

**CHALLENGES OF STRATEGY IMPLEMENTATION AT THE  
KENYA REINSURANCE CORPORATION LIMITED**

**BY**

**SUSAN JEPTUM KANDIE**

**UNIVERSITY OF NAIROBI  
LOWER KABETE  
LIBRARY**

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## DECLARATION

This research project is my original work and has not been submitted for a degree in any other univer

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Date

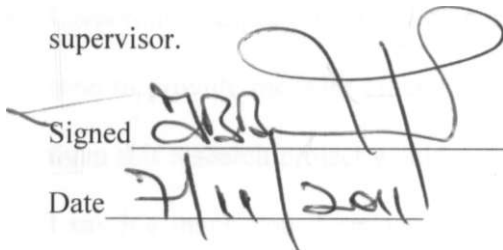
7/11/2011

NAME: SUSAN JEPTUM KANDIE

REG.NO D61/73143/2009

The research work is submitted for Examination with my approval as the University supervisor.

Signed



Date

7/11/2011

**Dr. Zachary Bolo Awino, PhD**

**Senior Lecturer, school of business,**

**Department of Business Administration,**

**School of Business,**

**The University of Nairobi**

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## **DEDICATION**

This project is dedicated to The Lord God Almighty, Father of our Lord Jesus Christ for providing me with strength and finances. To my husband Gilbert who has been a source of great inspiration, encouragement, support and understanding during this time of my MBA programme.

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## **ABSTRACT**

Strategic management process is divided into three phases/segments, that is, formulation, implementation and control. The main critical phase of strategic management process is the implementation stage, (translating strategic thought into organizational action). Strategy implementation is concerned with how the choices will be put into effect and how to manage changes required in the process. Strategy implementation therefore is a crucial phase because it unites the organization between formulation and evaluation. The objective of this research was to establish the challenges faced by Kenya Reinsurance Corporation in their strategic plan implementation. To achieve this objective a case study research design was used. The study was conducted by carrying out an in depth interview with the senior managers of the company. The primary data was collected using interview guide which was designed for the purpose of the interview. Content analysis method was used for analysis. The respondents were senior managers who are heads of departments and divisions in the Corporation. The chief executive of the corporation was also a respondent. Reward system, departmental conflict and government policies and bureaucracy seemed to have been the most challenging factors for Kenya Reinsurance Corporation. Other challenges found across all the departments were competition, external factors like world economy, double taxation and lack of staff commitment. Other challenges identified include, historical injustice, political instability, language barrier and inadequate resources.

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## ABBREVIATIONS & ACRONYMS

<b>ACII</b>	Association of Chartered Insurance Institute
<b>AKI</b>	Association of Kenya Insurers
<b>CIPS</b>	Chartered Institute of Procurement & Supplies
<b>CPA</b>	Certified public Accountants
<b>CPS</b>	Certified Public Secretaries
<b>FCII</b>	Fellow Chartered Insurance Institute
<b>GDP</b>	Gross Domestic Product
<b>IBU</b>	International Business Unit
<b>ICT</b>	Information Communication Technology
<b>IIk</b>	Insurance Institute of Kenya
<b>IRA</b>	Insurance Regulatory Authority
<b>Kenya Re</b>	Kenya Reinsurance Corporation Ltd
<b>LBU</b>	Local Business Unit
<b>MD</b>	Managing Director
<b>MISK</b>	Member of the Institution of Surveyors of Kenya



# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

All organizations, whether private or public, operate as open systems. Therefore, organizations have found it necessary to engage in strategic management process in order to achieve their corporate objectives. Strategies are a critical element in an organizational functioning. Whereas most organizations have good strategies, successful strategy implementation remains a major challenge. According to Mintzberg and Quinns, (1991), 90% of well formulated strategies fail at implementation stage. After the grant strategies have been determined and the long term objectives set, the strategic management process is far from complete, Pearce & Robinson, (1994).

Strategy implementation follows the formulation process but implementation requires both planning how choices of strategies are put into effect and managing the changes that are required in the process. The said process is fraught with complexity and challenges if the desired changes are not implemented. The question then arises as to why 90% of the formulated strategies fail to be implemented. People in an organization are always taking action. One question which should be asked is that 'Are these members taking the right action?' This study is a case study of Kenya Reinsurance Corporation.

### 1.1.1 The Concept of Strategy

**According to** Johnson & Scholes, (1984), strategy is 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. Strategy **is management's** action plan for running the business and conducting operations. It is **a unifying** pattern of decision that defines the organization and purpose and **positioning** of the organization in the environment so as to gain competitive **advantage**. Corporate strategy has been described as an organization's 'sense of **purpose**' **Ansoff**, (1965). Crafting and executing a good strategy are the heart and soul **of managing a** business enterprise, Mintzberg and Waters, (1985).

Strategy is a managerial process that involves formulating, implementing and evaluating the activities of the company. Strategic management is the set of managerial decisions and actions that determines the long-run performance of a corporation. Michael Porter (1996), noted that strategy is about achieving competitive advantage through being different in delivering unique service or product. Strategic responses involve changes in a firm's strategic behavior to assure success in the transforming future environment Ansoff, (1987). Strategy definitions reflect the cognizance of the turbulent external and internal environment as postulated by Johnson and Scholes (2004). Change in the external environment, dictates that an organization redraws its strategy, and realigns itself accordingly for survival, growth, or takes opportunity of emerging synergy.

In his five P's model Mintzberg defines strategy as a plan, a ploy, a pattern, a position, and a perspective, Mintzberg & Quinn (1991), Mintzberg et al. (1998). Plan is defined as a consciously intended course of action, or a guideline to deal with a

situation. Ploy means a specific "maneuver" intended to outwit an opponent or competitor. While plan and ploy refer to intended strategies, that is, looking forward, pattern is a stream of actions or consistency in behaviour over time, or looking back. Strategy as a position looks outside an organisation, seeking to locate the organisation in its environment, whereas strategy as a perspective looks inside the organisation and inside its members' heads, referring to a shared way of perceiving the world.

### **1.1.2 Strategy Implementation**

The main critical phase of strategic management process is translating strategic thought into organizational action. After strategy formulation, implementation is expected to follow. Strategic implementation is translating strategic thought into organizational action. Implementation is shifting of focus from strategic formulation to strategy execution. It is the actions an organization takes today to deliver the strategy tomorrow. Wheelen and Hunger (2008), observed that Strategy implementation involves establishing of programs to create a series of new organizational activities.

Many organizations create great plans for strategy formulation but fail to implement the desired change. Traditionally, the relationship between strategy formulation, strategy implementation and organizational performance begin by carefully specifying the organization mission, goals and objectives. According to Mintzberg, (2008) strategy implementation precedes strategy formulation. He argued that organizations articulate mission, goals or objectives after implementing strategies. In order to achieve its objectives an organization must not only formulate strategies but also implement its strategies effectively. Mintzberg, (2008) suggested that the traditional

way of thinking about strategy implementation focuses only on deliberate strategies. A long term study by Newcastle University, (1973 - 1989) showed that business success is governed more by how well strategies are implemented than how good the strategy is. Before a strategy is implemented three things should be clear to the managers, that is, who are the people to carry out the strategic plan?, what must be done to align the organizations operations in the new intended direction and how everyone is going to work together to do what is intended.

Implementing strategy is the connecting loop between formulating and control. In fact what integrates strategies is successful implementation of them. Strategic analysis and choice are of little value to an organization unless the strategies are capable of being implemented, Johnson and Scholes (1999).

### **1.1.3 Challenges of Strategy Implementation**

The process of strategy implementation is weighed down with complexity and challenges. It is thus obvious that strategy implementation is a key challenge for today's organizations. Johnson & Scholes, (1999), argues that successful implementation of strategy depends on the extent to which various components like structure and design, resources and planning are effectively integrated to provide competences which other organizations find it difficult to match. Strategy implementation requires management of strategic change; therefore managers are required to manage change processes.

