

ISSN Online 2617-3573



Stratford
Peer Reviewed Journals & books

Innovation Capabilities and Process Design for Business Model Transformation in Kenyan Insurance companies: A Service Dominant Logic Paradigm

Benjamin Abongo, Ray Mutinda & Geoffrey Otieno

ISSN: 2617-3573

Innovation Capabilities and Process Design for Business Model Transformation in Kenyan Insurance companies: A Service Dominant Logic Paradigm

^{*1}Benjamin Abongo, ²Ray Mutinda & ³Geoffrey Otieno

¹PhD Candidate, Kenya Methodist University, Nairobi, Kenya

²Lecturer, Kenya Methodist University, Nairobi, Kenya

³Lecturer, Kenya Methodist University, Nairobi, Kenya

Corresponding Author's Email: okeyoabongo@gmail.com

How to cite this article: Abongo, B., Mutinda, R. & Otieno, G. (2019). Innovation Capabilities and Process Design for Business Model Transformation in Kenyan Insurance companies: A Service Dominant Logic Paradigm, Journal of Information and Technology, 3(1), 15-45.

Abstract

The study focused on the application of operant resources (i.e., knowledge and skills) as the exchange driver in insurance marketing. In a S-D dimension environment, the marketing and non-marketing disciplines were reviewed to improve the performance of insurance companies in Kenya. The researcher considered the viewpoints of Vargo, Lusch and their co-authors and other related literature when examining the innovation capabilities of Kenya and the need for S-D logic as a useful marketing tool for Kenyan insurance companies. The main focus for the study was premised on the understanding that selling a promise requires trust that insurance companies will honour the commitment to pay all claims incurred about the insurance contracts. The study found out that innovation capabilities of Kenyan insurance companies are directed to a large extent on the preparation for adopting emerging external innovations rather than internal development of the innovations. The study also confirmed that essential resources for innovation and innovation components linkages had negative effect on organization performance however; the processes necessary for innovation had a positive effect. The study therefore confirmed that even though Kenyan insurance firms have innovation capabilities, they have failed to sustain the capabilities for

long term prosperity; instead, they were seen to adopt the innovations from other markets rather than undertaking the innovation process themselves.

Key words: *Innovation, Capabilities, Process Design, Business Model, Transformation*

1.1 Introduction

For a long time, the marketing of insurance business focused on the product and the selling concepts. Given the fast-changing social and economic trends, Kenyan insurance companies require product development with a focus on innovation to cater for the needs of the emerging insurance customers. In practice and in theoretical terms, shifting marketing strategies from the selling concept (S-C) to a Marketing-concept (M-C) orientation means that the management and leadership of Insurance companies are changing the former production orientation to a market orientation strategy. Marketing plays a vital role in the fulfilment of the supply and demand functions of the intangible insurance products which exist in the form of a pledge.

Under a free market condition, business activities and economic conditions are associated exclusively with the market (Scott, 2006). In a free market economy, there is free interaction between the market supply and demand and demand functions. According to (Scott (2006), demand in the insurance market is an indication of individual, household and corporate consumer's ability to buy insurance products and services while the supply function refers to the ability of the individual insurance companies to supply the insurance products. The supply function is therefore an assurance of a commitment of an insurance company, hence the existence of an equilibrium between demand and supply functions. The adoption of a Service-dominant (S-D) logic calls for the integration of the intangible and dynamic resources and the processes that drive value creation within the insurance companies. According to Ambrosini and Bowman (2009), dynamic capabilities of an organization are found in market orientation, knowledge management and customer relationship management. The primary aim of market-oriented firms, firms that manage their knowledge or those that manage customer relationships is to offer superior customer value.

The demand for insurance products and services has sparked the need to focus on value creation which gives rise to the growth of productive forces of social development. In china, Insurance marketing was previously a social support function (Miao, 2012). Under this notion, an insurance company's key problem is to deliver appropriate products to consumers "production" and not selling of insurance products. Insurance companies under the circumstance engage in improving production capacities to meet the existing demand for insurance products and services at the expense of providing a service with a difference. A social system consists of a mixture of state-owned enterprises with an open market economy. This is quite different from a free market economy, which is determined by the relationship of supply and demand, macroeconomic regulations and control functions are made to adjust and maintain the healthy growth of the insurance industry.

Marketing today has moved from production to embrace selling, product, and marketing. During the 19th Century, significant steps have been made to adopt the use of internet and digital technologies, with e-commerce and innovation at the forefront of contemporary marketing research (Groucutt, 2005). These new developments have created a need for increased market research to ascertain the emerging needs and make products and services appropriate for the identified needs. As indicated by Miao (2012), marketing function summarises the business philosophy where the insurance company focuses on the customer, expressed through the effort of permanent and harmonious coexistence between the company and the customer.

In a marketing environment, the major objective of an insurer is to satisfy the unlimited consumer wants with well-researched products and services. According to Mathur and Tripathi (2014), insurers require proper understanding of the factors that influence customers' choice in a free market environment. Marketing therefore plays a critical role in the management of supply and demand for insurance products. Insurance being an intangible product, assurance of the customer is critical for insurance companies in Kenya. Mathur and Tripathi (2014) found out that this assurance is reinforced in the presence of enhanced processes which increase speed and efficiency in transactions and clear communication backed by marketing campaign.

In the insurance market, demand arises from the optimal consumer choice of bundled insurance products and how the leadership and management create value to their customers in the marketplace (Gummesson, 1995). Where there is a feasible set of bundled products, (i.e., a set of insurance policies, coverage options, and company procedures and processes) that can be sustained in competitive market equilibrium under certain regulatory constraints (Flint, 2006). In the insurance market, the analysis of demand and the interacting market equilibrium has a foundation on the price-quality competition. Under the price-quality competition, what the customer is willing to pay for an insurance policy is a function of the price charged by the insurer.

There is clear evidence in Kenya to show that majority of customers search for "best offers" where different underwriters charge different rates for the same risk (KPMG, 2016). A study by Fageda, Jiménez and Perdiguero (2011) and Ng'ang'a (2009) confirm the existence of high price elasticity for insurance products (i.e., the demand for insurance is affected by the price charged). This observation is contrary to what happens in more developed markets where neither reduction nor increase in the number of insurance customers affect the price charged (Stucke, 2013). In Kenya, the understanding price sensitivities at the individual or corporate policyholder level are extremely valuable for insurers (Guelman & Guillen, 2013). A rate increase not only has a direct impact on the premiums customers pay for insurance policies, but also affects the insurance customers' decision to renew a policy with an insurance company. Studies show that measuring price

elasticity from most insurance datasets is quite difficult given that historical rate changes will always be a reflection of the prevailing risk-based pricing exercise.

Studies confirm that the use of innovation spurs growth into new markets, increase existing market opportunities and provide the insurance companies with a competitive advantage (Rothkopf & Wald, 2011; Gundaya, Ulusoy, Kilic & Alpan, 2011). In an environment where increasing Global Market competition is real, Insurance companies also appreciate the importance of innovation to accommodate the needs arising from fast-changing demographics, technologies and severe global competition. Evidence exist to support that insurance companies that have embraced innovation, also apply more productive processes, perform better in the market and seek positive reputation in customers' perception (Gundaya *et al.*, 2011). According to Casadesus-Masannelland Ricart (2010), whenever new ideas are injected into an organization, the firm's economic structures are also preserved as the firm grows. With customers looking for more customization, product innovation strategies increase insurance companies' market share. According to Ernst & Young (2012), innovation lead to reduced unit costs, improve services delivery, increase flexibility for better commissions, and improve demand for the insurance products.

