

**THE CHALLENGES OF IMPLEMENTING STRATEGIC
DECISIONS AT THE KENYA ARMED FORCES MEDICAL
INSURANCE SCHEME (AFMIS)**

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**A Management Research Project Submitted in Partial Fulfillment
of the Requirements for the Award of Master of Business
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DECLARATION

This Research Project is my original work and has not been submitted for a Degree in any other University.

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This Research Project has been submitted for examination with my approval as the University supervisor.


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Lastly, I would like to thank all those not mentioned by name that contributed and participated in one way or the other to make this work a readable whole. I wish them God's blessing, continued health, success and happiness.

LIST OF ABBREVIATIONS

AAR	African Air Rescue
ACGS P&L	Assistant Chief of the General Staff in charge of Personnel and Logistics
AF	Armed Forces
AFA	Armed Forces Act
AFMIS	Armed Forces Medical Insurance Scheme
AGM	Annual General Meeting
CGS	Chief of the General Staff
DOD	Department Of Defence
HMOs	Health Maintenance Organizations
KAFOCA	Kenya Armed Forces Old Comrade Association
RBA	Retirement Benefits Authority
RROs	Redeployed Retired Officers

DEDICATION

This piece of research work is dedicated to my late mother Rose E. Aoko Omollo who was a great source of inspiration and my daughter Eileen who encouraged me though she could not understand my quest for knowledge late in life.

ABSTRACT

The major determinant of an organization's success today in the changing turbulent environment depends on the successful implementation of its strategy. Strategy implementation addresses the issue of how to put formulated strategy into effect within the constraints of time, an organization's financial and human resource and its capabilities. This requires the organization to deal with resources required, systems and organizational structures and changes. The way a strategy is implemented is governed by setting up ideal framework, rules, guidelines and procedures to be adopted in meeting its goals and objectives. The greatest contribution is in design and administration of structure and systems that facilitate the implementation of strategic plans.

This study sought to investigate the challenges of strategy implementation in the Armed Forces Medical Insurance scheme (AFMIS) in Kenya. The study adopted a case study research design as it sought to gain an in-depth understanding of the specific challenges in implementing the scheme. A total of six respondents were interviewed using an unstructured interview guide.

The study findings showed that the major challenges of strategy implementation of the AFMIS were, lack of proper communication of and understanding of AFMIS strategy by the personnel, lack of communication and accountability by the scheme to its members; and monitoring of the health institutions that are contracted by the scheme as they are scattered all over the country.

Recommendations for future improvement for better service provision at AFMIS are made. This included instituting of proper communication channels where the scheme's vision, mission and objectives are to be clearly articulated to members so as to secure members understanding of the scheme operations and potential benefits, and to create confidence and faith in the scheme thereby solving the

problem of insolvency that may arise due to the trade off between investing the scheme's funds and short term liquidity of the scheme.

This study further recommended more procedures to be sought and put in place to avoid the possibility of mismanagement of the scheme's funds. A process of continuous improvement and sealing loopholes for mismanagement and embezzlement of funds in the scheme should be encouraged.

CHAPTER ONE INTRODUCTION

1.1 Background

1.1.1 Challenges of Strategy Implementation

Today's organizations work in a dynamic, complex environment that is continually changing which therefore requires them to revisit their strategy. Organizations change continually because they are open systems in constant interaction with their environment (Kast and Rosenzweig, 1985). The environment in which they operate has not only become increasingly uncertain but much tightly interconnected. According to Pearce and Robinson (1998), in order for organization to achieve their goals and objectives it is necessary for them to adjust to their environment. Feldman and Kanter (1965) note that organizational decisions are constrained by the actions of the organization itself, by the physical and mental characteristics and previous experience of its members and by the social, political and economic environment of the organization and its members.

The major determinant of the organizations success today in the changing and turbulent environment is the successful implementation of strategies. This requires the organizations to think strategically and translate their insight into effective strategies to cope with their changed circumstances and to develop rationales necessary to lay groundwork for adopting and implementing strategies (Bryson 1988). Successful strategy implementation requires support, discipline, motivation and hard work from all managers and employees (David 2003).

Mintzberg et al (1999, 2005) defined strategy as:

**A pattern or plan that integrates an organization's major goals, policies and action; sequences into a cohesive whole. A well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competences and*

shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents”.

In studying strategy implementation we need to take a look at the whole process of strategic management which includes strategy formulation, implementation and evaluation which are inseparable and continually influencing one another.

Kriemadis (1997), David (2003), Salhieh and Singh (2003) believe that strategists should consider certain activities to achieve suitable strategic decisions. Strategy formulation involves doing a situation analysis, setting objectives and formulating a strategic plan. It involves determining where you are now, where you want to go and determining how to get there.

Strategy implementation involves allocation of sufficient resources (financial, personnel, time, and computer system support), establishing a chain of command or some alternative structure (such as cross functional teams), and assigning responsibility of specific tasks or processes to specific individuals or groups.

When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation and integration with (and/or conversion from) legacy process. Managers are encouraged to consider analysis of organizational structures and systems before strategy implementation, as well as analysis of culture, power and conflict.

Strategy evaluation is the final stage of strategic management process. This is necessary to ensure that stated objectives are being achieved. It involves managing the process including monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variance and making adjustments to the process as necessary.

Strategy implementation addresses how to put formulated strategy into effect within the constraints of time, an organization's financial and human resources and its capabilities. As a result managers should consider analysis of organizational structures and systems before strategy implementation, as well as analysis of culture, power and conflict (Ellis and Dick, 2003).

The notion of strategy implementation might seem quite straightforward; a strategy is formulated then implemented. On the contrary, transforming strategy into action is a far more complex, difficult and challenging undertaking and not as straightforward as one would assume (Aaltonen and Ikavaiko, 2001). Once strategies have been developed, they need to be implemented. Strategies are of no value to a company unless they are effectively translated into action. Although effective implementation of strategy is so important, it is not easy. Bonoma (1984) and Alexander (1985) pointed out that many well formulated and appropriate strategies fail when attempts to implement them are made.

Organizations today face major unpredictable changes that make strategy implementation more difficult and complex than in the past (Beer and Eisenstat, 2000). Recent research (Mintzberg and Quinn, 1991; David, 2003) also indicates that considerable proportions (over 65%) of organizational strategies fail to get implemented effectively.

Various researchers have revealed a number of problems in strategy implementation. These include unawareness or misunderstanding of the strategy, lack of communication, weak management roles, unaligned organization systems, structures and resources, inadequate capabilities, competing activities, power, culture and uncontrollable factors in environment (Alexander, 1991; Aosa, 1992; Beer & Eisenstat, 2000; Koske, 2003; Alashoo et al, 2005).

1.1.2 Health Insurance Providers in Kenya

Health Insurance is a type of insurance whereby the insurer pays the medical costs of the insured if the insured becomes sick due to covered causes or due to accidents. The insurer may be a private organization or a government agency. Today, issues involving health insurance are very controversial and subject to much political debate as many perceive a conflict between the needs insurance companies to remain solvent versus the needs of their customers to remain healthy (Internet-Wikipedia).

Health insurance is generally purchased year by year with generally no assurance of renewal and if renewable no guarantee that premium rates will not increase. Before buying health insurance, a person typically fills out a comprehensive medical history form, which is used to screen persons with pre-existing medical conditions. A health insurance policy is a legally binding contract between the insurance and the customer. Many insurance companies purchase re-insurance to protect themselves from catastrophic loss due to unforeseen events (Internet- Wikipedia).

As cost of specialized health care increases most Kenyans are stretching their budgets thin to stay alive. When it comes to medical care, money or the lack of it is a matter of life or death. As the number of fatal diseases and conditions increase so does the cost of dealing with them. Medical insurance cover comes in handy when you or your loved one falls suddenly sick and you have no spare coin to get treatment at the hospital. If you do not have anyone to lend you money you will perhaps hope, pray or moan. While the rich and the mighty may have little trouble footing health care bills running into millions of shillings, the poor often pay the price either with their lives or burning up their fortunes (Daily Nation, 29 June 2006).

