

**INNOVATION PRACTICES AND MARKET GROWTH IN THE INSURANCE SECTOR OF
UGANDA: A SURVEY OF INSURANCE MANAGERS IN KAMPALA**

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DECLARATION

I JAMES ODERA declare that this research report is my original work and has not been published or submitted to any university or institution of higher learning for any academic award.

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APPROVAL

This work has been done under our supervision and has met the research dissertation requirements of Kyambogo University and is now ready for submission for examination purposes.

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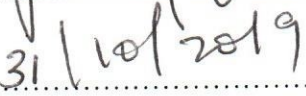
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DEDICATION

This report is dedicated to my wife and our children for giving me a peace of mind and encouragement when I thought of almost giving up.

ACKNOWLEDGMENT

My gratitude goes to the Almighty God for his mercies and for bringing me this far, I wish to convey and extend my sincere gratitude to my supervisors Dr. Dan Ayebale and Dr. Jacob Oyugi for their support encouragement and availability during the study. I am also grateful to all my lecturers and colleagues at Kyambogo University for the advice and assistance they extended to me in one way or the other.

The Almighty God bless you.

TABLE OF CONTENTS

DECLARATION	i
APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGMENT	iv
LIST OF ABBREVIATIONS/ ACRONYMS	viii
LIST OF TABLES	ix
LIST OF FIGURES	x
ABSTRACT	xi
CHAPTER ONE	1
INTRODUCTION	1
1.1 Introduction.....	1
1.2 Background to the study.....	1
1.2.1 Historical Background.....	1
1.2.2 Theoretical Background.....	4
1.2.3 Conceptual Background.....	4
1.2.4 Contextual Background.....	5
1.3 Statement of the Problem.....	6
1.4 Research Objectives.....	7
1.4.1 General Objective.....	7
1.4.2 Specific Objectives.....	7
1.5 Research Hypotheses.....	7
1.6 The Conceptual Framework.....	7
1.7 Significance of the Study.....	9
1.8 Scope of the Study.....	9
1.8.1 Content Scope.....	9
1.8.2 Geographical Scope.....	10
1.8.3 Time Scope.....	10
1.9 Justification for the study.....	10
1.10 Definition of Key Terms.....	10
1.11 Organisation of the report.....	11
CHAPTER TWO	13
LITERATURE REVIEW	13
2.1 Introduction.....	13
2.2 Theoretical Framework.....	13
2.2.1 Marketing Theory.....	13
2.2.2 Rodger's Diffusion of Innovation Theory.....	14

2.3.1 Market Innovation Strategy.....	15
2.3.2 Technological Innovation Strategy	16
2.3.3 Product Innovation Strategy.....	16
2.3.4 Market Growth.....	17
2.4 Empirical Literature	17
2.4.1 Product Innovation Strategy and Market Growth	17
2.4.2 Market Innovation Strategies and Market Growth.....	18
2.4.3 Technological Innovation and Market Growth	19
2.5 Summary of literature review and knowledge gap	19
2.6 Chapter summary	20
CHAPTER THREE	21
RESEARCH METHODOLOGY	21
3.1 Introduction	21
3.2 Research Design.....	21
3.3 Study Population	21
3.4 Sample Size.....	22
3.5 Sampling Technique.....	22
3.6 Data Collection and Source of Data.....	22
3.7 Data collection instruments.....	22
3.8 Measurement of the Study Variables	23
3.9 Validity and reliability of the instruments	23
3.9.1 Validity.....	23
3.9.2 Reliability	25
3.10 Data collection procedure	26
3.11 Data analysis and presentation	26
3.11.1 Model specification.....	27
3.12 Ethical Considerations	27
3.13 Limitations of the Study.....	27
3.14 Chapter Summary.....	28
CHAPTER FOUR.....	29
PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS.....	29
4.1 Introduction	29
4.2 Background information of the respondents and firm characteristics.....	29
4.3 Market growth.....	30
4.4 Factors of Innovation strategies influencing market growth.....	31
4.4.1 Product Innovation strategies	31
4.4.2 Market Innovation strategies.....	32
4.4.3 Technological Innovation strategies	33

4.5 Regression analysis of the link between product innovation strategies, market innovation strategy, technological innovation strategies and market growth	34
4.6 Chapter summary	36
CHAPTER FIVE.....	38
SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS.....	38
5.1 Introduction	38
5.2 Summary of key findings	38
5.3 Discussion of results	39
5.3.1 The influence of product innovation strategies on market growth of insurance companies in Kampala	39
5.3.2 The effect of market innovation strategies on market growth of insurance companies in Kampala	40
5.3.4 The effect of technological innovation strategies on market growth of insurance companies in Kampala	41
5.4 Conclusions	42
5.5 Recommendations	43
5.6 Suggestions for further research.....	43
REFERENCES	44
APPENDIX:1 SAMPLE SIZE	49
APPENDIX: II QUESTIONNAIRE.....	51

LIST OF ABBREVIATIONS/ ACRONYMS

IRA	Insurance Regulatory Authority
KPMG	Klynveld Peat Marwick Goerdeler
NSD	New Service Development
R&D	Research and development
SBS	Survey of Business Strategy
SPSS	Statistical Package for Social sciences
UIA	Uganda Investment Authority

LIST OF FIGURES

Figure 1; The conceptual frame work	7
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ABSTRACT

This study examined the influence of innovation practices on market growth of the insurance sector in Kampala. The focus of this study was motivated by the low market growth demonstrated in terms of low market share, revenue and profitability of the various insurance companies. In this study, Innovation Strategies was used as the independent variable and was measured using market innovation strategy, product innovation strategy and technological innovation strategy while market growth was used as the dependent variable and was measured using sales revenue. The objectives of the study were to analyse the influence of product innovation strategies on market growth of insurance companies in Kampala, to examine the effect of market innovation strategies on market growth of insurance companies in Kampala and to examine the effect of technological innovation strategies on market growth of insurance companies in Kampala. Three null hypotheses were tested based on the objectives. The study used a cross sectional survey design where quantitative data was collected from 30 insurance companies with a target population of 240 managers drawn from various departments. A sample size of 148 managers were selected using Krejcie and Morgan table and using purposive sampling technique questionnaires were distributed to these respondents. Only 105 questionnaires were collected giving a response rate of 71%. Data was based on primary sources and a multiple regression analysis was used to show the influence of the independent variables on the dependent variable. Findings of the study revealed that product innovation strategies have an influence on market growth and thus hypothesis 1 was not supported. Market Innovation strategies were also found not to have an influence on market growth and thus hypothesis 2 was supported. Technological innovation strategies were found to have an influence on market growth and thus hypothesis 3 was not supported. Based on the findings, the study recommends that insurance companies should lay out procedures and strategies such as product innovation strategies, and technological Innovation strategies so as to enhance market growth. The Insurance Regulatory Authority (IRA) should formulate a well-defined regulatory framework to ensure that all the new products are registered and patented to encourage innovation. This study specifically focused on Insurance companies, for future research, a similar study should be taken with the input of insurance brokers and agents who are the key distributors of insurance business in the supply chain.

Key Words: Innovation, Market Growth, Marketing Innovation Strategy, Product Innovation Strategy
Technological Innovation Strategy

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The rationale of this research was to progress the understanding on the role of innovation practices on market growth of the insurance sector in Kampala. This introductory chapter discusses the background, the statement of the problem, purpose of the study, the specific objectives of the study, research hypotheses, conceptual framework, the significance of the study, justification of the study, scope of the study, and operational definitions of terms and concepts. The background, which is presented under four perspectives, is dealt with first before other issues are covered

1.2 Background to the study

1.2.1 Historical Background

Governments, guided by the pressures created following two world wars and the emergence of socialist ideas, found it necessary on grounds of public policy to get involved with the administration of insurance companies. For example, in the United States despite the apparent belief in the doctrine of free enterprise, the intervention of individual states in controlling insurance companies was extensive while in Europe, governments were very active in legislating powers for themselves to regulate insurance companies operating within their jurisdiction leading to the pull and push of systems and processes to improve the insurance business environment and thus innovation began (Hocking et al., 2014). There were reasons for government intervention in market economies since Insurance was a business conducted on a large scale and involved a number of policyholders paying a considerable amount of money in premiums. The funds accumulated were inevitably a source of temptation to some dishonest businessmen who at different periods in the development of insurance devised and perpetrated various fraudulent schemes under the guise of insurance (Poposki, 2009).

Over the years some insurers indeed failed to meet their obligations, mainly due to financial failure and unsustainable business models. Whatever the reason for the collapse of an insurer, the consequences for existing policyholders and third party claimants depending on the fund were always serious (Insurance, 2007).

life fund to provide for them in their old age or on the event of a life tragedy was even worse. One can therefore conclude that it was the function of Government to intervene, invent and innovate models that would ensure that insurance companies operating within their territories were financially stable and conducted their affairs in a reasonable manner (Gloster, Wherry, & Newman, 2006).

According to Ford (2018) the insurance world is becoming progressively more digital, and today's consumers are increasingly comfortable using new technologies. They expect these digital experiences in every interaction of their lives, including their interactions with insurers. This means that the future of insurance relies on innovation practices and Insurers can either prosper by becoming innovative or continue along the same path and watch their customers migrate to companies that offer more innovative products and services that better suit their needs (Balasubramanian, Libarikian, & McElhaney, 2018). In a highly competitive industry that is not traditionally known for innovation, technology, channels and business models, the need to innovate, and to do so quickly, was deemed critically important (Coad & Rao, 2008).