Regulatory changes, especially those with respect to insurance portability and the need for capital adequacy, offer considerable potential for insurance companies to be more innovative, while others such as product design guidelines stifle innovation if not conceived and implemented in an appropriate manner (Aon Benfield, 2009). In the wake of equity and debt disruptions in Kenya, most insurance companies are not able to raise capital to easily absorb the volatile claims whose outcome might be a possible future catastrophe. Through innovation, new ideas are used to create new business which creates a competitive advantage in the insurance firm's offerings (Karanja, 2009). Economists agree that innovation accounts for a sizeable proportion of growth in a firms profitability. Innovation thrives in an environment where leaders can see connections, spot opportunities and to take advantage of them (Chatterji, Glaeser & Kerr, 2013). As noted by Chatterji *et al.* (2013), majority of the innovations are about creating completely new possibilities, which may include - but not limited to - the exploitation of a radical breakthrough in technology. In Kenya, adopting a 24-hour communication channel is the only way insurance customers may realize the much needed opportunity to receive services at their convenience using mobile phones, tablets and other devices (The Economist, 2014).

1.2 Problem Statement

The Kenyan insurance industry comprises 62 players made up of 37 non-life insurance players and 25 life insurance players. In either of these two categories, the insurers offer similar products in the market with minimal switching costs (for short-term business). Among the 37 non-life insurance underwriters, the top 6 players account for 43% of GWP in the non-life insurance category while the top 6 companies among the 25 life insurance companies underwrite 62% of total gross written premium. This has invoked stiff price

wars within the sector with smaller players offering very low rates in order to stay in business (AKI, 2018). Evidence from the Association of Kenya confirms an average industry decline in investment performance of 18.6% over the last three years with an underwriting loss of Kshs 1,650,528,000 in 2018 alone. The industry's profitability dropped by 38.3% from Kshs 11,113,067,000 to 6,818,472,000 between 2016 and 2018, an indication that insurance companies are losing the battle on efficient operation and sustainable profitable growth.

The strength of large insurers' in-force book will not protect them indefinitely if continue on the go slow decision with making processes and outdated ways of working. Adopting a new culture and talent base that is more comfortable with experimentation, testing and learning, and sometimes even with failing can unlock the hidden potential for Kenyan Insurance Companies. Insurers should not underestimate the changes that digital brings to their business space and the challenges they will pose. In the same way, it is important for them not to overlook the significant short-term profit improvements that are within their grasp if they digitize their core businesses, nor shy away from innovating to be part of an exciting future that is unfolding for the industry. If they act decisively, they will be among its leaders.

Changes in technological developments, economic growth, social structures and regulatory frameworks are quickly calling for new ways of doing things. Insurance managers and leaders are required to take a fresh look at the industry and seek fundamental change at all levels of the organisation, from its people strategy to its client and product strategy to its processes and infrastructure; and achieving these is a difficult undertaking if appropriate innovation strategy is not put in place (Carrie, 2008).

1.3 Study Objectives

The study seeks to develop a theoretical framework of an insurance business model innovation phenomenon from a service-dominant logic perspective. The researcher hopes to identify the processes and resources that are necessary to build the capability for Kenyan insurers to innovate. The model clarifies the construction of methods and how resources are deployed in an innovation process. The researcher investigated the critical dynamics and interdependencies of innovation components and their linkages within the framework of a fast-changing business environment.

1.4. Research Questions

- i. What are the essential resources required to build the innovation capacity of Kenyan Insurance Companies?
- ii. Which processes are necessary to support innovation within Kenyan insurance companies?
- iii. What are the essential dynamics of innovation components within Kenyan insurance companies?

- iv. What are the linkages among innovation components supporting adaptation in insurance companies in the fast-changing business environment?

2.1. Literature Review

Studies on innovation have confirmed that innovation is not about opening up new markets, it also offer new ways of serving established and mature customers (The Economist, 2014; Lambert & Davidson, 2013; Baden-Fuller & Haefliger, 2013). For many years, insurance business enjoyed stability in business performance, but with emergence of the millennial generation, much change has emerged on the global front with changes in economics, technology, sociology and legal factors (International Monetary Fund, 2017). With the emergence of new technological platforms, insurance companies and their regulator have to rethink how these developments impact the operations of insurance companies in future. New InsurTech applications have far reaching implications for financial stability of insurance companies if the number of customers using the new technology increases.

A survey done by Deloitte (2014) confirmed that 70 percent of tomorrow's future leaders might reject what business as traditionally organized has to offer, preferring to work independently by digital means in the long term. Studies on generation Y reveal the existence of significant challenges facing business leaders in meeting the expectations of the millennial generation (Deloitte, 2014; Solnet, Kralj & Kandampully, 2012). Karugo (2017) confirmed how the fast changing business environment is changing way business is conducted. Interestingly, Kenyan insurance companies lagging behind the strategic initiatives to capture the benefits that come with the changing business environment and are still held up in price competitions which reduce the amount revenue they require to finance the liabilities of insurance business.

2.1.1 Service Dynamic Logic

Stephen L. Vargo and Robert F. Lusch while studying the evolution of the new dominant Logic for marketing, consolidated the concept of Service dynamics Logic (S-D) by combining the findings from the earlier literature relating to marketing and marketing-associated writings (Vargo & Lusch, 2004a). In the study, they captured and extended the thoughts that shifted the dominant logic of marketing and economic thinking away from concerns from the tangible resources to the outputs in the form of value creation and transactions through the new concept based on the marketing of intangible products.

According to Vargo, Magilo and Akaka (2008), the S-D logic was confirmed to be the unifying factor that spurs the understanding of markets and marketing by looking at the link between product or output centric focus and service or a process-centric focus. The application of S-D logic involves the use of knowledge and skills of employees for the benefit of the customer. Contrary to the goods dominant logic (G-D) logic where the buyer and the seller exchange ownership for a price, the S-D logic involves the exchange of a service for a service. The understanding of S-D logic is grounded in the convergence of

historical ideas and existing literature in marketing economics and management (Kryvinska, Dohmen, & Strauss, 2013). This concept borrows heavily from the essential marketing theories in service and relationship marketing studies by Gronroos, 1994.

Interestingly Abela & Murphy (2008) reviewed the concept of ethics and the service-dominant logic for marketing logic and discovered the need for an integrated approach to overcome ethical tensions in marketing theory. Another author discovered that the need for clarification of scope and operation of operant resources in an institutional context (Aitken & Stringer & Ballantyne, 2012). This was in concurrence with Akesson & Skalen (2011) who when looking at the Practical establishment of S-D logic in an organization established the need for increased understanding regarding the practical establishment of a service dominant professional identity among employees. S-D logic is founded on the application of specialised skills and knowledge (Vargos *et al.*, 2008). Through operant knowledge, service is exchanged for service, Vargos and his allies discovered that knowledge is a fundamental source of competitive advantage for a service company and that by involving the customer the service provider makes value creation interactional and increases the value proposition.

In conclusion, insurance companies that place service at the centre of exchange, move the focus of their marketing initiatives from the emphasis on marketing and value creation from tangible (operand) resources to intangible resources (operant) such as knowledge and skills. The S-D model has evolved from the identification of markets to the management of customers and markets into collaboration with customers and partners. This collaboration is meant to produce and sustain customer value.

2.1.2 Insurance Business Model Construct

A business model is an important identifier of a company's offerings to its target customers. It defines the methods of acquisition and organization of business resources to serve the target customers and generate revenue for a profitable business and growth (Aziz & Norhashim, 2008). A business model construct represents the design of the value creation and has delivery and mechanisms which an insurance company uses to create value to its customers (Lambert & Davidson, 2013). Baden-Fuller and Haefliger (2013) identified social responsibility and financial stability as the emerging dimensions of customer centricity.

