Intelligence Information Generation, Dissemination, and Responsiveness in the Performance of Insurance Business in Nigeria

Dallah Hamadu
University of Lagos, Akoka, Lagos, Nigeria

Rita Obaji
University of Lagos, Akoka, Lagos, Nigeria

Benjamin Oghojafor
University of Lagos, Akoka, Lagos, Nigeria

This paper investigates the effect of market orientation practice on the performance of Nigerian insurance business. An empirical survey was conducted among 420 insurers to collect and guage the vital corporate insurance opinions toward meeting the research objectives. The findings of the multifactor design analysis findings suggest that the levels of marketing intelligence dissemination and the response to information generated have a significant impact on the performance of insurance business. Further analyses, using multiple regression equation, reveals that the market intelligence generation, dissemination and, more importantly, responsiveness to information feedback have a direct significant causal effect on insurance business performance. The paper also discusses also the policy implications of these findings.

INTRODUCTION

The marketing concept holds that customer's needs and wants should be the starting point for any marketing process. It introduces marketing as the beginning, rather than the end, of the production cycle and integrates marketing into each phase of the business operation. This approach has two important features. Firstly, it recognizes that selling is just one element of marketing and that marketing incorporates a broad range of activities. Secondly, it changes the point at which intervenes from after an item is produced to before it is designed. In other words, the marketing concept focuses on the consumer. Although many companies endorse the marketing concept and define the purpose of their businesses as the creation and retention of satisfied customers, they find the implementation of the concept very difficult. This is what market orientation addresses. Kohli and Jaworski (1990) define market orientation simply as the implementation of the marketing concept. A market orientation firm focuses its efforts on:

(i) continuously collecting information about customers' needs and competitors' capabilities;
(ii) sharing their information across departments; and
(iii) using the information to create customer value.

Thus, an organization's success will depend largely on its ability to continuously generate intelligence about its customers' need and disseminate the information generated with a view to responding satisfactorily to the customers' needs. This is essential if the organization is to continuously create superior customer value. Information generation is important because it is regarded as a necessary activity for identifying customers' needs and wants (Kohli, 1993). Moreover, shared interpretation of information occurs between dissemination and responsiveness (Daft and Weick, 1984). Harrison-Walker (2001) point out that the dissemination stage provides a shared basis for concerted actions by different departments (Kohli and Jaworski, 1990). However, until an organization responds to market needs, very little is accomplished. Hence, responsiveness is the action taken in the light of intelligence that is generated and disseminated and it involves the planning and implementation of a response strategy (Shapiro, 1988).

A key aspect of market orientation is that understanding consumers and competitors requires the involvement of managers and employees throughout the firm. The market orientation construct implies the generation of intelligence as a prerequisite for marketing. The concept "Market Orientation" extends beyond the customers' verbalized needs and preferences, while market intelligence pertains not just to the current needs but also to the future needs of customers and takes the initial step towards meeting them (Kohli et al, 1993; Kohli *et al*, 1990; Slater and Narver, 1995; Barrett and Weinstein, 1998).

Improving organizational performance has become a subject of concern for the operators of industries, investors and governments in Nigeria because of the increase in competition and globalization. Insurance and risk management constitute an immense global industry. Nigeria has the biggest insurance market in Africa, but the industry was weak prior to its recent recapitalization. This meant that most of the large insurance businesses were underwritten by foreign companies. Now, after the consolidation exercise, the domestic industry is poised, not only to penetrate deeper into the domestic market, but also to expand to other regions of the continent.

The insurance industry includes a wide variety of sectors and services. The most obvious are insurance underwriters that cover the risks and issue the policies, along with the agencies that sell the policies. However, there are also numerous consulting firms, claims-processing firms, data-collection firms and myriad other specialized fields, serving the industry. Recent regulating changes have heightened competition within the insurance industry – an area in which competition has always been fierce. Massive mergers and acquisitions have resulted in creating mega firms of financial services, many of which offer a wide range of financial services and products to their customers, including checking accounts, investment products and life insurance (Ajayi, 1998). Prior to the commencement of the industry's consolidation programme in Nigeria, there were 104 registered insurance and four re-insurance companies. Out of these, 71 companies survived the consolidation and they comprise 43 non-life underwriting firms, 26 life insurers and 2 re-insurance companies (Niyi, 2006).

