Journal of
Business and Strategic Management
(JBSM)

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Journal of Business and Strategic Management
ISSN 2520-0402 (online)
Vol.8, Issue No.1, pp 1 – 26, 2023
www.carijournals.org

Innovation Strategies and Competitive Advantage of Insurance Firms in Kenya

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Abstract

Purpose: The main focus of the study was to establish effect of innovation strategies on competitive advantage of insurance firms in Kenya. The study was anchored on McKinsey 7S Framework, Transaction Cost Innovation Theory, Porter's 5 Forces Model and Dynamic Capabilities theory, and it sought to establish the effect of product innovation strategy, process innovation strategy and marketing innovation strategy on competitive advantage of insurance firms in Kenya. In addition, the moderating effect of regulatory environment on the relationship between innovation strategy and competitive advantage of insurance firms in Kenya was tested given the importance of the regulator.

Methodology: The study used a cross sectional survey design where all the 55 insurance firms operating in Kenya and were targeted. Through purposive sampling, the study targeted employees in management positions, either from administration, sales and marketing, strategic division or Finance department. Both primary and secondary data was used to achieve the study objectives where they were used to establish trends, descriptive and inferential statistics. Specifically, correlation and regression analysis were conducted to test empirically the relationship between the study variables. The study results were presented in form of Tables and Figures.

Findings: The findings revealed that product innovation strategy had a significant and positive influence on the competitive advantage of insurance industry in Kenya. Process innovation was also found to positively and significantly contribute to the competitive advantage of insurance industry in Kenya. The findings further revealed that marketing innovation was essential in enhancing the competitive advantage of insurance industry in Kenya. Regulatory framework was found to significantly moderate the relationship between innovation strategies and competitive advantage of insurance industry in Kenya. The study concluded that innovation

strategies (product innovation, process innovation and marketing innovation) are essential in determining the competitive advantage of insurance industry in Kenya.

Unique Contributions to theory, practice and policy: It is therefore recommended that the management of the insurance companies ought to uphold innovation strategy through marketing innovation, product innovation and process innovation so as to stimulate the competitive advantage of their respective insurance companies. The regulatory body, IRA, ought to set a clear framework on policies and regulations that govern insurance innovations so as to set a level ground for the companies to embrace innovation and enhance their competitive advantage.

Key Words: *Product Innovation Strategy, Process Innovation Strategy, Marketing Innovation Strategy and Competitive Advantage*

Introduction

In the fast-changing markets, firms are constantly involved in competition with fast changing technology making it paramount that firms practice innovation in order to gain competitive advantage (Mykhailichenko, Lozhachevska, Smagin, Krasnoshtan, Zos-Kior & Hnatenko, 2021). In the insurance industry, most firms offer similar products and services, they hence continually search for a competitive advantage that would attract new customers and retain the existing (Mykhailichenko *et al.* 2021). It is only through being competitive that the firms can sustain their operations and generate more revenue to the shareholders. Much emphasis has been placed on building innovative organizations and the management of the innovation process, as essential elements of organizational survival (Anwar & Shah, 2021). Competition may be attributed to business innovations, advancement in technology and the changing demand of customers (Paley, 2021). Through these aspects, the company stands a chance to provide more unique and customer-centered products and services thus being more competitive. According to Abdu and Jibir (2018), in order to achieve and sustain competitive advantage, managers should invest in innovation since this would be a major driver for customer-centeredness through improved products and services and efficient processes.

Statement of the Problem

A report by the Insurance Regulatory Authority (IRA) (2020) has indicated mixed competitive advantage in the insurance industry in Kenya. Latest reports for instance showed that the industry announced underwriting losses of Kshs. 1.85 billion. These trends are worrying considering further statistics documented that the same year, net profit of the sector decreased drastically by 57.7% (IRA, 2020). In addition, the report indicated that premium growth slowed by 5% from 7.5% to 2.3% between 2016 and 2020 (IRA, 2020). Moreover, investment income by the insurance companies decreased by 24.4% in the same period (IRA, 2020). These statistics demonstrate that the firms in the industry are facing mixed competitive advantage which can demonstrate that most of the firms lack a competitive edge. According to Kago et al. (2018); Chou et al. (2020); and Harjadi et al. (2020), lack of sustainable competitive

advantage has both short-term and long-term negative effectives of firms' competitive advantage and overall sustainability.

Empirical studies have ascribed competitive advantage to innovation strategy. However, some studies have portrayed mixed results where for instance, Al Naqbia et al. (2020) and Nathan and Rosso (2022) established that while product had significant effect on firms' competitive advantage, process innovation had no significant effect on competitive advantage. On the other hand, Oke (2017) indicated that the effect of innovation strategy on competitive advantage depended on the type of industry a firm belonged to. Locally, Samuel and Kepha (2021), Muthoka, Oluoch and Muiruri (2018) and Mugambi and Kinyua (2020) who found a significant relationship between innovation strategy and firm competitive advantage, focused on different context (commercial banks) and not insurance firms. Given different operational environment between the two industries, the findings cannot generalize to the insurance industry hence a need for this study. Other studies that have focused on innovation strategy in insurance industry such as Mutegi et al. (2016) only focused on a single dimension of innovation strategy (product innovation). Moreover, the role of regulatory environment has been left out in most studies on insurance industry, despite this being a regulated industry where any innovations ought to be in line with the regulatory requirements. Ascertaining the effect of innovation of competitive advantage went a long way in recommending areas for improvement given the latest forbidding competitive advantage in the insurance industry. However, the role of the regulatory environment cannot be ignored. This is because every innovative move in the insurance industry should come within the regulations that govern the firms in the industry under IRA. Therefore, a direct relationship cannot be assumed and hence, the moderating role of regulatory environment was tested.