In Kenya, the enforcement of a customer-focused approach is now enshrined in the insurance Act 2015. The primary objective of Treating Customers Fairly (TCF) is to deliver the six improved outcomes for Kenyan insurance consumers which improve the consumer's confidence with insurance companies who have embraced fair treatment of customers as a central corporate culture, ensure that products and services marketed and sold by insurance companies are designed to meet the needs of identified consumer groups and are targeted accordingly, ensure that consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale, ensure that insurance

consumers receive commensurate advice which is relevant to their current needs and circumstances, ensure that insurance products offered in the market meet the consumer's expectations and are of an international standard and finally, protect the consumer from unreasonable post-sale barriers imposed by insurance firms to change the product, switch provider, submit a claim or make a complaint.

Different authors have conceptualised the insurance business model by restricting its scope to the insurance company's internal business environment (Mudaly, 2017). Others consider the business model construct from the perspective of network of service providers, (Osterwalder & Pigneur, 2009; Afuah, 2004). The business model of Kenyan insurance companies is focused on revenue generation from the sale of insurance policies to their customers. The success of this model depends on how insurance companies implement the differentiation or cost leadership strategy (Mudaly, 2017; Ensign, 2001).

In the view of Ensign (2001), differentiation and cost leadership strategy is achieved through diversification and integration of activities within the firm's value chain to deliver the core insurance outcome. Analysing a firm's value is therefore necessary for the formulation of competitive strategies, understanding sources of insurance firm's competitive advantage, and identifying and developing the linkages and interrelationships between activities that create value. The insurance industry is characterized by intensive, never-ending change occurring on a multitude of fronts (Ernst Young, 2015). This requires high-level proficiency in areas like organisation and service delivery. Poorly structured models can drain precious resources and hamper efforts for growth and profitability due to poor quality service delivery.

The potential for growth from increased market share as augmented by new revenue streams is real, significant and already available. However, for many insurers, it will remain out of reach. According to Gera, *et al.*, (2018), focusing on products rather than customers makes it difficult for insurance companies to keep in touch with customers' changeable and rising expectations. These expectations continue to change quickly as insured assets become inherently less risky to own and as they cross traditional product boundaries. There is therefore need to reinforce the insurance brands, reach new customer segments, and become part of a larger, more dynamic portfolio of platforms, products and services.

Insurance business models are rigid, constraining and prolongs their response times (McGrath, 2010). Having preference for going to market alone encourages rivalry and destroys cooperation between insurers in the ecosystem. Insurance companies have for a long time used the agent/broker or bancassurance models for the distribution of their products (Gera *et al.* 2018). While this remains the main intermediation channel for most developed insurance markets, many InsurTech start-ups are taking on this model and proposing new distribution models for insurance. Accordingly, BIMA, Friendsurance, InsPeer and Guevara have been identified as the new distribution-based insurance start-ups providing new insurance services (Kottmann & Dördrechter, 2018).

Even though these methods are entirely different from the traditional agent/broker models; all of them require licenses to triage the appropriate policy using different business models. In Kenya, the insurance brokers have discussed Friendsurance, InsPeer and Guevara. These are peer-to-peer (p2p) review methods which allow insurance intermediaries to rely on peer pressure for risk mitigation (Kottmann & Dördrechter, 2018). BIMA uses mobile technology to provide insurance services in developing and emerging markets, which the technology permits with the lower entry costs. In many developing countries, Africa in particular, mobile phones are widely used for not only telecommunications but also for accessing banking and payment services (OECD, 2017). The success of this model has enabled BIMA to reach profitability in several markets already. The main innovation of BIMA is the creation of a proprietary back-end tech platform which creates a mechanism for both registration and payment (Partners, 2017).

2.1.3 Models of Innovation in the Insurance Industry

Kenyan Insurance Companies continue to experience stiff competition in a fast-changing business environment (Van Oosterhout, Waarts, & van Hillegersberg, 2006). Innovation through new technologies is today an essential driver of change in the global financial sector and leads to large efficiency gains in meeting the new customer expectations (Partners, 2017). The Kenyan insurance sector is slowly embracing the latest technological developments, with possibilities of new methods of service provision as well as more significant opportunities for data collection and fraud detection that can lead to better risk identification and mitigation (The Geneva Association, 2016). These developments are driven by the forces of globalisation and competitive business pressures which call for improved internal changes in strategic approaches to business operations, force companies to review their business models (Verma & Jayasimha, 2014). As established by Deloitte (2015), Kenyan Insurance Business model innovation has a profound systemic impact which redefines the value creation and how the mechanisms of the insurance companies are captured (Teece, 2010). Transformation of the business model occurs when a dimension of the construct is manipulated which will lead to a new value proposition, the reallocation of critical resources and processes and a reformulation of the profit formula (Johnson, Christensen, & Kagermann, 2008).

According to Johne and Storey (1998) the six most popular themes in new service development process literature have been the corporate environment behind service innovations, the service innovation process itself and its stages, the people involved (designers, customer service and customers), analysis of opportunities (collecting and analysing ideas), analysis of development (activities and techniques) and analysis of implementation (e.g., launching new services). Despite the represented differences of goods and services, service innovation has been described to include similar phases than product innovation. The process proceeds in stages from idea generation to launch (Scheuing & Johnson 1989, Alam & Perry 2002, Johnson *et al.* 2000, Menor *et al.*, 2002). Toivonen &

Tuominen (2009) identified three different sequences for the traditional stages of idea emergence, development and application in the context of knowledge-intensive business services. One of these sequences is the traditional one, but new service can also be put to market rapidly and detailed development is started only afterwards, or the process does not start with idea generation but in the practical implementation followed by finding the idea and developing it further.

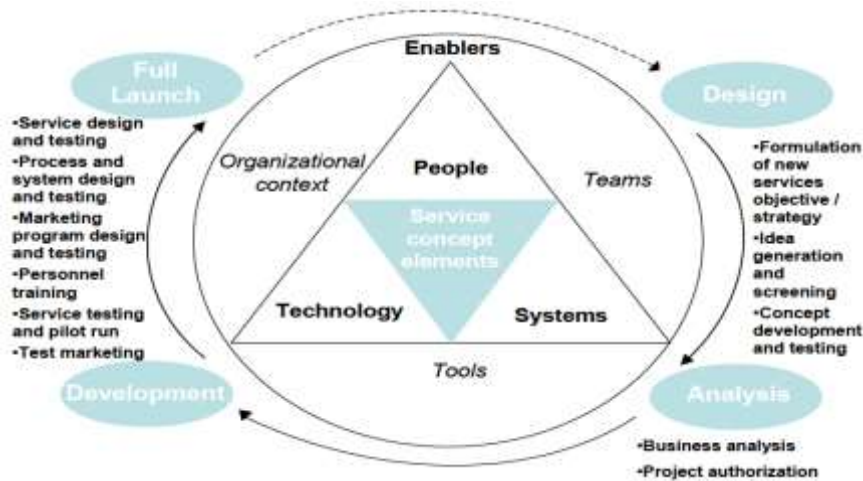


Figure 1: Service innovation process cycle, (Johnson *et al.* 2000, Menor *et al.* 2002)

2.1.4 Service-dominant logic as a vehicle for Business Model Innovation

In the view of Maglio and Spohrer (2013), a service-dominant logic (SDL) is an economic activity, a manifestation of service. Under a SDL, physical products are a materialized form of service and are perceived as a bundle of human knowledge. Akaka (2013) considers insurance Companies as the assortment of operand and operant resources such as people, technologies, organisations and information. The combination of customers, suppliers and resource integrators are co-creators in the value proposition design (Ordanini, & Parasuraman, 2011). Operant resources, such as people and businesses, apply skills, competencies, capabilities and knowledge, to facilitate the interaction between company and value network and create competitive advantage. Technology can assist as a communicative and relationship building medium enabling interaction and collaboration between actors in the eco-system in the process of value co-creation (Bidar, 2018).