The industry capitalization now exceeds N200bn ($1.62bn) from a pre-consolidation level of N30bn ($243m) that was transformed overnight by its strengthened financial capacity. Nigerian insurance companies are set to become dominant players in the African market. Therefore, there is a need to pay more attention to intelligence generation, dissemination and responsiveness to it.

Thus, the objectives of this article are:

(i) to examine the extent to which insurance companies in Nigeria are sensitive to information generation, dissemination and utilization in there market orientation practices; and

(ii) to determine if information generation, dissemination and responsiveness to it by the insurance companies have the potential of enhancing their performance.

THEORETICAL FRAMEWORK

Insurance Marketing

The main focus of all marketing activities is the creation and retention of satisfied consumers of a product or service at a profit to an organization. Marketing is important since customers have a choice and they need to be convinced on why they should buy an organization's product or service, rather than those on offer from competitors. With the prevailing intense competition in the insurance industry, it is now imperative for each company to map out a strategy for attracting and retaining its own clientele. However, owing to the present global economic recession, attracting and retaining clients will be more difficult. Therefore, in order to compete effectively, companies must imbibe the following marketing concepts:

(i) Pursuit of not only increased market share but also increased profitability.
(ii) Operations and planning must be customer-oriented.
(iii) A disciplined co-ordination of all marketing activities.

The identification and satisfaction of customer needs should be the focus of marketing activities of insurance companies. These objectives could be more effectively achieved through adequate generation and dissemination of information and responsiveness to it. This is the whole essence of marketing.

Intelligence Generation

This is a vital part of the operations of every organization. A company must understand completely its market and the people who decide whether or not to buy its products or service. Gaining this insight requires proactive information gathering and analysis. In many instances, a wealth of information is available in company records, information systems and employees. The challenge is to develop an effective approach to gathering relevant information that involves the participation of all business functions, not just the sales and marketing personnel. A key part of information acquisition is learning from experience. Learning organizations encourage open-minded inquiry, wide-spread information dissemination and the use of mutually informed managers' visions about the current market and how it is likely to change in the future (Day, 1994).

Intelligence generation, according to Kohli *et a*l (1993), is the collection and assessment of customer needs/preferences and the forces (i.e., task and macro environment) that influence the development and refinement of those needs, i.e., both customers and other external stakeholders. They also stress the necessity of this occurring in all departments in the business.

In order to serve the market better than the competitors, market orientation requires the availability of all the various kinds of information regarding existing and latent needs and wants of the customers and the factors affecting the fulfillment of those needs and wants. In this connection, Avlonitis and Gonnaris (1999) suggest that, having made this information available, a company–wide mobilization to satisfy customers' needs and wants should follow. Therefore, availability of information on customers' needs and wants at company-wide level becomes a major issue in the development of market orientation (Narver and Slater, 1989; Kohli and Jaworski, 1990; Slater and Narver, 1994).

Market orientation involves the organization-wide generation of market intelligence pertaining to current and future customer needs (Kohli and Jaworski, 1990). In order to create value for the customer, a level of understanding is required which involves acquiring information about the customers or buyers (Narver and Slater, 1990). Furthermore, the extent to which a company obtains and uses information from customers determines the level of the market orientation of that company (Ruekert, 1992).