Research Objectives

i. To establish the effect of product innovation strategy on competitive advantage of insurance firms in Kenya
ii. To determine the effect of process innovation strategy on competitive advantage of insurance firms in Kenya
iii. To examine the effect of marketing innovation strategy on competitive advantage of insurance firms in Kenya
iv. To establish the moderating effect of regulatory framework on the relationship between innovation strategy and competitive advantage of insurance firms in Kenya

Theoretical Review

McKinsey 7S Framework

The McKinsey 7S Framework was developed by Peters and Waterman (1980) to link seven key factors that is strategy, structure, systems, shared values, style, skills and staff to competitive advantage (Peters & Waterman, 1980). The framework argues that correct alignment and reinforcement of these 7 aspects can give a firm an added advantage and it leads to an improvement in their competitive advantage. One of the factors is strategy thus the

relevance of the framework to the study. The theory upholds the need for organizations to focus on putting in place the best strategy in order to ensure the effectiveness of any change and continued competitive advantage (Gechkova & Kaleeva, 2020). Structure on the other hand is upheld as driver on how the success is obtained when implementing the strategy. Innovation strategy will require a supportive structure in order to be efficient in enhancing the company achieve competitive advantage (Melinda & Wagianto, 2021). The other aspects pointed out in the theory are the systems. These are the set framework on how things are done in an organization. Innovation requires appropriate systems that support communication across the organization for efficient delivery of services and products that are customer-centred (Razmi, Mehrvar, & Hassani, 2020). The other aspect of McKinsey 7S Framework is the shared values. These are the norms and common believes that employees in an organization share. Innovation is like a change which would require the culture within the insurance company to be streamlined towards supported the said innovation. Style and skills are other aspects that Peters and Waterman (1980) describe as essential enablers of change (innovation). These aspects determine the ability of the organizational team to support the innovation and make it part of the organization for continued competitive advantage (Channon & Cooper, 2015).

Finally, staff (comprising of the employees and the entire management) is another essential aspects of the McKinsey 7S Framework that determines the effectiveness of change (innovation) towards enhancing firms' competitive advantage.The theory is relevant to the study as it highlights the link between strategy formulation, implementation and the final effect on competitive advantage. The theory indicates that before a strategy yields the desired results and be competitive, it needs to be implemented well and that relies on the 7s (Gechkova & Kaleeva, 2020). The framework can be used to understand how the organizational elements such as innovation strategies can be linked and realigned alongside other policies and strategies in order to achieve competitive advantage.

Transaction Cost Innovation Theory

Hicks and Niehans (1983) advanced the transaction cost innovation theory in the research on innovation. The scholars thought that the dominant factor of innovation is the reduction of transaction cost, and in fact, financial innovation is the response of the advance in technology which caused the transaction cost to reduce. The reduction of transaction cost can stimulate innovation and improvement in services. According to Klapkiv and Klapkiv (2017), innovations such as product and process innovation are aimed at minimizing costs by reducing wastage and enhancing the efficiency of the processes which saves on time. This ensures that long-term and short-term competitive advantage is obtained. While citing the transaction cost innovation theory, Ostagar (2018) alludes that innovations are like transactions, which are meant to achieve more efficient and effective operational processes in an organization, thus stimulating competitiveness. The transaction cost theory therefore brings a clear perspective of how organizations can use innovation strategy to enhance competitive advantage, by driving lower costs of operations. In line with this study, the theory posits that pursuing innovation

strategy is associated with reduced costs which enhance competitive advantage, thus the theory has been adopted in the study.

Porter's 5 Forces Model

According to Porter (1991), the essence of formulating competitive strategy is relating a company to its environment. Industry structure has a strong influence in determining the competitive rules of the game as well as strategies potentially available to a firm. The state of competition in an industry depends on five basic competitive forces: Threat of new entrants as exemplified by possibility of new companies entering the market and barriers to entry; Power of suppliers which concerns how much bargaining power suppliers have; Power of buyers – how much bargaining power buyers have; Threat of substitutes – how easily product and service can be substituted; and Rivalry among existing competitors (Juliana & Nyoman, 2019).According to the Tidd, Besant and Pavitt (2011), understanding industry structure is equally important for investors as for managers. The five competitive forces reveal whether an industry is truly attractive, and they help investors to anticipate positive or negative shifts in industry structure before they are obvious. The five forces distinguish short-term blips from structural changes and allow investors to take advantage of undue pessimism or optimism. In the present study, Porter's 5 Forces Model underpin both market and product innovation variables. The theory argues that industry structure has a strong influence in determining the competitive strategies available to a firm (Bruijl & Gerard, 2018). Development of innovation strategies to align to the technologically changing environment of operation well mirrors this argument. Insurance companies can strengthen their competitive advantage through ensuring proper alignment of their structure to conform to suppliers' needs, needs of the customers, and the moves by competitors.

Dynamic Capabilities Theory

The capabilities are contributors of competitive advantage in firms are one of the schools of thoughts in Strategic management. Seconded by Teece *et al.* (1997), dynamic capabilities links Resource Based View to the concept of dynamism, a concept that has a growing importance in today's business environment, which is increasingly complex and dynamic. According to Čirjevskis (2021), organizations require key capabilities in order to remain competitive. These capabilities define how well innovation is done and the extent to which such innovations contribute to the overall competitiveness (Mero & Haapio, 2022). Dynamic Capabilities are the firm's ability to integrate, build, and reconfigure internal and external resources/competences to address and shape rapidly changing business environments and are critical to superior competitive advantage (Roundy & Fayard, 2019). In dynamic environments there is high unpredictability of customer demands and competitors' capabilities, as well as high rates of change in market trends and industry innovation, hence firms need dynamic capabilities" because it is associated with the ability to create, deploy, and protect the intangible assets that enable superior business competitive advantage in the long run.