Service-dominant logic enables the investigation of the insurance business model innovation from a service perspective because it conceptually roots in the service sector and does not adapt a manufacturing mind set. This has significant implications on the nature, process and outcome of innovation in a service context given that innovation is an open process surpassing a company's boundaries. Inherent to SDL is the collaborative aspects which characterise change as being activity oriented within the external environment

(Chesbrough, 2006). The interaction between customers, suppliers and employees is critical to the realisation of innovation (Verma & Jayasimha, 2014). A Business model transformation is a learning process where customers are positively engaged to reduce the risk associated with the model (Euchner & Ganguly, 2014). Knowledge-oriented dynamic capabilities determine the company's innovative capacity and potential. SDL stresses the importance of operant resources and considers knowledge as the principal source to achieve competitive advantage (Akaka, 2013). In the same way, Drucker (2009) argues that experience is the only dominant source of comparative advantage. An insurance company which utilises knowledge sources, such as external (e.g. customers and suppliers) and internal sources (i.e. employees) also extends its knowledge base (Nonaka, Toyama, & Konno, 2000).

Leveraging knowledge from customers' initiates, innovation is useful for building the intellectual resources that foster even more advanced innovation (Grant, 1996). Employees of insurance companies with dynamic capabilities effectively learn and acquire knowledge to adapt the value proposition (Chen, Tsou, & Huang, 2009). Dynamic ability is defined by Salunke, Weerawardena, & McCollKennedy (2011) by adding knowledge-based elements such as 'the capacity of an organisation to purposefully create, extend or modify its knowledge-related resources, capabilities or routines to pursue improved effectiveness'. With appropriate delivery mechanisms, insurance companies can incorporate external knowledge sources into the innovation process to create value for the customers (Chen, Tsou, & Huang, 2009). By refining or adding new logic to the business model, insurance companies also improve the customer value proposition (Johnson, Christensen, & Kagermann, 2008).

2.1.5 Research Gaps

In India Gnatzy and Moser (2012) identified the need for having suitable insurance business model innovation, both in the fields of academia and practice. In Africa, there is already evidence of a business model with innovative ways of creating and capturing value propositions delivers competitive advantage. Maina (2016) found out the existence of poorly implemented innovative strategies and lack of a sound innovation management program which do not create a distinctive competitive advantage for insurance companies. Generally, even though most research work has focused on the processes related to service innovation, there is still need to clarify how to prioritize and mobilize resources towards meaningful service innovation (Froehle & Roth, 2007).

The role of operant resources in the innovation process is still largely unexplored (Verma & Jayasimha, 2014). Akamavi (2005) confirmed the need for further investigation of the involvement of the customer in the service innovation process. This study provides ground for the understanding of innovation knowledge and Value proposition design under the technology agenda. It is envisaged that understanding innovation is an important step in the integration of the customer as a collaborative sources and a potential enabler for

knowledge creation and innovation (Chen, Tsou, & Huang, 2009). This knowledge must define a conceptual framework that reflects a dynamic business process within an insurance service setting (Salunke, Weerawardena & McColl-Kennedy, 2011; Kindström, Kowalkowski & Sandberg, 2013; Maglio & Spohrer, 2013).

2.2 Conceptual Framework

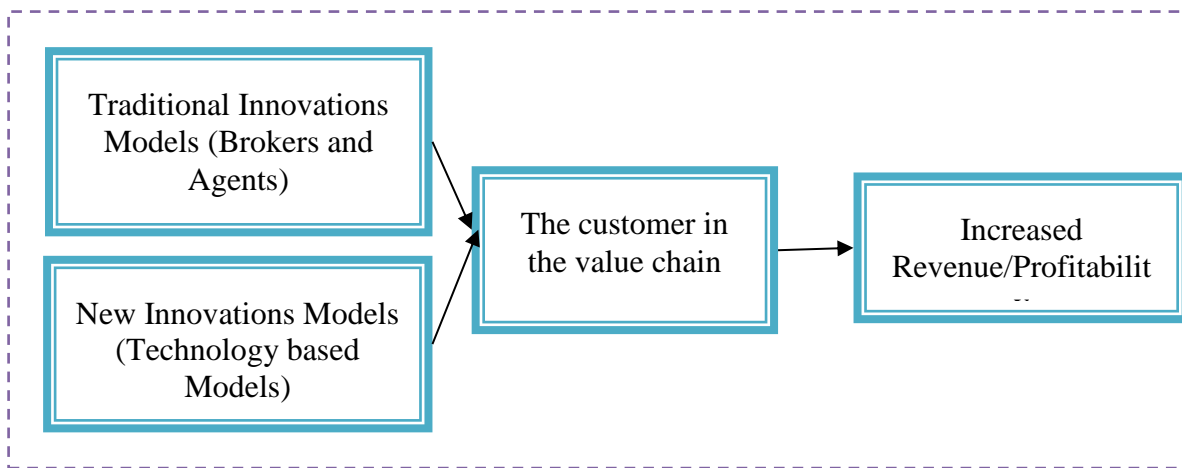


Figure 2: The Conceptual Framework

3.0 Research Methodology

The study adopted an exploratory research design which allowed the researcher to critically explore the underlying constructs related to service innovations in the insurance sector by considering the state and nature of potential relationships among the elements. The researcher utilised both quantitative and qualitative research techniques to find answers to the research questions of the study as informed by both primary and secondary data. The researcher collected the secondary information from peer-reviewed literature relevant to business models in the service sectors. During collection, the peer-reviewed literature was examined to understand the academic discourse and theoretical underpinnings of the research topic, while the review of company sources (e.g. annual reports) contributed to the understanding of how companies deploy and handle the business model concept and the associated challenges. Quantitative data was obtained through a questionnaire which was administered to the respondents by a qualified research assistant. The results of the questionnaire were carefully coded and analysed using appropriate statistical tools to draw conclusions on the subject under study.

The population of this study comprised of the managerial personnel concerned with business development and innovation in the insurance industry in Kenya. Consequently,

participants (whose views inform the researcher’s findings) must have professional experience in managing business transformation in their company or at least considerable experience in product or process innovation. Since the study is exploratory in nature, all the 62 insurance companies were targeted in the study.

4.0 Research Findings and discussion

The main purpose of this study was to determine the innovation capabilities and processes within the Kenyan Insurance Companies that allow them to realize the ultimate business model transformation. The study also considered the effect that innovation capabilities have on the performance of organizations. This section presents the study outcomes as observed from data analysis.

4.1 Essential resources for innovation

The study considered the availability of resources that are essential to undertake innovations within the insurance companies in a bid to aid business model transformation. The study confirmed that insurance companies require proper resource allocation towards innovative inputs which drive organizational transformation. The outcomes of this assessment are presented in Table 1 below.

Table 1: Essential Resources Availability for Innovation in insurance firms

Resources	Freq uency	Percentage Innovation Resources	with Mean percentage allocation in annual development expenditure
Internal R&D	22	75.86	32.65
Machines and physical assets	14	48.28	45.50
Software/ patents	20	68.97	48.08
Innovations conception	5	17.24	23.75
Outsourced R&D	8	27.59	10.00
Innovations launch into the market	8	27.59	21.00
Employee training	24	82.76	48.25
n	29		

The results in Table 1 revealed that the highest proportions of insurance firms direct their resources in business model transformation to employee training (83%), internal research and development (R&D) (76%) and software/ patent access (69%). The other proportion direct their resources to machines and physical assets (48%), outsourced R&D (28%) and innovations launch into the market (28%), while the least number of insurance firms direct

their resources toward innovations conception (17%). A look at the proportion of resources allocated to these innovations areas revealed that most of the development resources in the insurance industry are directed to employee training (48%), software purchase (48%), machines and physical assets (46%), and the internal R&D (33%). Very low proportions of the development resources are directed towards innovations conception (24%), innovations launch into the market (21%), and outsourced R&D (10%).

