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Effect of Market Share on Competitive Advantage of UAP Old Mutual Insurance Firm in Kenya

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Abstract: *Over the last few years, the insurance sector has experienced increased competition. This has been greatly attributed to increased taxation from regulator through introduction of new requirements, increase in risk management costs, capital inadequacy and high compliance cost. It is with this reasons that UAP Holdings agreed to merge with Old Mutual group to form one entity. Therefore the study sought to assess the effect of market share on competitive advantage of insurance firms in Kenya. The study was informed on the concept of, market power theory. The study targeted 51 department heads from the five UAP old Mutual branches in Nairobi as they are the decision makers. The researcher used Census since the target population was small. The study utilized both primary and secondary data. Questionnaires were used to collect primary data desirable for the study. The questionnaire contained both closed and open-ended items. The researcher got secondary data from the AKI report (2012-2018) to assess the performance and the market share of the insurance firm before and the merger and acquisition. The researcher also obtained data from the financial statements of UAP Old Mutual official website to get information on the capital gains and asset base of the insurance firm before and after the merger and acquisition. After acquiring all the necessary permissions the researcher administered the questionnaire directly to the respondents using a drop and pick up later technique. Piloting was done in other insurance in Nakuru County. To ensure that all the items used in the research instrument were consistent and valid, the instruments were then subjected to scrutiny and review by the researcher's supervisors at St Pauls University. Data was analyzed using both descriptive and inferential statistical methods. Descriptive analysis was done using frequency, percentage, means and standard deviation. Inferential statistics will involve the use of Pearson's Product Moment correlation and multiple regression models to determine the nature of the relationship between the variables. Data was presented in tables and bar graphs. The findings concluded that market shares have significant effect on the competitive advantage of UAP Old Mutual insurance firm in Kenya. From the findings the researcher recommended that insurance firms should focus on increasing their market shares because it represents the percentage of an industry or market's total sales that is earned by a particular company over a specified time period..*

Key words: *Market Share, Competitive Advantage, and Mergers and Acquisition*

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I. Introduction

A merger is the combination of businesses which occurs when two companies, more or less on equal footing, decide to join forces (Tomlison, 2015). On the other hand, acquisitions are business combinations which occur when one company takes over another company. For the entire Mergers and acquisition process to be a success, there must be a transfer of the capabilities and knowledge for cost effective synergies to become a reality. There are certain objectives and reasons for mergers and acquisitions that propel the increase in mergers and acquisitions (Hensmans, 2016). Mergers and acquisitions have become an important medium to expand product portfolios, enter new markets and acquire technology, gain access to research and development and gain access to resources which would enable the company to compete on a global scale (Yadav& Kumar, 2016). There are many reasons to merge with or to acquire another company: greater market share, diversification into a related group of products or services, expansion up or down the supply chain, gaining cutting edge expertise for new product development.

Mergers and acquisitions were used as strategic tools from last two to three decades, various organizations used M&A's for enhancing their efficiency and effectiveness extensively. In fact developed countries are showing more cases of M&A's such as U.K and USA as compared to developing countries. It is indicated that in U.K the value of mergers transactions from the insurance firms was 2532 million pounds in 2010 but later 2015 it increased up to 32600 million pounds that is showing tremendous increased in mergers transactions (Arnold, 2017). In 2018 the newly merged Standard Life Aberdeen offloaded its entire life assurance business to Phoenix Group for £3.24 billion. The company received £2.3 billion in cash and a 19.9 per cent stake in Phoenix from the transaction.

In developing economy like Pakistan, merger activities in the insurance sector of Pakistan picked up by the liberal reforms announced by insurance regulatory authority of Pakistan in 2010. The insurance sector of Pakistan showed drastic changes from the past few years due to the liberal reforms taken by insurance regulatory authority of Pakistan. There are various factors which are responsible for mergers and acquisitions in Pakistan including regulatory capital requirements, changes in legal framework and profit seeking. The insurance regulatory authority of Pakistan made it mandatory for insurance firms to maintain minimum paid up capital from time to time, then it becomes very difficult for insurance to meet these criteria alone and the insurance firms started to combine together, equal level insurance merged and larger insurance firms acquired the certain smaller insurance firms, (Rhoades, 2015).

In recent years, mergers and acquisitions (M&A) activities have become an important channel for investment in Africa for both global and local market players. M&A deals have allowed companies to consolidate their positions in African markets, contributing to better market access and competitiveness. Nevertheless, the African M&A market is still very small compared with other regions in the world. There are also regional disparities within the continent as the market is essentially dominated by deals in South Africa., (Economic Policy Research Centre, 2019). In 2015 and 2016 there were several merger and acquisition in the insurance sector in South African in 2015 Tokio Marine Merged with HCC insurance.

Over the last few years, the insurance sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region as well as automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional „off-the half' banking products. Players in this sector have experienced increased competition (Insurance Industry Annual Report, 2018).