In Kenya more than 50% of the population lives below the poverty line and 70% is not insured. Many sick people even the rich are spending to the bare minimum

to stay alive. Generally Kenyans spend more than Kshs 50 billion a year on health care and public health system has been unable to cope with the increasing demand (Daily Nation, 29 June 2006).

In Kenya we have two types of health insurance providers; private and public health insurance. Under private insurance we have health insurance and Health Maintenance Organizations (HMOs). Health insurance mainly caters for only inpatients and is re-insured. In Kenya we have the following companies offering health insurance: APA insurance, UAP insurance, British American Insurance, and we have Aon Minet and Clarkson Notcutt Brokers. Health Maintenance Organizations cater for both out patients and in patients. Some run their own clinics and are not re-insured. These include Africa Air Rescue (AAR), Resolution Health and Health First International.

Most health insurance companies insure employer sponsored group plan (corporate), this is because individual market risk factor is high while Health Maintenance Organizations cater for all groups of persons so long as they can meet the cost of premium required. The premiums paid depend on hospitals, chemists, availability of drugs and the trend in world market.

Health Maintenance Organizations type of health insurance plan has been criticized for excessive cost cutting policies. The least justifiable of these efforts, according to critics, is having accountants and other administrators essentially making medical decisions for customers by deciding which type of medical treatment will be covered and which will not. They tend to be service providers and at the same time underwriters, a trend the Association of Kenya Insurers is trying to discourage.

Some care providers tend to view insured care recipients as customers with relatively limitless financial resources who do not look at prices, since they are

not directly involved with payment of health care service and product and therefore are less likely to scrutinize or negotiate cost of the health care received.

National Hospital Insurance Fund (NHIF) is a public funded Health Insurance scheme, like the other health insurance covers, it caters only for in patient. Its membership was a preserve of salaried employees but has recently included self employed and retirees. Benefits include access to Fund's accredited or contracted government hospitals, missions and medium sized private hospitals up to a given limit and high class hospitals which the fund meets daily cost of up to Kshs 2200 per day while the rest is met by the patient (Daily Nation, 5 July, 2006).

It has 23 fully fledged branches countrywide and about 380 hospitals that are accredited or contracted. Premiums paid vary, in formal sector monthly premium is between Kshs 60 to 320 depending on gross salary while those in informal sector and retirees pay monthly premium of Kshs 160 or Kshs 1920 annually. The fund has no exclusion on type of ailment and also covers maternity expenses. It provides inpatient cover of up to Kshs 396 000 per year for the contributor, spouse and children below 18 years.

1.1.3 Kenya Armed Forces Medical Insurance scheme

The Kenya Armed Forces is an organization that is still closed to the general public and most of its actions are regarded as secret/security threat. The Kenyan Armed Forces comprises of three services namely, The Kenya Army, The Kenya Air Force and The Kenya Navy. They are governed by the Armed Forces Act, AFA (Cap 199) Laws of Kenya, 1968. The retirement age for personnel in the Armed forces varies with ranks, though one can also opt to resign.

In 1996, a new Chief of the General Staff (CGS) was appointed to head the Kenya Armed Forces. As with every new leader he brought along new changes and reorganization in the Armed Forces. Some of the changes he had envisioned

were in line with the fifth pillar of the Armed Forces, which is preparation for resettlement when the personnel retire. Among the policies he introduced were the Military Distance Learning Program (MDLP) and the Armed Forces Medical Insurance Scheme (AFMIS).

The role played by proper health care when you are working and later in life after retirement cannot be gainsaid. In a country (Kenya) where most people live on less than one dollar a day, it becomes even more difficult for most of the population to access medical facilities due to expensive hospital charges imposed more so in private hospitals. In Government hospitals the issue of cost sharing makes it difficult for people to access proper health care as these facilities also lack the much needed drugs. The prevalence of HIV/AIDS has also increased the cost of health care.

AFMIS is a medical insurance scheme designed to cater for the retired Armed Forces personnel, to ensure that there are able to access better healthcare after retirement by paying for their premiums while still in active service. The Armed Forces personnel and their families while in active service, access medical care from the Armed Forces medical facilities within the establishment and in case of referrals, Armed Forces still meets the costs incurred. This enables the personnel to get the best medical care while in essence they do not know the financial implication.

A survey carried out in the late 90's established that most service personnel who got sick after retirement were more likely to die since they never knew the value of medical care hence found the charges exorbitant. AFMIS was a strategy/policy started to encourage personnel to save for their later medical care while still in the service, since the entitlement of "free medical care" ceases when one is discharged from service. One qualifies for service under this scheme only after retirement.

The first contribution to the scheme was made in August 1998, which was calculated at 3.1% of basic pay (entry point) per month to be paid for a period of 15 years. The membership comprises of all service personnel. Between 1998 and 2001, membership was voluntary, but after 2002, it became compulsory for all personnel joining the service. To become a member, one is expected to fill in an application form and pay the prescribed premium.

AFMIS was registered as a Trust in 2000 under the Trustees of the Trust (Perpetual Succession) Act, for the benefit of its members and their prescribed dependants in accordance with the deed, rules and the laws regulating Trusts in Kenya, with its headquarters located at Department of Defence Headquarters, Ulinzi house, Lenana Road.

1.2 Statement of the Problem

Once strategies have been developed, they need to be implemented. Without successful implementation, the company will not obtain the intended results. While implementation of strategy is such an important activity, it is not easy. Many excellent strategies fail when attempts to implement them are made.

The role played by proper health care when you are working and later in life after retirement cannot be gainsaid. In country (Kenya) where most people live on less than one dollar a day, it becomes even more difficult for most of the population to access medical facilities due to expensive hospital charges mostly in private hospitals. In Public/Government hospitals the issue of cost-sharing makes it difficult for people to access proper health care as these facilities also lack the much needed drugs. The prevalence of HIV/AIDS has also increased the cost of the health care.

AFMIS is a noble idea due to the fact that it takes a long term view of the Armed Forces personnel health care. It is designed to cater for the retired Armed Forces

personnel, to ensure that they are able to access better healthcare after retirement by paying for their premiums while still in active service. The Armed Forces personnel and their families while in active service, access medical care from the Armed Forces medical facilities within the establishment and in case of referrals, the Armed Forces still meet the costs incurred. This enables the personnel to get the best medical care while in essence; they do not know the financial implication. As a member of AFMIS one need not to worry about how he will be able to take care of his medical needs in retirement.

It is a major strategic decision being implemented within the Armed Forces organization. One would expect various challenges or problems in implementation of the decision. The questions this study is trying to address is, What challenges have arisen in this implementation effort? How have they been handled?

1.3 Research Objectives

This study had two objectives:

- To establish the challenges of implementing AFMIS.
- To establish how the challenges were overcome.

1.4 Importance of the Study

First, the study will be of benefit to the Armed Forces in that it will enable the Armed Forces to reform its operations and gear itself towards any challenges ahead.

Secondly, it would be useful to the Government of Kenya especially the civil service sector. It will address the needs of retirees' healthcare especially in this era of early retirement due to reorganization which has led to retrenchment of persons who have not reached the mandatory retirement age of 55 years, as well as persons unable to access retirement benefits.

Thirdly, the study will be of interest to the Service personnel currently serving in the Armed Forces. It will enable them understand the operations and appreciate the role of AFMIS.

Lastly, the study would be useful to Health Insurance Providers who can provide for a similar scheme for persons who are working and are willing to save for their future healthcare requirement after retirement.