Successful strategy implementation depends on the firm's primary organizational structure. The structure helps identify the firm's activities and the manner in which

**they are** co-ordinated to achieve the firm's objectives. The problem usually **experienced** is that the organization's current structure is not appropriate to the **intended** strategy. Structure portrays how key tasks and activities have been divided to **achieve** efficiency and effectiveness. The strategy should fit the current structure. **Organizational** strategy cannot be effectively implemented unless there is consistency **between** the strategy and organizational structure. The structure design ties together **key activities** and resources of the firm, therefore structure must be aligned with the **demands of** the firm's strategy.

Leaders in an organization play a big role in implementation. Leaders are supposed to establish, formulate the strategy and gain the support, corporation and commitment of those they need to be involved. Transformational leaders change things from what could be to what is, that is, they translate a vision into reality. According to Wheelen and Hunger 2008, (p 242), "A change in the environment leading to a change in a company's strategy also leads to a change in the top management team". Organizations that successfully implement their strategies are those whose leaders double their efforts of implementing compared to that of crafting it. Therefore, there are many factors that challenge the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for co-ordination and control.

#### **1.1.4 The Insurance Industry in Kenya**

Insurance companies play an important financial intermediation role in the economy. In the year 2009 the gross premium income amounted to Ksh 64.5 billion. Statistics from the AK.I records shows that the total revenue from insurance business is growing at a steady rate of 15

percent per annum, higher than the national GDP which stood at below five percent. Most insurance firms in Kenya are private entities, with a few shareholders who are also the board members. The insurance industry forms part of the country's financial sector. **Insurance** industry is a critical factor to the stability and growth of the Kenyan **economy**, helping businesses and individuals to recover from all kinds of financial **losses**. Kenya's insurance industry is resilient. Despite of the country's various **economic** and political problems, the industry has shown that it can survive and **thrive**.

The industry is represented by a well organized trade body known as Association of Kenya Insurance (AKI). Association of Kenya Insurers (AKI) is vouching for continuous education on corporate governance targeting directors of insurance firms in order to change customer perception about Kenya's insurance industry. The industry is overseen by a relatively new and empowered regulator known as Insurance Regulatory Authority (IRA). Insurance Regulatory Authority (IRA) has initiated training and certification modules for directors and top management staff of insurance firms through partnership with the institute of corporate Governance. Insurance Institute of Kenya (IIK) enhances and monitors technical and professional capability in the industry.

In **the** insurance industry there are different players. In this industry, we have insurance firms, Reinsurance firms, Insurance and Reinsurance brokers and agents. All **the** industry players are registered and regulated by the government regulating body, Insurance Regulatory Authority (IRA). Currently there are forty insurance companies, one hundred and thirty seven brokers, five Reinsurance, and around five hundred agents. The industry deals with three major classes of insurance namely, Life assurance and health insurance, Non life insurance for example, property insurance, marine insurance, motor insurance, liability insurance and Pensions. When a risk

transfer system is set up there are other functions evolving from those operations like investment of funds so that they are available when required. Uptake of long term insurance (Life insurance) is much faster as compared to general insurance which is largely driven by compulsory insurance with motor insurance business taking up forty three percent. Life assurance policies are long term in nature, they take long time to mature. General insurance are annual policies which expire after a period of one year or less.

The insurance industry is currently observing the emergence of new products such as Bancassurance, Agricultural insurance, Microinsurance and new business modules such as Islamic insurance (Takaful and Retakaful). This study is a case study about Kenya Reinsurance which is a key player in the Reinsurance sector. Reinsurance is a practice where one party (Reinsurer) agrees to indemnify the other party (insurer) in exchange of a consideration called premium. Reinsurance companies also take reinsurance in the form of retrocession in order to cushion themselves against risks which they have reinsured.

#### **1.1.5 Kenya Reinsurance Corporation**

The Kenya Reinsurance Corporation Ltd. (Kenya Re) was established in December 1970 under the State Reinsurance Corporation Act of the Laws of Kenya Chapter 485. The Corporation's function is to undertake and transact in any manner reinsurance and insurance business in and out of Kenya. The establishment of Kenya Reinsurance Corporation was necessitated by the Government to address the unsatisfactory conditions that were in the local insurance sector. Some of the objectives the corporation was to pursue were to increase retention capacity within the country so as to reduce the need to purchase reinsurance covers from external reinsurers and to help in regulating the insurance sector, a function which is now performed by the office of

the Insurance Regulatory Authority, which was established under the Insurance (Amendment) Act of December 2006. The act became effective on May 1 2007. The Corporation commenced underwriting business on 1<sup>st</sup> January 1971 initially with fire risk. Thereafter in the year 1972 it started underwriting accident class of business covering the whole range of risks.

Initially Kenya Re was a monopolistic company, receiving compulsory cessions from all the ceding companies in Kenya. Currently Kenya Re is a public company with the public owning 40% and the government being a majority shareholder of 60%. Kenya Re is listed in the stock exchange. Kenya Re provides various reinsurance and financial services to insurance companies in Kenya, rest of Africa, the Middle East, and Asia. The Corporation reinsures all classes of insurance business including accident, engineering, liability, motor, fire, aviation and life. The business written is of a short-tail nature. The risk under any one insurance contract arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Corporation has developed its reinsurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The corporation also manages these risks through its underwriting strategy and adequate retrocession arrangements and proactive claims handling. The reinsurance arrangements in place include proportional and non proportional treaties.



The corporation is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The corporation has defined investment policy which sets limits on the corporation's exposure to equities both in aggregate terms and by category or share. This policy of diversification is used to manage the corporation's price risk arising from its investments in equity securities. Kenya Re maintains the highest standards of corporate governance and best practice. The corporation subscribes to the performance contracting with the government. During the year 2010 financial year Kenya Re was ranked number nine in the state corporations category and number one in the state corporations within the financial institutions.

## **1.2 Research Problem**

Most studies in strategic management in Kenya have dealt with formulation, implementation and its evaluation in financial institutions like banks and other nonprofit making firms. Strategy implementation is probably one of the most difficult aspects of strategic planning. Challenges faced in strategic implementation in Reinsurance organizations have not received the same attention as other components of strategic management and therefore gaps exist in our knowledge, which this study aimed to bridge. Most organizations come up with excellent strategic plans but very few come to implement them. This can be attributed to some challenges or barriers which this study aimed at finding. Management is sensitive to the context in which it is practiced and organizational factors like leadership, structure, culture, planning and motivating play a fundamental role.

A **number** of studies have been done on strategic implementation but no known study has looked at strategy implementation and the challenges faced at the implementation **stage at** Kenya Reinsurance Corporation. Several studies have been carried out on Kenya Re by a number of scholars like Mwarania (2003), studied the responses by **Reinsurance** companies in Kenya to changes in the environment (A case study of Kenya Re). Awino (2007), talked about responses of Kenya Reinsurance Corporation **to the** challenges of globalization of the reinsurance industry in Kenya, (A case study **of** Kenya Reinsurance). These studies have centered on strategic responses to the **challenges** of globalization and environment. However these studies have not **identified** the challenges encountered while implementing the corporation's set **strategies**.

Similar studies have been carried out in Kenya on challenges of strategy implementation by several scholars like Mwangi (2006), Githui (2006), Karuri (2006) and Ateng (2007) but in a different context. Awino (2007), in her study recommended that further study be done to see how implementation is being carried out at Kenya Re. This study therefore sort to establish the challenges of the strategy implementation at Kenya Reinsurance Corporation. What are the challenges encountered while implementing the selected strategies?

### **1-3 Objective of the Study**

The objective of this study was to determine the challenges encountered by Kenya Reinsurance Corporation Limited in implementing the strategy.

#### 1.4 Value of the Study

**This research is** a valuable flat form for future research to bridge the gap between **formulation**, implementation and challenges encountered. The research will be used in future for reference in the research work. This research highlights casual relationships **between** management processes by comparing generations from case studies' findings **with the** underlying theory. Other players in the industry may apply lessons learnt in responding to the challenges posed in their respective areas of operation.