Information Dissemination

Market orientation is also concerned with the dissemination of information throughout the organization. Kohli and Jaworski (1990) argue that market intelligence need not always be disseminated by the marketing department to other departments. Intelligence may flow in the opposite direction, depending on where it is generated, i.e., that all individuals in the organization are capable of generating intelligence. Information dissemination is a party-wide communication and reception of information through formal and informal communication. Responding effectively to a market need requires the participation of all departments in an organization. Ignacio *et al* (2002) argue that internal integration and co-ordination must be a faithful illustration among the organization's members in developing a group of activities aimed at the satisfaction of the target market. In this connection, Kohli and Jaworski (1990) suggest that if an organization is to adapt to market needs, market intelligence must be communicated, disseminated and even sold to relevant departments and individuals in the organization. According to Shapiro (1988), information should permeate the entire firm and strategic and tactical decisions should be made and executed inter-functionally. Kohli and Jaworski (1990) opine that the generated information should be disseminated effectively to all parts of the company. On their part, Narver and Slater (1990) assert that inter-functional co-ordination is a key component and is equally weighted as customer and competitor orientation.

In order to create superior customer value, there is a need for inter-functional co-ordination (Ruekert, 1992). This co-ordination is also known as intelligence dissemination that shares activities. Thus, market intelligence must be shared across the various parts/departments of the company.

An organization must have access to quality information in order to be able to cope with environmental uncertainty. It must also have information-processing capabilities (Premkumar, Ramamurthy & Sauder, 2005). This means that if an organization has only quality employee information, without information-processing capability, it will not be able to handle environmental uncertainty. The point is that, if environmental uncertainty continues, it can impact employees' motivation negatively and result in dissatisfying external customers. Therefore, to succeed, an organization might be able to disseminate quality information through processes, such as job rotation or enlargement and the promotion of its values, strategies, mission or culture.

Intelligence Responsiveness/Taking Action

Jaworski and Kohli (1993) define responsiveness as being composed of two sets of activities: response which uses marketing intelligence to develop organizational plan and response which involves executing the plan.

According to Narver and Slater (1999), the utilization of company resources should be co-ordinated in developing and creating value for its target customers. Ruekert (1992) also stress that, in order to be responsive to the needs, and wants of the market place, an organization should implement and execute its corporate strategy by focussing on gathering and disseminating quality information in order to satisfy its customers with a view to ultimately optimizing its performance.

Impact of Information Generation, Dissemination and Responsiveness on Organizational Performance

This consists of cost-based performance measure and revenue based performance measure, profit, sales and increase in market share. Many studies have examined the relationship between market orientation and organizational performance. For example, Narver and Slater (1990) studied the effects of market orientation on organizational profitability. They interviewed managers in 113 strategy business units (thereafter called SBUS) in one corporation. They used relative return on asset as a measurement for business organizational performance. Their findings suggest that market orientation is an important determinant of profitability for both commodities and non-commodities businesses. They also observe that organizations that have a high degree of market orientation also have a high level of profitability.

Kohli and Jaworski (1990), in their first attempt to conceptualize market orientation and its implications, interviewed 62 managers in diverse functions and organizations. Their findings suggest that market orientation enhances the performance of an organization in terms of return on investment (ROI), profit, sales volume, market share and sales growth.

Jaworski and Kohli (1993) conducted another study regarding antecedents and consequences of market orientation by using two sets of samples (Sample 1:222 SBUS: Sample 2:230 SBUS). This time they used both a subjective measure (Management's opinion on overall performance compared to that of major competitors) and an objective measure (market share). The results suggest that market orientation is related to overall business performance. However, it is only significantly related to business performance if measured by market share (objective measure). Jaworski and Kohli (1993) explain that market share may not be an appropriate indicator of performance. Secondly, they point out that the effect of market share on performance may not be captured in a cross-sectional study.