Very few insurance firms undertake internal innovation as opposed to relying on externally created innovations. This view was confirmed by the outcomes observed that are presented in Table 2 where the specific resources available for innovations in the insurance firms were listed. The study found that workforce was the most readily available resource (79%), followed by user software (66%), and hardware for electronic data processing (62%). The availability of the other resources such as high performance communication on network, measuring and control technology, and multimedia are only present in a few insurance firms while the transport technology and environmental technology are unheard of in nearly all the insurance firms. These outcomes reveal that the insurance industry is not only dependent on others to innovate but are only consumers of innovations from other sources.

Table 2: Proportion of insurance firms with innovation resources

Resources available for innovation	Freq.	Percent
Hardware for electronic data processing	26	61.9
User software	27	65.85
High performance communication on network	19	45.24
Transport technology	2	4.76
Environmental technology	0	0
Measuring and control technology	9	21.43
Multimedia	8	19.05
Requisite workforce	33	78.57
N	42	

4.2 Processes necessary to support innovation within Kenyan insurance companies

The study further looked at the presence of necessary processes supporting innovation within the insurance firms in Kenya where the outcomes presented in Table 3 were observed. The innovations in business transformation model rely upon various processes necessary for their achievement and their availability affects the innovations.

Table 3: Innovations support processes

Supported innovation processes	Freq.	Percent	Innovation Enablers	Freq.	Percent
Strategic planning	40	95.24	People	35	83.33
Idea generation	29	69.05	Technology	29	69.05
Idea screening	17	40.48	Systems	27	64.29
Business Analysis	30	71.43	Customer Inputs	22	52.38
Formation of a cross-functional team	13	30.95	n	42	
Service design and Process system design	19	45.24			
Personnel training	32	76.19			
Service testing and Pilot run	16	38.1			
Test marketing	15	35.71			
Commercialization	15	35.71			
N	42				

As presented in Table 3, the available innovation support processes in more than half of the insurance firms were observed to include strategic planning, personnel training, business analysis, and idea generation. The other vital processes such as idea screening, formation of a cross-functional team, service and process system design, service testing and pilot run, test marketing, and commercialization were only present in less than half of the insurance firms. A look at the innovation enablers indicated that the most readily available enabler in the insurance sector is human resource, with technology, systems and customer inputs being unavailable in most of the insurance organizations. These outcomes confirms that though the processes vital for the innovation in business transformation model are available within the insurance firms, the most vital of the processes allowing for internal innovation behaviours are only found in very few organizations and those processes allowing for adoption for readily available innovations in the market are found in most of the insurance firms, confirming an earlier finding that the insurance firms are investing more in implementing external innovations than investing into their own innovations.

4.3 Essential dynamics of innovation components

The study looked at the presence of essential dynamics of innovation components within the insurance industry to drive the business process transformation. The outcomes presented in Table 4 shows the innovations components present in the insurance companies in Kenya. The study found the most accessible innovations components within the insurance firms include adoption of innovations from external sources (67%), followed by launching innovations that are new to the market (55%). The other innovation components such as applying patents for new innovations, new-to-the-market services, new-to-the-

company services, new delivery process services, services modification, service line extension, and services repositioning, are present in less than half of the insurance companies. The study therefore confirms that the insurance companies have most of the innovations components, though more of those adopting innovations from external sources are more than those launching new innovations to the market. The average number of innovation components in the last 10 years for those who have applied for new innovations are 1.38 while those who have launched new innovations to the market are 2.41 and those who have adopted innovations from external sources are 2.90. These average innovations are very low given the length of the period under consideration is 10 years.

Table 4: Innovations Components in Insurance Companies

Essential Dynamics	Fre q.	Perce nt	Average Number of Innovations
Applied patents for new innovations	13	30.95	1.38
Launched innovations that are new to the market	23	54.76	2.41
Adopted innovations from external sources	28	66.67	2.90
New-to-the-market services	16	38.1	
New-to-the-company services	20	47.62	
New delivery process services	17	41.46	
Services modification	19	45.24	
Services line extension	11	26.19	
Services repositioning	15	35.71	

4.4 Supporting mechanisms for innovation components

The study looked at the factors within the insurance organizations that allowed them to adopt innovations for business process transformations. This was done to assess the link between the innovation resources, processes, and components availability and the adoption of innovation within the insurance firms. The outcomes of this assessment revealed the outcomes presented in Table 5.

Table 5: Innovation support components within insurance companies

<i>Innovation Components</i>	<i>Fre q.</i>	<i>Perce nt</i>
<i>Flexible customisation</i>	26	61.90
<i>User friendly services/ products</i>	32	76.19
<i>Reliability of services/ products</i>	30	71.43
<i>Availability of services/products with respect to time</i>	22	52.38
<i>Geographic availability of products/services</i>	18	42.86
<i>Speed of service production or delivery</i>	26	61.90
<i>Ability to meet safety requirements (data privacy protection, etc.)</i>	20	47.62
<i>Chances to meet ecological, medical, or ergonomic requirements</i>	6	14.29
<i>Increasing customers' performance level or product range</i>	17	40.48
<i>Raising the experience value for the customer</i>	23	54.76
<i>Raising customer productivity</i>	17	40.48
<i>Improving product quality with respect to maintenance requirements, reusability, and durability</i>	19	45.24
<i>Raising employee motivation</i>	28	66.67
<i>Raising employee productivity</i>	29	69.05
<i>N</i>	42	

The study found that the most prevalent innovation support component was the pursuit of user friendly services/ products with most of the insurance firms (76%) seeking it. More than half of the insurance firms were observed to pursuit innovation components such as flexible customisation (62%), reliability of services and products (71%), availability of services or products with respect to time (52%), speed of service production or delivery (62%), raising the experience value for the customer (55%), raising employee motivation (67%), and raising employee productivity (69%). These are the key areas that the insurance companies concentrate most on when it comes to innovation, indicating their interest is in customer satisfaction, product quality, delivery, and employees, an indication that the interests cover all areas of the modern corporation. However, lower levels of interest were recorded in regards to geographic availability of products and services (43%), ability to meet safety requirements (48%), chances to meet ecological, medical, or ergonomic requirements (14%), increasing customers' performance level or product range (40%), raising customer productivity (40%), and improving product quality with respect to maintenance requirements, reusability, and durability (45%). Most of these are environmental and customer components in innovations that the insurance companies reported lower interest in. However, generally, the study observed that the insurance firms have a high potential to innovate and have focus in the right areas, though most firms direct

most of their resources in implementing externally acquired innovations rather than doing their own innovations.

4.5 Correlation between innovation capability and the performance factors

The innovation capacity of an insurance firm in this study was measured by the factors such as availability of essential resources, presence of necessary processes, the state of the essential dynamics for innovation, and the linkages of innovation components in the organization. The study sought to understand the correlation between the various factors informing the innovation capability of the insurance firms and the performance of organizations. The outcomes of this assessment are as presented in Table 6.

Table 6: Performance and innovations capabilities

Innovation and Performance Factors	REI	PNI	EDI	ICL
Resources Essential for Innovation (REI)	1	0.5822	0.3268	0.4418
Processes Necessary for Innovation (PNI)		1	0.6049	0.5771
Dynamics Essential for Innovations (EDI)			1	0.5202
Innovation Components Linkages (ICL)				1
Financial Performance	-0.2489	-0.2450	-0.3419	-0.3923
Efficiency	-0.2462	0.1041	0.1918	-0.1143
Productivity	-0.1898	0.0369	0.1115	-0.1913
Customer Satisfaction	-0.1241	0.1182	0.1411	-0.1202
Quality	-0.3636	-0.0079	0.1126	-0.2927
Overall Performance	-0.3420	0.0937	0.0021	-0.3514

The study revealed that the availability of essential resources for innovation in the insurance companies have a positive correlation with the presence of available processes, dynamics and components. The study outcome shows that the presence of one factor that enables innovation is correlated with the presence of another supporting innovation in the organization. The essential resources, necessary processes, essential dynamics and components linkages are all positively correlated with each other. However, a look at the correlation between innovation capacity factors and the performance indicators showed quite a different scenario. It was observed that availability of resources essential for innovation (REI) negatively correlates with financial, efficiency, productivity, customer satisfaction, quality, and overall performance of an insurance firm, a hint that setting aside finances to direct into availing REI is not good for the performance of the organization. Similar negative correlation between the innovation capacity aspect of innovation components linkages (ICL) and organization performance measures of financial, efficiency, productivity, customer satisfaction, quality, and overall performance was observed, an indication that improvement in the ICL may lead to lowered organization performance.