CHAPTER TWO LITERATURE REVIEW

2.1 The Concept of Strategy

The word *strategy* originated from the Greek word 'stratego' which means to plan the destruction of one's enemies through the effective use of resources (Drucker, 1974). The concept of strategy could have initially been confined to military operations due to the need for victory in war, after which it found its way into the business circles. Chandler (1962) however argues that the exact process of strategy development is untraceable and puts forward the view that emergence of strategy in civilian organizational life could have resulted from the awareness that there were opportunities arising from demographic, economic, and technological changes. The need to use resources more efficiently and profitably became more acute.

Strategy can be seen as matching of the resources and activities of an organization to the environment in which it operates (Johnson and Scholes, 2000). In business and academia different definitions exist for strategy. Mintzberg et al (1999) defined strategy as a plan, a ploy, a pattern, a position and perspective. Plan is defined as a consciously intended course of action or a guideline to deal with a situation. Ploy means specific "maneuver" intended to outwit an opponent or competitor. Pattern is a stream of actions or consistency in behavior over time or looking back. Strategy as a position looks outside an organization seeking to locate the organization in its environment, whereas as a perspective it looks inside the organization and inside its members' head referring to a shared way of perceiving the world.

Chaffee (1985) categorizes strategy into three models: Linear, Adaptive and Interpretive. Of these three, linear model focus on planning. According to linear view, strategy consists of integrated decisions, actions, plans, which will be set to

achieve organizational goals. Both the goals and the means of achieving them are a result of the strategic decision.

In the adaptive model, organization is continually evaluating its external and internal conditions. The main concern is the development of a viable match between opportunities and risks present in the environment and the organization's capabilities and resources for exploiting these opportunities.

The interpretive model of strategy is associated with the social and cultural aspects of an organization. Strategy is about conveying meanings by using orienting metaphors or frames of reference that are intended to motivate stakeholder in ways that favour the organizations.

Ansoff (1965) views strategy in terms of market and product choices. According to his view, strategy is a "common thread" among organization's activities and the market. Johnson and Scholes (2002) defined strategy as the direction and scope of an organization that ideally matches the results of its changing environment and in particular its markets and customers so as to meet stakeholders' expectations.

According to Steiner et al (1982), strategy is a unified and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization. Strategy has got to do with effective management of change and how to manage resistance to change and develop the capacity of the organization to receive change.

Thompson and Strickland (1993) state that strategy cannot be static since the task of strategizing is always an ongoing exercise partly in response to the ever changing external environment that influences a firm's decision and performance, partly from manager's efforts to create new opportunities and partly from fresh

ideas about how to make the strategy work better. They continue to state that everything cannot be planned out in advance and even the best laid plans must be responsive to the changing conditions and unforeseen events.

2.2 Strategic Management Process

From the concept of strategy comes the aspect of strategic management, which can be defined as the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of the strategies in order that they may deliver the intended results. Thus, the formulation and implementation of strategies for the organization are the core management functions and top management must be involved. Strategy formulation is however an intricate task for the organization top management (Robson, 1997).

Alexander (1991) states that strategic management process can be compared to a two headed coin. On one side is strategy formulation, which defines what an organization's game plan will be to compete successfully within a specific context. The other side of the coin represents strategy implementation, which takes the formulated strategy as given and then decides how to achieve its goals. Strategy implementation addresses the issue of how to put a formulated strategy into effect within the constraints of time an organization's financial and human resources and its capabilities. Consequently, these two integral parts of strategic management answer both, what the strategy shall be and how it should be put into effect.

Strategic management is a process that affects the whole organization. It outlines the way in which objectives are determined and strategic decisions are made (Drucker, 1974). A change in one proponent results in changes in all other components (Pearce and Robinson, 1998).

According to Pearce and Robinson (1998), strategic management is a set of decision and actions that result in formulation and implementation of plans designed to achieve company's objectives. It involves planning, directing, organizing and controlling of company's strategy related decisions and actions. Strategy in an organization is viewed in three levels: corporate, business and functional. The characteristics of strategy management decisions vary with the level of strategic activity considered.

At the corporate level, there are members of the board of directors, the chief executive and administrative officers. Decisions at corporate level tend to be more value oriented, more conceptual and less concrete than decision at business and functional level. Corporate level decisions are often characterized by greater risk, cost and profit potential, greater need for flexibility and longer time horizons (Mintzberg and Quinn, 1991). Such decisions include the choice of businesses, dividend policies, source of long term financing and priorities for growth. At this level, strategic management entails assessing strategic capability of the organization.

Business level is composed of business and corporate managers. Business level decisions help bridge decisions at corporate and functional levels. Functional level decisions implement the overall strategy formulated at the corporate and business level. The functional level decisions incur only modest costs because they are dependent of available resources (Lynch, 2000; Pearce and Robinson, 1998). The ideal strategic management process is developed and governed by a strategic management team which includes decision makers from the three levels; corporate, business and functional (Mintzberg and Quinn, 1991).

According to Thompson and Strickland (1992), strategic management is a process by which managers choose a set of strategies for an enterprise. These include selection of corporate mission plus major corporate goals, analysis of the organization's external competitive environment to identify opportunities and

threats, analysis of the organizational internal operating environment to identify organization strengths and weaknesses as well as selection of strategies that build on the weaknesses in order to take advantage of the external opportunities and counter external threats and strategy implementation.

Strategy implementation is one of the components of strategic management and it refers to a set of decisions and actions that result in formulation and implementation of long terms plans designed to achieve organizational objectives (Pearce and Robinson, 1998). Its purpose is to complete the transition from strategic planning to strategic management by incorporating adopted strategies throughout the relevant system (Bryson, 1988).

Dess and Miller (1993), defines strategic management as the process that encompasses strategic planning, implementation and evaluation. In their view, strategic management process is a way of considering, deciding, and realizing already formulated strategy. Strategy implementation, on the other hand is concerned by both planning on how the choice of strategy can be put into effect and managing the changes required (Bourgeois et al, 1999).

In real life, the formulation and the implementation process are intertwined (Andrew, 1987). The different aspects involved in strategy implementation cover practically everything that is included in the discipline of management studies (Kazmi, 2002). The strategic plan devised by the organization proposes the manner in which the strategies could be put into action. Strategies, by themselves do not lead to action, they are statement of intent. Implementation tasks are meant to realize the intent. This task includes allocation of resources, design of structures, systems and formulation of functional policies.

A brilliant strategy than can't be implemented creates no real value. Effective implementation begins during strategy formulation when questions of "how to do it" should be considered in parallel with "what to do". Effective implementation is

achieved when organization resources and actions are tied to strategic priorities and when key success factors are identified and performance measures and report are aligned (Deloitte and Touche, 2003).

It is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation) (David 2003). The strategic management process does not end when the firm decides what strategy or strategies to pursue. Strategy formulation and implementation differ in many ways. For example, strategy formulation is positioning forces before the action while implementation is managing the forces during the action. Unlike strategy formulation, strategy implementation varies substantially among different types and sizes of organizations (Alexander, 1985).

Implementations of strategy calls for alteration of existing procedures and policies. In most organizations, strategy implementation requires shift in responsibility from strategists to divisional and functional managers (Kazmi, 2002). It is therefore important to ensure that there is a shift in responsibility to ensure successful implementation. The implementers of strategy should therefore be fully involved in strategy formulation so that they can own the process.

2.3 Factors affecting Strategy Implementation

Strategy implementation are those actions taken by a firm to put their strategic plans into place by either changing their mission, changing their environment, or changing their resources, capabilities and internal operations. The key term in the definition of strategy implementation is change.

Implementing strategies requires that policies to be followed are clearly spelt out during the implementation process without operating within a vacuum. Guidelines, rules, procedures and ideal framework must be set up as the basis of strategy implementation, failure to which implementing a strategy may be difficult

(David, 2003). It has already been emphasized that to be considered effective, a chosen intended strategy must be implemented successfully. The process for effective implementation is clearly dependent upon the appropriateness, feasibility and desirability of strategy (Thompson and Strickland, 1993).