A number of studies have also measured the relationship between market orientation and organizational profitability. Dawes (1999) conducted a study that examined the association between market orientation and company profitability. In the study, he incorporated two methodological approaches that had generally not been used in previous research. Firstly, he used 'lagged company and environmental control variables' in the data analysis in order to better discern their effects on profitability and clarify any relationship between market orientation and performance. Secondly, he separately analyzed the individual components of market orientation and their relationship with business profitability. It was found that competitors' orientation, as a component of market orientation, had the strongest association with performance. The study argues that, while customer orientation is vital, competitor intelligence activities constitute a key factor in ensuring high performance. Further, it claims that each component of market orientation should not necessarily be assumed to have equally strong association with profitability. Therefore, the researcher suggested further studies in the absence of a significant association between market orientation information sharing and reporting performance.

Our contribution, via the present study, is an attempt to bridge the gap and highlight the relationship that exists between information generation, dissemination and response to it, on one hand, and organizational performance in the insurance service industry in Nigeria, on the other hand.

RESEARCH METHODOLOY

The survey exploratory research method was used to collect data for the present study. Random sampling was used in the selection process of about six hundred (600) insured respondents in Lagos State, Nigeria. The choice of Lagos was due to its metropolitan nature which explains the location there of most of the insurance companiesin Nigeria. In addtion, various Nigerian ethnic and religious groups are well represented in the study. From the following research questions, posed to guide our investigations, the hypotheses, tested to achieve the objectives of the sstudy, wereformulated:

Research Questions

(i) Are insurance companies in Nigeria sensitive to information generation, dissemination and utilization in their market orientation practice?

(ii) Do information generation, dissemination and response have any impact on insurance companies' performance and customer satisfaction in Nigeria?

Research Hypotheses

H_1: Insurance companies in Nigeria are sensitive to information generation, dissemination, and utilization in their market orientation practice.

H_2: There is a relationship between information generation, dissemination and response of insurance companies in Nigeria and their performance.

Structured questionnaires were randonmly distributed to the selected insurance workers. The research instrument contains 42 questions consiting of seven socio-demographic and economic variables; eight interval-scale items addressing workers' opinions on insurance market information inteligence generation (IIG); eight on market intelligence information dissemination (IID) internally; nine dealing with responsiveness to intelligence generation (RIG); and the remaining ten which deal with firm performance (PERF). The research instruments were validated by an expert panel. The response rate for the questionnaires distributed is 70%. Moreover, with the Cronbach-Alpha co-efficient of 0.875, 0.882, 0.799, and 0.920, the interval attitudinal scale (which is above 0.70) can be considered quite reliable, using the sample (Pallant, 2001).

Multi-factor analysis of variances is used to test the research hypotheses. Furthermore, multiple regression analysis is used to model the causal effect and estimate the marginal contribution of inteligence generation, desimination and resposiveness on the performance of insurance firms.

Models

The multifactor analysis design linear model and multiple regression equation are given in Figures 1 and 2 respectively.

FIGURE 1
MULTIFACTOR ANALYSIS DESIGN LINEAR MODEL

$$\boldsymbol{Y_{ijkl} = \alpha_i + \beta_j + \gamma_k + (\alpha\beta)_{ij} + (\alpha\gamma)_{ik} + (\beta\gamma)_{jk} + (\alpha\beta\gamma)_{ijk} + \varepsilon_{ijkl}}$$

where α_i is the main effect of IIG, β_j is the main effect of IID, γ_k is the main effect of RIG and the $(\alpha\beta)_{ij}$, $(\alpha\gamma)_{ik}$, $(\beta\gamma)_{jk}$, $(\alpha\beta\gamma)_{ijk}$ are the interactions effect with i = 1,2, j =1,2, k =1,2, and l =1,2,...,420.

FIGURE 2
MULTIPLE REGRESSION EQUATION

$$\boldsymbol{Y_i} = \beta_0 + \beta_1 IIG_i + \beta_2 IID_i + \beta_3 RIG_i + \varepsilon_i$$

where β_0 is the intercept and β_1, β_2, and β_3 are the regression coeffients of the contributory independent variables (IIG, IID and RIG).