One of the major capabilities that the theory has considered to be essential in defining firm competitiveness is human skills and competencies (Teece, 2018). These are the general knowhow that stipulate the ability of the employees in an organization to be innovative and effectively solve emerging problems. According to Mero and Haapio (2022), dynamic capabilities define how innovation is done and its ability to contribute to firm competitiveness. When the right capabilities are put on board, new products and services as well as new processes are developed thus contributing to competitive advantage. In relevance to this study, the theory supports adoption of strong capabilities to enable a firm survive and adjust to the external environment with agility and speed. The insurance industry is under threat due to technological advancements, consumer preferences and demands, changing regulations among other factors (Nayak, Bhattacharyya & Krishnamoorthy, 2021). Therefore, the firms need to continuously invest in product and market innovation so as to come up with unique products and cope.

Conceptual Framework

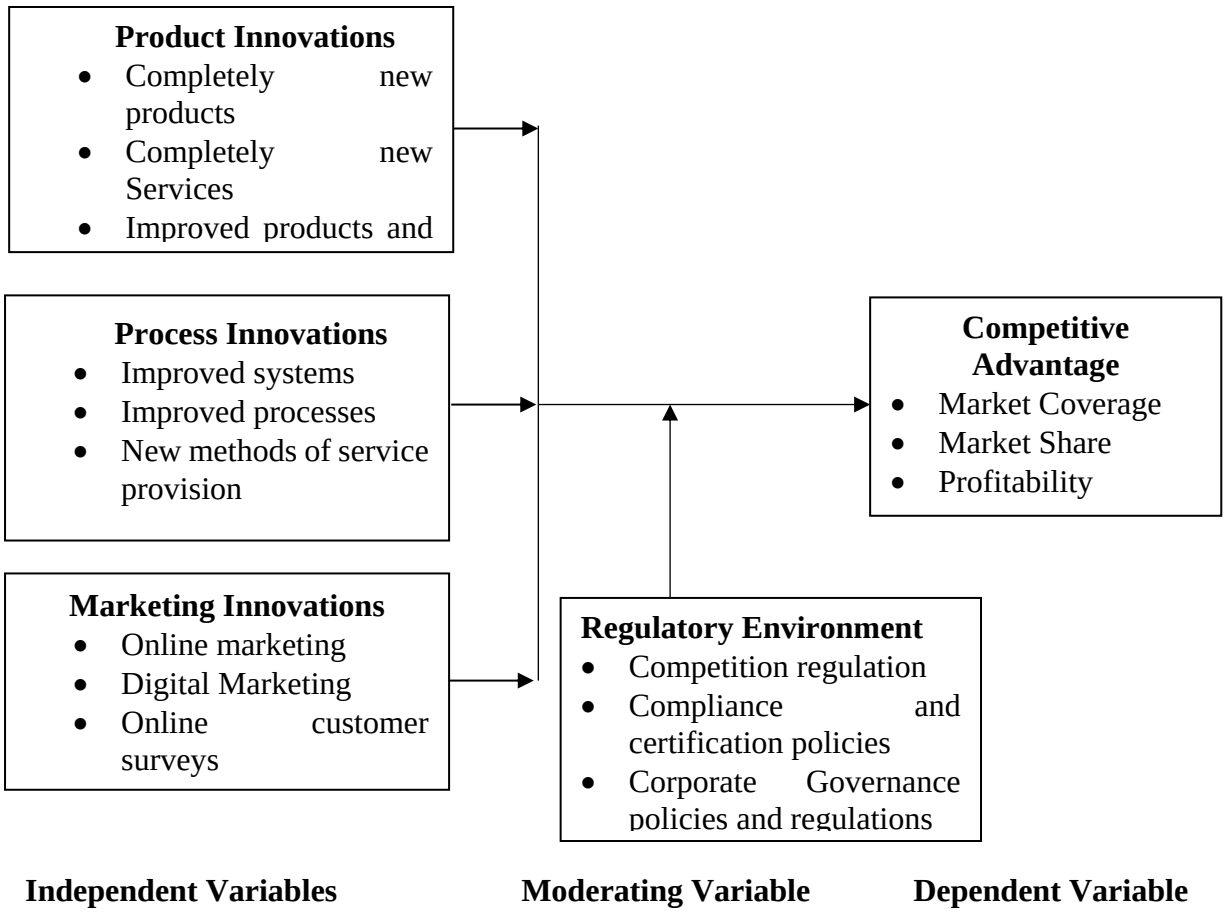

Figure 1: Conceptual Framework

Research Methodology

This study used cross sectional descriptive survey research design. The target population for this study was all the insurance companies licensed by IRA in Kenya where majority are headquartered in Nairobi County, Kenya. To avoid duplication of information, the study targeted one respondent in management position from each of the 55 insurance firms. The primary data collection instrument in this study was a structured questionnaire. The quantitative data was analyzed using descriptive statistics where the responses from the questionnaires were tallied, tabulated and analyzed in percentages, frequencies, mean and standard deviation using Statistical Package for Social Sciences (SPSS V 27). Frequency tables, graphs and pie charts were used to present the data for easy comparison. The secondary data was used to run trends of how various indicators have been changing over time. Further, multiple regression analysis was conducted to determine the relationship between variables. Ordinary Least Square regression estimates, considered to be Best Linear Unbiased Estimators (BLUE) were considered in this study.

The study adopted the following multiple regression model:

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Where: Y = Competitive Advantage, X_1 = Product Innovation, X_2 = Process Innovation, X_3 = Marketing Innovation, ε = Error term, β_0 = Constant and β are beta coefficients.