The ability to innovate and come up with diverse products to meet the desires and affordability of the extensive and various market segments that exist in the country was vital as well as transforming channel development to offer insurance products to previously under-served market segments (Mills & Tubiana, 2013). Inspired by the growing competition in emerging markets, companies began to understand the importance of innovation, since fast changing technologies and severe international competition quickly eroded the value addition on existing products and services (Mills & Tubiana, 2013).

Therefore, innovations create an indispensable element of the corporate strategies for numerous reasons such as to apply additional productive processes, to improve market performance, to pursue positive reputation in customers' opinion and as a result to gain a viable competitive advantage (Gurhan, Gunduz, Kemal, & Lutfihak, 2011).

In Uganda, modern insurance was introduced to during the colonial era. The first locally owned insurance

National Insurance Corporation (NIC) in 1964. Prior to that, only agencies and branch offices of foreign insurance companies, mainly from the United Kingdom, and America were in operation between 1946 and 1964 (UIA, 2014). There was little demand for services, the products offered were standardized, government supervision was minimal and competition relatively low. However, following the liberalization and privatization policies of Uganda's government, which ended its direct provision of goods and services and adopted the role of a supervisor and regulator, it required all foreign insurance companies to be incorporated in Uganda by 1997 through the introduction of the insurance act CAP 213 of the laws of Uganda (UIA, 2014).

Many insurance companies sprung up after government's liberalization of the economy and many more companies were incorporated after the millennium, this move led to the increase of registered insurance companies from 3 in 1946 to 30 in 2018. This, together with the establishment of the giant state owned Uganda Re in 2014 intensified competition in the industry (Wenden, 2017). The enactment of Uganda's insurance regulatory laws followed a logical pattern. Its aim was regulation of insurance companies by compelling compliance with several conditions before commencing trade, during trading operations and following up a company being wound up or ceasing from any other cause. The supervision of the insurance industry in Uganda developed to its present level over a period of years through the Insurance Regulatory Authority. (Insurance Regulatory Authority, 2006).

It is worth observing that the contribution of innovation to market growth of insurance sector is still unexploited while technology and innovation are key to driving agile growth in a challenging environment where the markets are showing vibrant signs of growth, requiring insurers to be innovative in their approach towards the achievement of sustainable market development (Raconteur, 2018). Today, the insurance industry is considered among the most innovative industries in the world (Hocking et al., 2014). This process is primarily driven by factors, such as the development of technologies that are being implemented at different stages of the provision of insurance services. The insurance company's growth of dependence on innovation in other industries requires elasticity in the strategic planning of its development. Innovations are becoming the main tool of competition in the market, which give an opportunity to add value to insurance products

2.2 Theoretical Background

There are many theories that explain the influence of innovation on market growth such as the Igor Ansoff matrix theory (1965), Marketing Theory by Kotler (1967), the Resource Based Theory (1959) and Rodgers Diffusion of Innovation Theory (1962). However the marketing theory by Kotler and Rodgers diffusion innovation theory underpins well the influence of innovation on market growth since it explains how marketing was an essential part of economics and innovating demand not only by price but also by advertising, sales promotion, sales force, direct mail and various middlemen such as agents, retailers and wholesalers operating as sales and distribution channels Kotler, (2006). While Diffusion of innovations as advanced by Everett Rogers in 1962 sought to explain how, why, and at what rate new ideas and technology spread (Rogers, 1995).

1.2.3 Conceptual Background

In this study the major concepts were Innovation practices as the independent variable and Market growth as the dependent variable. Each of these concepts was conceptualized differently by different authors and they had specific application contexts in the study.

It is believed that the first scientific definition of innovations and their significance for entrepreneurship was given by J. Schumpeter who characterized innovations as changes of the combinations of the factors of production that cannot be affected by infinitesimal steps or variations in the margin. They consist primarily in changes in the methods of production and transportation, or in the production of a new article, or in the opening of new markets or of new sources of material (Sweezy, 1943).

Drucker, (1985) gave a similar definition as the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth.

According to Mills & Tubiana (2013), Innovation referred to any combination of activities and technologies that breaks existing performance trade-offs in the attainment of an outcome in a manner that expands the realm

if competitors could not, allowing the company to provide a product at a price or performance level competitors could not match (Mills & Tubiana, 2013).

ari, (2007) looked at innovation as a process of coming up with new ideas, products and way of doing things an organization while Mutegi, (2018) reconstructed innovation practices in form of market innovation, process innovation, technological innovation, and product innovation, for the purposes of this study, innovation practices will be conceptualized as contented by (Mutegi 2018).

Ansoff, (1968) viewed market growth as the activity or fact of increasing the market share of an existing product or promoting a new product through strategies such as branding, advertising, lower prices or volume discounts.

Wainaina & Oloko, (2016) defended market growth as a measure of the percentage of the market that your product or service is able to capture. A marketing growth strategy involved increased sales of already existing products to a market that is already in existence while Ukiri, (2013) defined market growth as the increase or decrease in the size of a market for a product or service over time. It is typically measured as the percentage change in total sales in an industry or product category (Ukiri, 2013). For the purposes of this study market growth will be conceptualised in terms of sales revenue as contented by (Ukiri 2013).

1.2.4 Contextual Background

Uganda has 30 insurance companies approximate to a ratio of 1:3 for every 3 million Ugandans. Growth for the insurance sector in Uganda remains significantly low at 0.8%, which is lower than the average 3.8% Africa and insurance companies have not come up with adequate strategies to fully tap the virgin market (Raconteur, 2018).

Despite the Government's effort to promote insurance, growth remains one of the challenges facing the Ugandan insurance market (Insurance, 2007). According to Uganda insurers association (2014), the low levels of market growth have been linked to; poor marketing strategies including lack of product innovation, lack of

business development including investment and compliance challenges for new innovators, regulatory frameworks generally conducive for incumbents, market intelligence framework potential and more broadly, no explicit space for value chain players outside brokers or agents (Chakraborty, 2019).

It is true that with the establishment of Insurance Regulatory Authority and with the entry of private insurance companies, the insurance market will witness the introduction of innovative, need based and customer friendly products (Angima & Mwangi, 2017). The growth ratios reveal an existing coverage and growth challenge for Uganda's insurance sector considering that they compete for a limited market characterized by low market growth, lack of innovation and cut throat competition leading to dismal performance. Although insurance growth is currently low, there is great potential for the industry owing to recent discovery of oil and gas and the vastly growing real estate business (Crawford, Russignan, & Kumar, 2018).

1.3 Statement of the Problem

The Insurance sector in Uganda is facing a challenge of low market growth demonstrated in terms of low market share, revenue and profitability (IRA, 2017) This has led to the exit of some companies from the market, for instance AIG exited in 2014, Lion Assurance in 2016, NIKO in 2015, Leads insurance company in 2012 (KPMG, 2017). Different strategies have been employed by various insurances companies in an attempt to improve the situation including market sensitizations, advertisements, and public campaigns. However, the market growth of still remains significantly low. The recent report by Swiss Re, (2018) revealed that only 1.2% of Uganda's population had purchased insurance cover with an overwhelming 98.8% never having embraced insurance cover either for their life or property. This calls for a drastic change in the strategies to ensure that insurers in Uganda gain additional market share, and grow significantly as those in the neighboring countries, thus a need to come up with innovation practices as a strategy to improve market growth was now deemed critically important.

It is on this backdrop that the researcher was prompted to undertake a study on the role of innovation practices on market growth of the insurance sector in Kampala

1.4 Research Objectives

1.4.1 General Objective

The general objective of the study is to assess the contribution of innovation strategies on market growth of insurance companies in Kampala.

1.4.2 Specific Objectives

1. To analyse the influence of product innovation strategies on market growth of insurance companies in Kampala
2. To establish the influence of market innovation strategies on market growth of insurance companies in Kampala
3. To establish the influence of technological innovation strategies on market growth of insurance companies in Kampala