Some strategies are not capable of implementation. At the same time, competency in implementation with the ability to translate ideas into action and general positive outcomes can itself be a source of competitive advantage. Internal process can add value by creating high levels of customer service and/or saving on costs by say removing any unnecessary delays or duplication of activities. Under this section we consider issues of strategy implementation in relation to policy decisions as part of the implementation process.

The new strategies are selected because they offer opportunities and potential benefits, but their implementation, because it involves changes, implies risk. Implementation of strategies should seek to maximize benefits and minimize risks (Reed and Buckley, 1988).

2.3.1 Organizational structure

The structure of a company should be consistent with the strategy being implemented. Changes in a company's strategy bring out internal problems, which require a new structure if the strategy has to be successfully implemented. The choice of company structure does make a difference in how a company performs. Not all forms of company structure are equally supportive in implementing a given strategy.

The structural design of a company helps people pull together in their activities that promote effective strategy implementation. An inconsistency between structure and strategy will lead to disorder, friction and malperformance (Aosa, 1992). The structure of the organization should be compatible with the chosen strategy and if there is incongruence, adjustments will be necessary either for the

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structure or the strategy itself (Koske, 2003). However, Mintzberg & Quinn (1991) argue that the central problem in structuring today is not the one on which most organization designers spend their time by dividing up tasks. It is one of emphasis and coordination on how to make the whole thing work.

2.3.2 Leadership

Leadership is an important component of success in any organization. It gives direction in which the organization will move in order to accomplish its objectives. The members of the company need to focus their effort in the same direction. Such unity of direction is critical for successful strategy implementation. The Chief Executive should be at the forefront in providing leadership. He should provide a vision, initiative, motivation and inspiration. He should cultivate team spirit and act as catalyst in the whole strategy implementation process (Aosa, 1992).

According to Koske (2003), leadership is considered to be one of the most important elements affecting organizational performance. The leadership of the organization should be at the forefront in providing vision, initiative, motivation and inspiration. As much as possible, the leadership of the organization should fill relevant positions with qualified people committed to change efforts (Bryson, 1988).

2.3.3 Culture

Culture is a system of shared beliefs and values. The culture of the company needs to be compatible with the strategy being implemented. Corporate culture refers to the set of common values and beliefs that members of a company share in common (Pearce and Robinson, 1998). Corporate culture gives employees a sense of how to behave and act. When culture influences actions of employees to support current strategy, implementation is strengthened. The managers are the ones who develop the strategic plan. It is part of their leadership task that

once strategy has been developed, they bring the company's culture into alignment with strategy and keep it there (Thomson and Strickland, 1993).

Culture can either be strength or a weakness. As strength, culture can facilitate communication, decision making; control, can create co-operation and commitment. As a weakness, culture may obstruct the smooth implementation of strategy by creating resistance to change (Pearce and Robinson, 1998). Aosa, (1992) stated that it is important that the culture of an organization be compatible with the strategy being implemented because where there is incompatibility between strategy and culture, it can lead to a high organizational resistance to change and de-motivation which in turn can frustrate the strategy implementation effort. However, when culture influences the actions of the employees to support new strategy, implementation is strengthened.

2.3.4 Strategy support systems

There are many routine activities that are performed in a company to keep it running smoothly. These activities need to be carried out efficiently. They too reinforce the implementation of strategy. One of the key support systems is communication. To stay informed of how well the implementation process is going, managers need to develop networks of contacts and sources of information, both formal and informal. Timely information helps managers to monitor implementation and take remedial actions where problems arise (Mintzberg and Quinn, 1991).

Control systems and instruments are also required for effective implementation of strategy. Essential question is how to assess performance during and after implementation. There is need to ensure that tools to support the process adequately are readily available and time restrictions are calculated with extra buffer for unexpected incidents. Administrative strategy implementation demands discipline, planning, motivation and controlling process. It demands much more energy and time than mere formulation of the strategy.

once strategy has been developed, they bring the company's culture into alignment with strategy and keep it there (Thomson and Strickland, 1993).

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2.3.5 Resources

It should be possible to implement the chosen strategy with the resources available. Organizations have at least four types of resources that can be used to achieve desired objectives namely financial resources, physical resources, human resources, and technological resources (David, 2003). Of all the four resources human resource is the most valuable though intangible asset. Recent research indicates that it is progressively becoming the key success factor within strategy implementation. There should be a fit between intended strategy and specific personality profile of the implementation key players in the various departments of the organization.

Once a strategic option has been selected upon (in the strategic selection stage), management attention turn to evaluating the resource implications of the strategy (Alexander, 1991). The operating level must have the resources needed to carry out each part of the strategic plan (Ansoff, 1965). It would therefore not be possible to implement a strategy which requires more resources that can be made available.

2.3.6 Policies

Policy refers to specific guidelines, methods, procedures, rules, forms and administrative practices established to support and encourage work toward stated goals (David, 2003). According to Pearce and Robinson (1998), policies are broad precedent setting decisions that guide or substitute for repetitive managerial decision making. Therefore they are directives designed to guide the thinking, decisions and actions of managers and their subordinates in implementing a firm's strategy. Policies set boundaries, constraints and limits on the kinds of administrative actions that can be taken to reward and sanction behaviour; they clarify what can and cannot be done in pursuit of an organization's objectives (Andrew, 1987).

Policies let both employees and managers know what is expected of them, thereby increasing the likelihood of implementing strategies successfully. Whatever their scope and form, policies represent the means for carrying out strategic decisions and hence should be stated in writing whenever possible (Alexander, 1991).

Alexander (1985) identifies inadequate planning and communication as the two major obstacles to strategy implementation. Thompson and Strickland (1998) states that strategy implementation challenge is how to create a series of tight fits between strategy and organizations competences, capabilities and structure, between strategy and budgetary allocation, between strategy and the reward structure and between strategy and corporate culture.

However, the problems of strategy implementation relate to situations or processes that are unique to a particular organization even though some problems are common to all organizations. The key decision makers should therefore pay regular attention to the implementation process in order to zero-in on any difficulties and how to address them.

Alexander (1985) suggests that for successful implementation of a strategy, clear responsibility for the successful outcome or planned strategic change should be allocated. The number of strategies being pursued at any given time should be limited. Necessary actions to implement strategies should be identified, planned and milestones or progress measurement points should be established. These he argues can be achieved without necessarily changing the structural framework but rather changing the way people operate within it.

2.4 Challenges of Strategy Implementation

In studying strategic implementation we need to take a look at the whole process of strategic management which includes strategy formulation, implementation and evaluation; which are inseparable and continually influencing one another.

Strategy formulation involves, doing a situation analysis both internal and external; both micro environmental and macro environmental concurrent with this assessment, objectives are set. This involves crafting vision statements, mission statements, overall corporate objectives and tactical objectives. These objectives should in the light of situation analysis, suggest a strategic plan (Mintzberg and Quinn, 1991).

The plan provides the details of how to achieve these objectives. The strategy formation process is sometimes referred to as determining where you are now, where you want to go and determining how to get there. These three questions are the essence of strategic planning (Johnson and Scholes, 2002).

Strategy implementation involves, allocation of sufficient resources financial, personnel, time, and computer system support, establishing a chain of command or some alternative structure such as cross functional teams, and assigning responsibility of specific tasks or processes to specific individuals or groups. When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation and integration with and/or conversion from legacy process. Managers are encouraged to consider analysis of organizational structures and systems before strategy implementation, as well as analysis of culture, power and conflict (Pearce and Robinson, 1998).

Strategy evaluation is the final stage of strategic management process. This is necessary to ensure that stated objectives are being achieved. It involves managing the process. This includes monitoring results, comparing to

benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variance and making adjustments to the process as necessary (Pearce and Robinson, 1998).

Implementation of policies and strategies is concerned with the design and management of systems to achieve the best integration of people, structures, processes, and resources in reaching organizational purposes (Steiner et al, 1982). Companies obviously need to improve strategy implementation activities, but the pace of these objectives are somehow forgotten as the strategy moves into implementation, and the initial momentum is lost before the company realizes the expected benefits.