Descriptive Analysis of the Findings

Product Innovation

The first objective of the study was to assess the effect of product innovation on competitive advantage of the insurance companies in Kenya. The findings are as shown in Table 1. As the findings portray, most of the respondents indicated that their respective firms did not effectively introduce new insurance products from time to time to suite the customer needs as shown by a mean of 2.93 and a standard deviation of 1.27. Majority of the respondents (53.2%) indicated that their respective insurance companies did not normally introduce new insurance-related services from time to time to suite the customer needs, while 46.8% indicated that their respective firms normally improved the existing products from time to time to suite the customer needs. The respondents indicated that their respective insurance firms were normally not effective in improving the existing insurance-related services from time to time to suite the customer needs (Mean = 2.91; Standard deviation = 1.42). Most of the participants (55.3%) indicated that their respective insurance companies did not offer a wide range of products based on the customers' preferences compared to the competitors. The overall mean for product innovation was 2.79 and the standard deviation was 1.308. The findings imply that the uphold of product innovation is not effective among the insurance companies in Kenya, and this could be the reason behind their continued decline in competitiveness. The findings concur with those by Harjadi *et al.* (2020) who established that embracing product innovation through enhancing the characteristics of the product is an essential strategy that significantly enhances customer satisfaction thus increasing the organizational competitiveness. According to Nathan and Rosso (2022), product innovation through introduction of new products and enhancement of

the existing products is a fundamental innovation strategy that strengthens the company's ability to be more competitive. The findings also are in support of the McKinsey 7S Framework theory by Peters and Waterman (1980) that upholds the need for enhancing the organizational structures, policies and core values to support continuous product innovation.

Table 1: Descriptive Results on Product Innovation

Statements	Very Low Extent	Low Extent	Moderate Extent	High Extent	Very High Extent	Mean	Std. Dev.
My firm normally introduces new insurance products from time to time to suite the customer need	14.9%	27.7%	17.0%	29.8%	10.6%	2.93	1.27
My firm normally introduces new insurance-related services from time to time to suite the customer need	31.9%	21.3%	17.0%	27.7%	2.1%	2.46	1.26
My firm normally improves the existing products from time to time to suite the customer need	14.9%	21.3%	17.0%	40.4%	6.4%	3.02	1.22
My firm normally improves the existing insurance-related services from time to time to suite the customer need	25.5%	17.0%	8.5%	38.3%	10.6%	2.91	1.42
My firm offers a wide range of products based on the customers preferences compared to the competitors	25.5%	29.8%	10.6%	23.4%	10.6%	2.63	1.37
Overall						**2.79**	**1.308**

Process Innovation

The second objective of the study was to assess the effect of process innovation on competitive advantage of the insurance companies in Kenya. A Likert's scale was used whereby the respondents were asked to indicate the extent to which specific statements on process innovation had been adopted in their respective companies. The scale ranged from 1 to 5 where 5= very high extent; 4 = High extent; 3= Moderate extent; 2= low extent and 1= very low extent. The findings are as summarized in Table 2. As the results portray; most of the respondents (55.3%) indicated that their respective insurance companies consistently improve the delivery systems so as to enhance customer value; while 53.2% of the respondents indicated that their respective insurance companies did not consistently invest in application of technology in service delivery so as to enhance customer experience. The respondents indicated that their insurance companies consistently adopted new delivery processes so as to enhance

customer value (Mean = 3.02; Standard deviation = 1.43); and that their firms consistently improved the existing processes so as to enhance customer value (Mean = 3.08; Standard deviation = 1.26). It was further established that 46.8% of the respondents were of the opinion that their respective insurance firms consistently adopted new methods of service provision in order to enhance customer value. The overall mean of 3.01 and a standard deviation of 1.32 indicated that process innovation was moderately embraced among the insurance companies in Kenya.

The findings form the study imply that process innovation, although recognized as an essential driver to the competitiveness of the insurance companies, it has not been effectively embraced by the companies, thus exposing them to losing their market. The findings are in line with those by Muharam, Andria, and Tosida (2020) who established that through continued process innovation, organizations tend to create a more efficient and effective operation framework, thus enhancing the company's competitive advantage. According to Mykhailichenko *et al.* (2021), continued innovation in processes implies that the company is bringing more efficient processes and eradicating those that are adding less value to their service delivery. The findings are also in support of the transaction cost innovation theory by Hicks and Niehans (1983) that upholds the need for enhancing the organizational processes in order to reduce cost and time, thus contributing significantly to organizational competitiveness.

Table 2: Descriptive Results on Process Innovation

Statements	Very Low Extent	Low Extent	Moderate Extent	High Extent	Very High Extent	Mean	Std. Dev.
My firm consistently improves the delivery systems so as to enhance customer value	12.8%	10.6%	21.3%	36.2%	19.1%	3.38	1.28
My firm consistently invests in application of technology in service delivery so as to enhance customer experience	23.4%	29.8%	21.3%	19.1%	6.4%	2.55	1.23
My firm consistently adopts new delivery processes so as to enhance customer value	23.4%	14.9%	12.8%	34.0%	14.9%	3.02	1.43
My firm consistently improves the existing processes so as to enhance customer value	17.0%	14.9%	19.1%	40.4%	8.5%	3.08	1.26
My firm consistently adopts new methods of service provision in order to enhance customer value	25.5%	6.4%	21.3%	36.2%	10.6%	3.00	1.38
Overall						**3.01**	**1.32**

Marketing Innovation

The third objective of the study was to determine the effect of marketing innovation on the competitive advantage of the insurance companies in Kenya. Marketing innovation was assessed through online marketing, digital marketing and online customer surveys. Specific statements were drawn from these sub-constructs and the respondents asked to indicate the extent to which their respective companies had embraced the marketing innovation aspects based on a 5-point Likert's scale of 1-5 where; 5= very high extent; 4 = High extent; 3= Moderate extent; 2= low extent and 1= very low extent. The findings are as shown in Table 3. As the results portray, majority of the respondents indicated that their respective insurance companies had resorted to adoption of online marketing platforms as part of their marketing approaches as evidenced by a mean of 3.68 and a standard deviation of 1.02. The respondents agreed that their respective firms had resorted to adoption of mobile apps as part of its marketing approaches (Mean = 3.02; Standard deviation = 1.49); while 63.8% agreed that their respective firms had resorted to adoption of digital advertising as part of their marketing approaches. The respondents (44.7%) stated that their respective insurance companies had resorted to adoption of media marketing as part of their marketing approaches; while 63.8% of the respondents indicated that their respective insurance firms had resorted to adoption of social media platforms (Facebook, Instagram, twitter) as part of their marketing approaches. The overall mean of 3.33 and a standard deviation of 1.29 implied that the embrace of marketing innovation was moderate among the insurance companies in Kenya, but better than product and process innovation.

