationship that exists between the dependent and independent variables. It also helped to determine which of the predictor variable had a greater influence on the dependent variable. Data collected in this study was also analysed using Pearson’s correlation for continuous data gathered, Spearman’s Rank Order correlation for ordinal data gathered in the research and ANOVA.

FINDINGS

Table 3: Summary of Responses to Items on Research and development in value based management

Statement	Totally agree	Slightly agree	Neither agree nor disagree	Slightly disagree	Total
My firm has an adequately staffed research and development department	108 51.4%	51 24.3%	45 21.4%	6 2.9%	210 100%
My firm conducts research and development as part of its regular activities	73 34.8%	101 48.1%	27 12.9%	9 4.3%	210 100%
Top management fully supports research and development activities	125 59.5%	45 21.4%	37 17.6%	3 1.4%	210 100%

The study in determining the influence of value based management on strategic renewal required the respondents to indicate their perception of top management's support of research and development in the insurance firm. From the table 3 above it was established that a majority of the respondents totally agreed that top management supports research and development activities and while the least of the respondents felt that top management does not adequately support research and development in the firm. 125 (59.5%) of respondents totally agreed that top management supports research and development activities, 45 (21.4%) of respondents slightly agreed that top management supports research and development activities, 37 (17.6%) of respondents neither agreed nor disagreed that top management supports research and development activities, 3 (1.4%) of respondents slightly disagreed that top management supports research and development activities while no respondents indicated total disagreement that top management supports research and development. Barr et.al., suggested that organizational renewal requires that a firm's top managers make timely adjustments in their mental models following significant changes in the environment. The appropriate cognitive change is necessary to make the strategic decisions and take the actions that are required for organizational renewal (Barr, Stimpert, and Huff, 1992). The

research established that some the methods used by firms to support research and development were budgetary allocation to research and development, establishment of research and development department and encouraging industry discussions. Some of the ways in which research and development is conducted include customer surveys, mergers and benchmarking with international insurance firms and local top ten insurance firms.

The purposes for research and development were established as to seek knowledge to develop, design and enhance the firm's products, services, technologies or processes, create new and innovative products, cost reduction, profit maximization, increase market share, add new features to old products, create synergy between firm's strategy and business plan. Does the support of research and development contribute to strategic renewal? Does increased research and development lead to strategic renewal? In studying the influence of value based management on strategic renewal, the researcher required the respondents to indicate their perception of firm's support of creativity and innovation in the insurance firm. From the table 3 above it was established that a majority of the respondents slightly agreed that the firm supports creativity and innovation and while the least of the respondents

slightly disagreed with the statement that the firm supports creativity and innovation.

Table 4: Summary of Responses to Items on Creativity and innovation in value based management

Statement	Totally agree	Slightly agree	Neither agree nor disagree	Slightly disagree	Total
My firm supports the development of new ideas.	51 24.3%	108 51.4%	45 21.4%	6 2.9%	210 100%
My firm supports the implementation of new ideas.	128 61.0%	76 36.2%	6 2.9%		210 100%
My firm has capacity to absorb and utilise new methods of doing business.	128 61.0%	73 34.8%	9 4.3%		210 100%

51 (24.3%) of respondents totally agreed that the firm supported creativity and innovation, 108 (51.4%) of respondents slightly agreed that the firm supported creativity and innovation, 45 (21.4%) of respondents neither agreed nor disagreed that the firm supported creativity and innovation, (6 2.9%) of respondents slightly disagreed that the firm supported creativity and innovation while no respondents indicated total disagreement that the firm supported creativity and innovation. The research established that some the methods used by firms to support creativity and innovation included rewarding employees for innovation, on-job training, skills, setting ambitious targets and incorporating it in firm corporate values.

In studying the influence of value based management on strategic renewal, the researcher required the respondents to indicate their perception of firm's implementation of new ideas. From the table 4 above it was established that a majority of the respondents totally agreed that the firm supported implementation of new ideas and while the least of the respondents were of a neutral opinion. 128 (61.0%) of respondents totally agreed that the firm supported implementation of new ideas, 76 (36.2%) of respondents slightly agreed that the firm supported implementation of new ideas and 6 (2.9%) of respondents neither agreed nor disagreed that the firm supported implementation of new ideas. There were no

respondents that disagree with this statement. The research established that some of the challenges encountered in implementation of new ideas include firm encouraging employees to come up with creative ideas but they were not implemented, that firm had no finances, lack of interest by immediate supervisors, focus on existing business operations to maintain current customers and creativity not translating to promotions.