This study contributes to the general understanding of the insurance industry. It provides a detailed examination of how insurance business is conducted. The study therefore will add to the existing body of knowledge on the concept of strategic management and in particular strategy implementation.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The purpose of this section was to explore theoretical and empirical literature touching on the strategic implementation with regard to the changing environment in the reinsurance sector. The purpose therefore of this chapter was to establish the foundation for the proposed study and identify a framework within which primary data was contextualized and interpreted. In today's highly competitive business environment, organizations must engage in strategic management in order to clearly define objectives and assess both the internal and external situation to formulate strategy, implement the strategy and to evaluate the progress. Although the literature on strategy implementation is growing, it is not so well developed as the literature on strategy formulation Certo and Peter, (1991). This is because strategy formulation has received considerable attention in the planning literature as compared to strategy implementation.

##### **2.1.1 Strategic Management Process**

Strategic management process is the art and science of formulating, implementing and evaluating cross functional decisions that enable an organization to achieve its objectives, David,(1997). Strategic management is a process and has several implications, Pearce 11,Robin and Mital,(2010). Strategic management is viewed as a process because a change in any component will affect several or all of the other components. Strategic management process involves formulation, implementation and

control. Strategy formulation and implementation are sequential, Pearce, Robinson and Mital, (2010). The process begins with the development of organization's mission, followed by a company profile and then assessment of the external environment. Strategic choice will follow then definitions of the long term objective. Strategy formulation refers to the entire management function of establishing organization direction, setting objectives and devising managerial game plan for the organization to pursue, Strategy formulation guides chief executives in defining the business their firm is in, the objectives it seeks to achieve and the means it will use to accomplish those ends Thompson and Strictland, (1989). Strategy formulation combines a future oriented perspective with concern for the firm's internal and external environment. Strategy formulation begins with defining the purpose of business in order to reflect the values of a wide variety of interested parties.

Strategy implementation involves organization of the firm's resources and motivation of the staff to achieve the set objectives. The selected strategy is implemented by means of programs, budget and procedures. Those who implement strategy in organizations are different people from those who formulated it. Therefore care must be taken to communicate the strategy and the reason Strategy implementation skills are not easily mastered. In fact, virtually all managers find implementation the most difficult aspect of their jobs, more difficult than strategic analysis or strategy formulation. Otherwise the implementation might not succeed if the strategy is not understood well.

Implementing strategy is the connecting loop between formulating and control. In fact what integrates strategies is successful implementation of them. Strategy implementing is a process in which all planning and budgeting activities, policies and procedures follows the defined strategy. It may involve some changes in organization's culture, structure and managerial system or even a wide general change in all these mentioned fields. It is sometimes referred to as "operational planning" covers all daily decisions about allocating resources. Strategic planning and implementing could be considered as two sides of a coin. It is the responsibility of the entire management and the support staff to participate in this critical stage of strategic management. The key to successful implementation is to unite the total organization behind the strategy and to see that every relevant activity and administrative task is done in a manner that tightly matches the requirements for first rate strategy execution. Along with the enthusiasm and strategic commitment the management must develop concerted effort to create a series of strategy supportive "fits".

Strategy implementation is putting into action the chosen strategy. According to Hill and Jones (2001), implementing strategy requires the allocation of roles and responsibilities for different aspects of that strategy to different managers and subunits within the company. A company's organization structure maps out roles and responsibilities along with reporting relationships. Therefore strategy is implemented through structure. It is an administrative task that involves figuring out workable approaches to executing the strategy and then getting people to accomplish their jobs in a strategy supportive and results achieving fashion. It consists of seeing what it will take to make the strategy work and then getting it done in a manner that produces the targeted performance on schedule. Strategy evaluation is assessing strategy execution

to determine which aspects are working well and which need improving. Successful **strategy** execution entails vigilantly searching for ways to improve and then making **corrective** adjustments whenever and wherever it is useful to do so, Thompson, **Strictland and** Gamble, (2008).

[ valuation is appraisal of how well a business performs, Mintzberg, Lambert,(2002). Evaluation of a business strategy should answer the following questions, Are the objectives of the business appropriate? Are the major policies and plans appropriate? Do the results obtained to date confirm or refute critical assumptions on which the strategy rests? Most firms rarely engage in explicit formal strategy evaluation but rather, evaluation of current strategy is a continuing process and one that is difficult to separate from the normal planning, reporting controlling and reward systems of the firm. Strategy evaluation is not so much an intellectual task but an organizational management process.

Evaluation can be performed by the consultants but most often it is an integral part of the organizations process of planning, review and control. Implementation control is designed to assess whether the overall strategy should be changed in the light of the results associated with the incremental actions that come with implementing the overall strategy.

### **2.1.2 Concept of Strategy Implementation**

Strategy implementation is a vital component of strategic management process. Implementation involves putting into action the logically developed strategies. It is the summation of activities in which people use various resources to accomplish the objectives of the strategy, Higgins and Vincze (1986). William, (1991) describes implementation as the execution of tactics both internally and externally so that the

**organization** moves in the desired strategic direction. Strategy implementation has been **defined** in many ways. Traditionally the focus has been on organisational **structure and** systems, Galbraith (1980); Ansoff (1984); Higgins (1985); Thompson & Strickland (1995); Pearce & Robinson (1996); Johnson & Scholes (1999). Some **authors** like Bourgeois & Brodwin (1984); Noble (1999) have stressed the **communicational** and cultural aspects in strategy implementation. Although **formulating** a consistent strategy is a difficult task for any management team, making that strategy work that is, implementing it throughout the organization is even more difficult Hrebiniak, (2006). Although numerous studies acknowledge that strategies **frequently** fail not because of inadequate strategy formulation, but because of **insufficient** implementation, strategy implementation has received less research attention than strategy formulation. In this study, we establish the factors that impede effective strategy implementation.

Corporate strategy has been described as an organization's 'sense of purpose' Ansoff, (1965). However, it has been challenged that purpose without developing respective plans or actions to put the purpose is not strategy. Crafting and executing a good strategy are the heart and soul of managing a business enterprise. Today, the interest in strategy formulation and implementation has taken a centre stage as result of recent corporate governance scandals and breakdowns of formerly reputable firms, inconsistencies between intended and realized strategies have become more closely scrutinized Schmidt and Brauer,(2006).



In **strategic management** process, after formulating, implementing is the most **important and** critical stage. Business strategy implementation is concerned with the **fit between the** organization's business or competitive-strategy and its internal **processes** Galbraith and Kazanjian, (1986).

**Implementation** is the process of translating strategic plans and policies into results. The success of organizations depends on the effective implementation of strategies. It plays a vital role in the attainment of corporate objectives of a firm. Without the effective implementation of strategy organizations are unable to reap the benefits of performing an organizational analysis, establishing organizational direction and formulating organizational strategy. The most elegantly conceived, most precisely articulated strategy is virtually worthless unless it is implemented successfully. Despite the fact that the organizations understand the significance of strategy implementation, it has been observed that in most of the organizations implementation often falls far short of the goals that organizations have set for themselves. However, implementation deserves considerable attention for the success of strategy.

Strategy implementation is an administrative task and inherently behavioral in nature, John and Richard (1986). The implementation tasks put to test the strategists' abilities to allocate resources, design structures, formulate functional policies and take into account the leadership styles required, besides dealing with various other issues. Implementation of policies and strategies is concerned with the design and management of systems so as to achieve the best integration of people, structures, processes and resources in reaching organizational objectives, Steiner et al (1989).

Strategy is **management's** action plan for running the business and conducting **operations**. **Thompson, Strickland & Gamble**,(2007). A company's strategy is all **about how** management intends to grow the business, how it will build a loyal **clientele and** outcompete rivals. **Freedman & Tregoe** (2003) noted that strategy **implementation** requires discipline, commitment, creativity, leadership and superior **execution** skills. Implementation of any strategy is aided by the existing set of rational **processes that** enhance flawless execution.