In Kenya, there has been increasing number of mergers and acquisitions across the various economy sectors and particularly in the financial sector. Some of the notable mergers and acquisitions in Kenya's Insurance Industry include those of ICEA and Lion Assurance Company to form the ICEA LION group; that of Apollo Insurance Company Limited and Pan Africa Insurance Company to form APA Insurance; Old Mutual acquired UAP Insurance; LeapFrog Investments, a private equity firm, acquired Resolution Insurance; Saham Group of Morocco acquired Mercantile Insurance Company Ltd; Prudential Plc of UK acquired Shield Assurance Company Ltd and that of Britam Investment Group acquiring Real Insurance Company Ltd (IRA, 2016). In Kenya, mergers and acquisitions are used for various reasons including as market entry strategies by companies involved, enhancing market share, to increase product line, to overcome financial difficulties or to meet specific government legislation. More mergers are likely to take place in Kenya if the government through the Central Bank of Kenya implements its proposal to increase the minimum capital requirements for financial institutions in the country in a move aimed at stabilizing the country's financial sector (Inoti, Onyuma&Muiru, 2014).

Mergers and acquisition has been happening in the Kenyan insurance industry since early 90s. The most recent merger has been UAP-Old Mutual Group, where UAP Holdings agreed to merge with Old Mutual group to form one entity in June 2015. Financial performances for merged insurance companies have been of great interest to researcher. Some studies done have concluded that M & A have improved financial performance of the post-merger firms (Mwanza, 2016). The UAP Old Mutual Group now comprises of three key players as a result of the acquisition of a controlling stake in Faulu in 2014 and UAP in 2015 by Old Mutual. The acquisitions resulted in Old Mutual Kenya UAP Holdings and Faulu Microfinance Bank, forming one of the largest financial services groups with a growing footprint in East and Central Africa. UAP and Old Mutual have been major players in the financial services market in East Africa for decades. The two entities have vast experience in Insurance, Investment, Asset Management and Banking, and are passionate about helping our customers achieve their financial goals. A unique opportunity arose for two like-minded organizations, who were in pursuit of becoming Africa's financial champions, to partner in January 2015. The decision by UAP to sell shares to Old Mutual was driven by the fact that Old Mutual was deemed to be the right strategic partner to take the business forward. This resulted in the Old Mutual Group acquiring a controlling stake of 60.66% in UAP Holdings in June 2015, (IRA, 2016).

Over the last few years, the insurance sector has experienced increased competition. This has been greatly attributed to increased taxation from regulator through introduction of new requirements, increase in risk management costs, capital inadequacy and high compliance cost. It is with this reasons that UAP Holdings agreed to merge with Old Mutual group to form one entity. They used it as a strategy to survive and gain competitive advantage. One of the most common reasons for companies to enter into merger and acquisition is to merge their power and control over the markets. It also allows for increased value efficiencies of the new entity. However the fears of merger and acquisition cannot be neglected as in some cases it result to laying off of employees for example in 2017 UAP Old Mutual laid-off close to 100 employees this was attributed to the merger and acquisition that happened in 2015.

Empirically there have been studies carried out on mergers and acquisitions globally a study by Selvam (2009) conducted a study on the effect of mergers and acquisitions on the financial performance of petroleum firms in Kenya he found out that mergers and acquisitions are capable of having adverse effect on the market share this was contrary to Omondi, (2016) who conducted a study on the effect of merger and acquisition strategy on competitive advantage of ICEA and Lion Group, Kenya, who found out that mergers have a statistically significant effect on fundamental value of the merged or acquired entity hence competitive advantage, it is with this mixed and inconclusive findings that the researcher decided to carry out the research on the merger and acquisition between UAP and old mutual. Although there are several studies that have been conducted on mergers and acquisition in the insurance sector none of the study was conducted on merger between an international insurance firm and local insurance. Therefore this study sought to fill the existing research gap by investigating the effect of market share on competitive advantage

II. Literature Review

Theoretical Review

The study was based on market power theory. Market power theory was spearheaded by Montgomery, (1985). The theory focuses on the ability of a firm (or group of firms) to raise and maintain price above the level that would prevail under competition is referred to as market or monopoly power. The exercise of market power leads to reduced output and loss of economic welfare. Firm with market power has the ability to individually affect either the total quantity or the prevailing price in the market. Price makers face a downward-sloping demand curve, such that price increases lead to a lower quantity demanded. The decrease in supply as a result of the exercise of market power creates an economic deadweight loss which is often viewed as socially undesirable. As a result, many countries have antitrust or other legislation intended to limit the ability of firms to accrue market power. Such legislation often regulates mergers and sometimes introduces a judicial power to compel divestiture, (Vatiero, 2009).

The theory is relevant to the current study in that sometimes M &A might not lead to value maximization. The real world managers do not always act in the best interest of shareholders but rather tend to pursue their own interests to varying degrees. Instead of taking actions to maximize firm value, managers may act to maximize their own net worth and incomes, engage in excessive perquisite consumption and take other actions not consistent with value maximization. Moreover, and of special relevance to M&A, managers may engage in projects of questionable value that increase the scale of the firm to increase their compensation and prestige. The theory is of importance as it assists the researcher to fully understand the roles played by managers in ensuring that the mergers are able to capture, command and expand their market share which subsequently will lead to revenue generations.