1.5 Research Hypotheses

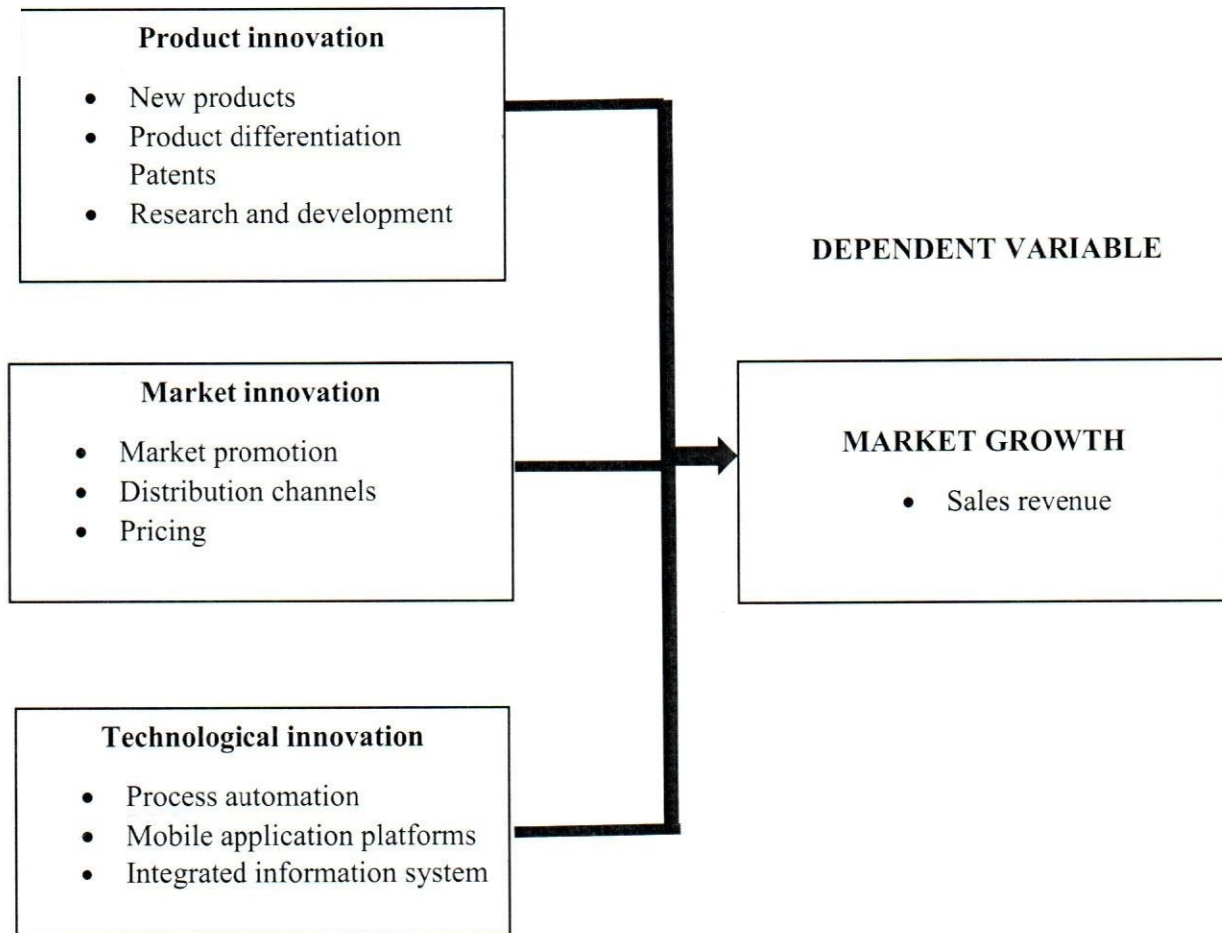
1. H1: Product innovation strategies have no significant influence on market growth of insurance companies in Kampala.
2. H2: Market innovation strategies have no significant influence on market growth of insurance companies in Kampala.
3. H3: Technological innovation strategies have no significant role on market growth of insurance companies in Kampala.

1.6 The Conceptual Framework

The conceptual framework is a graphical illustration of the proposed interaction between the study variables, it's also a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical/synthetical aspects of a process or system being conceived, the interconnection of these blocks completes the framework for certain expected outcomes (Seuring & Müller, 2008)

INDEPENDENT VARIABLE

INNOVATION PRACTICES



Source: Mutegi Kijogi, (2018), Barasa Kevin (2016), Njomo & Oloko, (2016) as modified by the researcher

The conceptual frame work above shows Innovation Strategies as the independent variable and it depicts the dimensions of innovation that include product innovation market innovation and technological innovation while Market growth as the dependent variable has been conceptualized using Sales revenue (Njihia et al., 2013)

1.7 Significance of the Study

The study may offer an in-depth understanding to the administration and supervision of insurance firms on how the industry is performing in relation to the general economy and how their firms are performing in relation to the industry. It will empower them to understand the variables that contribute most to the growth and development and focus on them strategically while assigning more resources for their implementation to achieve significant market growth.

The study may also be valuable to policy makers considering that they have great understanding on the role of innovation strategy on insurance penetration.

The findings from this study will enable the Insurance Regulatory Authority devise frameworks and programs aimed at enabling positive growth.

The study will be significant to the insurance intermediaries whose role is to add value through risk consultancy and distribution, Insurance Intermediaries (brokers and agents) earn commissions from insurers for every business booked therefore a shift in growth affects their profitability and revenues generated.

Some of the Banks in Uganda have been licensed to issue insurance policies through banc-assurance. They distribute insurance products on behalf of insurance companies and in return earn commissions. This study will be useful to them in the same way it would benefit the insurance intermediaries.

The academic researchers and scholars will have experiential material which will enable them appreciate the role of innovation strategy on insurance penetration.

1.8 Scope of the Study

1.8.1 Content Scope

The Study is aimed at establishing the relationship between innovation practices and market growth of the insurance sector in Uganda specifically concentrating in Kampala. The independent variable is Innovation

strategies with emphasis on product innovation, market innovation, and technological innovation while the Dependent variable is Market growth with emphasis on revenue

1.8.2 Geographical Scope

The study focused on the Managers of Insurance Companies in Kampala, licensed to carry out insurance business. These managers are involved in insurance business and have vast understanding and experience of insurance market and insurance products. The choice of insurance managers was informed by the fact that all the insurance companies in Uganda have their headquarters in Kampala and the managers to be interviewed were stationed at the headquarters (Wenden, 2017).The list of insurance Companies was obtained from insurance regulatory authority reports,(2017).According to (Wenden, 2017) there are 30 licensed insurance companies in Uganda who formed the population under study.

1.8.3 Time Scope

The Study based on data from 2008 to 2018. This duration is sufficient to gather the required information for the study

1.9 Justification for the study

This study complemented existing literature by establishing the influence of innovation and market growth of the insurance sector in Uganda, following the ratification of the E.A Common market Protocol which widened the borders of operation and created a need for innovative strategic approaches to reach the new markets and increase market growth (Ernst & Young, 2018), hence the need for further investigation to improve low market growth through innovation.

1.10 Definition of Key Terms

Innovation refers to changing processes or creating more effective processes, products and ideas. For businesses, this could mean implementing new ideas, creating dynamic products or improving your existing services. Innovation can be a catalyst for the growth and success of your business, and help you to adapt and

Market Growth is the increase or decrease in the size of a market for a product or service over time. It is typically measured as the percentage change in total sales in an industry or product category (Ukiri, 2013)

Marketing Innovation Strategy: This is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing (OECD, 2005). It must be part of a new marketing concept or strategy that represents a significant departure from the firm's existing marketing methods. Marketing innovation strategies can be implemented for both new and existing products (Homburg, 2009).

Product Innovation Strategy: This refers to the development of new products, changes in design of established products, or use of new materials or components in the manufacture of established products. Product innovation can be divided into two categories: radical innovation which aims at developing a new product, and incremental innovation which aims at improving existing products (Kotler & Keller, 2009).

Technological Innovation Strategy: This comprises of new insurance products and processes and significant technological changes of products and processes. An innovation has been implemented if it has been introduced on the insurance market (Didier & Olsson, 2011).

1.11 Organisation of the report

This report encompasses five chapters: Chapter one introduced the, historical, conceptual, theoretical and contextual perspectives of the study and these included innovation practices and market growth of insurance companies in Uganda. This forms the foundation for presenting the research problem, the research objectives and the value for the study. The chapter also presents the organization of the report which encompasses five chapters.

Chapter two provides a review of theories and empirical literatures that explains the associations among study variables. The theories covered included the marketing theory and diffusion of innovation theory. A summary of the empirical studies and research gaps have also been presented in this chapter.

The third chapter presents the methodology used in the study and included the research design, study population, sample size and sampling technique. The chapter discussed reliability and validity and also considered the diagnostic tests that were used in the study. The chapter also presented methods adopted in data collection, measurement of research variables, data analysis techniques, analytical models, ethical issues and limitation for the study.

Chapter four presents the background information of respondents and characteristics of the companies used in the study, descriptive statistics on product innovation, market innovation and technological strategies as well as market growth are also presented. Various diagnostic tests were carried out in order to perform a multiple regression analysis. This chapter also presented the testing of hypotheses and interpretation of findings. Finally, chapter five discovered the summary and discussion of findings, conclusion of the study, recommendations and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The focus of this study is to advance the understanding of the relationship between innovation strategies and insurance market growth in Uganda. This chapter provides a review of the literature. The specific areas covered here are theoretical review, conceptual framework, the empirical review of past studies, critique of the existing literature and research gap.

2.2 Theoretical Framework

Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge, within the limits of the critical bounding assumptions (Torraco, 2016).

2.2.1 Marketing Theory

This theory was advanced by Philip Kotler in (1967) which stipulates that Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others (Kotler & Keller, 2016). According to Kotler, (2006), marketing was an essential part of economics and saw demand as influenced not only by price but also by advertising, sales promotion, sales force, direct mail and various middlemen such as agents, retailers and wholesalers operating as sales and distribution channels.

Organization's marketing task is to determine the needs, wants and interests of target markets and to achieve the desired results more effectively and efficiently than competitors, in a way that preserves or enhances the consumer's or society's well-being (Kotler & Keller, 2016). In order to market effectively, Kotler believes the marketing purpose of elevating consumer well-being has to be put at the heart of company strategy and be practiced by all managers (Kotler & Keller, 2016). Organizations compete one another strategically to distinguish themselves in the area of service and quality within a market. Successful organizations strongly focus on the service paradigm with investment in people, technology, personnel policy and remuneration

systems for their employees. This is very important as the behaviour of the employees can have a direct influence on the quality of the service (Fram & McCarthy, 2003).