**Organizational** structure provides the overall framework for strategy implementation. **Pearce & Robinson** (1991) indicated that successful strategy implementation depends **on the** organizations primary organizational structure. **Chandler** (1962) noted that the **choice of a new** strategy results in new administrative problems leading to decline in **performance**. Many organizations today embark on new strategies without first **evaluating the** capacity of the current structure.

In an environment that is dynamic, organizations find it necessary not only to be focused but to be flexible and adaptive. Organizations therefore must create a learning environment where employees' intellect, creativity, innovation and experience are encouraged and utilized to benefit the organization in the changing environment. Teams therefore must have required skills to cope with changes within and without the environment.

Cultural settings facilitate or can hinder successful strategy implementation. **Burns** (2004) noted that when an organization's environment is changing rapidly, a situation will arise when it's culture is out of step with the changes taking place. Culture is a

very important element of strategy implementation because "lack of compatibility of strategy and culture can lead to resistance to change and frustrate the strategy implementation efforts" Aosa (1992). Managing the strategy - culture relationship requires sensitivity to the interaction between the changes necessary to implement the new strategy and the fit, that is, compatibility changes and the organization's culture.

Effective leadership is required at all levels of the implementation process. Leadership is the key determinant in the success or failure of any institutional process. Top leadership task entails putting internal support systems for organizational innovation, dealing with internal politics and power in order to gain support of key personnel. Top management is responsible for creating a lofty inspirational vision that will generate enthusiasm among all employees.

Problems arise if any of the elements in the structure or process is not attended to Aosa,(1992). Alexander,(1985) reports from his research that 50% of the organizations that experienced problems could have avoided if they had prevented implementation problems from occurring in the first place. If the formulation was wrong, then implementation of such a strategy is a challenge under the prevailing circumstances. For planning the implementation of their strategies effectively, strategists need to review and assess various factors/issues which affect the implementation process of their strategies. Implementation challenges arise from inadequate communication and training, non involvement of strategy implementers, culture, process and procedures and reward systems that are not aligned to strategy, Machuki, (2005).

In the business world many strategies fail because of a lack of consistency among the chosen strategy and many other important factors such as the organization's structure, reward system and capabilities. Communication of the strategies may not be clearly understood. A well laid out strategy means nothing if it is not clearly understood.

**Leadership plays** a central role in strategy implementation and if not properly **managed can pose** as challenges. Strategy implementation requires the assembling of **capable teams** with the right skills. Pearce & Robinson (2001), noted that the Chief **executive together** with key managers must have skills, personalities, education and **experience in order to** execute the strategy selected.

Top management commitment refers to the involvement and support of top management to the implementation process. Managers should accord great importance to the top management commitment for effective strategy implementation. Effective Leadership is the key determinant in the success or failure of any human institution. The leader's role in strategy implementation is critical because he or she provides the basic leadership and impetus for the implementation process. Effective leadership is required at all levels of the implementation process for decision-making, guidance, support and motivation of people involved in implementation. Hill & Jones (1991) points out the role and impact of politics in strategy implementation in organizations.

They observe that it is important that forces of organizational politics be overcome and the resistance of powerful groups be neutralized if successful implementation is to

be achieved. Employees' commitment is also a very important factor in effective strategy implementation. Employees Commitment refers to the willingness of employees to put great deal of effort and work with sincerity and dedication and in cooperation with others.

Rewards and Incentives used is the most significant opportunity to improve the rate of success of strategy implementation. Rewards and incentives are tied to successful strategic plan implementation. When rewards and incentives are tied to successful implementation of strategies, managers come to see improved performance as a necessary and normal part of their jobs. In the absence of effective linkage between rewards and performance people get demoralized, suspicious and lose the excitement of contribution.

Therefore, organizations should design effective rewards and incentive schemes for motivating their people in order for them to contribute their best to the implementation process. The reward system can be either negative or positive, that is, success is celebrated while there are consequences for failures. The reward can be in the form of bonuses, promotions, recognitions or any other perks based on the organization's cultural setting, Pearce & Robinson, (1991).

Organizations need to focus on these factors meticulously while planning the implementation of their strategies and during the course of their execution. Failure of strategy implementation are inevitable when organizations fail to accord due importance to these factors during the process of implementation.

### **2.3 Responses to the Strategy Implementation**

**Mckinsey 7-S** framework provides an important interrelationship and if properly **aligned can lead** to successful strategy implementation.

**Strategy** should be suitable, acceptable and achievable. Strategy should be clearly **defined** and communicated to all the stake holders. Managerial involvement in **strategy** development is essential for successful implementation. Hasbinson & Meyes,(1959).

**Visionary** leadership that creates a learning environment to enable the organization to **deal** with the dynamic environment is required. Raps (2005), pointed out that the **middle managers** should be involved in formulation of the strategy. By ensuring that **these managers** are part of the process, their motivation towards the project will **increase and** they will see themselves as an important part in the process.

Employee involvement is required in both formulation and implementation stages so that they own the strategies selected and are enthusiastic to implement and see positive results. Thompson & Strickland (2003), observed that recruiting and training personnel with the required experience, skills and intellectual capital is a sure way of successful strategy implementation.

Organizational culture is very critical in responding to the challenges encountered. When corporate culture is aligned to strategy, employees tend to rally behind the strategy leading to minimal resistance. Culture is shared assumptions, that is, internalized beliefs and values that organizational members hold in common. Organizational Culture influences opinions and actions within an organization. Continuous and clear communication enhances strategy implementation. Organizations should invest in appropriate information systems in order to cope with the changing environment. Strategy can be realistic if the required resources are available. Thompson, (1990). Aosa (1992) talks of allocation of resources as the availing of material and human resources required for the strategy implementation.

**Pearee & Robinson** (1988), sees the annual budget as the main vehicles for resource allocation. **Thompson & Strickland** (1989) links budget with strategy, that is, enough **personnel and funds** should be provided.

**According to Porter** (1980), strategy is about competition and the means by which an **organization** tries to gain competitive advantage. The organization's corporate **strategy should** help in the process of establishing a distinctive competence and **competitive** advantage at the business level. According to **Johnson & Scholes** (2002), **a corporate level** response is the first level of strategy at the top of the organization. **Therefore, there** is need to adopt new strategies that match the challenges from the **environment**, **Pearce & Robinson**, (2000). Some of the dominant strategies that have **been used for** restructuring in the 1990s include, reengineering, self-management and **outsourcing**.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter outlines the methodology which was used in carrying out the research, that is, the various stages and phases that was followed in completing the study. This section outlines the procedures and techniques that were used in the collection, processing and analysis of data. This section include research design, population of study, sample size and sampling procedure, research instruments, data collection procedures and data analysis.

#### 3.2 Research Design

The research design used in this research was a case study since the unit of analysis was one organization. Yin (1994), argues that a case study allows an investigation to retain the holistic and meaningful characteristics of real life event. It involves an in-depth investigation of the challenges of strategy implementation at Kenya Reinsurance Corporation. Young (1960) indentifies a case study as a very powerful **form of** qualitative analysis that involves a careful and complete observation of social units. Ngumo, (2006), Atieno,(2007) , Anyango,(2007) and Machuki,(2005), successfully used similar research design in their study.



### **3.3 Data Collection Method**

The researcher used both primary and secondary data. Primary data was collected using self administered interview guides while secondary data was collected using desk search techniques from published reports and other documents. Secondary data include the company's publication, journals, periodicals and information obtained from the internet.

Interview guide was used to enable the researcher gain a better understanding and also enable a more insightful interpretation of the results from the study. The interview guides had open-ended questions which enabled the researcher to collect qualitative data. Eight members of staff (senior management) were interviewed. The Managing director, two heads of departments and five divisional heads were involved. The identified respondents are the ones who play key roles in one way or another in the implementation of strategy.

### **3.4 Data Analysis**

Qualitative method was used to translate interview data into information required. Before the data was analyzed, the completed interview guides were edited for completeness and consistency. Content analysis was used to analyze the respondents' views about strategy implementation at the Kenya Reinsurance Corporation Ltd. This method is ideal for the data analysis because it does not restrict the respondents on answers and also has the potential of generating detailed information on the challenges of implementation of the selected strategies at the Kenya Reinsurance Corporation.