Empirical Review

Market share represents the percentage of an industry or market’s total sales that is earned by a particular company over a specified time period (Rumelt, 2010). Market share is said to be a key indicator of market competitiveness and firms with market shares below certain level may not be viable. Similarly, within a firm’s product line, market share trends for individual products are considered early indicators of future opportunities or problems. Big and small business are seeking to win sales through competitive advantage in today’s economy and this is achieved through strategy whereby planning of sales activities is done by identifying competitive difference, ways of reaching clients and available resources (Darrell, 2018). Sales has enabled market share to have an effect on competitive advantage through the following ways. First, they identify which association the targeted customers belongs to, second, they identify non-competitive suppliers who sell to their customers and third, they identify customers working directly with your customers (Darrell, 2018).

In 2010 during the study discussion using PIMS database Buzzell Gale and Sultan they were able to link market share and profitability, this was clearly highlighted in this article. Regardless of whether market share is defined by rank or percentage; there is a strong correlation between market share and profit margin. The PIMS data set revealed that a company with a market share of 40 percent will achieve a profit margin twice as high as the competitor 10 percent of the market (Simon, 2010). Therefore, the strategic implication of these findings is that firms should strive to achieve a higher market share in order to reap the advantages of higher economies of scale and experience. Underlying the concepts of economies and economies of scale is that a company’s cost position depends on its relative market share. The higher the relative market share the lower the company’s unit costs are and the higher the profit margins. The most important question about the relationship is whether it represents a mere correlation or a true causal relationship (Ailawadi, Farris & Parry, 2013).

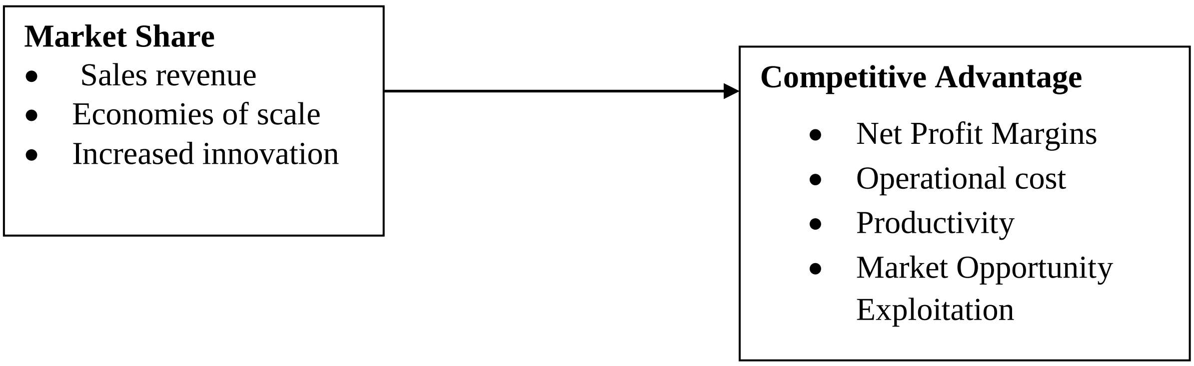
The relationship between market share and competitive advantage continues to be an important research issue in strategic management. In 2010 Rumelt and Wensley argued that the observed association between market share and profitability is an empirical regularity that requires a theoretical explanation (Denis, 2017). There is a widely held belief that market share and competitive advantage are strongly related and this noted by Buzzell and Gale in 2010 and Simon in 2010 (Denis, 2017). Research conducted in the 70s by Gale in 2009, Shepherd in 2010 and Buzzell, and Sultan in 20009 supported the hypothesis of a positive relationship between market share and profitability whereby Buzzell noted that the majority of studies on the topic find a linear positive relationship between market share and competitive advantage (Denis, 2017).

Khantimirov, (2017) sought to investigate the effect of market share as a measure of performance. The study focused on conceptual issues and financial accountability for marketing activities within a firm. The study findings revealed that market share reflects how marketing expenditures contribute to stakeholders' value. As a measure of marketing productivity, market share is also linked with the overall firm's profitability. As it was noted earlier, it is crucial to establish a positive link between profitability and non-financial marketing measures in order to maintain marketers' credibility and reinforce the importance of the marketing function within a firm. Among different measures of performance, market share is a key indicator of market competitiveness.

Etele, Bingilar and Ifurueze (2016) sought to investigate the market share and profitability relationship: a study of the banking sector in Nigeria. The dependent variable in the regression model is profitability represented by profit after tax (PAT), while the independent variables are two components of market share for banks: deposit customers (DC) and loan customers (LC). The results of the study revealed that market share represented by deposit customers (DC) and loan customers (LC) have positive relationship with profitability (PAT) of the banking sector in Nigeria.