In the 1960s, the American marketer, Jerome McCarthy, provided a framework by means of the marketing mix: the 4 P's which include Price, Promotion, Product and Place which marketers can draw up a good marketing plan and improve operating results visibly by using the right combination and variables (Wilson, Zeithaml, Bitner, & Gremler, 2012). Booms and Bitner's insight in relation to physical products and services led to an extension of the traditional marketing mix (4Ps) and added three important factors which included, People, Process and Physical Evidence that make the services marketing mix and hence making the 7Ps of marketing (Booms, Bitner, 1981).

Product innovation and marketing innovation are usually regarded as two distinct issues: marketing scientists tend to take product innovation as given and do not worry about the decision on investing in product innovation at all while economists assume that any product innovation is successful, independent of the effort which is used to bring it to consumers (Beard & Easingwood, 1996). Several factors influence firms' decisions concerning product innovation and marketing innovations: the degree of substitutability, the number of competitors and market size (Beath, Katsoulacos, & Ulph, 2006).

The marketing of product innovation decreases with both the degree of product substitutability and the number of competitors while it increases with increasing market size. Market size has a positive and highly significant effect on firms' tendency to introduce product innovation and also their effort in marketing the innovation (Mikes & Kaplan, 2012). Market concentration has a significantly positive effect on product innovation and does not significantly affect effort used to market the product innovation (Abu Hussain & Al-Ajmi, 2012).

2.2.2 Rogers Diffusion of Innovation Theory

Diffusion of innovations was advanced by Everett Rogers in 1962 and seeks to explain how, why, and at what rate new idea and technology spread. Rogers argues that diffusion is the process by which an innovation is communicated over time among the participants in a social system (Sahin & Rogers, 2006). Rogers further

channels, time, and a social system and this process relies heavily on human capital (Ram, 1987). The innovation must be widely adopted in order to sustain itself. The categories of adopters are innovators, early adopters, early majority, late majority, and laggards (Leon, 2009).

Rogers argues that the attributes and characteristics of the innovation itself are important in determining the manner of its diffusion and the rate of its adoption (Rogers, 1995). In the case of technological innovation, and almost all innovations studies fall into this category and the rate of its usage is important for organizational growth and development (Leon, 2009). Rogers, (1995) outlines two components to be considered: a hardware aspect consisting of a tool that embodies the technology as a physical object, and a software aspect comprising this tool's information base. Rogers outlines five important characteristics of an innovation which, he argues, affect its diffusion: relative advantage, compatibility, complexity, trial ability and observability.

In relation to the insurance industry, normalization and standardization procedures reduce uncertainty and create network effects that increase the profitability of adoption Arcangeli et al., (2011) showing that compatibility standards constitute a factor likely to favour innovation diffusion. The insurance system may also reduce the risk, at least for some sectors like health. Rogers, (1995) as cited by Sahin & Rogers, (2006) suggests that, in almost all cases, a considerable degree of re-invention does occur.

2.3 Key concepts

2.3.1 Market Innovation Strategy

Charumathi, (2012) reported that new products introduced in the last five years generated 41% of company's sales and 39% of company's profits. Besides these benefits, NPD offers other benefits like the positive impact on company image, the opening up of new markets and the provision of a platform for further new products (Cooper, Easingwood, Edgett, Kleinschmidt, & Storey, 1994). Accordingly, Quadros, Furtado, Bernardes, & Franco, (2001) in a study on technological innovation in Brazilian industry found that innovations are done in general to meet production and marketing goals as improvement in product quality, reduction in production cost, increase in market share and new market structures, creation of new markets, and increase in production

2.3.2 Technological Innovation Strategy

Measuring the efficiency of the technological innovation activities is not new in literature but the empirical evidence is scarce. Floud, Mowery, & Rosenberg, (2006)) estimated the efficiency of R&D collaborations with Spanish public research centers. They considered firm revenue, number of employees and R&D expenditures as inputs and total income, new employees and patents as the outputs of the R&D collaborations. They observed that efficiency varied depending on firm size, and the level of firm knowledge. With the aim of analyzing the efficiency behavior of 15 industries in China,(Guan & Ma, 2003) considered R&D, learning , manufacturing, marketing and organization as innovation inputs and market share, sales growth, export rate, profit growth, productivity and new product rate as the outputs of what he defined as technological innovation capability. They concluded that only 16% of the firms were technical efficient.

2.3.3 Product Innovation Strategy

Customers are often seen as the basis of a company's profitability (Pechlaner, Fischer, & Hammann, 2006). The efficient allocation of limited resources to maximize value requires focusing on relationship oriented customers and strong, long-lasting customer retention(Ernst & Fischer, 2014). According to Pechlaner et al., (2006), customer perceived service quality has two dimensions: the functional dimension (process), which denotes "how" in the customer-seller interaction and the technical dimension (outcome), which relates to "what" in the actual service provision. Evidence supports the notion that service management is concerned with not only the technical but also the functional quality (Kang & James, 2004). Kang and James (2004) found that the technical and functional dimensions of service quality are both important predictors of customer satisfaction. Munhurrun & Bhiwajee, (2010) reported that both dimensions influence overall satisfaction, although they found stronger evidence for the effect of functional quality. Grönroos, (1988) proposed that interaction orientation leads to high levels of customer satisfaction. For instance, studies have shown that empowering individual customers to develop their own unique experience enhances their satisfaction (Ramani & Kumar, 2008). Saboo, Kumar, & Ramani, (2016) in a survey of 211 samples in 107 firms, found that a superior interaction orientation is likely to result in greater customer satisfaction.

2.3.4 Market Growth

Market growth (value of total insurance premiums (life and non-life)/GDP) is used to measure the amount of funds that are available to insurance companies (Rejda & Mc Namara, 2014). Different insurance companies, however, may have very different liability structures and may thus have different preferences for the assets that they hold (Rejda & Mc Namara, 2014). Life insurance companies that offer contracts with a substantial savings component, such as whole life contracts, might have a preference for long term debt. In contrast, insurance companies that offer term life and property and casualty insurance tend to have shorter term obligations, and thus, are expected to hold shorter-term debt (Reader, Kölschbach, & Trussell, 2018)

2.4 Empirical Literature

This is the literatures or previous studies that relate or argue positively with the current studies hypothesis and variables.

2.4.1 Product Innovation Strategy and Market Growth

In Iran, Pishgar, Dezhkam, Ghanbarpoor, Shabani, & Ashoori, (2014) in their study on the impact of product innovation on customer satisfaction and customer loyalty found that the efficient allocation of limited resources to maximize value requires focusing on relationship oriented customers and strong, long-lasting customer retention. Pishgar et al., (2014) observed that customer retention has typically been measured by self-reports from service employees. Customer retention has also been shown to have a positive impact on performance. They observed that improving customer retention is one of the major challenges in the whole construction industry. Pishgar et al., (2014) concluded that innovation management and customer retention have been widely recognized as key factors in enhancing customer satisfaction and business performance.

Preissl, (2011) conducted a study in Germany on what makes service innovation different and found that a large part of the poor understanding of innovation in services can be attributed to the informal nature of research and development (R&D) in New Service Development (NSD). Measuring innovation is often done

imitative and innovative products and new product announcements. These measurements are unfavorable for determining the level of innovation in services. As Preissl, (2011) points out, the R&D department is often not the major innovative contributor in a service driven company. A R&D department may not even exist. Patenting a service is possible to a varying extent in different countries and is not widely used to protect intellectual property in many services industries. Therefore it is natural to find a large discrepancy between the numbers of patents awarded to product innovations in relation to service innovations.

2.4.2 Market Innovation Strategies and Market Growth

Coad & Rao, (2008) while using a quantile regression approach, conducted a study on market innovation and firm growth in complex technological sectors and found that marketing innovation strategies were deployed by a considerable share of European enterprises in order to gain economic success and competitive advantage. But due to the highly complex nature and strong reference to related fields of innovation, their economic effects are more likely to become visible as indirect effects in terms of “enablers” and “prerequisites” for innovation. Nevertheless, the findings showed that market innovation can also contribute to firms’ direct economic performance in terms of sales growth and increases in productivity. Based on the analysis of selected organisational concepts, the findings also depict that different organisational measures vary in their linkage to different economic performance dimensions (Hollanders, 2010). This study determined the amount of variation explained by Market innovation strategy on insurance market growth.

Mupepi & Mupepi, (2014), while involved in defining the causal effect of financial innovation on financial performance of SMEs in Uganda, financial performance was measured by Return on Assets. The study established that many firms especially in the insurance industry make use of financial innovation strategies to keep pace with changing environments. The results also indicated that the relationship between new products and financial performance is insignificant and that operation processes and system innovations are statistically significant in explaining return on assets of insurance companies.

2.4.3 Technological Innovation and Market Growth

Njegomir & Demko Rihter, (2013) in a study on micro insurance and the importance of an inclusive approach in technological innovation understood the important role of market growth with the help of technology to achieve business success by observing the endogenous and exogenous drivers that lead to market growth. The findings enabled the articulation of the main advantage of technological innovation, which is, that stakeholders do not start from zero, they do not start with nothing. Every firm has its own base of knowledge, which they share to achieve a common goal. In the case of micro insurance for instance, a success factor was the ability to reuse an existing platform of payment leveraging on the high penetration of mobile technology on emerging markets as an infrastructure to reach lower segments of the market and reduce distribution costs. (Njegomir & Demko Rihter, 2013).