## **CHAPTER FOUR**

### **DATA ANALYSIS INTERPRETATION OF RESULTS**

#### **4.1 Introduction**

**This chapter presents** the findings of the case study on the challenges of the strategy **implementation at the** Kenya Reinsurance Corporation. The chapter focuses on the set **strategies and the** challenges encountered while implementing these set strategies. The **study used primary** data obtained through an interview guide with selected senior **managers. The objective** of the study was to establish the challenges encountered by **Kenya Reinsurance Corporation Limited** in implementing their chosen strategies.

#### **4.2 Respondents profile**

**The respondents in** this case study were the Managing Director, General Manager **(Reinsurance), General** Manager (property), Manager Property, Manager local **business unit, Manager** West Africa office, Manager Finance and Manager Human **Resource and** administration. This senior level management were selected because of **their vast knowledge** on operational and strategic management issues of the **Corporation. All the** respondents are based at the head office (Reinsurance Plaza) **except the West** African office manager, but at the time of this study he was at the **head office for a** team building activity.

### 4.3 Organization profile

**Kenya Reinsurance Corporation** is a public company; the public owns 40% **shareholding while** the government holds 60% shares. Currently the company is **listed in the Nairobi** Stock Exchange. The Corporation provides various reinsurance **and financial services** to insurance companies in Kenya, rest of Africa, the Middle **Fast and Asia. The** organization benchmarks itself against its competitors in the region.

The structure of the corporation is a functional structure. Kenya Re is under the parent ministry of finance. It is headed by the board of directors who are appointed by the minister but the public have an option of choosing one third of the directors in every annual meeting. The managing directors runs the day to day administration on behalf of the board of directors. Kenya Reinsurance is structured into departments and departments into divisions or units. There are four departments which are Reinsurance department, Finance and Investment department, Property department and Legal division. These departments are divided into divisions. Reinsurance department has Local Business Unit, International Business Unit, Claims division, Life and Marketing and Business development. Finance and Investment is divided into Finance, credit control, Mortgage and Investment. Property is divided into property, procurement, Human Resource and Administration. Legal is a division but is taken as a department on its own. Internal audit report direct to the MDs office.

There are eighty nine (89) members of staff in Kenya Re. The Corporation continues to attract, develop and retain a pool of qualified and experienced members of staff so as to maintain a competitive edge. From the study it was noted that more than fifty

percent **of the employees** have professional qualifications. They are distributed as follows- three **employees** have FCII, eight have ACII, sixteen have CPA(K), nine have **Diploma in ACII/CII**, two have CPS, three have MISK, three have CIPS, two have Higher **diploma** in Human Resource and four have ICT professional **qualifications**. Less than half of the employees have no professional qualifications. Kenya Re recruit, train and develop employees as a strategy of capability advantage.

From the study just concluded, it can be noted that Human resource and administration is the biggest division because it is one of the active support divisions and has most of the support staff. Human resource and administration division has twenty two employees. Property is the next biggest division with seventeen employees. Property unit takes care of all the Kenya Re properties and this includes, Reinsurance Plaza, Anniversary towers, Kenya re Towers and Kisumu plaza. Other members of staff are distributed into divisions as follows; Finance has thirteen members of staff, audit and risk has three, legal has three, procurement has six, ICT has four, LBU has six, IBU has nine, life has six, claims has three, marketing has three, corporate affairs has two and the West Africa office has one employee. Each department has objectives to meet which will enhance the achievement of organizational objectives. Strategies of how to meet those objectives have been laid down by the respective managers.

#### **4.4 Strategic themes**

Kenya Re has set strategic plans which are reviewed after every one year. The strategic themes during the period of 2011-2015 are stated below.

**Business development.** The focus is to improve on the market already captured and **then create** new products for the same or new markets. The objective of the **Corporation is to** increase their market share, increase revenue and develop idle **properties. Product** development. Kenya Re desires to be the leading provider of **Reinsurance service** in the region by creating new products for emerging markets. The **objective is to develop** and lead in the some of the products like, Microinsurance, **Retakaful, political** risks and Agriculture Insurance.

Claims management. Kenya Re is committed to efficient and fast claims settlement to provide a competitive edge. Given that claims payment is the primary benefit and need for reinsurance. The strategy set to achieve this objective is setting up of claims management division and Prudent underwriting to minimise risk of big claims due to bad business or moral hazard.

Systems and processes efficiency. Competitive ratios indicate that all other Reinsurance companies in the region have better Premium Per Capita ratios to employees than Kenya Re. Their strategy here is to optimise current staff force and increase productivity. A key way to doing this is to increase efficiency. Legal services efficiency. Nationally, financial services are negatively affected due to inadequate legal and statutory policies and processes. Their strategy is to improve on available legal services and enhance turn-around times.

Human resource development. When compared with counterparts, the ratio of staff engaged in the core business functions is not competitive. Despite having gone through four retrenchments, there still exists the need to fill in new positions in some departments. This is further complicated by the succession plan factors. There is still need to get this balanced off. Kenya Re has set some strategies in order to achieve this

bjective The strategies to be implemented to achieve this objective are, settling of historical remuneration issues, HR capacity, Recruitment, Succession planning, Leadership and management competency. Different objectives are set for different departments and divisions in particular in order to archive the overall organizational objective.

#### **4.5 Challenges of strategy implementation**

Despite the concerted efforts by Kenya Re management to successfully implement the set strategies in order to achieve the objectives of the Corporation, several factors contributed to the poor performance. The Corporation faced various challenges and threats in their pursuit for implementation of strategy. This study established that all the departments have challenges while implementing their set strategies. The respondents were asked several questions on what they can attribute to as the major challenges they encounter while implementing the set strategies. From their responses and analysis, the study found that the challenges encountered were attributed to several factors both internal and external. Majority of the respondents informed the researcher that challenges faced by the organization applied to all departments and only a few challenges are unique to departments. Policies, procedures and support systems, the reward, and motivational structures, resource allocation and budgetary allocation continued posing a challenge to the successful implementation of the strategy.

**Challenges of strategy implementation at Kenya Re** which the researcher established **during the study** include inadequate capacity, inadequate resources, culture (slow acceptance of new strategy), language barrier, uncontrollable factors in the external environment, unsupportive organization structure, reward system not tied to strategy implementation, departmental conflict, government policies and requirements, authority compliance, competition, lack of taxation agreements, political instability, existence of many subsystems and lack of staff commitment.

Most respondents informed the researcher that they have challenges of capacity in their strategy implementation. All respondents actually attributed human resource as a major challenge in their strategy implementation. They are not able to implement that which they have purposed to do due to lack of human resource. Most respondents cited inadequate capacity as one of the major challenge because they believe that they waste most of the time doing administrative work instead of doing technical work which should enhance their profitability.

Most respondents saw lack of resources and indistinct role definitions in strategy implementation more problematic than any other challenge. From their view the inconsistency of different strategies was also seen as a big problem.

Culture was cited as one of the major challenges to strategy implementation. Culture refers to a shared meaning and shared understanding. Culture impacts on most aspects of the organizational life, such as how decisions are made and who makes them. Several members of staff are resistant to change and would like the status quos to remain. New blood is resisted and hence difficult to retain new key resource personnel. One respondent informed the researcher that inbreeding is a challenge to strategy implementation because everyone thinks the same and incase of new ideas there is no room for innovation.

The respondents were asked how the organization structure influenced strategy implementation and they all confirmed that structure influenced strategy to a great extent. To most respondents, the hierarchical structure was bureaucratic and was a challenge to strategy implementation. The organization embarked on new strategies without first evaluating the capacity of the current structure. Some decisions take long to be concluded because the process of accomplishing an activity takes more than intended. Some respondents informed this study that structure is a challenge to them when it comes to procurement of some assets, quotations and approvals take a long time because they are done from different departments. Some respondents informed the researcher that procurement procedures take long to be approved and in times of urgent repairs the concerned department is not able to meet their targets. Letting of vacant space is done through the vetting of potential tenants by a different committee.