The findings compare with those by D'Attoma and Ieva (2020) who found out that the innovation strategy is about getting new markets for the company's products, and expanding the current market in order to enhance competitiveness. The study also concurs with the findings by Paley (2021) who established that through marketing innovation, companies expound and establish more market and their potential in meeting the market needs, thus strengthening their competitiveness. The findings are also in concurrence with the Porter's 5 Forces Model (Porter, 1991) that expounds on how organizations can be steadfast in utilizing market innovation to enhance their competitiveness through expanding their market and enhancing market innovation in order to block other newt entrants, minimize threat of substitutes and utilize the power of buyers to choose their products.

Table 3: Descriptive Results on Marketing Innovation

Statements	Very Low Extent	Low Extent	Moderate Extent	High Extent	Very High Extent	Mean	Std. Dev.
My firm has resorted to adoption of online marketing platforms as part of its marketing approaches	4.3%	8.5%	21.3%	46.8%	19.1%	3.68	1.02
My firm has resorted to adoption of mobile apps as part of its marketing approaches	19.1%	27.7%	8.5%	21.3%	23.4%	3.02	1.49
My firm has resorted to adoption of digital advertising as part of its marketing approaches	12.8%	10.6%	12.8%	48.9%	14.9%	3.42	1.24
My firm has resorted to adoption of media marketing as part of its marketing approaches	14.9%	23.4%	17.0%	29.8%	14.9%	3.06	1.32
My firm has resorted to adoption of social media platforms (Facebook, Instagram, twitter) as part of its marketing approaches	14.9%	12.8%	8.5%	40.4%	23.4%	3.45	1.38
Overall						**3.33**	**1.29**

Regulatory Environment

The fourth objective of the study was to assess the moderating effect of regulatory environment on the relationship between innovation strategy and competitive advantage of the insurance companies in Kenya. The regulatory environment was assessed through competition regulation, compliance and certification policies and corporate governance policies and regulations. The respondents were asked Information to indicate the extent to which these aspects influenced the success of innovation in their respective companies. A Likert's scale of 1 – 5 was used where, 5= very high extent; 4 = High extent; 3= Moderate extent; 2= low extent and 1= very low extent. The findings are as shown in Table 4. As the results portray, most of the respondents (57.4%) indicated that the competition regulations affected the pursuant of various marketing approaches in their respective insurance companies. The respondents further indicated that the compliance policies affected adoption of various insurance product and services (Mean = 3.40; standard deviation = 1.49). It was further established that certification policies affected adoption of various insurance product and services in most of the insurance companies (Mean = 3.36; standard deviation = 1.35). The respondents (44.7%) indicated that corporate governance affected the operation of their respective insurance companies; while 51.1% of the respondents indicated that interoperability regulations affected the adoption of various insurance products and services in their respective insurance companies. The overall mean of 3.23 and a standard deviation of 1.40 imply that regulatory environment effects the

adoption of innovation strategies among the insurance companies. Insurance companies are regulated by the Insurance Regulatory Authority (IRA), and it is the duty of the authority to approve any new innovation that the insurance companies develop. This is an indication that the regulatory environment could determine the extent to which innovation strategies influence the competitive advantage of the insurance companies. The findings concur with those by Ramanathan et al. (2017), who established that continued regulations is an essential way to ensure a level operating ground for the companies but insisted that regulations when not controlled could negatively affect the effectiveness of innovation. Kamau (2020) on the other hand argues that regulatory environment is meant to facilitate the continued success of companies, but if it is done with minimal consultations and involvement of the organizations it might negatively affect the innovation process of the industry.

Table 4: Descriptive Results on Regulatory Environment

Statements	Very Low Extent	Low Extent	Moderate Extent	High Extent	Very High Extent	Mean	Std. Dev.
Competition regulations affect the pursuant of various marketing approaches	19.1%	14.9%	8.5%	40.4%	17.0%	3.21	1.41
Compliance policies affect adoption of various insurance product and services	14.9%	19.1%	10.6%	21.3%	34.0%	3.40	1.49
Certification policies affect adoption of various insurance product and services	14.9%	14.9%	8.5%	42.6%	19.1%	3.36	1.35
Corporate governance requirements affect firm's operation	23.4%	14.9%	17.0%	17.0%	27.7%	3.10	1.54
Interoperability regulations affect adoption of various insurance product and services	12.8%	23.4%	12.8%	44.7%	6.4%	3.08	1.21
Overall						**3.23**	**1.40**

Competitive Advantage of Insurance Companies

The study sought to unveil the competitive advantage of insurance companies in Kenya. A Likert's scale was used whereby the respondents were asked to indicate their levels of agreement or disagreement with specific statements on competitive advantage of their respective firms. The scale ranged from 1 – 5 where; 5= very high extent; 4 = High extent; 3= Moderate extent; 2= low extent and 1= very low extent. The findings are as shown in Table 5. As the findings portray, most of the respondents (55.3%) indicated that their respective insurance companies offered competitive cost (affordable premiums); while 53.2% of the respondents indicated that their insurance firms had been consistently been performing better

for the last 5 years. The findings further portrayed that 46.8% of the insurance companies had the insurance products offered not completely differentiated and different from that of their competitors. Moreover, most of the companies (53.2%) had no differentiated insurance services from those of their competitors, while 34% of the companies had no flexible approach of offering their services to the customers. Further, majority of the respondents (61.7%) disputed that their respective insurance companies had a wide geographical coverage with branches across the counties in Kenya, while 42.6% of the respondents indicated that their customer base had not been increasing steadily over the years to enhance their market share.

