CHALLENGES AND PRACTICES OF STRATEGIC CHANGE MANAGEMENT OF INSURANCE FIRMS IN KENYA

BY

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DECLARATION

I, **Rita Akinyi Anyumba**, do hereby declare that this research project is my original work and has not been presented for an award of any degree to any other university or institution of higher learning.

Signed: _____   Date: _____

       Rita Akinyi Anyumba

       D61/72308/2011

This is to declare that this project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

This paper is dedicated to my late mother, Alice Anyumba, whose desire it was to see that we, 'her girls', were educated to the highest level and whose constant sacrifice continues to encourage us to press on despite the challenges life throws across our paths. Though you are not here to see it, this is dedicated to you mum.

ABSTRACT

Historically, insurance companies targeted the middle and upper classes who could afford to pay their premiums. However, the increasing cost of living has obligated insurance companies operating in Kenya to alter their business models to maintain revenues. With more people willing to take out insurance today, emerging risks are forcing the insurance industry to constantly expand its range of products and change its management approach. These changes in the operating environment have forced managers in insurance firms to adopt change management strategies to mitigate disruption to their business processes. The study had two objectives which sought to determine the challenges of managing strategic change faced by insurance firms in Kenya and secondly to establish the strategies adopted by insurance firms in Kenya in managing change. A survey research design was used for this study to determine the industry practices and challenges in the management of strategic change and the researcher used a structured questionnaire to measure responses in the study. From the findings, the study concludes that the importance of communication for change is not only informing, motivating and coordinating but also managing employee expectations. The study also concludes that the major obstacle to organizational growth is managers' inability to change their attitudes and behavior as rapidly as their organizations require. Even when managers intellectually understand the need for changes in the way they operate, they sometimes are emotionally unable to make the transition. The study further concludes that lack of change management resources and planning also pose as challenges to effective change management. These include insufficient resources available to conduct the necessary planning and implementation, the lack of a formal change management approach and the lack of change management knowledge within the team. The study recommends that further research should be done on the policy measures that can be strategically developed in order to enhance the success of insurance companies. Further study should look at how to mitigate the challenges that insurance companies encounter. By so doing, it will encourage and ensure the success of insurance companies. The study further recommends that a similar study should be done to investigate the challenges facing change management practices adoption by insurance firms in Kenya. The study also recommends that managers should provide channels and opportunities for employees to gather feedback about their own participation in change programs. In relation to this, face-to-face communication in seeking employees' views and concerns is highly recommended.

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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Strategic change management is increasingly becoming a concern for firms in the insurance industry. The industry has been characterized by constant changes in both the operational environment and the industry growth drivers which in turn have forced managers in insurance firms to adopt change management strategies to mitigate disruption to their business processes. This study seeks to find out the challenges managers face in managing strategic change, as well as the common change management practices in the industry.

The theoretical foundations of change management posit that in judging the applicability of approaches to managing change, one should assess whether they apply to individual, group or system-wide change. Proponents of the continuous transformation model of change argue that in order to survive, organizations must develop the ability to change themselves continuously in a fundamental manner. Change management is of strategic importance, without which companies cannot exist in a competitive environment.

Historically, insurance companies targeted the middle and upper classes who could afford to pay for their premiums. However, the increasing cost of living has obligated insurance companies operating in Kenya to alter their business models to maintain revenues. It is therefore important to understand how the insurance industry is managing change as well as the challenges faced in the process, in an effort to come up with best practices for the industry.

1.1.1 Strategic Change Management Practices

For change to be effective, a correlation between the strategic and the operational aspects of the organization is paramount. The approach taken to managing strategic change also needs to be context dependent. Managers need to consider the different approaches to

managing strategic change according to the circumstances they face as well as trying to create the organizational context that will facilitate change.