2.4.1 Connecting strategy formulation to implementation

Top managers need to recognize that they cannot plan everything (Taylor, 1986). The assumption that management can plan strategy implementation at the top then cascade down through the organization is not tenable. It should be recognized that how top managers conceive strategies are not the same as how those lower down in the organization conceive of them (Johnson and Scholes, 2002). Therefore there needs to be ways of relating the strategic direction to the everyday realities of people in the organization. It is therefore vital that middle managers are engaged with and committed to such strategies so that they can perform this translation process (Kazmi, 2002).

2.4.2 Resource allocation

All organizations have at least four types of resources that can be used to achieve desired objectives; financial, physical, human and technological (Thompson, 1990). Resource allocation is a central management activity that allows for strategy execution. Strategic management enables resources to be allocated according to priorities established by annual objectives.

A number of factors commonly prohibit effective resource allocation. These include overprotection of resources, too much an emphasis on short run financial criteria, organizational politics, vague strategy targets, a reluctance to take risks and lack of sufficient knowledge (David, 1997).

2.4.3 Matching structure with strategy

Changes in strategy often require changes in the way an organization is structured. Organizations can be captured by structures and systems (Johnson and Scholes, 2002). Structures dictates how policies and objectives are established. Resource allocation of an organization is dependent on the kind of structure the organization has. There is no one optimal design or structure for a given strategy or type of an organization (David, 1997; Pearce and Robinson, 1994).

When an organization changes its strategy, the existing organizational structure may become ineffective (Wendy, 1997). Symptoms of an ineffective organizational structure include too many people, too much attention being directed at solving interdepartmental conflicts, too large a span of control and too many unachieved objectives (David, 1997). Changes in structure should not be expected to make a bad strategy good, or to make bad managers good, or to make bad products sell (Chandler, 1962).

2.4.4 Creating a strategy-supportive culture

Strategists should strive to preserve, emphasize and build upon aspects of an existing culture that supports proposed new strategies. If existing culture is antagonistic to a proposed strategy then it should be identified and changed. People can be captured by their collective experience rooted in the past success and organizational and institutional norms (Johnson and Scholes, 2002). Changing a firm's culture to fit a new strategy is usually more effective than changing a strategy to fit existing culture (David, 1997).

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According to Burnes (2004), emergence of new possibilities and challenges leads to fundamental reassessment of an organization objectives and operations. Cultural excellence approach promotes the ways in which successful organizations will and should operate in future by looking at the major determinants of organizational excellence which Peters and waterman did a study when working for a management consultants McKinsey and Company.

Peters and Waterman (1982) came up with the 7 S framework popularly known as the McKinsey 7 S framework which stands for Strategy plan of action for allocation of resources to achieve specified goals, Structure main feature of organization chart and how various parts are linked, Systems organization formalized procedures and processes, Staff composition of workforce, Style behaviour of manager and cultural style of the organization, Shared values guiding concepts and meaning that hold together the organization members, and Skills distinctive capabilities possessed by individuals, groups and organization.

They classified the first three as hard S and the last four as soft S which they said hold the key to success of any organization since it gives both managers

and employees freedom to challenge strategy and experiment with different solutions if the organization were to achieve excellence. The organization needs to be value driven, to encourage rapid and appropriate response, and customers to be treated as partners with the ability to dictate product, quality, quantity and service. The only way for an organization to survive is to constantly reinvent itself through the process of innovation and change (Burnes, 2004).

Owen (1982) suggests that for successful implementation of a strategy clear responsibility for the successful outcome or planned strategic change should be allocated, the number of strategies being pursued at any given time should be limited, necessary actions to implement strategies should be identified and planned and milestones or progress measurement points should be established. These he argues can be achieved without necessarily changing the structural framework but rather changing the way people operate within it.

2.4.5 The vital link between strategy development and implementation

What must managers do, and do well, to make the company successful in the game of business? The answer that emerges is that good strategy development and good strategy execution are always the most reliable signs of good management (Thompson and Strickland, 1993).

Among all the important things a manager does, nothing affects the company's ultimate success or failure more fundamentally than how well its management team sets the company's long-term direction, develops competitively effective strategic moves and business approaches, and implement what needs to be done internally to produce good day-in day-out strategy execution. Indeed, good strategy and good strategy execution are the most trustworthy signs of good management.

Managers don't deserve a gold medal for designing a potentially brilliant strategy but failing to put the organizational means in place to carry it out in high-caliber

fashion. Weak implementation undermines the strategy potentials and paves way for shortfalls in customer satisfaction and company performance. Competent execution of a mediocre strategy scarcely merits enthusiastic applause for management's efforts either. The standard for good management rest to a very large extent on how well-conceived the company's strategy is and how competently it is executed. Any claim of talented management that disregards these standards is likely to be false (Thompson and Strickland, 1993).

It can then be said that an excellent execution of an excellent strategy is the best test of managerial excellence and the most reliable recipe for organizational success. Granted, good strategy combined with good strategy execution doesn't guarantee that a company will avoid periods of below expected performance. Sometimes organizations with well-conceived strategies, showcase practices, and very capable managers experience performance problems because of unforeseen shifts in market conditions or uncontrollable technology delays or unanticipated cost.

Sometimes it takes several years for competent strategy-making/strategy-implementation efforts to show good results. But neither the bad luck of unforeseeable events nor "we need more time" reasons excuses mediocre performance year after year. It is the responsibility of a company's management team to adjust to unexpectedly tough conditions by understanding strategic defenses and business approaches that can overcome adversity. Indeed, the essence of good strategy making is to build a market position strong enough and an organization capable enough to produce successful performance despite unforeseeable events, potential competition, a rash of delays, or cost surprises.

The rationale for using the twin standard of good strategy making and good strategy execution to determine whether a company is well-managed is therefore compelling: the better conceived a company's strategy and the more competently

it is executed, the more likely it is that the company will be a standout performer and exhibit enviable business practices. (Thompson and Strickland, 1993).

CHAPTER THREE RESEARCH METHODOLOGY

3.1 Research Design

The study examined a single social phenomenon or unit namely the Kenya Armed Forces Medical Insurance Scheme (Singleton et al 1993). The study adopted case study design because of the nature of the study which was conducted to clarify and define the nature of the problem within the unit. This is an in-depth investigation of an individual, group, institution or phenomenon. The case study design enabled the researcher to gain deeper insights and better understanding of the research problem since the researcher was able to gather systematically all factual information necessary with very specific focus to the social phenomenon in question.

3.2 Data collection

The study used both secondary and primary data. Secondary data used included documentary materials obtained through library research and existing records at Armed Forces Medical Insurance Scheme offices and at the Department of Defence. The information was reviewed to provide background information to the study. The reviewed issues from the literature were pertinent to the study and it was from these that the research assumptions were drawn. Written materials reviewed included: books, journals, papers, and articles and existing AFMIS records.

Primary data was collected by interviewing six people namely the managing director, the personnel and administrative officer and the claims manager all of the scheme, Actuarial scientist, retired General DRC Tonje (whose brainchild the insurance scheme is) and Assistant Chief of the General Staff Personnel and Logistics (ACGS P&L) - the Trust secretary. These interviews were key to gaining insights on AFMIS particularly with reference to obtaining first hand information

from the persons involved in the setting up of the scheme as well as the day-to-day running of the AFMIS.

The researcher used an interview guide to help in gathering information. The interview guide was generated by reflecting on the study objectives and the research questions that the study was seeking to answer. It was to provide better opportunity to probe and get to the root of sensitive issues or deep feelings.

3.3 Data Analysis

Data collected from in-depth discussions were mainly qualitative in nature that is, it consisted of ideas and themes. The data was analysed using content analysis. This is the systematic qualitative description of the composition of objects or material of study which are either written or spoken. It enabled the researcher to analyze and interpret meanings of said words and understand respondents' perceptions and beliefs. The scripts from in-depth interviews were transcribed and fed into Nudist (N6) software for qualitative data analysis which generated summaries of issues emanating from the data by thematic areas of focus while paying attention to the research questions and objectives.