Legal department provide legal service by providing lease agreements. The respondents held the view that it is assumed by management that everybody already knows the strategy, when in actual sense received strategy information is not correctly understood, or, information flow is discontinued at some level of the Organisation.

The reward system was also established to have had a serious challenge to strategy implementation. The respondents were in agreement that reward system wasn't clear to all levels in the organization and this hindered the implementation of the strategy. As strategic initiatives are cascaded down to support the implementation of the strategy, key staff should understand their role in the process, and the specific rewards for achieving success. Rewards must be tied to a timeline for change and quantifiable milestones. It was established that the reward system is not tied to the implementation of strategy. Reward system is documented and is tied to performance contract.

Execution of strategy is a divisional activity which individual efforts amount to divisional performance. Individual efforts are motivated by other factors other than the rewards. Most respondents informed this study that reward system which is in place is not tied directly to strategy implementation. One respondent informed this study that most responsibilities do not commensurate the qualifications of the personnel. Some members of staff feel that they are overqualified for the responsibilities they are given, and so even if they are rewarded they do not feel motivated. Individual key result areas are not measured genuinely in order to reward according to performance.

Most respondents admitted that reward system is used by management to please their friends and is not really a token for work well done. According to some respondents the monetary reward system is not good because they said individuals are grouped together in one grade getting the same rewards irrespective of performance or experience.

Existence of many sub systems within the current structure is another challenge which the researcher established. Some respondents told the researcher that there are so many subsystems that sometimes one cannot get what is required due to many systems operated by many individuals. In some divisions subsystems are used to run day today activities. If a member of the team is not in at a particular period in time some activities cannot be performed. Some subsystems like sun system are not user friendly and users take long to learn how to use it. Some subsystems in property division can only be access by a few individuals and it becomes a challenge when the one individual is not in the office.

Departmental conflict is a challenge to strategy implementation in two departments. Some roles are held in other departments while they are human resource issues. Human resource division handles personnel matters but does not handle payroll and pension matters which the respondent from human resource felt that the two activities should be handled by human resource division. The respondent informed this study that they are not able to deliver that which they promised to do without involving other departments where payroll and pensions units are domiciled. Another challenge of departmental conflict was also established where one respondent informed this study that he was not able to have data integrity because the data entry is done by

another department before they flow to their department. It then becomes hard for the department to own the figures whose origin is having different strategies of achieving their objectives. The challenged noted here is that some services are provided for in departments where they are not supposed to be.

Competition is a challenge experienced by the respondents from Reinsurance and property departments. Stiff Competition from the already existing operators posed the greatest challenge in the implementation process One researcher informed this study that they are supposed to compete with well established and well known companies in West Africa. The challenge is that Kenya Re is expected to compete in a region where competitors have compulsory shares ceded to them by the local companies. Liberalization and rapid technical changes also complicated the playing ground for competition.

West Africa has a challenge of human resource so competing with well established companies is not a task which the regional manager could tackle alone. One respondent informed the researcher that the organization has limited knowledge of the external markets and completion in the Middle East and Asia has been a challenge. Lack of market intelligence has contributed to their low market penetration. According to one respondent competition is a challenge to them because they are supposed under normal circumstance to compete on the same level with private companies yet Kenya Re is under the state corporation's Act and some policies have to be approved before they are implemented.

The respondents also noted that globalization posed a big challenge to the implementation of the strategy which demands new creativity, leadership skills, and



rocesses The issues of integrating personnel, languages, values, and corporate  
Itures as well as understanding customer needs and the competitive environment,  
are even greater when dealing in unfamiliar segments of the world. Diverse cultures,  
values, and religions must be understood, recognized, and respected.

Ownership of the Organization was seen as an impediment to the market competition  
because most ceding companies prefer to deal with pure private companies than the  
state organizations. Kenya Re is 60% owned by the government. Therefore the  
Corporation is not a Reinsurance of choice to many ceding companies. The researcher  
noted that one challenge in trying to execute the strategy of increase of market share  
is retaining the existing share. The organization is supposed to retain the existing  
share before looking for new shares in new markets. Retention of existing shares is  
not easy taking into account the changing trends in the society and technology.

Respondents were asked whether the government legislation is a challenge and they  
all affirmed that government legislation is a challenge to them while executing their  
sot strategies. The study established that Kenya Re subscribes to much legislation, like  
The State Corporations Act, The Company's Act, The stock exchange Legislation and  
Insurance Act. Capital Markets Authority requires all companies listed in the stock  
exchange to present their annual accounts figures in thousands while Insurance  
Regulatory Authority requires all insurance and Reinsurance companies to report their  
annual accounts in exact figures. This was reported as a challenge by the departments  
who are supposed to prepare annual accounts within a set time line. State corporations  
do not operate as freely as the private enterprises. The state corporations' objectives  
fluctuate in their order of priority depending on the restrictions and the changes in the

governing regulations, and the changes in the broader policies formulated by the Government. This situation places Kenya Re in a very awkward position, in that, it is unable to operate commercially and reflect profits.

In the West African office it was established that legislation was also a challenge in that the corporation was being taxed more than once because there was no taxation agreement. When the West Africa office was established there was no agreement with the Cote d'Ivoire government on taxation. Staff and business earnings are taxed both in the host country and the home country. Lack of taxation agreement is a challenge to West Africa office and the corporation as a whole because the strategy of diversification and increase of market share is difficult to achieve when the administrative expenses cannot be managed.

Political stability is a challenge which the researcher established was a challenge to most departments and so the Corporation at large. Changes in the domestic political environment bring about changes in Government policies, objectives and strategies which directly impact on Kenya Re as a Government-owned entity. Political instability and frequent changes in key government personnel affects Kenya Re operations. In addition, the dynamics of the political parties and the potential alliances have a net effect on the operations of Kenya Re. Political events such as elections, instability and uncertainty are also affecting Kenya Re's business as customers prefer reinsurers outside the country.

Kenya Re operates in most African countries and when there is no political stability business penetration is difficult and even maintaining the existing market share is not easy. A case in point is when there were chaos in Cote d'Ivoire business came to

stand still and the West African office was temporary closed. Kenya Re used to get a lot of facultative business from Egypt and Libya but with political turmoil in the region getting such business is not easy and difficult to work with.

Economic inflation is another challenge which was cited by many respondents. Global economy does affect the business of the corporation. This challenge affected the investment portfolios of the company. When there is economic inflation in the country of business the changes is realized when settling claims. If the shilling or currency devaluates at the time of settling claims the corporation will use a lot of original currency in settling a claim. Settlement of claims from other countries is done using the hard currencies. Another sector which is affected by currency fluctuation is the procurement of fixed assets. When the hard currency is strong against the local currencies the corporation tend to loss in terms of procurements of assets from outside the country.

Commitment of staff to strategy implementation was another challenge which the researcher established from most respondents. All the respondents were asked whether members of staff who were below them and were supposed to implement the set strategies were committed to the strategy implementation. Most respondents informed this study that although some members of staff were committed most of the members of staff are not committed. Most members of staff do not link strategy implementation to their performance. They do not associate their roles with the objectives of the corporation.

Some respondents informed this study that most members of staff felt they were not involved in the formulation stage and so they are not part of the team. When implementers are not involved in the formulation they do not own the strategies and so it becomes a challenge to let them own and be committed to the execution of set strategies. It was established that most departments face this challenge of staff commitment due to various reasons ranging from lack of involvement to reward system not tied to strategy implementation.

Most respondents felt that the lower the actor/implementer is in the organization hierarchy, the less he/she commits himself/herself for the strategy. The managers felt that it was difficult to evaluate how employees commit themselves for the strategy.

and accountability among members of staff. Management however had to do a lot of awareness and maintain very effective and efficient communications process. Employees were frequently informed on the status of the company operation on any changes and developments within the Organization. This was managed through frequent divisional and staff meetings and several social forums like goat eating on Fridays and team buildings annually. Regular staff Meetings enhances team work and creativity. Aosa (1992) notes that lack of compatibility of strategy and culture can lead to resistance to change and frustrate strategy implementation efforts. Organizations therefore require culture change to align with the new strategy. Culture is a very important element of strategy implementation because "lack of compatibility of strategy and culture can lead to resistance to change and frustrate the strategy implementation efforts" Aosa (1992).