Long-term organizational change has four characteristics i.e. scale, magnitude, duration, and strategic importance. A formal approach for managing change, with leadership engaging key stakeholders, should be developed early and adapted often as change evolves in the organization. This includes data collection analysis, planning, implementation discipline, a redesign of strategy, systems, and finally, processes. The change managers adopt should be fully integrated into programme design and decision making, thereby informing and enabling strategic direction. Changes should be based on realistic assessments of the organization's history, readiness, and propensity to change.

As transformation programs progress from defining strategy and setting targets to design and implementation, they affect different levels of the organization. Change efforts must identify leaders in the company and pushing responsibility for design and implementation down, so that change cascades through the organization. At each layer of the organization, the leaders who are identified and trained must be aligned to the company's vision, equipped to execute their specific mission, and motivated to make change happen. They serve as the common baseline for designing essential change elements, such as the new corporate vision, and building the infrastructure and programs needed to drive change.

As change programs intensify, it is imperative that leaders understand and account for culture and behaviour at each level of the organization. In-depth cultural analysis can show organizational readiness to change, bring major problems to the surface, identify conflicts, and define factors that can recognize and influence sources of leadership and resistance. These diagnostics identify the core values, beliefs, behaviors, and perceptions that must be taken into account for successful change to occur.

1.1.2 Challenges of Managing Strategic Change

There are different types of changes which can be applied to different organizations with respect to the situation and problem that they are facing at any given time. These changes must be consciously managed if they are to have the desired effect on the organization. Resistance is perhaps the most common challenge to any change management strategy. At both the individual and the organizational levels, resistance to change impairs concerted efforts to improve performance. Many corporate change efforts have been initiated at tremendous cost only to be halted by resistance among the organization's employees. Organizations as a whole also manifest behavior similar to that of individuals when faced with the need to change.

Today, organizations must meet an increasing number of compliance requirements for regulations and support various appraisal systems. Compliance with these requirements must be planned, implemented and demonstrated. Because making the changes needed to meet these requirements always come with the risk of poor communication and coordination, change management is essential for successful governance and compliance.

Many organizations lack a common process and supporting products for handling change requests because of the perceived expense. Some change management systems are costly to maintain as one must implement processes, document workflows, automate reporting and integrate the change management system with other Information Technology systems. Implementing, maintaining and documenting this process using multiple tools can be a major overhead expense and cited as a reason to forego a change programme.

1.1.3 Insurance Firms in Kenya

The insurance industry in Kenya has two sectors i.e. the non-life sector and the life sector and it is regulated by the Insurance Regulatory Authority (IRA) which is mandated to ensure compliance with legal requirements and sound business practices in the insurance industry. The IRA also sets clear objectives and standards of intervention, and protects consumers while promoting a high degree of security for policyholders. The Association

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of Kenyan Insurers (AKI) is the consultative and advisory body for the industry. The industry is regulated by the Insurance Act Cap 487 and as at January 2012, the IRA annual report listed 45 insurance companies.

There are increasing strategic partnerships between companies in order to provide low cost services. These partnerships are with other insurance companies and social welfare groups in an effort to lower overall costs and increase subscription rates. Such investments and strategic partnerships ensure that insurers have access to capital and know-how of more experienced partners. Premiums are expected to grow as a result of the promotion of micro-insurance, the development of *takaful*, Islamic insurance, and product innovation. In addition to pushing up insurance premiums to meet the challenges faced, providers are increasingly focusing on the micro-insurance sector with products that are more affordable to create new income streams.

1.2 Research Problem

According to Burnes (2004) many of the suggestions posited by the various authors on change management tend to be rather abstract in nature and difficult to apply. There is therefore need for further research into the nature of organizational change with the aim of constructing a new and more pragmatic framework for the management of change. The research findings on the subject of this study will contribute to a more pragmatic approach to management of strategic change in the insurance industry in Kenya.

With more people willing to take out insurance today, emerging risks are forcing the insurance industry to constantly expand its range of products and change its management approach. Low penetration into the market due to slow uptake of insurance products by Kenyans at both the corporate and personal level has forced the industry to change the manner in which insurance is administered in the country and individual insurance firms are constantly innovating in an attempt to maintain or attain market leadership. These changes if implemented in an *ad hoc* manner will negatively affect the desired effect of change initiatives and must be properly managed.