Table 5: Descriptive Results on Competitive Advantage

Statements	Very Low Extent	Low Extent	Moderate Extent	High Extent	Very High Extent	Mean	Std. Dev.
Our firm offers competitive cost (affordable premiums)	8.5%	14.9%	21.3%	36.2%	19.1%	3.42	1.21
Our firm has been consistently been performing better for the last 5 years	6.4%	19.1%	21.3%	42.6%	10.6%	3.31	1.10
The insurance products we offer are completely differentiated and different from that of competitors	21.3%	25.5%	17.0%	31.9%	4.3%	2.72	1.25
The insurance services we offer are completely differentiated and different from that of competitors	29.8%	23.4%	6.4%	21.3%	19.1%	2.76	1.54
We are flexible in our approach and services to our customers	34.0%	2.1%	36.2%	27.7%	0.0%	2.57	1.24
We have a wide geographical coverage with branches across the counties in Kenya	27.7%	34.0%	12.8%	21.3%	4.3%	2.40	1.23
Our customer base has been increasing steadily over the years and thus our share in the market is significant	21.3%	21.3%	8.5%	42.6%	6.4%	2.91	1.33
Overall						**2.87**	**1.27**

Inferential Analysis

Correlation Analysis

Pearson's correlation was carried out to establish the relationship between the innovation strategies and competitive advantage of insurance companies in Kenya. Pearson’s correlation

coefficients indicate the extent of interdependence between two variables. The Pearson correlation coefficient, ***r***, can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association; that is, as the value of one variable increases, so does the value of the other variable (Stevens, 2009). A value less than 0 indicates a negative association; that is, as the value of one variable increases, the value of the other variable decreases. In this study the Pearson correlation coefficient, ***r***, was used to show the degree and significance of the relationship between variables. As the results on Table 6 reveal, product innovation had a Pearson correlation coefficient of 0.583 with competitive advantage at a significance level of 0.000<0.05. The results imply that product innovation has a strong and significant with the competitive advantage of insurance companies in Kenya. Process innovation had a Pearson correlation coefficient 0.534 at a significant level of 0.000<0.05; implying that process innovation has a significant correlation with competitive advantage of insurance companies in Kenya. Marketing innovation had a Pearson correlation coefficient of 0.379 at a significant level of 0.009<0.05; implying that marketing innovation has a significant correlation with competitive advantage of insurance companies in Kenya.

Table 6: Correlation Results

		Competitive Advantage	Product Innovation	Process Innovation	Marketing Innovation	Regulatory Environment
Competitive Advantage	Pearson Correlation	1				
	Sig. (2-tailed)					
Product Innovation	Pearson Correlation	.583**	1			
	Sig. (2-tailed)	.000				
Process Innovation	Pearson Correlation	.534**	.463**	1		
	Sig. (2-tailed)	.000	.001			
Marketing Innovation	Pearson Correlation	.379**	.059	.061	1	
	Sig. (2-tailed)	.009	.694	.683		
Regulatory Environment	Pearson Correlation	.337*	.178	.181	.061	1
	Sig. (2-tailed)	.021	.231	.224	.683	

N	47	47	47	47	47

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Hypothesis Testing

H_{01}: Product innovation strategy does not have a significant effect on competitive advantage of insurance firms in Kenya

The study set to test the first hypothesis product innovation had no significant effect on competitive advantage of insurance firms licensed by the insurance regulatory authority in Kenya. The regression model summary as shown in Table 7 revealed that the R-square (R^2) was 0.339. This is an indication that the 33.9% of the variation in p competitive advantage of insurance firms licensed by the insurance regulatory authority is as a result of the product innovation. The Analysis of Variance (ANOVA) results are as shown in Table 7. As the results reveal, the F-statistic for the model was 23.129 at a significance level of 0.000<0.05. This is an indication that the model is statistically significant to test the relationship between product innovation and competitive advantage of insurance firms licensed by the insurance regulatory authority. It also implies that there is a likelihood of having a significant relationship between the two variables. The regression coefficients for the model are as shown in Table 7. As the results portray, the Beta coefficient for the model was 0.359. This implies that a unit change in product innovation would lead to an increase in competitive advantage of insurance firms licensed by the insurance regulatory authority by 0.359 units. The P-value for the model is 0.000<0.05. This implies that the relationship between product innovation and competitive advantage of insurance firms licensed by the insurance regulatory authority is statistically significant. Therefore, the null hypothesis that p*roduct innovation strategy does not have a significant effect on competitive advantage of insurance firms in Kenya* is rejected, and a conclusion drawn that product innovation has a significant effect on competitive advantage of insurance firms licensed by the insurance regulatory authority in Kenya.