The researcher required the respondents to indicate their perception of firm's capacity to absorb new methods and processes of business as a measure of value based management. From the table 4 above it was established that a majority of the respondents at (61%) totally agreed that the firm has capacity to absorb new methods and processes of business and while the least of the respondents at 9%) neither agreed nor disagreed on the capacity of insurance firm to absorb new methods and processes of conducting business. 128 (61.0%) of respondents totally agreed that the insurance firm had capacity to absorb new methods and processes of conducting business, 73 (34.8%) of respondents slightly agreed that the insurance firm had capacity to absorb new methods and processes of conducting business and 9 (4.3%) of respondents slightly agreed that the insurance firm had capacity to absorb new methods and processes of conducting business. There were no respondents that disagreed with this statement.

Table 5: Summary of Responses to Items on Automation in value based management

Statement	Totally agree	Slightly agree	Neither agree nor disagree	Slightly disagree	Total
My firm actively incorporates technological developments in business processes.	79	91	24	16	210
	37.6%	43.3%	11.4%	7.6%	100%
My firm embraces current trends and emerging trends in automation.	84	93	33		210
	40.0%	44.3%	15.7%		100%
My firm has fully automated key business processes and functions	91	79	24	16	210
	43.3%	37.6%	11.4%	7.6%	100%

The researcher required the respondents to indicate their perception of the degree to which the insurance firm's embraces current trends in business processes as a measure of value based management. From the table 5 above it was established that a majority of the respondents at (44.3%) slightly agreed that the firm embraced current trends in business processes and while the least of the respondents at (15.7%) neither agreed

nor disagreed on the insurance firm embracing current trends in business processes. 84 (40.0%) of respondents totally agreed that the insurance firm embraced current trends in business processes, 93 (44.3%) of respondents slightly agreed that the insurance embraced current trends in business processes and 33 (15.7%) of respondents neither agreed nor disagreed on the insurance firm embracing current trends in business processes.

REGRESSION ANALYSIS

Table 6: Goodness of fit between value based management and deliberate decision to initiate strategic renewal

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.316	.100	.078	.73112

a. Predictors: (Constant), research and development, Automation, Creativity and innovation

Table 7: Analysis of variance (ANOVA) between value based management and deliberate decision to initiate strategic renewal in insurance firms

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.079	5	2.416	4.520	.001 ^b
	Residual	109.045	204	.535		
	Total	121.124	209			

a. Dependent Variable: deliberate decision to initiate strategic renewal

b. Predictors: (Constant), Research and development, Automation, Creativity and innovation

ANOVA was conducted to compare the effect of value based management on insurance firms' deliberate plans to initiate strategic renewal based on research and development, automation and

creativity and innovation in the insurance firms.. There was a significant effect of value based management on insurance firms' deliberate plans to initiate strategic renewal because $p < .05$ level of

significance for the three conditions [F (12, 109) = 4.52, p = 0.001]. Post hoc comparison using the goodness of fit test yielded R value of .316 which indicates a weak degree of correlation between value based management and deliberate plans to initiate strategic renewal. The R² value indicates that 10% of deliberate plans to initiate strategic renewal can be explained by value based management. Taken together, these results suggested that value based management has an effect on insurance firms deliberate plans to initiate strategic renewal. Specifically, our results suggested that when insurance firms employ the value based management model, there is increase in deliberate plans to initiate strategic renewal. However, it should be noted that value based management capabilities, practices and features should be increased so as to see its significant impact since as it is it only accounts for 10% of renewal. Alternatively future researchers could develop

interest in determining the contribution of other value drivers to strategic renewal. They could also study the likelihood that value based management explains other elements of business and/or strategy other than deliberate plans to initiate strategic renewal. In the next section, the research examines value based management and introduction of new products and product rebranding in insurance firms. The ANOVA results also indicate that there was a statistically significant difference between groups (F (12,197) = 7.511, p = .001 < .05). At p = .05 level of significance, there exists not enough evidence to support the null hypotheses. The null hypothesis was rejected. Therefore the researcher concluded that value based management influences deliberate plans to initiate strategic renewal of insurance firms in Kenya. This indicates that the influence of value based management on deliberate plans to initiate strategic renewal of insurance firms in Kenya is significant.