An ever expanding middle-class that recognizes the importance of insurance and is willing and able to pay for it has also necessitated the development of certain segments of insurance to tap into these needs. The changes that come with innovation must be managed to ensure the success of these change initiatives and this paper seeks to elucidate the challenges and practices of strategic management in the insurance industry in Kenya.

Studies on the insurance industry change management practices and challenges have consisted of case studies on individual insurance firms. Chelagat (2011) conducted a study on the Insurance Regulatory Authority which has adopted various strategic change management practices but there are still challenges on change management which the Authority needs to address to get commitment and support from the employees and the players in the Insurance Industry. Similarly, case studies have been conducted on Aon Minet Insurance Brokers Ltd (Kibanga, 2008), the Cooperative Insurance Company (Otwori, 2008), Africa Merchant Assurance Company (Otiso, 2008) while a study on change management practices have been done on the commercial banking industry (Ritich, 2011). A comprehensive study covering the insurance industry has not been done, therefore information on challenges and practices that cut across the industry is scant.

Research on current change practices in the insurance industry will bring to the fore areas that can be improved and successful initiatives that can be of use to fledgling organizations. The study sought to find out, what are the challenges faced in the change management process? Secondly, what are the change management practices that are common to firms in the insurance industry?

1.3 Research Objectives

This study addressed the following objectives:

   i.   To determine the challenges of managing strategic change faced by insurance firms in Kenya.

ii.   To establish the change management practices adopted by insurance firms in Kenya in managing change.

1.4 Value of the Study

This study gauged whether the documented theories of change management that have been hailed as fundamental to ensuring a successful change programme are applicable in the Kenyan context. A study on the practices and challenges that are unique to the insurance industry will contribute context specific principles to the existing literature on the subject of change management in the country.

It is important for an organization to understand, assess and gauge the dynamics in its external environment in order to envisage and establish an appropriate relationship with various actors like government, customers and society. Therefore managers in the insurance industry, by knowing the subject of change management, will be better prepared to understand current issues in the environment and generate appropriate policies to address challenges given the experience of other industry players highlighted in the study.

Finally, this study gives an overview of the practices adopted by insurance firms in managing change in the industry with a view of guiding managerial strategies for dealing with change. Having researched on common practice and trends in the industry, this study is able to narrow down the strategies that are best suited for the industry as well as those that have proven to be beneficial to managers who have successfully implemented change programs.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter provides a critical review of some of the main theories and approaches to organizational change management currently available as well as documented challenges to the implementation of strategic change. The theoretical framework on the subject of strategic change management provides the context for reviewing literature. The chapter builds on the most widely accepted theories and criticisms to these theories to highlight the recommended courses of action in the field of management of strategic change in organizations. The chapter concludes with an overview of the most common challenges to change documented as having been experienced by most organizations.

2.2 Theoretical Foundation of Managing Strategic Change

Change management has been defined as "the process of continually renewing an organization's direction, structure and capabilities to serve the ever-changing needs of external and internal customers" (Moran and Brightman, 2001, p. 111). According to Burnes (2004) change is an ever-present feature of organizational life, both at an operational and strategic level. Consequently, organizational change cannot be separated from organizational strategy, or vice versa (Burnes, 2004; Rieley and Clarkson, 2001). Due to the importance of organizational change, its management is becoming a highly required managerial skill (Senior, 2002).

The term change management has been mostly reserved for managing organizational change, i.e. change in organizational structures, job structure, roles, values, leadership and culture, often handled under the organization development theory (Salminen, 2000, p. 57). Nyman and Silén (1995, p. 47) claim that comprehensive change management includes all subsystems influencing the success of change. Its purpose is to give a framework and measurements to steer and measure the change according to the targets (Nyman and Silén, 1995, p. 47). Bendor-Samuel (2004) continues that the goal of change

management is to build awareness, increase knowledge, drive people to accept and embrace the change and, ultimately, to show them how they have ownership in the success of the business and their careers.