SUMMARY OF RESULTS AND DISCUSSION

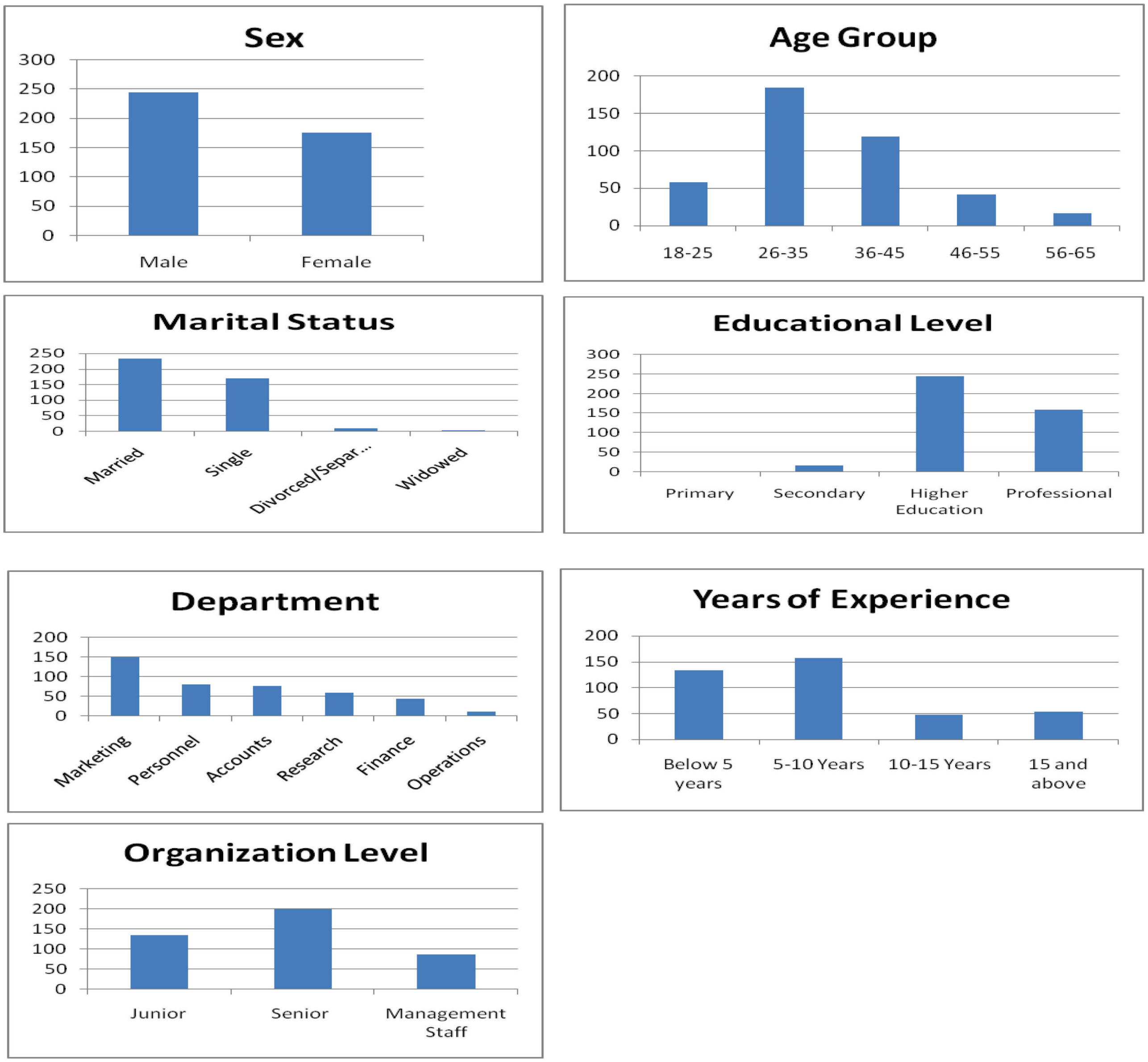
TABLE 1 gives a summary of descriptive statistics of the response variable (Organizational Performance) and the independent contibuting indicators, namely: Intelligence generation, dissemination, and response to information feedback. The respondents' socio-demographic and economic factors are displayed in Figure 3.