In order to empirically test the effect on technological innovation efficiency on firm performance, Cruz-Cázares, Bayona-Sáez, & García-Marco, (2010) used the Survey of Business Strategy (SBS), which is a firm-level panel data set of Spanish manufacturing firms covering the period from 1990 to 2005. The study found that the use of the innovation outputs without considering the effort needed to achieve them might overestimate their effect on firm performance. The results show that there are few efficient firms in the Spanish manufacturing sector indicating that there is much room for improving the efficiency of the technological innovation process. The results also show the importance of the measuring the technological innovation efficiency as determinants of firm performance rather than the merely an inclusion of innovation inputs or outputs. The study recommends the major importance of technological innovation in evaluating a firms successful development.(Cruz-Cázares et al., 2010)

2.5 Summary of literature review and knowledge gap

Studies done on the Insurance sector in Uganda include: Bwire Mc, Ssekakubo, Lwanga, & Ndiwalana, (2014) who focused on Assessment of the Level of Awareness and Perception of Motor Third Party Insurance in Uganda. Dekker, (2010) did a survey on Health Insurance and Other Risk-Coping Strategies in Uganda, Kasule, (2012) sought to establish the relationship between Consumer Attitudes, Financial Literacy and

Insurance in Uganda, Scheve, (2006) examined the effects of the major innovations and patents to various corporate performance measures such as profitability, market share and corporate growth in Uganda. An extensive number of studies done majoring on the innovation-performance relationship offers a positive evaluation of higher innovativeness ensuing from increased corporate performance (Stegerean & Petre, 2013). All these studies focused on different areas, other than the role of innovation on insurance market growth. This study seeks to fill this gap by examining the influence of innovation practices on market growth in Uganda.

2.6 Chapter summary

Literature review and a detailed description of various theories that guided the study were presented in this chapter. The theories that have been considered are marketing theory and diffusion theory of innovation. The empirical literature presented was based on the study objectives and the hypotheses of the study variables.. The key academic journals examined focused on innovation strategies and market growth. Summary of knowledge gaps from literature reviewed were also presented in this chapter

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the methodological concerns used while conducting the research and provided a justification for each step taken. It included the research design perspectives, data collection, and summary of statistical measurement methods, validity, reliability and hypothesis testing.

3.2 Research Design

The study adopted a cross-sectional survey design according to Kothari (2004) as an efficient way to obtain information needed to describe opinions and views of insurers in regard to innovation strategies and market growth and enabled the researcher to explore the prevalence of the study variables in a cross section of the study population. The design also enabled the collection of quantitative data and allowed the researcher identify patterns of associations among the variables and interpret the results. The study was further based on a survey strategy as opposed to a case study so as to enable the researcher to collect data from many items of the study population. The research was explanatory to categorically understand the influence of innovation on market growth of the insurance companies in Kampala

3.3 Study Population

The target population of the study was 240 managers of insurance companies which had their headquarters in Kampala and were licensed by Insurance regulatory authority to underwrite insurance business. The main Managers from these insurance companies were used as units of observation. The choice of these managers was based on Uganda Insurers Association (2018) that they had vast knowledge on matters relating to the insurance sector and were best placed to offer valuable information to the study without bias. The list of the target insurance companies was obtained from the Insurance regulatory authority of Uganda. According to UIA, (2017), there was a total of 240 managers in Marketing, IT, Underwriting and Finance departments in the insurance industry in Uganda. These managers were used as units of observation while the insurance companies were used as units of analysis.

3.4 Sample Size

A sample size of 148 managers were selected using Krejcie & Morgan (1970) table. Consequently, all the 148 managers from the various departments of marketing, IT, underwriting and finance were contacted and questionnaires were distributed to them. 43 respondents failed to return the questionnaire and therefore only 105 questionnaires were collected back and their responses included in the study. The response rate of the study was therefore 71 % and this was considered to be sufficient enough to conduct the study.

3.5 Sampling Technique

The study adopted a purposive sampling technique where the optimum sample size was chosen through purposively selecting staff within the insurance companies who have knowledge of market growth to ensure validity of the data collected. The inclusion criteria was based on the need for the sample staff to adequately fulfill the requirement of efficiency, representativeness and reliability (Kothari, 2011)

3.6 Data Collection and Source of Data

Data was collected using primary sources. Primary data was collected using structured questionnaires administered to the managers of the respective insurance companies a total of 120 questionnaires was administered to the respondents and the responses from 4 respondents of a particular company shall be averaged to represent one company.

3.7 Data collection instrument

A semi-structured questionnaire was used to collect primary data. This was appropriate because it allowed the participants to provide feedback that was slightly more expansive than a simple close-ended question, and much easier to quantify than a completely open-ended response (Bryman & Bell, 2003). The questionnaire contained close-ended questions and was administered individually by the researcher using a drop and pick later method to the sampled respondents. Care and control was exercised to ensure that most of the questionnaires issued to the respondents were collected. To achieve this, a register of questionnaires was maintained showing the ones which were issued and the ones received.

3.8 Measurement of the Study Variables

3.8.1 Innovation practices

This is the independent variable of the study and it was measured using items adopted from existing empirical studies on dimensions of innovation specifically product innovation, technological innovation and market innovation strategies (Mutegi, 2018) and these were be put on a likert scale ranging from strongly agree to disagree with a scale of 1 to 5 . Where 1 was for strongly disagree and 5 strongly agree. The factor loadings and Cronbach Alpha statistic for the scales of the different dimensions of the variable of innovation strategies are given in the Table 1 below.

3.8.2 Market growth

This was the dependent variable of the study and it was measured using sales revenue. The items were put on a likert scale ranging from strongly agree to disagree with a scale of 1 to 5. Where 1 was for strongly disagree and 5 strongly agree. The factor loadings and Cronbach Alpha statistic for the scales of the different dimensions of the variable of market growth are given in the Table 1 below.

3.9 Validity and reliability of the instruments

3.9.1 Validity

To enhance validity of the instrument, a pre-testing (pilot study) was conducted on 15 respondents who were 10% of the respondents. The reasons behind pre-testing was to assess the clarity of the instrument items so that those items found to be inadequate in measuring the variables were either discarded or modified to improve the quality of the research instrument thus increasing its validity. For further analysis after collection of data, construct validity test was conducted for the research variables to ensure that all items are measuring the same variable and this was examined using factor analysis. All the items with factor loadings which were greater than the cutoff point of 0.50, as recommended by Nunnally (1978), were considered for final study and the items that were below this cutoff were eliminated as shown in table 1 below

Table 1: Factor Analysis

Variables and their measures	
Product innovation strategies $\alpha=0.725$	Factor loading
The company has often developed new policies for new insurance products	.801
The company has potential to provide innovative solutions that streamline paper work and deliver efficiencies in the underwriting process	.786
The Company's management often has meetings to discuss product innovation strategies	.650
The company has patent rights for its innovated insurance products proving a competitive age	.810
Eigen value	2.219
Total variance explained	55.471
Kaiser-Meyer-Olkin (KMO)	0.655
Bartlett's Test Sphericity	25.870***
Market innovation strategies $\alpha=0.786$	
The company has unique marketing strategies that are completely different compared to other players in the way we promote brand awareness	.754
The company has often developed new distribution channels to reach new market segments	.839
The company has been successful in discovering unconventional segments of customers that are under served and has intergrated those insights into an effective plan for growth	.780
The company has separate budget for annual marketing campaigns in order to expand its market base	.898
Eigen value	2.687
Total variance explained	67.167
Kaiser-Meyer-Olkin (KMO)	0.699
Bartlett's Test Sphericity	47.971***
Technological innovation strategies $\alpha=0.834$	
Our filing system is top notch compared to the technology mostly used in the sector	.867
In this company the way we utilise the information management software	

The company's ICT platform that is shared with third parties and clients has increased the convenience and flexibility in procuring insurance services	.803
The company is investing a lot of money in a mobile platform to transact business and get feedback from clients	.820
Eigen value	2.675
Total variance explained	66.885
Kaiser-Meyer-Olkin (KMO)	0.799
Bartlett's Test Sphericity	41.033***
Market growth $\alpha=0.710$	
Our customers have been increasing over time	.847
The Company has a referral network which leads to expansion of market share	.787
We Sell More Insurance Products than our competitors in the industry	.566
The Company has a high retention of clients that renew their insurance policies after expiry	.675
Eigen value	2.518
Total variance explained	62.946
Kaiser-Meyer-Olkin (KMO)	0.365
Bartlett's Test Sphericity	90.156***
Extraction Method: Principal Component Analysis.	

N=105, *p<0.00, **p<0.01, *p<0.05, α is Cronbach Alpha coefficient computed for scales with three items and more.**

3.9.2 Reliability

To ensure reliability, the researcher provided clear definitions of the variables under study and an internal consistency of the instrument was measured using Cronbach Alpha. All the reliability coefficients were above 0.70, a cutoff recommended by Nunnally, (1978). After the data collection, reliability analysis was done and the findings for each of the variables are presented below;

Table 2: Reliability of the research variables

Variable	No. of items	Cronbach Alpha
Product innovation strategy	4	0.725
Market innovation strategy	4	0.786
Technological innovation strategy	4	0.834
Market growth	4	0.710

3.10 Data collection procedure

The researcher sought approval from the graduate school to ensure that the ethical guidelines are followed throughout the data collection process. At the onset of data collection, the researcher also sought permission from the Uganda Insurers Association's office to help access the insurance companies in Kampala.