Most members of staff were not comfortable with policies like performance contracting because they thought signing performance contracting based on set performance will affect their employment in the event that they don't achieve the set targets. The staff felt insecure and always marginalized, which resulted in constant frictions between top management and the employees. The respondents were in agreement that there were some resistance to the implementation of the strategy .The entire staff were orientated on the need to adopt the new way of doing business in current set up by the management. But some members of staff were not comfortable with the current policies geared to enhance the implementation of the new strategy. Gerald says that management systems should be developed that which motivates employees from top to bottom to pursue growth oriented, innovation focused competitive strategies Cole A. Gerald, (2004).



The study noted that the challenge of stiff competition was countered by intense marketing in all the markets of choice. Marketing and Business Development unit was established. More members of staff were recruited to improve the problem of inadequate capacity. Kenya Re have applied and focused on the strategy of establishing new products as a means of maintaining reputation and capturing more markets. However as a result of competition, competitive marketing and innovative strategies must be crafted for the Reinsurance industry's competitiveness Herbert K Tay, (2003).

The study indicated that there is a challenge of human resource capacity and capability. The study found out that in order to overcome challenges related to core competence the corporation has strengthen training programmes, employed more staff, evaluated the skills required to provide competitive service. The study found that more qualified staff with the right skills was being employed through competitive employment opportunities.

Organization structure was cited as one of the many challenges which the organization experienced while executing the set strategies. Poor claims management was cited as factor that made things worse in the performance of the company. Claims division was created within the Reinsurance department to fast track the management of claims. The management had to align the company operations to the changing environment because one of the core business activities of the organization is quick and efficient settlement of claims. The definition of roles in the current structure should be explicitly defined to avoid overlaps and redundancy the execution of the

strategy. The importance of communication of responsibility and accountability, with regard to the strategic plans is very important. The study therefore recommends that regular interdepartmental staff meetings need to be put in place because this enhances team work and creativity.

### **5.3 Conclusion**

Strategy implementation carries with it many inherent challenges which include the amount of time required to develop, deploy and implement the strategic plan as well as align people around its breakthrough strategies Strategy implementation focus on how chosen strategies are put into effect and managing the required changes. The strategy implementation challenges experienced by the organization were enhanced by both restrictive regulations and policies under which state corporations operate. The organization had no control over these policies and regulations. Just like any other state corporation, Kenya Re operates in a complex environment, which is more unpredictable and less stable. This notwithstanding, it is expected to emulate the private sector, and operate competitively. Responses to such challenges are reactive and not proactive as should be the case.

According to Pierce and Robinson (2005), Structure is a key implementation element. Organizations like Kenya Re therefore must adjust the organization structure to be conducive to strategy implementation. Currently the corporation is investing in new and modern machinery called Enterprise Resource Planning (ERP). Implementation of ERP is a socio-technological endeavor, which mandates modifying existing applications and redesigning critical business processes. The main objective of implementing an ERP system is to integrate the organizations business processes and operations for improved business results.

#### **5.4 Limitations of the Study**

It is important to take cognizance of some of the limitations that could have impacted on the results of the study. The respondents in this study were the chief executive and selected senior managers who are usually very busy hence the tendency not to give in depth attention. The objective of the study was to establish challenges of strategy implementation at the Kenya Reinsurance Corporation limited and interviewing the senior management was like asking them to evaluate themselves since they are the implementers and evaluators at the same time. The responses therefore are likely to be positive or negative depending on the attitude of the respondent to the objectives and strategies set. The same respondents are involved in formulation, implementation and evaluation of strategy execution.

The time set for the study was short. At the time of this study Kenya Re senior management were preparing for a strategic workshop and getting them for an interview was not easy. The respondents were busy handing over office assignments to those who were remaining in the office. More detailed analysis of the environment of the organizations could have been made. An issue for further research and especially for discussion in organizations is the question of needed competencies. What are the key competences of managers in their different roles in the implementation process?

#### **5.5 Recommendation**

The study recommends that since market variables change from time to time core competences should be harnessed to bring out competitive advantage to the Kenya

Reinsurance Corporation. In order to overcome challenges associated with resources such as personnel this study recommends that the organization needs to procure high skilled and creative Human Resource or train the available personnel in the new upcoming products and specific.

The study recommends that future study should interview middle and junior members of staff who are involved in the implementation of strategies. There is no special research relating to lower management and non-management, even if several authors state that it is important to consider their effect on strategy implementation, such as Alexander (1985). Future study should find out the success factors of strategy implementation at Kenya Re so that other organization carrying out strategy implementation can emulate.

## **5.6 Implication on policy, Theory and Practice**

This chapter will discuss the implication of the study on the corporation's policy, the theory of strategy implementation and the current practice in the insurance industry and especially the reinsurance market.

### **5.6.1 Management practices and policy**

In the recent past, Kenya Re has formulated and implemented two (2) 5-years strategic plans being the years 2007-2011 and the years 2011-2015 strategic plans. In order to achieve their objectives the management of Kenya Re established a platform where concerted efforts were directed to gain competitive advantage. Kenya Re is one of the leading reinsurance companies in the region and management practices play a major role in the success of acquisition and maintenance of market share. In order to

respond to both external and internal forces, management had to adopt competitive management practices.

All the respondents confirmed that they do participate in both formulation and implementation of the set strategies. All the respondents explained their role in the implementation stage and one thing which the study found out is that they all work as a team. The West Africa office Manager informed the study that he only gets involved in the formulation and implementation of strategies specific to the region. The challenges encountered in the West Africa office is unique because West African companies are French speaking and penetration to such markets needs human capacity. This study was informed that the office has capacity problems and marketing is not easy with one personnel.

The study established that all the respondents have a role in the implementation of the set strategies. They all explained that they play the role of leadership in the implementation of the set strategies. They also play the role of training and communicating the same set strategies to the staff below them. All the respondents are involved in formulation of the set strategies and they are the ones who set targets for their departments or divisions. Most respondents informed the study that reward system is documented and is tied to strategy implementation even though not so direct. Reward system is tied to performance contract. According to GoK (2007), a performance contract is a management tool for measuring negotiated performance targets. It is a freely negotiated performance agreement between the government, acting as the owner of public agency on one hand, and the management of the agency on the other hand. The performance contract specifies the mutual performance obligations, intentions and the responsibilities of the two parties. Members of staff

who archive their set targets are graded and rewarded in the form of bonuses according to their performance. Although rewards are tied to performance some rewards are not so clear because sometimes they come as a wholesome or given to the Corporation as a team and not to an individual. Conditions of service for members of staff were improved to boost their morale and enhance their welfare by offering competitive remuneration based on inflation and performance contract.

The Corporation adopted the flat structure in order to cope with the dynamics of the society. The hierarchical structure was done away with because it was not supportive to the strategy implementation. To increase its market share the company implemented product development strategy by creating marketing division within the Reinsurance department. Structure is aligned to strategy. Claims division was created to efficiency in claims settlement.

The current structure is supportive to the strategy implementation. Some respondents informed the researcher that some other times there is departmental conflict as to what should be done where. Some departments depend on other departments in order to perform their activities. For example property division cannot let out vacant space without the services of legal department and procurement division.

To develop competencies of the workforce to support the move that the management have designed to implement the set strategies, more qualified staff with the right skills were employed through competitive employment opportunities. The study also established that elaborate staff training and development was enhanced to equip the staff with the required business skills. The training boosted the morale of the staff and the performance improved.