Table 8: Goodness of fit between value based management and strategic renewal in form of introduction of new products and product rebranding

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.230	.053	.030	.91638

a. Predictors: (Constant), research and development, Automation, Creativity and innovation

Table 9: Analysis of variance (ANOVA) between value based management and strategic renewal in form of introduction of new products and product rebranding in insurance firms

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.571	5	1.914	2.280	.048 ^b
	Residual	171.310	204	.840		
	Total	180.881	209			

a. Dependent Variable: Strategic renewal in form of introduction of new products and product rebranding

b. Predictors: (Constant), Research and development, Automation, Creativity and innovation

ANOVA was conducted to compare the effect of value based management on strategic renewal in insurance firms' in form of introduction of new

products and product rebranding based on research and development, automation and creativity and innovation. There was a significant effect of value

based management on strategic renewal in insurance firms' in form of introduction of new products and product rebranding because at the $p < .05$ level of significance for the three conditions [$F(5, 204) = 2.28, p = .048$]. Post hoc comparison using the goodness of fit test yielded R value of .230 which indicates a weak degree of correlation between value based management and strategic renewal in form of introduction of new products and product rebranding. The R^2 value indicated that 53% of strategic renewal in form of introduction of new products and product rebranding can be explained by value based management. Taken together, these results suggested that value based management has an effect on strategic renewal in insurance firms' in form of introduction of new products and product rebranding. Specifically, our results suggested that when insurance firms employ the value based management model, there is increase in introduction of new products and product rebranding. There was a 47% gap in strategic renewal through new products and product rebranding that is not explained by the three value drivers examined in his study. Are there other value drivers that could address the 47% or a portion of it? What specific products' features were actually rebranded? These were questions that future research should attempt to answer. However, it should be noted that value based management capabilities, practices and features seem to impact renewal of products more than it impacts plans for renewal. However still, The ANOVA results also indicated that there was a statistically significant difference between groups ($F(5,204) = 2.28, p = .048 < .05$). At $p = .05$ level of significance, there exists not enough evidence to support the null hypotheses. The null hypothesis was rejected. Therefore the researcher concluded that value based management influences strategic renewal in form of introduction of new products and product rebranding in insurance firms in Kenya. This indicated that the influence of value based

management on strategic renewal in insurance firms' in form of introduction of new products and product rebranding insurance firms in Kenya is significant.

FINDINGS

The study sought to establish the relationship between value based management and strategic renewal of insurance firms in Kenya. Majority of the respondents, 79.83% accepted that their firm executed research and development, 82% accepted that their insurance firms embrace automation and 89.57% agreed that creativity and innovation is esteemed in their insurance firms. The researcher established that there is a statistically significant influence of resource based management on deliberate plans to initiate strategic renewal of insurance firms in Kenya. The researcher established that there is a statistically not significant influence of resource based management on strategic renewal by introduction of new products and product rebranding of insurance firms in Kenya. A spearman's rho correlation test indicated that there was a very weak positive monotonic correlation that was not statistically significant between research and development and deliberate decision to initiate strategic renewal. A similar very weak positive monotonic correlation that was not statistically significant relationship was reported between value based management and strategic renewal by introduction of new product lines and product rebranding. This weak not significant correlation corresponds to findings that attribute research and development to conservative decisions mad by firms. If research and development is part of an aggressive new product development strategy, a series of decisions logically follow such as including funding levels, project selection decisions, and the structure for research and development. If research and development is used primarily for process improvement, the decisions are more conservative (Barnat, 2005).

There was a very weak positive monotonic correlation that was statistically significant between creativity and innovation and deliberate decision to initiate strategic renewal. However the relationship between creativity and innovation and strategic renewal by introduction of new product lines and product rebranding, was very weak, positive and not statistically significant. The relationship between automation and deliberate decision to initiate strategic renewal was very weak, positive and monotonic but not significant while relationship between automation and strategic renewal by introduction of new product lines and product rebranding was very weak, positive and monotonic but significant.