CHAPTER FOUR FINDINGS AND DISCUSSION

4.1 Initial Procedures for setting up AFMIS

4.1.1 Actuarial Recommendations

A committee was formed to do research on what was to be involved. The committee incorporated an actuarial scientist to do risk analysis and identify what would need to be involved. The Actuarial scientist came up with recommendations on how to go about setting up the scheme. Several options for premium contributions were given and DOD settled for 3.1% of basic salary deductions per month per member of staff for 15 years.

The legal process was then followed and AFMIS was registered as a Trust Deed to make it an entity that could be recognized. The scheme was registered as a Trust under the name "The Kenya Armed Forces Medical Insurance Scheme Registered Trustees" and there after issued with a certificate of incorporation. The Trust is constituted under the Trustees (Perpetual Succession) Act Chapter 164 and all other enabling provisions of the Laws of Kenya that places the control of the scheme under a Board of Trustees to represent the stakeholders. The Trust commenced its operations on 8th August 1998.

4.2 Objective of AFMIS

The objective of the scheme was to give a chance to the serving members of the Armed Forces to save for future medical care. Serving members would put aside a small amount of money (3.1% of ones basic salary), which would build up over a period of fifteen years. The money so contributed would be used to provide members and their families with medicare services after retirement, without further subscription.

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4.3 Structures at AFMIS

The overall management of the Trust is vested on a Board of Trustees. This is the highest policy and decision-making organ of the Trust. It is composed of members of the Defence Council, Assistant Chief of the General Staff, Personnel and Logistics (ACGS P&L), a retirees' representative and the Managing Director as shown here below:

- Minister of Defence- **Chairman**
- Chief of the General Staff -**Member**
- Permanent Secretary, DOD- **Member**
- Commander Kenya Army -**Member**
- Commander Kenya Air Force- **Member**
- Commander Kenya Navy- **Member**
- Retirees Representative- **Member**
- ACGS P&L- **Secretary**
- Managing Director Ex-Officio- **Member**

The day-to-day management of the Trust is vested on a Board of Management functioning under the general and special superintendence of the Board of Trustees. A Managing Director assisted by six professionals heads this Board. Currently a Personnel/Administration Manager and a Claims Manager are the only personnel assisting the Managing Director.

4.3.1 Membership

Membership of the trust is voluntary for all serving members of the Kenya Armed Forces who were in service as at the commencement date when the first contributions began in August 1998. All other persons joining the Armed Forces as from January 2002, became automatic members of the scheme.

Former members of the Kenya Armed Forces who had retired honourably with service gratuity and or pension during the period of ten years immediately

preceding the commencement date of this Trust are also eligible to become members of the scheme. Every person who has become a member of the scheme shall in case of serving members of the Armed Forces remain a member until he dies or retires.

In the event of death whether he was a fully paid up member or not, his membership will cease without affecting the rights of the dependants who shall continue to receive benefits as follows; Spouse – covered for life. Children – covered up to the age of 21, but can be extended up to the age of 25 provided the child has no income of his/her own and still living with the parents.

When a full paid up member retires, he and his dependants are entitled to all the benefits provided by the fund. When a serving contributor retires prematurely, before making full contributions for a period of 15 years, he/she may pay the determined lump sum at once, or pay 50% of determined lump sum and the balance within a period of not more than seven and a half years from the date of retirement, corresponding to the chosen period, and then divided by the number of months over the said period to arrive at the monthly payments. One can also opt for a refund without interest if he/she does not wish to contribute to a full membership.

4.3.2 Dependants

Every contributor shall be required to nominate one spouse and a maximum of four dependants upon retirement. A contributor shall be allowed to declare and nominate his dependants only once. Under no circumstances will another person substitute a dependant. There shall be no lower age limits for the dependants under the trust. No dependant nominated by a contributor shall pay any contributions to the fund to qualify for benefits, except in specialized cases, a contributor shall benefit under the trust until he dies.

In addition, contributor shall at least three months prior to his retirement or if retired immediately upon being admitted to participate in the scheme furnish the

Board of Management with particulars and details of self and his/her dependants. Where a contributor has more spouses or children, for whom he desires to, provide cover under the Trust, he may be allowed to pay special rate of contribution as shall be determined by the Board of Trustees.

4.4 Benefits

The first category of benefits from the scheme is the In-Patients cover. For in-patients healthcare, the scheme shall pay 100% of the legitimate bills incurred by a member or the dependant during hospitalization within Kenya, except for specialized cases where the Board of Trustees may have to approve in advance. In specialized cases where a member required treatment outside Kenya and having gotten the Boards approval one would be expected to cater for 50 per cent of cost and traveling expenses.

The second category of benefits is the Out-patient cover. For out-patient healthcare, the scheme shall pay 75% of the legitimate bills incurred by a member or dependant. The member shall be responsible for 25% of the total bill. This was done to discourage members from going to hospital in cases where they could buy over the counter drugs.

No benefits due to a member shall become available to him or payable until the day following the date of his retirement from the Armed Forces or if a member joins the Trust after his retirement on the date when he pays the required premium as laid down in the Trust. This was done to enable only legitimate retired employees to access the medical benefits.

The 'Trust' is not a savings scheme or a cooperative society. The stated object of the Trust is that members and their dependants shall benefit from the fund by receiving healthcare and not cash refunds.

4.4.1 Procedure for obtaining benefits

Members may seek and obtain healthcare services only at prescribed facilities and not elsewhere. The Board of Management will endeavour to provide members with updated list of the prescribed Healthcare facilities from time to time. Positive identification of the members of AFMIS to health care facilities shall be a prerequisite for treatment and admission to these health facilities. This involves production of the AFMIS card and National ID.

If a member is admitted into a facility, the doctor/administrator responsible shall prepare a bill in respect of such admission and have the member endorse the bill upon discharge and the bill be sent to the Trust Headquarters for payment. Furthermore, If a member is an outpatient, the doctor/administrator responsible shall require him to pay 25% of the bill and raise a bill for the remaining 75% and send it to the Trust Headquarters for payment. Every claim for service/s rendered will have to be submitted to the Trust Headquarters within sixty days of rendering such services.

4.4.2 Withdrawal of Benefits

The benefits under the fund cease if the following cases arise:

- A contributor dies, being a spouse, she dies or remarries, following the death of a contributor or divorces the contributor, being a child, he/she dies, gets married, or attains the age of 21years.
- The contributor is found guilty of gross misconduct warranting his expulsion from the Trust.
- If a member is convicted by a court of law for any offence against the Trust.

4.5 Advantages of AFMIS Scheme

Medical care is the biggest cost eater in an individual's life and affects many retired individuals as they are not able to meet the cost of medicare. Retired persons would get ill and could easily die because of lack of money to meet medicare expenses. This scheme offers retirees medical care throughout their lifetime. Provision of medicare services at retirement therefore gives retirees greatest peace of mind. One also does not need to think of renewing his/her medical premium yearly as in the case of traditional medical insurance because you save while still in active service.

Secondly, AFMIS can lead to staff retention; one is encouraged to save in the long run to meet future medical needs. This provides peace of mind to most personnel knowing their health care needs are covered for till death.

4.6 Challenges facing the scheme

There was a general feeling from the respondents that the scheme has been running well over the period it has been in place, given that the number of personnel making contributions has increased since everyone who joins the Armed Forces, automatically becomes a member of AFMIS. However there are a number of challenges that face the implementation of the scheme.

Many serving persons have doubted that they would be assured of good service while in retirement because they tend to reflect on the medical cover that they are entitled to when they are in service which they feel does not adequately take care of their family medicare needs. They envy those who have retired since they have a wide range of health facilities to choose from for their medical needs, while in Service one solely depend on health facilities in Military establishment. Medical service at Armed Forces should be enhanced to avoid early retirement due to anticipated better medical services from the scheme.