Wambua, Namusonge, and Waema, (2014) did a study on competitive strategies' effects on the market share of independent petroleum companies in Kenya. The study findings revealed that low cost leadership and product differentiation were the least used competitive strategies. On the other hand, the use of market segmentation and convenience retailing strategies was very high. The study found a strong correlation between the competitive strategies employed and market share. The study also found out that apart from market segmentation and convenience retailing, other strategies like overnight parking of public service vehicles, car washing, tyre sales and vehicle servicing are also mostly used by independent petroleum companies to increase their market share.

Conceptual Framework



Independent Variables **Dependent Variable**

III. Research Methodology

The study adopted descriptive research design. Research design is the arrangement of conditions for collection and review of data in a manner which is aimed at integrating relevance to the research drive. The descriptive study describes the phenomenon as it is on the ground without any manipulation of variables. This method is considered appropriate because the researcher collected the data of the phenomenon under study in its natural environment and without any manipulation of the variables.

The target population was 51 department heads within the various branches of UAP old mutual insurance in Nairobi County. The departments include human resource, claims, statistics, finance, marketing, legal, audit, loss control and the general manager from the five branches within Nairobi County. Census was ideal as all the planning, executions, and management of the firm's strategies was captured. This helped to capture all the targeted 51 department heads for the five branches. These are key informants and can give more accurate and reliable information on the status and performance of the strategies. The main factor considered in determining sample size was the need to keep it manageable while being representative enough of the entire population under study.

The study utilized both primary and secondary data. Questionnaires were used to collect primary data desirable for the study. The questionnaire contained both closed and open-ended items. There are several advantages associated with the use of the questionnaire and which informed its usage in this study. These advantages include ease of distribution and data collection, ease of data analysis, standardization of the questions and cost efficiency. The researcher got secondary data from the AKI report (2012-2018) to assess the performance and the market share of the insurance firm before and the merger and acquisition. The researcher also obtained data from the financial statements of UAP Old Mutual official website to get information on the capital gains and asset base of the insurance firm before and after the merger and acquisition. The researcher acquired the necessary permissions to conduct research from St. Pauls University and from the management of UAP old mutual. The researcher also sought permit from the National Commission for Science, Technology and Innovation (NACOSTI).The questionnaire were then administered directly by the researcher using a drop and pick up later technique.

Piloting was done in ICEA LION GROUP in Nakuru Town. According to Patton (2010) pilot study is usually conducted prior to the actual study purposely to ensure the research instruments will function well.A pilot study is carried out to check the appropriateness of the instruments in regards to the purpose of the research and the clarity of the instruments especially the questionnaire items. According to Mugenda (2000), 10% of the sample is adequate for piloting. The researcher used the internal consistency method to check the reliability of the research instruments. Reliability analysis was calculated using Cronbach's alpha coefficient for all the sections of the questionnaire from the results of the pilot study. A value of 0.7 or below of the Cronbach's alpha coefficient showed low internal consistency. Subsequently, modifications, additional questions and any shortcomings that were found in the questions were corrected at this stage.

Data obtained from the questionnaires was first cleaned and edited before being coded and subjected to further analysis. The Likert scales in closed ended questions in the questionnaires was converted to numerical codes and be scored on 1-5 point scale in order of magnitude of the construct being measured, then entered into the Statistical Package for Social Sciences (SPSS) version 24. Data was analyzed using both descriptive and inferential statistical methods. Descriptive analysis was done using frequency,percentage,means and standard deviations to describe the basic characteristics of the population. Inferential statistics involved the use of Pearson's Product Moment correlation and multiple regression models to determine the nature of the relationship between the variables.

$$y_{ij} = b_0 + b_1 x_1 + e$$

;

Where;

y = competitive advantage of insurance at old mutual UAP insurance

b_o= Constant

x_1 = Market Share

IV. Data Analysis, Presentation, And Interpretation

The study thus administered 51 questionnaires for data collection. However, 50 questionnaires were properly filled and returned. This represented 98 percent overall successful response rates. Respondents were also assured of confidentiality of the information provided. Babbie (2015) suggested that a response rate of 50% is adequate 60% is good and 70% and above very good for analysis. This implies that 89 percent response rate was very appropriate for data analysis.

Table 1:Departments of the Respondents

Response	Number of Respondents	Percentage (%)
Human Resource Department	9	18
Claims Department	6	12
Finance Department	10	20
Statistics	7	14
Marketing Department	15	30
Audit Department	3	6
Total	**50**	**100**

Source: Research Data (2020)

From the analysis it emerged that 18% of the respondents were from human resource department, 12% of the respondents were from Claims department, 20% were from finance departments, 14% were from statistics department, 30% were from marketing department while 6% of the respondents were from audit department. According to Barnes and Thornburg (2019) Insurance companies are generally organized in five broad departments: claims, finance, legal, marketing and underwriting. Marketing and underwriting are the core department Underwriters seek to develop insurance products that can be sold to their customers for a profit. The marketing and underwriting departments are judged by their premium collections and retention ratios (i.e., the percentage of insured's who renew their policies with that insurer), while the claims department is judged by how little it incurs resolving claims.