Table 7: Regression Results on Product Innovation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.583[a]	.339	.325	.31913

a. Predictors: (Constant), Product Innovation

ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.356	1	2.356	23.129	.000[b]
	Residual	4.583	45	.102		
	Total	6.939	46			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Product Innovation

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.648	.227		7.275	.000
	Product Innovation	.359	.075	.583	4.809	.000

a. Dependent Variable: Competitive Advantage

H_{02}: Process innovation strategy does not have a significant effect on competitive advantage of insurance firms in Kenya

The second hypothesis of the study was that process innovation strategy does not have a significant effect on competitive advantage of insurance firms in Kenya. The model summary results are as shown in Table 8. As the results portray, the R-square (R^2) for the variable is 0.285. This is an indication that 28.5% of the variation in competitive advantage of insurance firms in Kenya is as a result of the process innovation. The Analysis of Variance (ANOVA) was also carried out to establish the significance of the model in testing the relationship between process innovation and competitive advantage of insurance firms in Kenya. As the results on Table 8 revealed, the F-statistic for the model was 17.928 at a significance level of 0.000. This implies that the model is statistically significant in predicting the relationship between process innovation and competitive advantage of insurance firms in Kenya. The regression coefficients for the model are as summarized in Table 8. As the results portray, the Beta coefficient for process innovation is 0.362. This implies that process innovation influences the competitive advantage of insurance firms in Kenya by up to 0.362 units. This relationship is significant at 0.000<0.05. Therefore, the second null hypothesis that *Process innovation strategy does not have a significant effect on competitive advantage of insurance firms in Kenya* is rejected, thus a conclusion drawn that process innovation strategy has a significant effect on competitive advantage of insurance firms in Kenya.

Table 8: Regression Results for Process Innovation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.534[a]	.285	.269	.33206

a. Predictors: (Constant), Process Innovation

ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.977	1	1.977	17.928	.000[b]
	Residual	4.962	45	.110		
	Total	6.939	46			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Process Innovation

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.651	.256		6.459	.000
	Process Innovation	.362	.086	.534	4.234	.000

a. Dependent Variable: Competitive Advantage

H_{03}: Marketing innovation strategy does not have a significant effect on competitive advantage of insurance firms in Kenya

The study set to test the third hypothesis of the study which was that there is a significant relationship between marketing innovation strategy and competitive advantage of insurance firms in Kenya. The model summary results are as shown in Table 9. As the results show, the R^2 for the model was 0.144 which is an implication that marketing innovation strategy could influence up to 14.4% of the variation in competitive advantage of insurance firms in Kenya. As the ANOVA results on Table 9 reveal, the model had a F-statistic of 7.565 at a significance

level of 0.000. This implies that the model is statistically significant and could test the relationship between the marketing innovation strategy and competitive advantage of insurance firms in Kenya. The results further imply that there is a high likelihood of the relationship between the variables being significant. The regression coefficients for the model are as shown in Table 9. As the results portray, the Beta coefficient for the variable is 0.358 which is an implication that marketing innovation strategy influences the competitive advantage of insurance firms in Kenya by up to 0.358 units. The P-value for the variable is 0.000 which is less than the standard p-value of 0.05 implying that the relationship between marketing innovation strategy and competitive advantage of insurance firms in Kenya is significant. Therefore, the third null hypothesis that *Marketing innovation strategy does not have a significant effect on competitive advantage of insurance firms in Kenya* is rejected, thus a conclusion drawn that marketing innovation strategy has a significant effect on competitive advantage of insurance firms in Kenya.

Table 9: Regression Results for Marketing Innovation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.379[a]	.144	.125	.36332

a. Predictors: (Constant), Marketing Innovation

ANOVA Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.999	1	.999	7.565	.009[b]
	Residual	5.940	45	.132		
	Total	6.939	46			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Marketing Innovation

Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	1.707	.370		4.612	.000
	Marketing Innovation	.358	.130	.379	2.750	.009

a. Dependent Variable: Competitive Advantage

Overall Model

A multiple regression model was carried out to establish the combined effect of the innovation strategies (product innovation, process innovation, and marketing innovation) on the competitive advantage of insurance companies in Kenya. The model summary results shown in Table 10 revealed that the R^2 for model was 0.540. This is an indication that when combined, the innovation strategies (product innovation, process innovation, and marketing innovation) influence up to 54.0% of the variation in competitive advantage of insurance firms in Kenya.

Table 10 shows the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant as supported by the F-statistic of 16.823 and a p value of 0.000 which is lesser than the critical P-value of 0.05 implying that innovation strategies (product innovation, process innovation, and marketing innovation) are good predictors of the competitive advantage of insurance firms in Kenya.

Regression coefficients results for the overall unmoderated model are as shown in Table 10. The results show that there is a positive and significant relationship between innovation strategies (product innovation, process innovation and marketing innovation) and the competitive advantage of insurance firms in Kenya as supported by Beta coefficients of 0.255, 0.218, and 0.316 respectively. This was also supported by the t values whereby t-calculated of 3.544, 2.752, and 3.234 > t critical = 1.96 at a 95% confidence level.

Table 10: Regression Results for the Overall Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735[a]	.540	.508	.27246

a. Predictors: (Constant), Marketing Innovation, Product Innovation, Process Innovation

ANOVA Test Results for the Overall Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.747	3	1.249	16.823	.000[b]
	Residual	3.192	43	.074		

Total	6.939	46

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Marketing Innovation, Product Innovation, Process Innovation

Regression Coefficients for the Overall Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.426	.350		1.218	.230
	Product Innovation	.255	.072	.414	3.544	.001
	Process Innovation	.218	.079	.321	2.752	.009
	Marketing Innovation	.316	.098	.335	3.234	.002

a. Dependent Variable: Competitive Advantage

Moderated Overall Model

H_{04}: Regulatory framework does not significantly moderate the relationship between innovation strategy and competitive advantage of insurance firms in Kenya