Data collection was conducted in two phases; a pilot study and a main study. Pilot study was conducted to detect weakness in design and instrumentation and to provide accurate data for selection of a sample and improve the study design prior to performance of a full-scale research project. Those items found to be inadequate in measuring the variables were discarded or modified to improve the quality of the research instrument thus increasing its validity. During the pre-testing study, each question item was discussed to determine: suitability, clarity and relevance for the purpose of the study.

Based on feedback from the pilot study, modifications were made to the questionnaire for the next phase of data collection. Responses from the pilot-study were not be included in the final sample. In the main survey phase, questionnaires were delivered to managers of the different insurance companies. The package contained a covering letter and a questionnaire, the cover letter explained the purpose of the survey. The respondents were assured of the confidentiality of their responses.

3.11 Data analysis and presentation

Completed questionnaires were edited for completeness and consistency. The process of data analysis involved several stages namely; data coding, data cleaning and analysis. Responses in the questionnaires were tabulated, coded and processed by use of Statistical Package for Social Science (SPSS). The responses from the open-ended questions were listed to obtain proportions appropriately; the response were reported by descriptive narrative. The researcher conducted various diagnostic tests to ensure that the assumptions of classical linear regression model are not violated and appropriate model chosen for analysis. Estimating the probit models when the CLRM assumptions are violated would result in inefficient, inconsistent parameters estimates.

The normality test were conducted using the Kolmogrov-Smirnov and Shapiro Wilk test of normality on SPSS. The study adopted the Shapiro Wilk which was a more appropriate test for samples less than 50 but can also handle a sample size of up to 2000 (Laerd Statistics, 2010) If the Sig. value of the Shapiro-Wilk Test is greater than 0.05, the data is normal. If it is below 0.05, the data will be significantly deviate from a normal distribution (Laerd Statistics, 2010).

3.11.1 Model specification

Multiple regression was used to show association between independent and dependent variables as given below

$$\text{Multiple } Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where Y is the dependent variable (Market Growth), β_0 is the regression coefficient, β_1 , β_2 , β_3 , & β_4 are the slopes of the regression equation, X1 is product innovation strategy, X2 is market innovation strategy, and X3 is technological innovation strategy while e is an error term.

Descriptive statistics such as mean and standard deviation were used to quantify the data. Tables were used to present the data.

3.12 Ethical Considerations

- i. The Researcher ensured maximum confidentiality of all participants by concealing names and other information about those participating in the study.
- ii. The researcher also sought approval from management of the respective insurance companies
- iii. The researcher sought consent from every participant before being enrolled voluntarily on to the study

3.13 Limitations of the Study

The study was faced with a number of challenges which included the following:

The organization confidentiality policy which restricted some respondents from giving the information through the questionnaire as it was regarded as against the organizational policy to give confidential information to outsiders. This was mitigated by assuring the respondent of utmost confidentiality and

presented to the organization management that helped to avoid suspicion and enabled the organization managers to disclose much of the information sought by the study.

Inadequate responses to questions and unexpected occurrences like respondents proceeding on leave before completing the questionnaire. This was mitigated by constant engagement with the respondent and make clarification of issues not understood. To ensure high response rate, some questionnaires were mailed to the respondent and constant follow up done. So the respondents answered the question and emailed it back even when they were on leave. There were errors in the information provided which led to ultra –vires data. This was mitigated through data cleaning.

3.14 Chapter Summary

The chapter presented the methodology used and employed a cross – sectional survey design. A population of 240 insurance managers was used with a sample size of 120 which was based on Krejice and Morgan (1970) table. Primary data was obtained from 105 insurance managers giving a response rate of 87.5%. Data was collected using a questionnaire in two phases of a pilot test and final data collection. Reliability and validity tests were considered for the variables used, measurement of the research variables was made and model specifications were generated. Finally ethical considerations and limitations of the study were considered.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents descriptive and inferential findings based on the specific objectives of the study, the presentations are done according to the specific objectives and hypotheses. The first section presents the background information of the respondents. The second section presents descriptive and inferential statistical results along the three study objectives thereafter, the regression analysis results are presented and interpreted.

4.2 Background information of the respondents and firm characteristics

Respondents were asked about gender, and work experience and firm characteristics considered included the age and size of the firm. Findings regarding this information are presented in Table 3

Table 3: Firm and respondents characteristics

Attribute		Frequency	Percentage
Gender of respondents	Female	46	43.8
	Male	59	56.2
	Total	105	100.0
Department of the respondents	Marketing	26	24.8
	Underwriting	29	27.6
	Finance	27	25.7
	ICT	23	21.9
	Total	105	100.0
Experience of the respondents	Less than 1 Year	13	12.4
	1-5 Years	68	64.8
	6-10 Years	20	19.0
	Over 10 Years	4	3.8
	Total	105	100.0
Age of the firm	Less than 1 year	5	4.8
	1-5 Years	26	24.8
	Above 5-10 Years	12	11.4
	Above 10 Years	62	59.0
	Total	105	100.0
Size of the firm	5-25 Employees	22	21.0
	26-49 Employees	26	24.8
	50-80 Employees	24	22.9
	80-100 Employees	33	31.4
	Total	105	100.0

Source: Based on primary data

As can be seen in table 3 above most of the respondents included in the study were majorly males accounting for 56.2 percent, majority of the respondents were from the underwriting department representing 27.6 percent, majority of the respondents had an experience of less six (6) years representing 64.8 percent. In terms of firm size, most of the firms were above ten (10) years and employed 80 to 100 employees. We can therefore presume that most firms are more than 10 years old and employ more than 80 people suggesting that size and age of firm could affect market growth.

4.3 Market growth

Table 4 below, presents evidence on companies included in the study about the perceived market growth in the insurance sector, Specifically, the evidence collected focused on four areas namely, sale of insurance products, increase in customers, referral network, and retention of clients, their means and standard deviation as indicated in Table 4 below;

Table 4: Level of perceived market growth by surveyed managers in the insurance sector

Market growth statement	N	Mean	Std. Deviation
We Sell More Insurance Products than our competitors in the industry	105	2.90	.845
Our customers have been increasing over time	105	4.50	.509
The Company has a referral network which leads to expansion of market share	105	3.90	.759
The Company has a high retention of clients that renew their insurance policies after expiry	105	4.43	.679

Note: These items were measured on a five point likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean.

On scale of 1 to 5, the findings in table 4 above revealed that respondents agreed that increase in customers over time shown by a mean of 4.50 and a standard deviation of 0.509; retention of clients that renew their policy after expiry as shown by a mean of 4.43 and a standard deviation of 0.679; company referral network which leads to expansion of market share as shown by a mean of 3.90 and a standard deviation of 0.759 indicating that all these were important factors contributing to insurance market growth. While the item of

indicating that respondents did not attach much importance on this item for its ability to determine market growth.

4.4 Factors of Innovation strategies influencing market growth

The researcher categorized innovation strategies in three areas; product innovation strategies, market innovation strategies and technological innovation strategies the items measuring these constructs wer put on a five point likert scale ranging from 1 to 5

4.4.1 Product Innovation strategies

Table 5 below, presents evidence on companies included in the study about perceived product innovation strategies in the insurance sector, Specifically, the evidence collected focused on four areas namely, development of new policies for new insurance products, potential to provide innovate solutions to streamline paper work and deliver efficiencies in the underwriting process, meetings by management to discuss product innovation strategies and patent rights for the company’s innovated products.

Table 5: Respondents level of agreement with various indicators relating to the influence of product innovation strategies on market growth

Product innovation strategy statement	N	Mean	Std. Deviation
The company has often developed new policies for new insurance products	105	3.93	.740
The company has potential to provide innovative solutions that streamline paper work and deliver efficiencies in the underwriting process	105	4.37	.556
The Company's management often has meetings to discuss product innovation strategies	105	4.20	.664
The company has patent rights for its innovated insurance products proving a competitive age	105	3.40	.770

Note: These items were measured on a five point likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean.

The findings in table 5 above reveal that respondents agreed that the company’s potential to provide innovative

product innovation as shown by a mean of 4.37 and a standard deviation of 0.556; Company's management having meetings oftenly to discuss product innovation strategies and retention of clients that renew their policy after expiry was also agreed upon as an indicator of product innovation as shown by a mean of 4.20 and a standard deviation of 0.664; contrary the company oftenly developing new policies for new insurance products and patent rights for its innovated insurance products proving a competitive age did not score highly in explaining product innovation with a mean score of 3.93 and 3.40 respectively indicating that respondents did not attach much importance on these item's ability to explain product innovation .

4.4.2 Market Innovation strategies

Table 6 below, presents evidence on companies included in the study about perceived market innovation strategies in the insurance sector, specifically, the evidence collected focused on four areas namely, unique marketing strategies that are completely different compared to other players, development of new distribution channels, discovering unconventional segments of customers that are under served, and a separate budget for annual marketing campaigns in order to expand its market base

Table 6: Respondents level of agreement with various indicators relating to the influence of Level of market innovation strategies

Market innovation strategy statement	N	Mean	Std. Deviation
The company has unique marketing strategies that are completely different compared to other players in the way we promote brand awareness	105	3.77	.568
The company has often developed new distribution channels to reach new market segments	105	3.83	.648
The company has been successful in discovering unconventional segments of customers that are under served and has intergrated those insights into an effective plan for growth	105	3.87	.776
The company has separate budget for annual marketing campaigns in order to expand its market base	105	4.13	.571

Note: These items were measured on a five point likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean.