The goodness of fit established that there was a low degree of correlation and weak relationship between value based management and deliberate decision to initiate strategic renewal. There is a low degree of correlation and weak relationship between value based management and strategic renewal by introduction of new product lines and product rebranding. The research established a multifaceted set of relationships between value based management and different dimensions of strategic renewal studied in this research. Among the various parameters of value based management studied, only creativity and innovation was found to be significant in its association with strategic renewal. Thus it is openly associated with strategic renewal of insurance firms.. Taken together value based management explains 63% of strategic renewal dimensions examined in this study, that is, 10% of plans and 53% of product renewal.

Hypotheses Testing

At $p = .05$ level of significance, there exists not enough evidence to support the null hypotheses. The null hypothesis was rejected. Therefore the researcher concludes that VALUE based management influences deliberate plans to initiate strategic renewal of insurance firms in Kenya. This

indicates that the influence of value based management on deliberate plans to initiate strategic renewal of insurance firms in Kenya is significant. At $p = .05$ level of significance, there exists not enough evidence to support the null hypotheses. The null hypothesis is rejected. Therefore the researcher concludes that value based management influences strategic renewal in form of introduction of new products and product rebranding in insurance firms in Kenya. This indicates that the influence of value based management on strategic renewal in insurance firms' in form of introduction of new products and product rebranding insurance firms in Kenya is significant.

Conclusion

Based on the findings the research concluded that value based management influences strategic renewal of insurance firms. The study also concluded that research and development influences strategic renewal of insurance firms. The results of the study show that if research and development will increase, there is a chance of marginal increase in deliberate plans to initiate strategic renewal and a chance of increase in strategic renewal through introduction of product lines and product rebranding. This is because of the positive relationship between the predictor and response variable variables. This is in tandem with a finding that firms that have research and development that is more productive exhibit higher and less volatile future operating performance (Pandit et.al., 2011). The study also concluded that creativity and innovation influences strategic renewal of insurance firms. The findings indicate that that if creativity and innovation will increase, there is a chance of significant increase in deliberate plans to initiate strategic renewal and a chance of marginal increase in strategic renewal through introduction of product lines and product

rebranding. This is because of the positive relationship between the predictor and response variable variables. As Hamel established, strategic renewal is dynamically adjusting business models and strategies to the deep changes at work in the external environment and this requires innovation. Strategic renewal is creative reconstruction. It's taking traditional business models apart and looking for imaginative ways to reconstruct them to create significant new value for customers and the firm (Hamel, 2003). The study also concluded that automation influences strategic renewal of insurance firms. The study predicts that if automation will increase, there is a chance of marginal increase in deliberate plans to initiate strategic renewal and a chance of significant increase in strategic renewal through introduction of product lines and product rebranding. This is because of the positive relationship between the predictor and response variable variables.

Future Research

The study presented had a number of limitations that further research could aim to overcome. There was a 47% gap in strategic renewal through new products and product rebranding that was not explained by the three value based management drivers examined in this study. Are there other value drivers that could address the 47% or a portion of it? What specific products' features are actually rebranded? These are questions that future research should attempt to answer. It should be noted that value based management capabilities, practices and features should be increased so as to see its significant impact since as it is it only

accounts for 10% of renewal. Alternatively future researchers could develop interest in determining the contribution of other value drivers to strategic renewal. They could also study the likelihood that value based management explains other elements of business and/or strategy other than deliberate plans to initiate strategic renewal. Future researchers may be interested in examining whether the value based management as management model in response to strategic renewal, enhances value creation when contrasted with circumstances described as less managerial (nonconformist). Future research could be done to study the relationship in other sectors such as banking, education, SMEs, retail outlets and cooperative sectors that are showing indicators of renewal. Strategic renewal in insurance firms happened recently. It is therefore difficult to assess the impact of the renewal on firm performance. Therefore a longitudinal research design will give more insights on the consequential impact and sustainability of strategic renewal on firms.

Recommendations

Although we have results in accordance to the theory, based on the findings and conclusions of the study, the following recommendations were made: The study recommended that insurance firms in Kenya should endeavor to leverage application of value based management because it has been found to have a significant and positive effect on strategic renewal of insurance firms in Kenya. Moreso it should establish mechanisms of enhancing creativity and innovation which's the key parameter that had influenced strategic renewal.

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