### **5.6.2 Current practices**

From data gathered across comparable Reinsurance Companies in Kenya Competitive analysis on employee versus Premium Per Capita shows that, ZEP (PTA) Re and East Africa Re, the ratio of staff employed against premium per capita indicate that Kenya Re needs to be more competitive. Kenya Re has the lowest staff productivity and hence the biggest challenge to improve the premiums level if the number of staff is to remain at current levels. This study noted that Kenya Re has more support staff compared to what is happening in the other reinsurance companies. But it is good to note with Kenya Re is that they have other sources of income like the real estate and that needs extra human resource.

To enhance its efficiency, Kenya Re has considered focusing on ICT systems and processes. At the time of this study the organization was in the process of procuring a new ICT system. Aligning information technology is a double-edged sword. Organizations often cannot execute strategies in the new millennium without technology and they should also not implement new technology without a strategy behind it.

However, economic developments in areas like investments in stock markets, growth in the real estate industry, exchange rate fluctuations and low interest rates are posing competition as insurance customers find alternative investments to insurance among other economic dynamics. Insurance uptake therefore has been low and competition for the small share is stiff. Despite the fact that senior management was responsible for the conception, communication, and support of that vision and strategy, the notion that strategy often fails due to a lack of senior management support was not seen at Kenya Re. In most companies there is a greater threat of "analysis paralysis"

looking for that last piece of information, leading to no decision being taken. Some strategies fail because not enough resources were allocated to successfully implement them. This study noted that Kenya Re did not have a problem with financial resources because according to most respondents budgetary allocation for all the strategies was catered for. One respondent informed this study that they always "dolarise" their strategies.

Currently in the insurance market, some Reinsurance companies are under heavy competitive pressure and still feel they cannot spare resources to drive strategic innovations. According to this study Kenya Re has diversified their products and competition is countered and innovative products and resources is not a problem. The capital base of Kenya Re was noted by this research to be stable and therefore financial resource is not a challenge in strategy implementation. Likewise Kenya Re has maintained a basic competitive intelligence capability as a matter of day-to-day strategic management.

### **5.6.3 Implication on Theory**

According to Pearce & Robinson (1991) successful strategy implementation depends on the organizations primary organizational structure. Many organizations embark on new strategies without first evaluating the capacity of the current structure. The researcher noted that Kenya Re restructured the organizational structure to align with the new strategies. For example marketing division was established to enhance the penetration of new markets and boost marketing activities. Claims division was established to enhance claims settlement efficiency. The unit's main activity is to handle claims from all markets.



Aosa (1992), notes that Culture is a very important element of strategy implementation. Lack of compatibility of strategy and culture can lead to resistance to change and frustrate the strategy implementation efforts. At the time of this study Kenya Re was encouraging team spirit backed by efficiency in systems and procedures. The need to be very proactive and work as a team and not as competing individuals was being encouraged. It is, therefore, essential that Kenya Re undergoes a culture change programme.

According to strategy implementation theory leadership of the organization play a big role in the implementation process. The Chief executive together with key managers must have skills, personalities, education and experience in order to execute the strategy selected, Pearce & Robinson (2001). All the respondents in this study noted that they did not have any problem with leadership. The leadership of the organization supported and communicated well all the strategies of the corporation.

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# APPENDICES

## APPENDIX 1

### INTERVIEW GUIDE

#### **Introduction**

1. What position do you hold in the corporation
2. Number of years in the service
3. Describe your own role in strategy implementation

#### **Strategic management practices**

1. Does KenyaRe have a mission statement
2. Does Kenyare have a vision statement
3. Does Kenyare have long term plans
4. How do you define the concept of strategy implementation
  
5. Who is responsible for formulating strategies at Kenyare
6. Do you think the organization's annual work plan complement the strategic plan
7. Are organizational systems and procedures supportive of the strategic master plan
8. Does management staff receive training geared towards equipping them to understand the concept of strategy and its implementation
  
9. Does Kenyare have documented reward policy
  
10. Are reward systems tied to ability to implement strategies'

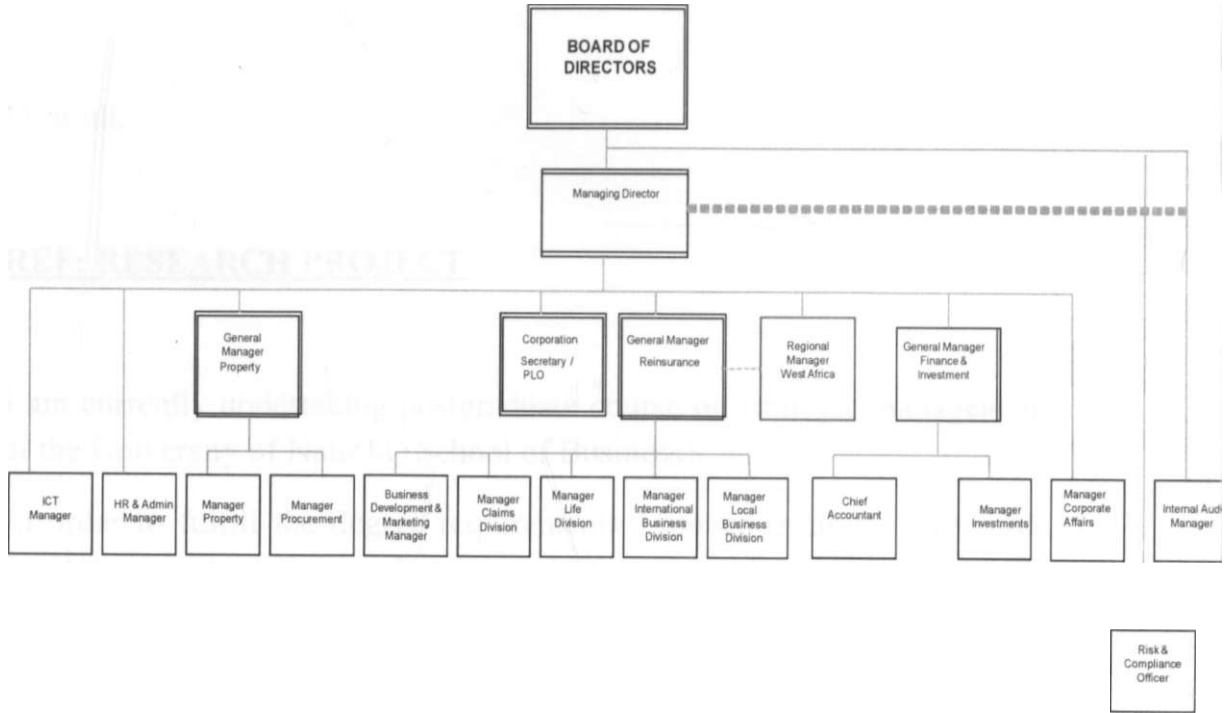
## **Challenges of strategy implementation**

1. What challenges do you face in implementing the set strategies
2. Comment on the various challenges that may have been faced on each of the following
  - a) Communication
  - b) Structure
  - c) Culture
3. What challenges do you face in terms of employee morale and behavior during strategy implementation
4. What is your general comment on strategy implementation in Kenya Re



# APPENDIX 11

## Kenya Reinsurance Corporation Ltd. Organisation Structure



Approved Corporate Structure

Source: Kenya Reinsurance Strategic plan 2010

## **APPENDIX 111**

### **LETTER OF INTRODUCTION - SELF**

3<sup>rd</sup> August 2011

Dear all,

#### **REF: RESEARCH PROJECT**

I am currently undertaking postgraduate course on strategic management at the University of Nairobi (School of Business).

In order to fulfill the degree requirements I am undertaking a research project as part of the academic regulations towards completion of the course.

This is to kindly request you to assist me by answering the interview questions that I will ask. The information that you will provide will be used exclusively for academic purposes and will be treated with strict confidence.

Your corporation will be highly appreciated.

Yours faithfully,

**SUSAN J. KANDIE**

APPENDIX IV

LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI

UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS

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The results of the report will be used solely for acad  
copy of the same will be availed to the interviewed orga

Thank you.

 UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
MBA OFFICE  
P. O. BOX 30197  
NAIROBI  
DR. W.N. IRAKI  
CO-ORDINATOR, MBA PROGRAM