On the other hand, it was found that maintaining processes necessary for innovation (PNI) in an insurance company correlates negatively to the financial and quality performance aspects, but has low but positive correlation with efficiency, productivity customer satisfaction and overall performance aspects of the insurance company. This confirms that having PNI partly helps the organization in relation to efficiency, productivity and customer satisfaction, but degrades the financial performance of the organization. A look at the correlation between performance and presence of essential dynamics for innovation (EDI) revealed a negative correlation between EDI and financial performance, indicating that it negatively affects the financial aspects of organization performance. However, the correlation between EDI and the other aspects of performance such as efficiency, productivity, customer satisfaction, quality and overall performance was low but positive, showing that maintaining the EDI has positive relationship to these aspects of performance in insurance companies.

4.6 Relationship between innovation capacity and organization performance

Maintaining an organization’s innovation capacity is a costly affair and may have a negative effect on an organization but in the long run, the innovation capacity is expected to lead to a greater competitive advantage due to improved products and services offering from the company. Given these conflicting possible outcomes, the study was interested in finding out the effect of sustaining the innovation capacity on performance of the insurance companies. The PLS regression model was applied to determine the relationship between the various components informing innovation capacity such as availability of essential resources (REI), presence of necessary processes (PNI), the state of the essential dynamics for innovation (EDI), and innovation components linkages (ICL) and the overall performance of the studied insurance companies. The outcomes of this assessment are as presented in Table 7.

Table 7: Innovation capacity and organization performance relationship

Source	SS	Df	MS	F(4, 37)	= 3.77	
Model	5.039466	4	1.259867	Prob > F	=0.0115	
Residual	12.38095	37	0.33462	R-squared	=0.2893	
Total	17.42042	41	0.424888	Adj R-squared	=0.2125	
				Root MSE	=0.57846	
Org. Perf~e	Coef.	Std. Err.	t	P>t	[95% Conf. Interval	
REI	-1.42319	0.610445	-2.33	0.025	-2.66007	-0.18631
PNI	1.01793	0.564164	1.97	0.049	-0.12518	2.161033
EDI	0.39455	0.479309	1.82	0.416	-0.57662	1.365723
ICL	-1.16985	0.445714	-2.62	0.013	-2.07295	-0.26674
_cons	4.08894	0.258282	15.83	0.000	3.565614	4.612273

From the PLS regression model presented in Table 7, the model ANOVA shows a p-value lower than 0.05 ($p = 0.0115$) confirming that the relationship between innovation capacity and organization performance is statistically significant at 95% confidence level. The regression model shows a coefficient of determination (R^2) of 0.2893, indicating that innovation capacity is able to explain 28.93% variability in organization performance. This predictive power is relatively low but statistically significant and hence the influence of innovation capacity on organization performance can be deeply felt within an organization.

The results of the study confirmed that the regression model coefficients of resource essential for innovation (REI), processes necessary for innovation (PNI) and innovations component linkages (ICL), were statistically significantly different from zero ($p < 0.05$; REI $p = 0.025$; PNI $p = 0.049$; ICL $p = 0.013$) while the coefficient for dynamics essential for innovations (DEI) was not statistically significant difference from zero at 95% confidence level ($p > 0.05$; DEI $p = 0.416$). Whenever the regression coefficients are equal to zero, the coefficient is dropped from the model. Among the three remaining independent variables, two (REI $\beta = -1.42319$; ICL $\beta = -1.16985$) had negative coefficients indicating that they have negative effects on organization performance. Maintaining these two factors of innovation capacity within an organization would lead to worsening of the organization performance. On the other hand, sustaining the processes necessary for innovation within the insurance firm would lead to improvement in organization performance since it was found to have a positive regression coefficient (PNI $\beta = 1.0179$).

Finally, the observation of a p-value higher than 0.05 for the essential dynamics for innovation confirmed the fact that the factor has a coefficient of zero, hence its presence within an organization would have no effect on organization performance (DEI, $p > 0.05$; $\beta = 0$). Therefore, the regression analysis reveals that innovations capacity factors of resources essential for innovation (REI) and innovation components linkages (ICL) had negative relationship with the performance, processes necessary for innovation (PNI) positively affects the organization performance, while essential dynamics for innovation (DEI) has no effects on the performance of the of insurance companies.

5.0 Conclusion

The insurance sector offers various insurances services such as general insurances services, education insurance services, savings and investment services and medical insurances services. These services are very closely related hence the insurance services show a great deal of similarities (Karanja, 2009). The sector is therefore characterised by similar products, ineffective advertisement, high competition, and rigorous regulations, (Ernst and Young, 2015). For insurance companies to gain competitive advantage and sustain high performance, they require to be highly innovative. Deloitte (2017) lists out some of the innovations within the insurance sector which have caused major business models transformation as to include cost commoditization, profit redistribution, experience

ownership, data monetisation, rising communication Platforms, bionic workforce, financial regionalisation, and systemically important technology firms. This nature of the insurance services makes the level of innovations high where the pace of product innovation in the industry in the last two decades has had to correspond with the increase in complexity of financial products and in turn materially impact product profitability (Campbell *et al.*, 2014). This position of innovations in the market has placed it in the central of organization competitiveness struggles with insurance firms struggling to create and maintain high innovation capabilities. This study is interested in understanding the value of innovation capabilities in business model transformation within the service sector of the insurance organizations, especially its impact on organization performance.

The study considered the essential resources for innovation, processes necessary for innovation, essential dynamics for innovation, and linkages of innovation components as the essential elements of insurance innovation in Kenya. The study confirmed the presence of these components in most insurance companies studied with higher representation of some of the components on some insurance companies than others. One key observation from the manifestation analysis revealed that majority insurance companies have enhanced their innovation capabilities in preparation of adopting innovations created externally from their organizations. Essential resources, processes, dynamics and components linkages are the indication that an insurance company is prepared to implement the next available innovation rather than create the next innovation.

In the study, few insurance companies have the resources, processes, dynamics and components linkages which are geared towards creating new innovations while implementing externally sourced ones. This observation is consistent with Chien and Chen, (2010) who observed that the service models in the insurance industry are changing fast and the existing business processes are being disrupted at such a pace that it is often difficult to make sense of the developments in the industry and keep up with the needed level of innovations needed to stay afloat. Yeandle (2017) added that some innovations in the service sector are too complex to be handled internally such as the case of emerging technologies which require external synthesis and testing before being introduced into the organization, hence organizations resort on preparing for immediate adoption while relying on external entities to create new the innovations. The study concludes that the insurance companies are more likely to invest in maintaining innovation capabilities that are directed towards adoption of new innovations from the market rather than developing new innovative services or new service delivery mechanisms.

Given that sustaining these innovation capabilities comes at a cost to the organization and at the same time the organizations are bound to benefit from the innovations arising from the capability in future, the study further looked at the effect of having the innovation capabilities on the performance of the organization. Initial assessment using correlation coefficient indicated that the four innovation capability factors of the availability of

resources essential for innovation (REI), presence of necessary processes (PNI), the state of the essential dynamics for innovation (EDI), and innovation components linkages (ICL) are correlated with each other, but only PNI and DEI have low positive correlation with overall organization performance while REI and ICL indicated negative correlation with organization performance.