Table 2: Duration of Service

Duration of Service	Frequency	Percentage (%)
Below 1 Years	9	18
2-5 Years	27	54
Above 10 Years	14	28
Total	**50**	**100**

Source: Research Data (2020)

From the study 18% of the respondents stated they has worked in their current work station for less 1 years, 54% of the respondents stated they has worked in their current work station for 2-5 years, 28% of the respondents stated they have worked in their current work station for more than10 above. This implies that majority of the respondents had been working in their current work station for 2-5 years. Employee experience can be defined as a set of perceptions that employees have about their experiences at work in response to their interactions with the organization. A positive employee experience gives workers a feeling that they are a part of something special and meaningful and that their contributions matter to the organization.

Table 3: Market Share on Competitive Advantage

Market Share	SA	A	N	D	SD	N	Mean	Std
A bigger market share leads to increased sales revenue of a merger and acquisition	46%	44%	4%	6%	0%	50	4.64	0.876
Through merger and acquisition the firm has increased its sales revenue which has resulted to increase in cash flow	43%	52%	2%	3%	0%	50	4.82	0.765
Through merger and acquisition the firm is in a position to develop new sales opportunities which increase their revenue	41%	52%	2%	5%	0%	50	4.46	0.567
Mergers and acquisitions lead to economies of scale which in turn promotes cost efficiency	47%	33%	7%	10%	0%	50	4.17	0.641
Economies of scale of a merger and acquisition is formed through the sharing of resources and services	52%	33%	4%	9%	2%	50	4.23	0.643
Economies of scale lowers the company's units costs as the size of the merger and acquisition increases	56%	34%	4%	6%	0%	50	4.45	0.876
Mergers and acquisition results in economies of scale in operations	49%	39%	10%	2%	0%	50	4.351	0.767
Mergers and acquisition significantly improve the process innovation by introducing new methods of operations	48%	39%	6%	4%	3%	50	4.345	0.692
Market innovation of mergers and acquisition leads to new products and services	46%	44%	4%	6%	0%	50	4.64	0.876
Creating synergies between complementary assets result to increased product innovation of merger and acquisition	43%	52%	2%	3%	0%	50	4.82	0.765

Source: Research Data (2020)

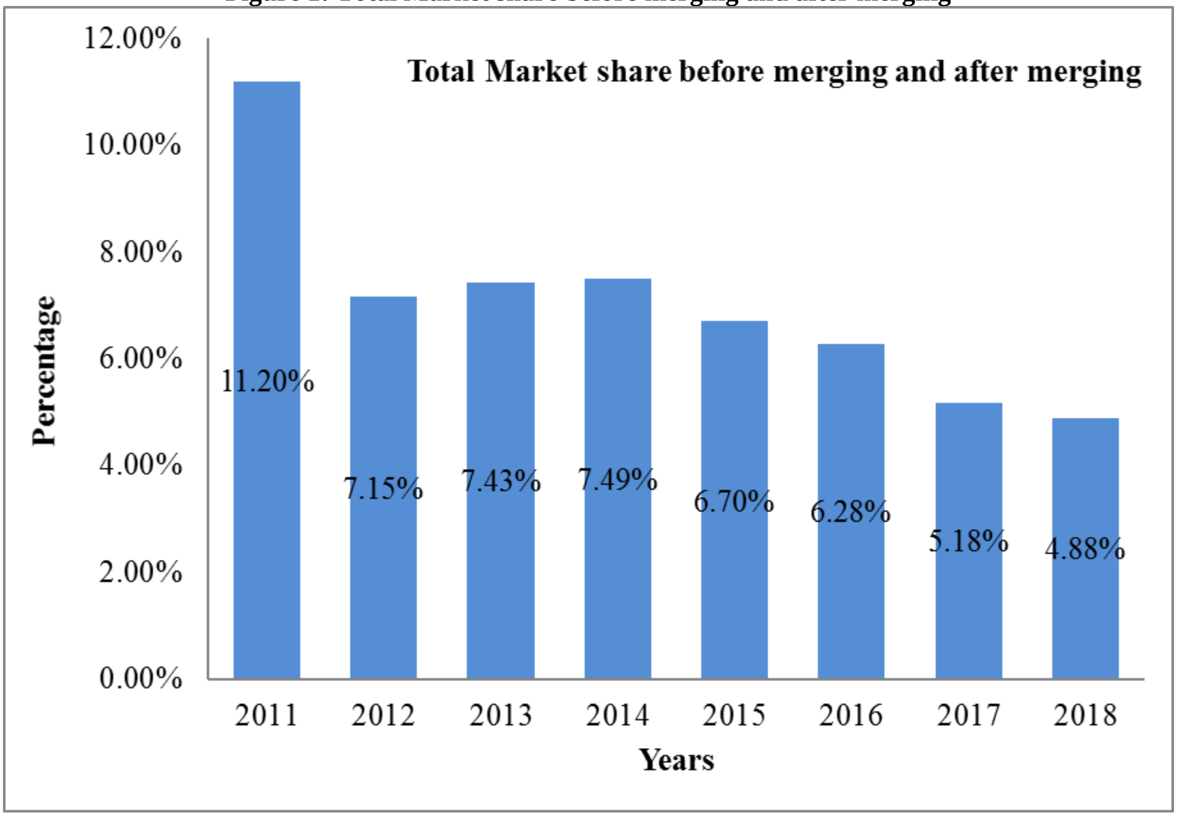
From the findings, majority of the respondents (90%) agreed with a (mean = 4.64; stddev = 0.876) that the a bigger market share leads to increased sales revenue of a merger and acquisition. Further, majority of the respondents (95%) agreed with a (mean= 4.82; stddev= 0.765) that through merger and acquisition the firm has increased its sales revenue which has resulted to increase in cash flow. According to Wharton, (2012)companies with the highest market share in their industries almost invariably have the most skilled and dedicated employees. Bringing the best employees on board reduces expenses related to turnover and training, and enables companies to devote more resources to focusing on their core competencies. Offering competitive salaries and benefits is one proven way to attract the best employees; however, employees in the 21st century also seek intangible benefits such as flexible schedules and casual work environments.