The findings in table 6 above reveal that respondents agreed that all the items were explaining market innovation strategies on a scale of 1-5 and had all exceeded the average mean score of 3 implying that all the items were given much importance in explaining the construct.

4.4.3 Technological Innovation strategies

Table 7 below, presents evidence on companies included in the study about perceived technological innovation strategies in the insurance sector, specifically, the evidence collected focused on four areas namely, filing system of the company being top notch compared to the technology mostly used in the sector, utilization of information management software in a unique way from players, and ICT platform that is shared with third parties and clients which increase convenience and flexibility and investing a lot of money in mobile platform to transact business in procuring insurance service.

Table 7: Respondents level of agreement with various indicators relating to the influence of level of technological innovation strategies

Technological innovation strategy statement	N	Mean	Std. Deviation
Our filing system is top notch compared to the technology mostly used in the sector	105	3.47	.730
In this company the way we utilise the information management software is unique from many players in the sector	105	3.60	.675
The company's ICT platform that is shared with third parties and clients has increased the convenience and flexibility in procuring insurance services	105	3.53	.776
The company is investing a lot of money in a mobile platform to transact business and get feedback from clients	105	3.23	.728

Note: These items were measured on a five point likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean.

On scale of 1 to 5, the findings in table 4 above revealed that respondents agreed that all the items were above the average mean score of 3 indicating that respondents had attached much importance of the items on their potential to explain technological innovation strategies apart from the company investing a lot of money in a mobile platform to transact business and get feedback from clients which had a least score with the mean of

Table 9: Regression model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.496 ^a	.246	.159	.46877
a. Predictors: (Constant), Technological innovation, Market innovation, and Product innovation				

Dependent Variable: Market Growth

The model above shows that 24.6 percent of variations in market growth can be explained by the predictor variables (Square = 0.246) this means that other variables not included in the study account for 75.4 percent variation on market growth as shown in table 9 above.

Table 10: ANOVA model summary

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.861	3	.620	5.026	.021 ^b
	Residual	5.713	26	.220		
	Total	7.574	29			
a. Dependent Variable: Market Growth						
b. Predictors: (Constant), Technological innovation, Market innovation, and Product innovation						

In testing the significance of the model, the value obtained was 0.021 which was less than 0.025 at 5% level in a two tailed test this indicates that the model was statistically significant in predicting the influence of the predictor variables on market growth levels. Findings also indicate the calculated Fvalue as 5.026 which is greater than the F critical at 5% level of significance (3.23)

Table 11: Regression coefficients of product innovation strategies, market innovation strategy, technological innovation strategies and influence on market growth

Innovation strategies constructs	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.018	1.873		2.679	.013
Product innovation	-.540	.218	-.495	-2.481	.020
Market innovation	.006	.517	.002	.011	.991
Technological innovation	.407	.168	.474	2.419	.023

a. Dependent Variable: Market Growth

From table 11 above the regression coefficients help in answering the regression equation on the underlying relationship between the study variables, the coefficient of product innovation was statistically significant (P=0.020) and the coefficient of technological innovation was statistically significant (P= 0.023) testing at 5%. This implies that hypothesis 1 and hypothesis 2 were not supported. On the other hand, the coefficient of market innovation was not statistically significant (P>0.05) and thus hypothesis 3 was supported.

The coefficients were product innovation (-0.540), market innovation (0.006), and technological innovation (0.407), Thus in general the regression equation becomes

$$\text{Market Growth} = 5.018 - 0.540 \text{ Product innovation} + 0.006 \text{ Market innovation} + 0.407 \text{ Technological Innovation.}$$

The results indicate that holding market growth constant the predictor variables would be 5.018. This shows that a unit change in the product innovation would result in 0.540 reduction in market growth, a unit change in efforts of market innovation would result into an increase in market growth by 0.006 and a unit change in efforts in technological innovation would result into an increase in market growth by 0.407.

4.6 Chapter summary

This chapter revealed the background information about the respondents included in the study and the firm characteristics. Descriptive statistics were used on the study variables of product innovation, market innovation and technological innovation strategies as well as market growth. Tests of normality and

independence. A multiple regression analysis was performed in order to test null hypotheses (H_1 , H_2 & H_3). The results from objective one and three were significant and therefore the null hypothesis (H_1 and H_3) were not supported while the results from objective two were insignificant and the null hypothesis (H_2) was supported.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion and recommendations of the study. The general objective of the study was to assess the role of innovation strategy on market growth of insurance companies in Kampala. The specific objectives of the study were; to analyse the influence of product innovation strategies on market growth of insurance companies in Kampala, to analyse the influence of market innovation strategies on market growth of insurance companies in Kampala, to analyse the influence of technological innovation strategies on market growth of insurance companies in Kampala. The data was analysed and the results of the findings were correlated with both empirical and the theoretical literature available. The conclusions relate directly to the specific objectives of the study and recommendations were deduced from the conclusions and discussions of the findings.

5.2 Summary of key findings

The main purpose of the study was to analyse the influence of innovation strategies on market growth of insurance companies in Kampala. The study specifically aimed at testing the influence of product innovation, market innovation and technological innovation strategies on market growth of insurance companies. The data for the study was collected from 105 insurance managers in Kampala.

In a mandate to address the study objectives, the null hypotheses were tested using a multiple regression analysis. Basing on the first objective, it was hypothesized that the influence of product innovation strategies on market growth of insurance companies was not significant, results revealed a significant influence of product innovation strategies on market growth ($\beta = -0.540$, $p = 0.020$) at 95% level of significance thus the null hypothesis was not supported.

framework empirically tested and identified the relationships amid product innovations and market growth through an integrated innovation-performance analysis. The results revealed the positive effects of innovations on firm performance in manufacturing industries.

Mutegi (2018), while exploring the role of product innovation on market growth had a significant strong positive relationship between product innovation and a firm's market growth while employing a descriptive research design on 34 Insurance Companies. Multiple regression analysis was used to show the relationship between product innovation and market growth and from the study findings, majority of the respondents thought product innovation analyzes and identifies what customers want.

The findings were also in agreement with Kotler & Keller's Marketing theory which asserts that Market growth has a positive and highly significant effect on firms' propensity to introduce product innovation and while Market growth has a significantly positive effect on product innovation it does not significantly affect effort used to market the product.

5.3.2 The influence of market innovation strategies on market growth of insurance companies in Kampala

The study revealed a non-significant influence of market innovation strategies on market growth where p value was greater than 0.05, meaning that market innovation strategies in the study does not significantly explain variations in market growth. The results of the inferential statistics that opening of new markets, creation of new market channels, marketing budgets and customer satisfaction surveys which are indicators of market innovation strategies do not contribute significantly to market growth of insurance companies in Kampala. The study therefore confirms that there is a non-significant influence between market innovation and insurance market growth. Insurance companies should therefore consider applying other strategies to improve market growth.

These findings are both in agreement and contrary with the conclusions of previous studies for instance; A study by Coad & Rao, (2008), who examined the association between market innovation and organisational growth on a considerable share of complex European technological sectors and found that market innovation significantly contributes directly to a firm's economic performance in terms of sales growth and increase in productivity. This is opposed by Mupepi & Mupepi, (2014), who while involved in defining the causal effect of market innovation on market growth of financial institutions in Uganda, where market growth was measured by number of products sold and sales revenue and to examine the link between market innovation dimensions such as advertising and market growth dimensions such as sales revenue the study adopted a regression analysis. Generally, the study revealed that both aspects were not important in enhancing market growth. The effect was not only negative but insignificant The study established that many firms especially in the insurance industry should make use operation processes and system innovations that were statistically significant in explaining the market growth of to keep pace with the changing business environment.

The findings were in disagreement with the marketing theory which suggested that marketing was an essential part of economics and saw demand as influenced not only by price but also by advertising, sales promotion, sales force, direct mail and various middlemen such as agents, retailers and wholesalers operating as sales and distribution channels.

5.3.4 The influence of technological innovation strategies on market growth of insurance companies in Kampala

The study revealed a significant influence of technological innovation strategies on market growth which was significant at p value less than 0.05, meaning that technological innovation strategies in the study significantly explain variations in market growth. The results of the inferential statistics show that insurance mobile application platforms, social media platforms, online reports and acquisition of insurance integrated information systems which are indicators of technological innovation strategy contribute significantly to insurance market growth in Kampala. The study therefore confirms that there is a positive and significant influence between technological innovation and insurance market growth. This reveals that if insurance

systems, introduction of shared information management system platforms, mobile application solutions and increase the ICT budgets then market growth is likely to improve.

The results are in agreement with the conclusions reached upon by Njegomir & Demko Rihter, (2013) in their study on micro insurance and the importance of an inclusive approach in technological innovation in this case mobile technology and how they understood the important role of business growth with the help of mobile platforms on micro insurance to achieve business growth. In the study analysis was done at different levels first with descriptive statistics, followed by correlation and later regression analysis in order to understand the relationship between technological innovation and market growth from a sample of 92 SMEs in India. The findings revealed that technological innovation had a significant positive correlation with market growth as measured by return on investments and sales revenue

In this study, the findings indicates that majority of the respondents concur that technological innovation contributes to insurance market growth and this in line with Rogers difusion theory where Noel, (2009) asserts that the rate of technological innovation and its usage is important for market growth and development

5.4 Conclusions

The study concluded that product innovation strategies are very important in influencing market growth, thus company involvement in product development and allocation of its budget resources is critical in contributing market growth.