In addition to the scope or subject matter of change and change management, different change efforts can be identified by the radicalness and thoroughness of the change. Fundamentally, change can be divided into incremental and radical change. Incremental change is related to evolutionary changes, fine tuning and fixing problems, whereas radical change is fundamental and large scale change in an organization's culture and strategy. Radical change is also referred to as revolutionary change, transformation and turnaround (Lanning, 2001, p. 10).

The successful management of change is a highly required skill. However, the management of organizational change currently tends to be reactive, discontinuous and ad hoc with a reported failure rate of around 70 per cent of all change programmes initiated (Balogun and Hope Hailey, 2004). This may indicate a basic lack of a valid framework of how to successfully implement and manage organizational change since what is currently available is a wide range of contradictory and confusing theories and approaches, which are mostly lacking empirical evidence and often based on unchallenged hypotheses regarding the nature of contemporary organizational change management.

2.3 Approaches to the Management of Strategic Change

The early approaches and theories to organizational change management suggested that organizations could not be effective or improve performance if they were constantly changing (Rieley and Clarkson, 2001). It was argued that people need routines to be effective and to be able to improve performance (Luecke, 2003). However, it is now argued that it is of vital importance to organizations that people are able to undergo continuous change (Burnes, 2004; Rieley and Clarkson, 2001). When characterized by how change comes about, there are several different approaches. However, the literature is dominated by planned and emergent change (Bamford and Forrester, 2003).

2.3.1 Planned Approach

Even though there is no one widely accepted, clear and practical approach to organizational change management that explains what changes organizations need to make and how to implement them (Burnes, 2004) the planned approach to organizational change attempts to explain the process that brings about change (Burnes, 1996; Eldrod II and Tippett, 2002). The planned approach emphasizes the importance of understanding the different states which an organization will have to go through in order to move from an unsatisfactory state to an identified desired state (Eldrod II and Tippett, 2002).

Lewin (1946 in Burnes, 2004) proposed that before change and new behaviour can be adopted successfully, the previous behaviour has to be discarded. According to Lewin (1952 in Eldrod II and Tippett, 2002) a successful change project must, therefore, involve the three steps of unfreezing the present level, moving to the new level and refreezing this new level. This model of change recognizes the need to discard old behaviour, structures, processes and culture before successfully adopting new approaches (Bamford and Forrester, 2003).

Even though this three-step model was adopted as a general framework for understanding the process of organizational change, it is rather broad (Eldrod II and Tippett, 2002). Several authors have, therefore, developed Lewin's work in an attempt to make it more practical (Bamford and Forrester, 2003). By reviewing more than thirty models of planned change, Bullock and Batten (1985) developed a four-phase model of planned change that splits the process into exploration, planning, action and integration. According to Burnes (2004) this is a highly applicable model for most change situations. The model looks at the processes of change, which describe the methods employed to move an organization from one state to another, and the phases of change, which describe the stages an organization must go through to achieve successful change implementation (Bullock and Batten, 1985).

2.3.2 Emergent Approach

In response to the criticisms of the planned approach to organizational change, the emergent approach has gained ground. The emergent approach to change emphasizes that change should not be perceived as a series of linear events within a given period of time, but as a continuous, open-ended process of adaptation to changing circumstances and conditions (Burnes, 1996, 2004; Dawson, 1994). It stresses the unpredictable nature of change, and views it as a process that develops through the relationship of a multitude of variables within an organization. Apart from only being a method of changing organizational practices and structures, change is also perceived as a process of learning (Altman and Iles, 1998; Davidson and De Marco, 1999; Dunphy and Stace, 1993).