In addition majority of the respondents (93%) of the respondents agreed with (a mean=4.46; stddev=0.567) that through merger and acquisition the firm is in a position to develop new sales opportunities which increase their revenue. The study further (80%) of the respondents agreed with a (mean=4.17; stddev=0.641) that mergers and acquisitions lead to economies of scale which in turn promotes cost efficiency. The study findings conquers with Ngari, (2013) who found that on average, the overall value of both acquirer and acquired increases, which indicates that the market believes the announced deals will create value. If combined returns are positive, mergers certainly create value for the overall market, and, therefore, for investors in index funds.

Moreover, majority of the respondents (85%) agreed with a (mean=4.23; stddev=0.643) that economies of scale of a merger and acquisition is formed through the sharing of resources and services. This implies that economies of scale of a merger and acquisition is formed through the sharing of resources and services. Further majority of the respondents (90%) agreed with a (mean=4.4.5 stddev 0.876) that economies of scale lowers the company's units costs as the size of the merger and acquisition increases. According to Namwaya, (2015) creation of economies of scale, need to gain a higher bargaining power, and need for business expansions were the major reasons which drove the companies to create mergers and Acquisitions. As a result of increase in cost of running the business and increased competition companies look for strategies that will keep them afloat through strategic alliances such as merger and acquisition.

Further majority of the respondents (88%) agreed with a (mean=4.351; stddev=0.767) that mergers and acquisition results in economies of scale in operations. Moreover, majority of the respondents (87%) also agreed with a (mean=4.345; stddev=0.692) that mergers and acquisition significantly improve the process innovation by introducing new methods of operations. This implies that mergers and acquisition significantly improve the process innovation by introducing new methods of operations. From the findings 90% of the respondents agreed with (a mean= 4.64; stddev= 0.876) that market innovation of mergers and acquisition leads to new products and services. Finally majority of the respondents (92%) agreed with a mean= 4.82; stddev= 0.765) that creating synergies between complementary assets result to increased product innovation of merger and acquisition. The study findings are in tandem with, Okaria, (2015) who found that mergers and acquisition creates synergies by combining business activities, overall performance efficiency tends to increase and across-the-board costs tend to drop, due to the fact that each company leverages off of the other company's strengths.

Figure 1: Total Market share before merging and after merging



Source: Insurance Regulatory Annual Report

The researcher sought to determine market share before merging and after merging from 2011-2018. From the data in 2011 both companies had the highest total percentage market share while 2018 both companies had the lowest total percentage market share. From the findings there has been a decline in the total percentage market share for both companies this can been attributed to stiff competition in the insurance sector. Blending the operations and assets of both companies might give them an edge against competitors. One way for two businesses to meld is with a full asset merger. The finding agrees with Njambi and Kariuki (2018) who concluded that the assets base of financial institutions increases as a result of merger or acquisition. Assets base increased in terms of increase of physical infrastructure, cash and securities, competitive advantage increased market. In addition the study concludes that there is a significant relationship between pre and post-merger/acquisition capital base of firms and level of profitability.

Table 4: Competitive Advantage of Insurance Firm

Competitive Advantage	SA	A	N	D	SD	N	Mean	Std
The number of revenue streams has increased after the merger and acquisition	58	24	8	4	6	50	4.177	0.912
The value of the newly formed company (acquisition value) has increased after the merger and acquisition	40	48	4	8	0	50	3.984	1.032
The investment revenue of the new firm has increased after the merger and acquisition	50	34	8	4	4	50	4.145	0.921
The reduction of human resource has resulted to reduction of the resultant operation cost	54	36	2	5	3	50	4.563	0.608
Reduction of the number of offices result to reduction of rental fees which consequently reduce the total operation cost	48	40	3	5	4	50	4.181	0.513
The labour productivity for the employees increased after the merger and acquisition	63	32	0	3	2	50	4.604	0.670
The pooling together of physical resources has enhanced the productivity of the new firm	32	41	8	8	11	50	3.855	1.185
High labour productivity resulted to reduction in operational cost	49	40	3	5	3	50	4.403	0.778
The companies are able to exploit more market opportunities after merger and acquisition	58	24	8	4	6	50	4.177	0.912