The study also concluded that technological innovation is an important factor influencing market growth and thus ICT platforms needed to be formed and shared with clients, use of mobile platforms to transact business and use of SMS platforms to transact business are vital ingredients leading to increased market growth.

In a nut shell, study is a justification of the fact that the role of innovation strategies on market growth of insurance companies in Kampala cannot be underestimated and if implemented can contribute to quite a significant growth of the insurance sector.

5.5 Recommendations

Product innovation strategies were found to have a significant influence on market growth, the study therefore recommends that insurance companies need to invest in product innovation so as to grow their market base, this can be done in form of formulating well-defined regulatory frameworks to ensure that all the new products invented are registered and patented to encourage innovation. In addition, Insurance firms should allocate adequate resources for research on product innovation in their budgets as this deepens market growth.

Technological innovation was also found to have a significant influence on market growth, therefore, insurance companies are encouraged to develop technological strategies that can promote market growth, and for instance Insurance firms can organize ICT platforms where new technological innovations can be developed through brainstorming. Further, insurance firms should adopt the use of SMS and mobile platforms to transact business. The firms should also ensure they allocate sufficient funds towards ICT research to encourage new technological innovations.

5.6 Suggestions for further research

This study specifically focused on Insurance companies, for future research, a similar study should be taken with the input of insurance brokers and agents who are the key distributors of insurance business in the supply chain.

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APPENDIX:1 SAMPLE SIZE

Insurance Company	Marketing Manager	Underwriting Managers	Finance Manager	ICT Manager
JUBILEE	2	2	2	2
UAP	2	2	2	2
BRITAM	2	2	2	2
SANLAM	2	2	2	2
GOLDSTAR	2	2	2	2
ICEA	2	2	2	2
MUA (PHOENIX)	2	2	2	2
NIC	2	2	2	2
APA	2	2	2	2
SWICO	2	2	2	2
LIBERTY	2	2	2	2
CIC	2	2	2	2
ALLIANCE	2	2	2	2
EXCEL	2	2	2	2
TRANSAFRICA	2	2	2	2
PAX	2	2	2	2
FICO	2	2	2	2
NOVA	2	2	2	2
RIO	2	2	2	2
AIG	2	2	2	2
UAP LIFE	2	2	2	2
LIBERTY LIFE	2	2	2	2
ICEA LIFE	2	2	2	2

SANLAM LIFE	2	2	2	2
JUBILEE LIFE	2	2	2	2
PRUDENTIAL	2	2	2	2
CIC LIFE	2	2	2	2
NIC LIFE	2	2	2	2
METROPOLITAN	2	2	2	2
TOTAL	60	60	60	60

APPENDIX: II QUESTIONNAIRE

Dear respondent;

This is an academic study investigating the effect of Innovation Strategies and Market Growth of Uganda Insurance Sector. The study is conducted by School of Management and Entrepreneurship, Kyambogo University. Your responses shall be kept confidential and used only for study purposes. You are therefore kindly requested to spare some time and share your response.

Thank you for accepting to provide the data needed to analyse this topical issue.

For any queries or further information, feel free to contact:

Mr. James Odera Tel +256(0)751 36577: Email: jamesodera@yahoo.com

Please tick the option of your choice

SECTION ONE: DEMOGRAPHICS:

1. **Gender** What is your gender?

1 () Female

2 () Male

2. **Department** In which department do you work in this organization?

1 () Marketing

2 () Underwriting

3 () Finance

4 () ICT

3. **Experience** For how long have worked in your current position in this organisation?

1 () Less than 1 year

2 () 1 – 5 years

3 () 6 - 10 years

4 () Over 10 years

3. **Age of the firm** For how long has this firm been in existence?

1 () Less than 1 year

2 () 1 – 5 years

3 () above 5 - 10 years

4 () above 10 years

5. **Size of the firm** How many employees work for the organisation?

1 () 5 - 25

2 () 26 - 49

3 () 50 - 80

4 () 81-100

SECTION TWO: INNOVATION STRATEGIES

Please indicate the extent to which you agree or disagree with the statements below, by ticking the option which best represents your personal feelings towards Innovation strategies in your organisation.

Code	Statement	Strongly Disagree	.Disagree	Neutral	Agree	Strongly Agree
Product Innovation Strategies						
PIS 1	The company has often developed new policies for new insurance products which provides competitive product differentiation	1	2	3	4	5
PIS 2	The company has a deeper understanding of customers which helps them to develop more personalised products that suits their needs	1	2	3	4	5
PIS 3	The company has potential to provide innovative solutions that streamline paperwork and deliver efficiencies in the underwriting process	1	2	3	4	5
PIS 4	The company has a separate budget for research and development that facilitates innovation	1	2	3	4	5
PIS 5	The Company’s management often has meetings to discuss product innovation strategies	1	2	3	4	5
PIS 6	The company has patent rights for its innovated insurance products providing a competitive edge	1	2	3	4	5
Market Innovation Strategy						
MIS 1	The company has broad marketing strategies such as advertising as a way of promoting brand awareness	1	2	3	4	5
MIS 2	The company has often developed new distribution channels to reach new market segments	1	2	3	4	5
MIS 3	The company has a marketing team that ventures into new opportunities that exist in order to accelerate growth	1	2	3	4	5
MIS 4	The company has the ability to discover segments of customers that are over served and underserved and	1	2	3	4	5

	integrate those insights into an effective plan for growth					
MIS 5	The company has separate budget for annual marketing campaigns in order to expand its market base	1	2	3	4	5
MIS 6	The company has a defined pricing strategy that is based on customer needs and how well the product or service enables them to successfully execute their job	1	2	3	4	5
Innovation Technology Strategies						
ITS 1	My company has automated renewal notifications, follow-ups, and underwriting tasks which improves efficiency.	1	2	3	4	5
ITS 2	Our filing system is digitalized and documents can be automatically reviewed and rejected in the case of inconsistent information or errors.	1	2	3	4	5
ITS 3	The Company has an information management software that integrates operations of all departments to share and manage business information.	1	2	3	4	5
ITS 4	The company has an ICT platform that is shared with third parties and clients for convenience and flexibility in procuring of insurance service	1	2	3	4	5
ITS 5	The company uses a mobile platform to transact business and get feedback from clients	1	2	3	4	5
ITS 6	The company has a separate budget for maintenance and servicing of ICT equipment and processes	1	2	3	4	5

SECTION THREE: MARKET GROWTH

Please indicate the extent to which you agree or disagree with the statements below, by ticking the option which best represents your personal feelings towards market growth in your organisation.

Code	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
MG1	We sell more insurances products than our competitors in this industry	1	2	3	4	5

MG3	Our return on insurance premiums have been increasing over time	1	2	3	4	5
MG4	Our operation branches have been increasing over time	1	2	3	4	5
MG5	Many enterprises are entering into the same business we are doing	1	2	3	4	5
MG6	The company has a referral network for customers which leads to expansion of the market share	1	2	3	4	5
MG7	The company has a high retention of clients that renew their insurance product after expiry	1	2	3	4	5

Thanks for your contribution.


KYAMBOGO UNIVERSITY

P. O. BOX 1 KYAMBOGO
Tel: 041 - 4286792 Fax: 256-41-220464
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Office of the Dean, Graduate School

11th June 2019

To Whom It May Concern

RE: LETTER OF INTRODUCTION

Dear Sir/Madam,


This is to introduce **Mr. James Odera** Registration Number **17/X/14456/GMBA/PE** who is a student of Kyambogo University pursuing a Masters Degree.

He intends to carry out research on **“Innovation Practices and Market Growth in the Insurance Sector of Uganda: A Survey of Insurance Companies in Kampala”** as partial fulfillment of the requirements for the award of the Masters in Business Administration.

We therefore kindly request you to grant him permission to carry out this study in your institution.

Any assistance accorded to him will be highly appreciated.

Yours sincerely,


Assoc. Prof. Muhamud N. Wambede
DEAN, GRADUATE SCHOOL

KYAMBOGO UNIVERSITY
★ 12 JUN 2019 ★
OFFICE OF THE
DEAN GRADUATE SCHOOL

INSURANCE INSTITUTE OF UGANDA
13 JUN 2019
RECEIVED
P.O. BOX 104 KAMPALA

10TH June 2019.

To Whom It Concern.

RE: LETTER OF INTRODUCTION OF MR. JAMES ODERA TO CONDUCT RESEARCH SURVEY ON INNOVATION AND MARKET GROWTH OF THE INSURANCE INDUSTRY IN UGANDA.

This letter serves to introduce Mr. James Odera a Masters in Business Administration student at Kyambogo University. He is a practicing Insurer with Stallion Insurance Brokers and his area of interest is unique to the Industry in Innovations and Market Growth. We therefore seek your support to render assistance whilst he approaches your firm for data collection in this regard. He will also approach other players within the financial sectors in the same regard for a more comprehensive survey and findings.

We are therefore confident that his research will be rich in content and he has pledged to share his findings for our consideration, adoption and development.

We thank you in advance for all assistance rendered to this cause.

Yours faithfully,

UGANDA INSURERS ASSOCIATION



Paul Kavuma.

CHIEF EXECUTIVE OFFICER.