These outcomes were further confirmed through the regression model outcomes where the coefficients for ICL and REI were observed to be negative hence indicated that they have a negative effect on organization performance while EDI was found to lack a significant effect on performance and only PNI positively influences organization performance. These outcomes therefore show that some aspects of innovation capability within an insurance firm will negatively affect organization performance while it will positively affect performance in other aspects.

The study confirms the general consensus that the modern customer is very active, well informed, and willing to reward insurance market players who develop new product designs and models of operation. However, with the negative innovation capabilities, only few innovative companies are in a position to keep transforming the insurance services, and benefit from the positive effects. This outcomes explains the earlier observation that insurance companies are observed to mostly sustain the innovation capabilities that ensure they are ready to adopt emerging technology rather than investing more into other innovation capabilities aspects which would allow them to develop new innovations that might offer them competitive advantage. Therefore, the study concludes that despite the availability of innovation capabilities in insurance companies, most avoid the potential negative impacts and limit their innovations capabilities. Essential resources and components linkages are the aspects that limit innovation capabilities while processes necessary for innovation expands the innovation capabilities within the insurance industry.

6.0 Recommendations

One key finding from the literature review was the fact that the innovation capacity driving business transformation within the service industry is indicated by the organization's access to resources essential for innovation (REI), presence of processes necessary for innovation (PNI), the state of the essential dynamics for innovation (EDI), and level of innovation components linkages (ICL), which informed the decision to have these as the study innovation capability indicators. However, the study findings confirmed the view that only availability of processes necessary for innovation (PNI) positively influence performance of the insurance companies while availing resources essential for innovation (REI) and innovation components linkages (ICL) negatively influence organization performance, while availing the essential dynamics for innovation (EDI) lacks a significant influence on organization performance. These outcomes explain the fact that innovation for business transformation is widely considered a costly affair with many companies' performance significantly declining every time the company undertake business transformation

involving extensive levels of innovation. The study therefore recommends insurance sector policy makers to review the aspects of availing resources essential for innovation (REI) and innovation components linkages (ICL) which lead to the negative impact on organization performance in a bid to reverse this trend and improve innovativeness within the sector. The study also recommend more emphasis to be placed on enhancing the dynamics essential for innovation and processes necessary for innovation within the insurance companies, so that companies in the service industry may be able to benefit more from innovations in business model transformation.

Additionally, despite the study identifying some aspects of innovation to have negative influence on organization performance, there are strong indication in the strategic management literature that in most cases, the decline in performance is short term within the transformation period and the companies later regain profitability, indicating existence of a seasonality aspect – which this study didn't consider. The study therefore suggest that further study should be undertaken to measure these aspects of innovation capability within the service industry over a time period so as to bring out the seasonality aspect of this relationship. Further study should also be undertaken in other sectors to assess this relationship and confirm the study findings in these contexts.

7.0. References

- Abela A.V. and Murphy P.E (2008). Marketing with integrity: ethics and the service-dominant logic for marketing. *Journal of the Academy of Marketing Science*, 36(1):39-53.
- Afuah, A. (2004). *Business models: A strategic management approach*. New York: McGrawHill Irwin.
- Aitken R, Stringer C, and Ballantyne D (2012). Service integration and coordination in a complex world. *Journal of Marketing Management* 28(13-14):1487-1490.
- Akamavi, R.K. (2005). A research agenda for investigation of product innovation. *Journal of Services Marketing*, 19(6), 359–378.
- Akesson M, and Skalen P (2011). Towards a service-dominant professional identity An organisational socialisation perspective. *Journal of Service Management* 22(1):23-38. doi: 10.1108/09564231111106901.

Alam, I. (2006). Removing the fuzziness from the fuzzy front-end of service innovations through customer interactions. *Industrial Marketing Management*, 35; 468–480.

Ambrosini, V. and Bowman, C. (2009), "What Are Dynamic Capabilities and Are They a Useful Construct in Strategic Management?", *International Journal of Management Reviews*, Vol. 11 No. 1, pp. 29-49.

Aon Benfield (2009). *Regulatory Capital Requirements on the Rise: Redefining Capital, access, Advocacy and Innovation*.

Association of Kenya Insurers (2018). *An Insurance Industry Annual Report*, 2017.

Aziz, K. A and Norhashim, M. (2008). *Cluster- Based Policy Making: Assessing Performance and Sustaining Competitiveness*. Wiley Online Library

Baden-Fuller, C. and Haefliger, S. (2013). Business models and technological innovation. *Long Range Planning*, 46, 419–426.

Baden-Fuller, C. and Morgan, M. (2010). Business models. *Long Range Planning*, 43, 156– 171.

Bidar, R. (2018). *Service Co-creation Behaviour in Actor-to-Actor Co-creation Systems: from Service Dominant Logic to Socio-Service Dominant Logic*. Unpublished PhD thesis, Queensland University of Technology.

Campbell J., Chan M., Li K., et al., (2014). *Modelling of Policyholder Behaviour for Life Insurance and Annuity Products: A survey and literature review*. PwC, SOA and LIMRA Working Paper

Casadesus-Masanell, R. and Ricart, J.E. (2010). From strategy to business models and onto tactics. *Long Range Planning*, 43, 195-215.

- Chatterji, A., Glaeser, E., and Kerr, W. (2013). Clusters of Entrepreneurship and Innovation. *Innovation Policy and the Economy Forum*, Harvard University and NBER
- Chen, J.-S., Tsou, T. H., and Huang, Y.-A. (2009). Service delivery innovation: Antecedents and impact on firm performance. *Journal of Service Research*, 12(1), 36-55.
- Chesbrough, H. and Rosenbloom, R.S. (2002). The role of the business model in capturing value from innovation: Evidence from xerox corporation's technology spin-off companies. *Industrial and Corporate Change*, 11(3), 529-555.
- Chien, S. and Chen, J. (2010). Supplier involvement and customer involvement effect on new product development success in the financial service industry. *The Service Industries Journal*, 30(2), 185–201.
- Costonis, P., Sandquist, M., Bramblet, J. and Secchi, A. (2018). *Insurance as a Living Business. A New Path Forward for Insurers*. Accenture 2018.
- Deloitte (2014). *Big demands and high expectations*. The Deloitte Millennial Survey, January 2014
- Deloitte (2015). *Insurance Sector Outlook for East Africa 2015*
- Deloitte (2017). *Beyond Fintech: Disruptive innovation in insurance*. A pragmatic assessment of disruptive potential in financial services. Working paper
- Drucker, P. F. (2009). A century of social transformation: Emergence of knowledge society. In: *Managing in a time of great change*. Boston: *Harvard Business Press*, 177–230.

Ensign, P.C. (2001). Value Chain Analysis and Competitive Advantage: Assessing Strategic Linkages and Interrelationships. *Journal of General Management*, 27(1): 18–42.

Ernst and Young (2015). *Sustaining Growth and Innovation in the Insurance Sector*. Insurance Governance Leadership Network Summit November 2015

Fageda, X., Jiménez, J. L., and Perdiguero, J. (2011). Price rivalry in airline markets: A study of a successful strategy of a network carrier against a low-cost carrier. *Journal of Transport Geography*, 19(4), 658-669.

Froehle, C.M. and Roth, A.V. (2007). Resource-process framework of new service development. *Production and Operations Management*, 16(2), 169–188.

Gera, P., Costonis, M., Sandquist, E., Bramblet, J. and Secchi, A. (2018). *The Future of Insurance belongs to Living Businesses*. Accenture

Gnatzy, T and R Moser (2012). Scenario development for an evolving health insurance industry in rural India: Input for business model innovation. *Technological Forecasting and Social Change*, 79(4), 688–699.