Source: Research Data (2020)

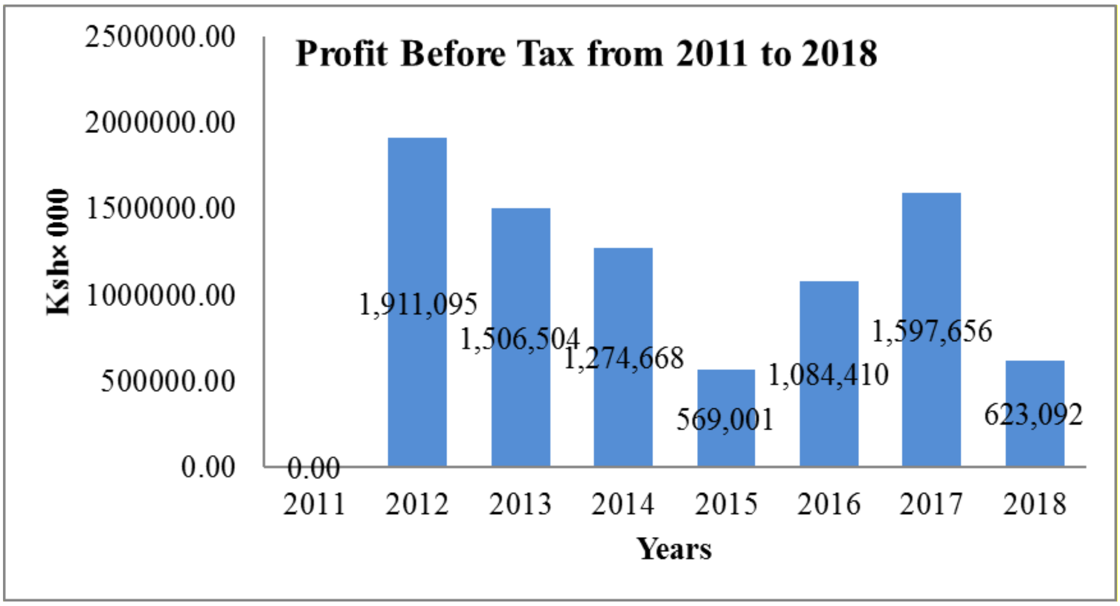
From the findings (82%) of the respondents agreed with a (mean=4.177; stddev= 0.912) that the number of revenue streams has increased after the merger and acquisition. The findings also revealed (80%) of the respondents agreed with a (mean =3.984; stddev=1.032) that the value of the newly formed company (acquisition value) has increased after the merger and acquisition. The study findings conquers with Ngari, (2013) who found that on average, the overall value of both acquirer and acquired increases, which indicates that the market believes the announced deals will create value. If combined returns are positive, mergers certainly create value for the overall market, and, therefore, for investors in index funds.

In addition (95%) of the respondents agreed with a (mean= 4.145; stddev=0.921) that the investment revenue of the new firm has increased after the merger and acquisition. Furthermore majority of the respondents (95%) of the respondents agreed with a (mean=4.563; stddev=0.608) that the reduction of human resource has resulted to reduction of the resultant operation cost. The study findings agrees with Gerude,(2014) study which found that, mergers and acquisitions leads to increase in revenue because it impacts on some economic impact on the shareholders. If it is a purchase, the shareholders of the acquired company get highly benefited from the acquisition as the acquiring company pays a hefty amount for the acquisition. On the other hand, the shareholders of the acquiring company suffer some losses after the acquisition due to the acquisition premium and augmented debt load.

In addition majority of the respondents, (88%) agreed with a (mean=4.181; stddev=0.513) that reduction of the number of offices result to reduction of rental fees which consequently reduce the total operation cost. In addition majority of the respondents, (95%) agreed with (mean=4.604; stddev=0.670) that the labour productivity for the employees increased after the merger and acquisition. Moreover, majority of the respondents, (73%) agreed with (mean=3.855 stddev=1.185) that the pooling together of physical resources has enhanced the productivity of the new firm. In addition majority of the respondents, (89%) agreed with a (mean=4.403; stddev=0.778) that high labour productivity resulted to reduction in operational cost. Finally, majority of the respondents (82%) agreed with (mean=4.177 ;stddev=0.912) that the companies are able to exploit more market opportunities after merger and acquisition. The study agrees with Juma, (2016) noted that the new firm will have an increased market share, which helps the firm gain economies of scale and become more profitable. The merger will also reduce competition and could lead to higher prices for consumers.

Figure 2:Profit Before Tax from 2011 -2018

Profit before tax from 2011 -2018



From the data in 2019 the company had the highest total profit before tax while 2015 had the lowest total profit before tax. It can be noted that before merging there was a decrease in the profit levels however after merging the company has recorded an annual increase in profit levels with the exception of 2018. This shows that there was a significant positive effect of the merger on the company's profit levels

Correlation Analysis

Pearson correlation was conducted in order to estimate the existence, nature and significance of the relationship between market share and competitive advantage of UAP Old Mutual insurance firm in Kenya.