Some of the personnel present before the scheme became compulsory in 2002 were not convinced that AFMIS is noble idea worth contributing to due to lack of full information of what the scheme is all about. They resisted change because they were seeing more of costs rather than benefits which will accrue in the long run. This was created by lack of trust of those in authority and misunderstanding of the strategy since it was not well articulated to enable the personnel to understand its benefits.

Lack of awareness of what the scheme is all about to the stakeholders is still a challenge due to the Armed Forces command structure whereby information is supposed to flow following certain laid down chain of command. This means that information and questions asked follows the recommended chain of command which is long and therefore takes longer time to get the necessary feedback. The personnel do not have the necessary information to enable them make informed decisions mainly due to the response time it takes to get feedback. In addition those who have retired do not get necessary information of how the scheme is run.

Monitoring the quality of medicare services rendered to retirees' country wide is a challenge. There are many medical institutions that members are entitled to seek medicare services all over the country from and with the lean personnel at AFMIS it is not easy to track the quality of service rendered as well as the expenditures incurred from these many institutions.

The scheme should adopt viable strategies of ensuring that it remains solvent for as long as it is in existence. However, available options for further propagation of the scheme over a period of time are questionable due to the fact that the stakeholders are not aware of what kind of investment the scheme is involved in. The challenge is therefore for the management to ensure that it involves all the stakeholders before making any investments.

Some persons retire and at retirement, pull out of the scheme due to lack of trust that they would fully benefit from the scheme once they are out of service. This is due the fact that personnel do not know what the scheme offers due to lack of information .All they know is hat they are expected to make monthly contribution for a period of fifteen years after which they will benefit but they do not know how it works. Some also look at AFMIS as a source of saving to help in retirement due to lack of money to continue contributing to the scheme.

Lack of adequate communication on the status of accounts for this institution is detrimental to this scheme. Members should get formal briefing every year like the Kenya Armed Forces Old Comrades Association (KAFOCA) does, so that they are appraised on the performance of the scheme as well as being involved in charting out strategies for propagation of the scheme. Members should be given statement of audited accounts of the scheme to know and understand the financial health of the scheme.

Staffing of the scheme so far still remains a challenge as day to day running of the scheme heavily relies on Government Redeployed Retired Officers (RROs), since the scheme is not ready to employ its own staff yet. The problem of depending on the RROs means that the scheme can not fully discharge its duty due to staff shortage which could affect the quality of healthcare received because of unavailability of proper monitoring.

Couples who are both personnel of Armed Forces worry about double payment of premium since it is automatic that once one joins the Service they automatically become members and therefore remit monthly contribution to the scheme. The scheme operates within the concept of insurance hence the concept of double payment should not apply since benefit is only payable once.

The scheme did not envisage a situation whereby a member would retire before they start a family. In this era of liberalization, people retire early when they still

have no families. The rules and regulations of the scheme provides for declaration of final list of dependants at the time of retirement to cater for spouse and a maximum of 4 children. It does not allow additional family members which means that if you retire before you have the required dependants the scheme will only cater for the person and not spouse or children gotten after retirement. This makes people feel cheated because when they retire as fully paid up members they expect that in the event they get dependants, they will also be catered for which is not the case.

There is a perception by some members of Armed Forces that they will not be able to access certain hospitals because they believe that the scheme has contracted these institutions to provide services for senior ranked staff members. This belief is occasioned by the fact that while in Service different cadre of ranks are treated differently and they lack the necessary information and feedback to make them think otherwise.

The scheme is bogged with cases of abuse of medical facilities. There have been cases of impersonation through the use of cards to access treatment by members to those not entitled to the services. Members who have retired sometimes tend to use their cards or of their dependants to access medical care for their relatives. Some do it out of ignorance while some do it since they believe they paid for the service and if they do not get sick they can transfer the benefits to their relatives.

Armed Forces is a country wide employer this means that AFMIS has a network of personnel allover the country. The main challenge is in trying to reach all members in the country since some parts are inaccessible and do not have any contracted hospital in the region. This means that some members do not see the need to join the scheme if their region is not catered for in the list of the accredited health care facilities or the distance they cover to this facilities are long, time consuming, costly and tedious.

Many serving personnel complained of meagre salaries. They saw a big challenge in making contributions to the scheme by taking the little they earn per month and using it to plan for future provision of Medicare while they had other pressing family needs to immediately attend to. They looked at the costs of the premium which they considered expensive without considering the long term benefit. To convince the personnel to budget for the purpose of making contribution to AFMIS was a big challenge since people were resistance to change their habits and start saving for future.

When one is dismissed from service he/she becomes a "persona non grata" therefore not allowed to access Military establishment. Medical needs do not go away just because one has been dismissed and since AFMIS is an independent body, dismissal should not affect one's contribution but, that is not always the case. Dismissed members feel cheated because if they can pay up and become fully paid members they see no need to be denied medical care in dismissal since this scheme serves one in retirement.

The management has a challenge to see that the scheme remains solvent in the long run. Its main source of income is serving member's contribution whose membership increase with recruitment which is governed by funding from the Government which is not consistent and interest earned on investment made on monies collected from members. This means that the scheme can not solely depend on member's contribution since it does not increase yearly. The management has to decide the most viable investment which will provide maximum returns to ensure the scheme stays afloat.

4.7 How Challenges have been handled

AFMIS has attempted to inform members regularly about what is happening and its benefits. This is done to encourage people to have faith in the scheme and be able to know the advantages of saving for one's future medical care just as they save for house, and their children education. The scheme does this by having lectures about it to various Units within the Armed Forces and encouraging those in command to call upon them incase members need clarification on certain issues.

Secondly, AFMIS is encouraged to invest members' contribution so that they can improve on the time value of money this will also enable them to achieve minimum returns which leads to maximum liquidity. AFMIS has taken it upon themselves with the involvement of members' of the Trustees to look at available investment options which will give better returns to improve the liquidity status of the scheme for a long time.

Thirdly, educating personnel on how far the scheme has grown and the importance of the scheme for future have been made routine practice. AFMIS continues to give lectures as and when required to enlighten personnel on what is the scheme is all about. In addition members are assured that all personnel are entitled to receive medical services from the same hospitals irrespective of the rank one retired in. This is to discourage the myth that certain health care facilities are only contracted for certain cadre of personnel. The scheme tells the members that when they retire they leave their ranks in Barracks and hence become equal partners in the scheme qualifying for same medical care.

Fourth, if one is caught committing an act of letting persons not entitled to services access services by using their cards, he/she loses membership and have their cards withdrawn. This means that one ceases to become eligible for any benefit that accrues from becoming a member and also loses the money

contributed since such cases do not warrant cash refund because it is fraud and it is a crime punishable under the Laws of Kenya.

In cases where members are legally married, they are encouraged to ensure that only one person contributes so that there is no case of double payment. Members who are married are requested to furnish the scheme with the necessary documents in this case marriage certificate so that one is exempted from paying without affecting the benefits to be received in future.

The scheme is working hard to ensure it enters into contract with as many hospitals as possible to ensure they cater for all the regions in Kenya where the members are. This is being done to ensure that members feel recognized and also to reduce costs and time associated with traveling for long distances to visit the nearest health facilities to get services required.

CHAPTER FIVE SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Summary

5.1.1 Challenges of implementing AFMIS

The major challenge of implementing the scheme was found to include:

Lacks of adequate communication of the schemes' vision for the members as majority of the Armed Forces personnel were found to lack adequate knowledge about the scheme's operations. There was a strong relationship between lack of adequate communication and lack of understanding of the strategy by the personnel since disclosure of information is kept at command level only who are then tasked to disseminate it to their juniors. In some cases this information does not flow down well or takes time to reach the intended parties hence developing disconnect.