The study set to test the fourth hypothesis which was that Regulatory framework does not significantly moderate the relationship between innovation strategy and competitive advantage of insurance firms in Kenya. The model summary results are as shown in Table 11. As the results portray, the R-square for the model is 0.50, an indication that 50% of the variation in competitive advantage of the insurance firms would be as a result of the interaction effect between innovation strategies and regulatory environment. The ANOVA results for the moderated model are as shown on Table 11. As the results portray, the F-statistic of 14.349 is significant at a P-value of 0.000<0.05. This is an indication that the model is statistically significant and it can predict the moderation effect of regulatory environment on the relationship between innovation strategies and competitive advantage of the insurance companies. The regression coefficients for the overall moderated model are as shown in Table 11. As the results show, it is evident that regulatory environment significantly moderated the relationship between product innovation and competitive advantage of the insurance firms in Kenya. This is evidenced by a Beta coefficient of 0.057 and a P-value of 0.006<0.05. On the

other hand, the interaction effect between process innovation and regulatory environment has a Beta coefficient of 0.036 at a significant level of 0.030<0.05. This is an indication that regulatory environment had a significant moderating effect on the relationship between process innovation and competitive advantage of the insurance companies in Kenya. The interaction effect between regulatory environment and marketing innovation was also found to has a significant effect on the competitive advantage of the insurance companies in Kenya ($\beta = 0.037$; P= 0.021<0.04). This is an implication that regulatory environment has a significant moderating effect on the relationship between marketing innovation and competitive advantage of the insurance companies in Kenya.

Table 11: Regression Results for the Overall Moderated Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.707[a]	.500	.465	.28397

a. Predictors: (Constant), Marketing Innovation*Regulatory Environment, Product Innovation*Regulatory Environment, Process Innovation*Regulatory Environment

ANOVA Results for the Overall Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.471	3	1.157	14.349	.000[b]
	Residual	3.467	43	.081		
	Total	6.939	46			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Marketing Innovation*Regulatory Environment, Product Innovation*Regulatory Environment, Process Innovation*Regulatory Environment

Regression Coefficients for the Overall Moderated Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.821	.144		12.664	.000

Product Innovation*Regulatory Environment	.057	.020	.353	2.906	.006
Process Innovation*Regulatory Environment	.036	.016	.292	2.243	.030
Marketing Innovation*Regulatory Environment	.037	.015	.285	2.395	.021

a. Dependent Variable: Competitive Advantage

The moderated overall model results as shown in the Table 11 above revealed that the regulatory framework has a moderating effect on the relationship between innovation strategies and competitive advantage of the insurance industry in Kenya. Comparing the Beta coefficients for the overall moderated model and the overall unmoderated model, it is evident that the strength of the relationship between individual independent variables and the dependent variable has but still significant. This is an indication that the more the regulations increase in the insurance sector, the lesser the ability of product innovation, process innovation and marketing innovation to influence the competitive advantage of the insurance industry. According to Ramanathan *et al.* (2017), while regulations are integral in setting a level ground for the companies to compete and operate within a set framework, if they are not well-thought and too massive they may hinder innovation and its ability to contribute to firm competitive advantage.

Conclusions of the Study

On the first objective of the study which was to establish the effect of product innovation on the competitive advantage of insurance firms, it is concluded that product innovation has a significant effect on the competitive advantage of insurance firms in Kenya. Through new products and new services, the insurance companies are able to meet the customer needs thus enhancing their competitive advantage. The study also concluded that the improvement of the existing products and service is significant in enhancing the competitive advantage of the insurance companies. The study concluded that process innovation had a significant effect on the competitive advantage of the insurance companies in Kenya. The improvement of the existing systems and processes as well as introduction of new methods of service delivery were concluded to be essential drivers of the competitive advantage of the insurance companies through enhanced customer value. It is concluded that the declining competitive advantage of most of the insurance companies could be as a result of ineffective embrace of process innovations thus slowing their rate of meeting customer value and needs.

On the third objective of the study which was to assess the effect of marketing innovations on competitive advantage of the insurance firms in Kenya, the study concluded that marketing innovations had a significant effect on the competitive advantage of insurance companies in Kenya. The study concluded that embrace of online marketing and digital marketing were

essential marketing innovations that significantly influenced competitive advantage of the companies. It was further concluded that carrying out customer surveys had a significant effect on competitive advantage among the insurance companies. The regulatory environment was concluded to have a significant moderating effect on the relationship between innovation strategies and competitive advantage of the insurance firms in Kenya. The competition regulations determined which marketing innovations could be embraced by the insurance companies and also determined the products that the companies could introduce in their product line. It was further concluded that the corporate governance policies and the policies on compliance and certification determined the extent to which the insurance companies could embrace new processes and introduce new services and products, thus moderating the ability of innovations to enhance competitive advantage.

Recommendations of the Study

The management of the insurance companies ought to be steadfast in embracing product innovations as a way of meeting customer needs and enhancing competitive advantage. The management ought to carry out adequate market research to understand the needs of the customers in terms of insurance products and services, thus developing them for better competitiveness. On the other hand, the government through the regulator (Insurance Regulatory Authority) has a duty to play in supporting the insurance companies by ensuring that the policies are aligned with the emerging insurance products so as to open-up the product innovations among the insurance companies. The insurance companies through their management team could steer their competitive advantage by embracing effective process innovations. Customers expect that the processes are flexible, efficient and advanced to accommodate their changing dynamics. To gain this customer confidence and enhance competitive advantage, the insurance companies ought to have seamless systems and processes that are less costly and not time consuming. This way, the customer value will be enhanced and the companies will gain competitive advantage. The Insurance Regulatory Authority (IRA) should also step-in to support the insurance companies by streamlining their regulations such that all the insurance companies have a level-ground for embracing process innovations in order to enhance their competitiveness. It is recommended that the marketing personnel and marketing departments in the insurance companies integrates more modern marketing innovations in order to capture a wide range of customers. The embrace of online and digital marketing strategies should be upheld by the insurance companies so as to reach out to more potential customers. Through marketing innovations, the insurance companies would also enhance their market competitive advantage and with lesser costs as compared to traditional methods of marketing. It is also recommended that the government through the regulatory authority puts a cross clear and unified policies and regulations on marketing innovations to ensure that all the insurance companies have a level-ground on which marketing innovations and techniques they can embrace.

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