TABLE1
DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
IIG	420	1.75	6.00	4.7723	.82355
IID	420	1.13	6.00	4.6386	.92189
RIGI	420	1.11	6.00	4.6556	.96610
PERF	420	1.60	6.00	4.6894	.82776

With a mean rating score of about 5, when rounded to the nearer integer, the insurance companies are involved in information generation, dessemination and responsiveness to feedback. However, we group them into high and low market orientation practices for testing their impact on performance.

FIGURE 3
DISTRIBUTION OF SOCIO-DEMOGRAPHIC VARIABLES OF INSURERS



The following Tables 2 and 3 give the summaries of results of the multifactor design analysis test of hypotheses and the model estimation performance evaluation statistics of the fitted regression equation.

TABLE 2
MULTIFACTOR ANALYSIS OF VARIANCE TESTS BETWEEN SUBJECTS AND EFFECTS

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.
Corrected Model	99.325[a]	7	14.189	32.942	.000
Intercept	1185.530	1	1185.530	2752.370	.000
IIG	.414	1	.414	.962	.327
IID	3.990	1	3.990	9.263	.003
RIG	5.867	1	5.867	13.621	.000
IIG * IID	.016	1	.016	.038	.845
IIG * RIG	.220	1	.220	.511	.475
IID * RIG	.194	1	.194	.449	.503
IIGL * IID * RIG	1.039	1	1.039	2.412	.121
Error	164.108	381	.431		
Total	8841.410	389			
Corrected Total	263.433	388			

Dependent Variable: Organizational Performance

TABLE 3
SUMMARY OF THE ANALYSIS OF VARIANCE AND MODEL ESTIMATION EVALUATION OF THE FITTED REGRESSION EQUATION

Panel A: Analysis of Variance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	125.635	3	41.878	117.005	.000[a]
Residual	137.799	385	.358		
Total	263.433	388			

Panel B: **Estimated Regression Coefficients Statistics**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.448	.194		7.473	.000
IIG	.168	.064	.157	2.626	.009
IID	.161	.056	.176	2.866	.004
RIG	.354	.047	.424	7.551	.000

Predictors: (Constant), RIG, IIG, IID; Dependent Variable: Organizational Performance

CONCLUSION AND IMPLICATIONS

On the basis of the above, we conclude that insurers' corporate opinions suggest that information generation, dissemination and responsiveness to intelligence generation are critical for the success of insurance business in the Nigerian business environment. Although all the three causal variables contribute significantly to insurance firms' performance, the regression analysis results suggest that responsiveness to information generation by insurers has a higher significant effect on the insurance business. Given the central risk management role of insurance, the present findings confirm that market intelligence and response to intelligence are essential for the provision of good insurance services, vitally required for the accelerated growth of the Nigerian economy.

Apart from the marketing, the peculiar situation of most financial transactions in Nigeria has been weak contract certainty which, in turn, erodes the trust of the customers. This is where the oversight authority must wade in to strengthen regulation and supervision in order to further boost public confidence and trust in the insurance industry in a significant manner. More specifically, the present Nigerian government's cardinal programme of strict adherence to the rule of law should be extended to cover the insurance service industry where the persistent problem of non-payment of claims is undermining progress. It is when the public has access to justice in cases of insurance disputes that it can repose confidence in, and develop a positive attitude to, the industry. An efficient marketing orientation, rather than reliance on selling by insurers would go a long way in addressing the attitudinal problem of the public and impact positively on the growth and success of the Nigerian insurance industry.

Hence, further studies on the current and new marketing strategies being adopted by insurers to strengthen the services based on the feedbacks and the opportunities offered by these findings about market intelligence generation, dissemination and response to intelligence, are needed to enhance the success of the insurance industry in Nigeria.

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