Table 5: Correlation between Market Share on Competitive Advantage of UAP Old Mutual insurance

		Market Share
Competitive advantage of UAP Old Mutual	Pearson Correlation	.641*
	Sig. (2-tailed)	.014
	N	50

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

Correlation is a bivariate analysis that measures the strength of association between two variables and the direction of the relationship. The study established that there exists a strong positive and significant relationship ($r = .641$, $P=0.014$) between market share and competitive advantage of UAP Old Mutual insurance firm in Kenya. This is supported by the P-value of 0.014 which is less than correlation of 0.05. The study agrees with Darrell, (2018) who argued that market share is the key indicator of market competitiveness and firms with market shares below certain level may not be viable. This implies that market share plays a big role in enhancing the competitive advantage of UAP Old Mutual insurance firm in Kenya.

Table 6: Model Summary with Market Share as Predictor

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.443[a]	.196	.183	.370

a. Predictors: (Constant), Market share

b. Dependent Variable: Competitive Advantage of UAP Old Mutual Insurance Firm

The study used the value of R-Squared. R-Squared is the percentage of the response variable variation that is explained by a linear model. The R-squared in this study was 0.197 which shows that market share explains 19.6 % variation on competitive advantage of UAP Old Mutual insurance firm in Kenya. The findings are in line with Kramer, (2014) who found that a higher market share puts companies at a competitive advantage. The advantages of large market share are greatest for businesses selling products that are purchased infrequently by a fragmented customer group. One of the surest methods to increase market share is acquiring a competitor. By doing so, a company accomplishes two things. It taps into the newly acquired firm's existing customer base, and it reduces the number of firms fighting for a slice of the same pie by one.

Table 7: Anova for Effect of Market Share

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.236	1	9.236	11.706	.000[b]
	Residual	37.886	48	0.789		
	Total	47.122	49			

a. Predictors: (Constant), Market Share
b. Dependent Variable: Competitive Advantage of UAP Old Mutual Insurance Firm

Analysis of Variance was used to determine the significance of the regression model and also in testing the null hypothesis. From the findings, the F-Value of (11.706) was found to be significant at (0.000) which shows that the model was fit in predicting the effect of market share on competitive advantage of UAP Old Mutual insurance firm in Kenya. The finding agrees with Khantimirov, (2017) who argues that, market share is a key indicator of market competitiveness. The findings agrees with Metclaf (2015) who argued that organizations need to find ways of becoming adaptable, flexible, profitable and efficient to maintain market share and successfully compete in the global economy today.

Table 8 :Regression Coefficients for Effect of Market Share

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	2.026	.420		4.824	.000
Market Share	.596	.107	.548	5.570	.013

Dependent Variable: Competitive Advantage of UAP Old Mutual insurance firm.

From Table 8 the beta coefficient for market share was 0.596. It means that the effect of market share on competitive advantage is positive. The results also illustrate that, a unit change in market share would result to 0.596 times change in competitive advantage of UAP Old Mutual insurance firm in Kenya. The t-value for this beta was 5.570 while the p-value was less than 0.05. Since the p-value was less than 0.05, it means the beta coefficient for market share is greater than zero and thus this variable has a statistically significant effect on competitive advantage of UAP Old Mutual insurance firm. This finding led to the rejection of the null hypothesis and the subsequent conclusion that market share has a statistically significant and positive effect on competitive advantage of UAP Old Mutual insurance firm.

V. Conclusion

From the results, market share was positively correlated with competitive advantage of UAP Old Mutual insurance firm in Kenya. Market share also had a significant effect on competitive advantage of UAP Old Mutual insurance firm in Kenya. This implies that market share plays a big role in enhancing the competitive advantage of UAP Old Mutual insurance firm in Kenya. The empirical findings indicated that market shares puts a company at a vantage point and ultimately increases its competitive advantage. Having a higher market share also postures a company to better prices from suppliers and increases their buying power. Another advantage of having a high market share is the economies of scale. When a company has a high marker share, it means that the client base is large. Most companies tend to focus on mass markets as opposed to fringe markets. The neglect of such small and fringe markets leave them open to competitors.

High market share demonstrates that a company has got its marketing right by offering customers a product that meets or exceeds their requirements. It may also give a company the opportunity to control developments in a marketplace – a factor known as market power. Companies with high market share can create barriers to entry that maintain their position. Market leaders also attract investors and build confidence in prospective customers. Market share in the study was found to significantly affect competitive advantage of organization from the previous studies. This implies mergers and acquisition should strive to enhance their market share to make them competitive.

VI. Recommendations

From the conclusion the researcher recommended that there is a need for mergers and acquisition in Kenya to relook at how to expand their market share to ensure that the new venture. Insurance firms can use various strategies to enhance their market share such as innovation, having strong customer relationship, reducing expenses, bringing on board very competent employees amongSince the study focused only on the insurance firms, the researcher suggested that a study should be conducted on the effect of mergers and acquisition on growth of commercial banks. Another study should also be conducted on the effects of mergers and acquisition on the competitive advantage of the manufacturing firms.

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