Grant, R. M. (1996). Prospering in dynamically-competitive environments: organizational capability as knowledge integration. *Organization Science*, 7(4), 375–387.

Groucutt, J. (2005). *Foundations of marketing*. Houndmills : Palgrave Macmillan

Guelman, L. and Guillen, M. (2013). *A Causal Inference Approach to Measure Price Elasticity in Automobile Insurance*. Working Paper.

Gundaya, G., Ulusoy, G., Kilic, K., and Alpkan, L. (2011). *Effects of Innovation types on Firm Performance*. Sweden:Sabancı University.

Johne, A. and Storey, C. (1998). New service development: a review of the literature and annotated bibliography. *European Journal of Marketing*, 32 (3/4), 184–251.

Johnson, M.W., Christensen, C.M. and Kagermann, H. (2008). Reinventing your business model. *Harvard Business Review*, 50-59.

Johnson, S.P., Menor, L.J., Roth, A.V. and Chase, R.B. (2000). *A critical evaluation of the new service development process: integrating service innovation and service design*. In: Fitzsimmons, J.A. & Fitzsimmons, M.J. (eds.). *New service development. Creating memorable experiences*. Thousand Oaks, Canada, Sage Publications. Pp. 1–32.

Karanja, S. W. (2009). *Innovation Strategies Adopted by Insurance Companies in Kenya*. University of Nairobi.

Kindström, D., Kowalkowski, C., and Sandberg, E. (2013). Enabling service innovation: A dynamic capabilities approach. *Journal of Business Research*, 66, 1063–1073.

Kottmann, D. and Dördrechter, N. (2018). *Insurtech Caught on the Radar Hype or the Next Frontier?*

KPMG (2016). *The Next Generation Customer*. Kenya Insurance Survey Report

Kryvinska, N., Olexova, R., Dohmen, P., and Strauss, C. (2013). *The S-D Logic Phenomenon-Conceptualization and Systematization by Reviewing the Literature of a Decade (2004-2013)*.

Lambert, S.C. and Davidson, R. A. (2013). Applications of the business model in studies of enterprise success, innovation and classification: An analysis of empirical research from 1996 to 2010. *European Management Journal*, 31, 668– 681.

Maglio, P.P. and Spohrer, J. (2013). A service science perspective on business model innovation. *Industrial Marketing Management*, 42, 665–670.

Maina, M. N. (2016). *Effect of Innovation Strategies on the Performance of Insurance Firms in Kenya*. Unpublished Master of Science in Entrepreneurship and Innovations Management thesis; University of Nairobi. UON Repository.

Mathur, D. and Tripathi, A. (2014). Factors Influencing Customer's Choice for Insurance Companies- a Study of Ajmer City. *IOSR Journal of Business and Management (IOSR-JBM)*; 16, (2-I) 35-43; e-ISSN: 2278-487X, p-ISSN: 2319-7668

McGrath, R. G. (2010). Business models: A discovery driven approach. *Long Range Planning*, 43(2-3), 247-261.

Menor, L.J., Tatikonda, M.V. and Sampson, S.E. (2002). New service development: areas for exploitation and exploration. *Journal of Operations Management*, 20; 135-158.

Miao, D. (2012). *Strategic Management and Marketing Strategy in Insurance Companies: A Case of China Life Insurance Company Limited in Shifang*. Lahti University of Applied Sciences

Mudaly, N. A. (2017). *Business Model Innovation: The Drivers, Enablers and Inhibitors of Firms Facing Disruptive Change*. University of Pretoria.

McKinsey & Company (2018). *Insurance beyond digital: The rise of ecosystems and platforms*. <https://www.mckinsey.com>

Ng'ang'a, H. N. (2009). *Determinants of Demand for Insurance Services in the Matatu Industry in Kenya: A Case Study of 2NK SACCO*. Unpublished Masters in Business Administration thesis, University of Nairobi.

OECD. (2017). *Technology and Innovation*. Working paper

Ordanini, A., and Parasuraman, A. (2011). Service innovation viewed through a servicedominant logic lens: A conceptual framework and empirical analysis. *Journal of Service Research*, 14(1), 3-23.

- Ostagar, A. M. (2018). Impact of Technology and Innovation in Insurance Sector. *International Journal of Management, IT & Engineering*, 8(12), ISSN: 2249-0558 Impact Factor: 7.119 ISSN: 2249-0558 Impact Factor: 7.119
- Osterwalder, A., and Pigneur, Y. (2009). *Business model generation: A handbook for visionaries, game changers, and challengers*. Self-published.
- Partners, S. (2017). *How technology has the ability to make insurance trendy again?* <http://en.finance.sia-partners.com/20170111/how-technology-has-ability-makeinsurance-trendy-again>.
- Rothkopf, M., and Wald, A. (2011). Innovation in commoditized services: A study in the passenger airline industry. *International Journal of Innovation Management*, 15(4), 731-753.
- Salunke, S., Weerawardena, J., and McColl-Kennedy, J.R. (2011). Towards a model of dynamic capabilities in innovation-based competitive strategy: Insights from project oriented service firms. *Industrial Marketing Management*, 40, 1251–1263.
- Scott, B. R. (2006). *The Political Economy of Capitalism*. Working paper.
- Solnet, D., Kralj, A., and Kandampully, J. (2012). Generation Y Employees: An examination of work attitude differences. *The journal of applied management and entrepreneurship*, 17(3), 35-52.
- Stucke, M. E. (2013). Is competition always good? *Journal of Antitrust Enforcement*, 1(1), 162–197, Review, 80(4), 74–81.
- Teece, J. D. (2010). *Business Models, Business Strategy and Innovation*. Long Range Planning 43 (2010) 172-194, Published by Elsevier Ltd

The Economist (2014). How mobile is transforming insurance from protector to partner: Can mobile expand insurers' relationships with consumers? *The Economist Intelligence Unit*.

The Geneva Association (2016). *Harnessing Technology to Narrow the Insurance Protection Gap*

Toivonen, M. and Tuominen, T. (2009). Emergence of innovations in services. *The Service Industries Journal*, 29(7), 887–902.

Van Oosterhout, M.; Waarts, E., and van Hillegersberg, J. (2006). Change factors requiring agility and implications for IT. *European Journal of Information Systems*, 15, 132–145.

Vargo, S. L., and Lusch, R. F. (2004). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing*, 68(1), 1–17.

Verma, R. and Jayasimha, K. R. (2014). Service delivery innovation architecture: An empirical study of antecedents and outcomes. *Marketing Management*, Indian Institute of Management Indore, Rau-Pithampur Road, Indore, Madhya Pradesh, 453331, India.

Yeandle, M., (2017). *Trends and Innovations in Financial Services*. Toronto Financial Services Alliance (TFSA)

Zolnowski, A., Semmann, M., Amrou, S., and Böhmman, T. (2013). Identifying opportunities for service productivity improvement using a business model lens. *The Service Industries Journal*, 33(3-4), 409–425.

Appendices

Appendix 1: Study Demographics

Insurance Products	Frequency	Proportion	Respondent Education Background?			
				Freq.	Percent	Cum.
General insurance	28	67%				
Life insurance	20	48%	Diploma	2	6.9	6.9
Medical insurance	20	48%	Graduate	18	62.07	68.97
Savings and Investments	12	29%	Post graduate	9	31.03	100
Retirement and Pension	7	17%	Total	29	100	
N	42	100%				

Period	For how long in years has your insurance agency been operating in Kenya			What period of time have you been working for your insurance agency?		
	Freq.	Percent	Cum.	Freq.	Percent	Cum.
1-3 years	3	10.71	10.71	7	24.14	24.14
4-6 years	2	7.14	17.86	10	34.48	58.62
7-10 years	4	14.29	32.14	5	17.24	75.86
Above 10 years	19	67.86	100	7	24.14	100
Total	28	100		29	100	100