A compounding challenge has been lack of faith in the scheme by members as some of them opted out of the scheme because of misunderstanding of the objectives of the scheme. They see the scheme as an alternative source of income after retirement when the real object of the scheme was to cater for medical care costs of members upon retirement.

The contracted hospitals that serve the membership are scattered all over the country. There are not evenly distributed across the country hence a major problem of monitoring these institutions arises as they are not working for the best interest of the members. In some regions there are no contracted hospitals. The scheme is also not well staffed to carryout its role effectively.

Insolvency has been a challenge especially in maintaining adequate membership of the scheme that can keep it solvent in the long term. The management board should come up with ways to ensure that planning for future needs of the scheme are well taken care of by investing wisely

5.1.2 How challenges were overcome

AFMIS has attempted to inform members regularly about what is happening and its benefits. This is done to encourage people to have faith in the scheme and be able to know the advantages of saving for one's future medical care just as they save for house, and their children education. The scheme employees strive to have learning and information sessions in various Units of the Armed Forces to enlighten personnel on what the scheme is all about. If one is caught committing an act of letting persons not entitled to services access services by using their cards, and then he/she loses membership and have their cards withdrawn.

Members are assured that all personnel are entitled to receive medical services from the same hospitals irrespective of one's rank at retirement. This is done to discourage the myth that certain health care facilities are meant for only certain cadre of retired personnel. In cases where members are legally married, they are encouraged to ensure that only one person contributes so that there is no case of double payment without affecting the benefit to be received in future.

AFMIS is also working hard to ensure that it get accreditation in all health care facilities within Kenya to ensure that all members are catered for from wherever they maybe so hat all enjoy the said benefits without incurring extra expenses.

5.2 Recommendations

This study recommends continual reviewing of the rules and regulations governing the scheme. Alexander (1985) contends that involvement and support of people who will be affected by changes in strategy must be considered and that implementation of new strategies and changes is communicated widely, awareness created, commitment and involvement sought.

The scheme should constitute proper channels of communication so as to effectively communicate the vision, mission and objectives of the scheme to

members. This will create confidence and faith of people in the scheme, hence membership retention that translates to more premiums to the scheme.

More procedures should be sought and put in place to avoid the possibility of mismanagement of the scheme's funds. A process of continuous improvement and sealing loopholes for mismanagement and embezzlement of funds in the scheme should be encouraged.

Lack of communication and accountability is detrimental to this scheme.

Communicating regularly with AFMIS members is one way to disseminate upto date information and the way to do it is by keeping addresses of retirees and informing them of what is happening on a regular basis, those in active service should also be updated on the progress of AFMIS using the laid down chain of command.

AFMIS should endeavor to have continued sensitization and mobilization of all its shareholders. They should strive to give information regularly like KAFOCA which has delegate in all the provinces and hold its Annual General Meeting annually. Information should reach all stakeholders. This can be done through development of newsletters that can be used to pass information about processes, investment activities and progress made in meeting medicare needs of retirees.

AFMIS should attempt to revise the clauses requiring a person to declare final list of dependants at time of retirement since people leave early in this era of liberalization and hence some do not have dependants but look forward to having them in future. Provision for those who retire early yet have no children while at service should be reconsidered. There are cases of mothers who deliver after retirement; AFMIS takes care of the maternity and not the born child. The Board of trustees should review this clause so that those who retire early or increase their families are also catered for.

There should be an Annual General Meeting (AGM) where members are appraised on the going liabilities and assets where payments and statement of accounts are communicated to members. This will ensure that members receive annual audited reports on statement of accounts which will enable them to know how the scheme is fairing on and how best it can be helped to improve on its performance. AGM will also ensure that members have a say in the running of AFMIS and will also keep the scheme in check.

AFMIS should increase and diversify investments from member contributions. For example recruit all hospitals in entire country to offer services and establish memorial hospitals to generate income and mobile clinics to reach those who are in remote areas. It is also important to guarantee that money is safe with regard to how investments are executed.

The idea of the scheme was to take care of all retired personnel irrespective of the time one retired. Therefore it should be viewed in terms of welfare activity whereby as long as one once served in the AF and retired; he should be eligible to join the scheme at any time so long as he shows the ability and willingness to pay the premiums charged.

In addition, it is further recommended that creation and decentralization of the monitoring division of the scheme is prudent so as to effectively and efficiently monitor if the contracted medical institutions are providing quality services to its members. It should also endeavour to increase its staff to enhance efficiency of service delivery.

5.3 Limitations of the study

The study was limited to an in depth case study of AFMIS hence the study findings are unique to the scheme and therefore cannot be used for generalizations about other or similar schemes in Kenya. The study focused on the implementation stage of AFMIS which cannot be used to generalize on any other study since it is unique to Armed Forces organization.

5.4 Suggestions for future research

Future studies are recommended to undertake a census so as to document the number of similar schemes operating in Kenya with regard to health care insurance and how they can be improved to continue playing their role of medical care for retirees upon retirement.

Future studies can also be done by case studies of other schemes various organizations are using to ensure their employees plan for their future by providing incentives to save while still in active service take the case of employees' pension schemes.

5.5 Conclusion

The study has revealed that implementation of strategic decisions is not for the faint hearted and that it is a continuous process which requires monitoring and evaluation at each stage and reviewing choices that best suit the process. AFMIS should formulate clear and well documented strategies which can act as a source of reference for all its activity.

All leaders at the various levels of the organization must identify and embrace the strategy so that they spread the same gospel to their employees to ensure that all are well informed and can connect the vision to strategy. This means that all persons in the organization must be committed to ensuring that the implementation of any strategy is successful.

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Appendix I

Major Elizabeth Omollo
Moi Air Base
P O Box 41584 00100 GPO
NAIROBI
13 February 2006

Managing Director
Kenya Armed Forces Medical Insurance Scheme
Ulinzi House
P O Box 40668
NAIROBI

Dear Sir,

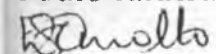
RE: AUTHORITY TO WRITE A PAPER ON AFMIS

I, Major Elizabeth Omollo (21211) of Kenya Air Force – MAB currently pursuing Masters in Business Administration (MBA) – Strategic Management option at the University of Nairobi, humbly request for authority to write a paper (project) on AFMIS, as partial fulfillment of MBA.

The paper will be of benefit to the Armed Forces since will look into strategic issues focussing on implementation and the future of the scheme. I will undertake to adhere to the laid down rules and regulations as regards the kind of information that will be given to the general public.

Thanking you in advance as I look forward to your kind consideration.

Yours faithfully,



Major Elizabeth Omollo

Appendix II



DEPARTMENT OF DEFENCE

Telegrams: "AFMIS", Nairobi

Telephone: 254-2-2721164

FAX no: 010-254-02-2725854

ARMED FORCES MEDICAL
INSURANCE SCHEME
ULINZI HOUSE
P.O Box 40608,
NAIROBI, KENYA

17th February 2006

Major Elizabeth Omollo

Moi Air Base

Po Box 41584- 00100

NAIROBI

RE: AUTHORITY TO WRITE A PAPER ON AFMIS

Reference your letter dated 13 Feb 06

Your request on the subject has been approved. Please note and endeavour to give this office a copy once the paper is ready.

Best wishes and success in your project.

S N MBOLONZI
Brig K AF (Rtd)
Managing Director

Appendix III

In-depth Interview Guide

1. What is the importance of the scheme?
2. The scheme is a noble idea, what would you say are challenges it faces in its implementation?
3. How are you dealing with these challenges?
4. How did you reach at the figure (premium) to be contributed by each individual?
5. Initially membership to the scheme was voluntary, in 2002 it became compulsory for anyone joining the Armed Forces to subscribe to the scheme, when do you envisage the scheme to have 100% membership including voluntary members?
6. What measures have you put in place to ensure that those members of the scheme who are dismissed get full benefit if any?
7. How do you ensure that mismanagement of funds and embezzlement does not take place?