According to the advocates of the emergent approach to change it is the uncertainty of both the external and internal environment that makes this approach more pertinent than the planned approach (Bamford and Forrester, 2003). To cope with the complexity and uncertainty of the environment it is suggested that organizations need to become open learning systems where strategy development and change emerges from the way a company as a whole acquires, interprets and processes information about the environment (Dunphy and Stace, 1993).

The approach also stresses a promotion of "extensive and in-depth understanding of strategy, structure, systems, people, style and culture, and how these can function either as sources of inertia that can block change, or alternatively, as levers to encourage an effective change process" (Burnes, 1996 p. 14). Furthermore, Burnes (1996 p. 13) argues, "successful change is less dependent on detailed plans and projections than on reaching an understanding of the complexity of the issues concerned and identifying the range of available options".

2.3.3 Criticisms on Approaches to Change

Although the planned approach to change is long established and held to be highly effective (Bamford and Forrester, 2003; Burnes, 2004), it has come under increasing criticism since the early 1980s (Kanter et al., 1992; Burnes, 1996). Firstly, it is suggested that the approach's emphasis is on small-scale and incremental change, and it is, therefore, not applicable to situations that require rapid and transformational change (Burnes, 1996, 2004; Senior, 2002).

Secondly, the planned approach is based on the assumptions that organizations operate under constant conditions, and that they can move in a pre-planned manner from one stable state to another (Bamford and Forrester, 2003). These assumptions are, however, questioned by several authors (Burnes, 1996, 2004; Wilson, 1992) who argue that the current fast-changing environment increasingly weakens this theory. Thirdly, the approach of planned change ignores situations where more directive approaches are required. This can be a situation of crisis, which requires major and rapid change, and does not allow scope for widespread consultation or involvement (Burnes, 1996, 2004; Kanter et al., 1992).

Finally, the critics argue that the planned approach to change presumes that all stakeholders in a change project are willing and interested in implementing it, and that a common agreement can be reached (Bamford and Forrester, 2003). This presumption clearly ignores organizational politics and conflict, and assumes these can be easily identified and resolved (Burnes, 1996, 2004).

As the emergent approach to change is relatively new compared to the planned approach, it is argued that it still lacks coherence and a diversity of techniques (Bamford and Forrester, 2003; Wilson, 1992). Another criticism of the emergent approach is that it consists of a rather disparate group of models and approaches that tend to be more united in their skepticism to the planned approach to change than to an agreed alternative (Bamford and Forrester, 2003; Dawson, 1994). However, according to Burnes (1996) the

general applicability and validity of the emergent approach to organizational change depends on whether or not one believes that all organizations operate in dynamic and unpredictable environments to which they constantly have to adapt. If so, Burnes (1996: 14) argues, "the emergent model is suitable for all organizations, all situations and at all times".

2.4 Change Management Practices

There are several change management practices and principles that have been identified as being instrumental in the change management process. The following are key practices to be followed in the implementation of a change management programme.

2.4.1 Effective Communication

The importance of communication for change is not only informing, motivating and coordinating but also managing employee expectations (Heracleous and Langham, 1996). Covin and Kilmann (1990) suggest that it is critical to communicating information (e.g. mission statements and goal achievement status) during change. They find that "failure to share information or to inform people adequately of what changes are necessary and why they are necessary viewed as having a highly negative impact." (p. 239). Feedback gathering from employees, which is pertinent to implementation issues, serves a significant evaluative function for organizational leaders.

Additionally, it may be radical for managers to provide channels and opportunities for employees to gather feedback about their own participation in change programs (Lewis, 2000a). In relation to that, face-to-face communication in seeking employees' views and concerns is highly recommended (Heracleous and Langham, 1996). By the same token, Sinetar (1988) suggests that the informal communication program, which refers to a mechanism to help various corporate stakeholders become comfortable with change and with the organization's long-term goals, be extensively conducted so as to create mutual understanding among change agents and employees.

2.4.2 Visible Support from Organization Leadership

The literature reveals that basic leadership and management practices are associated with the core competencies of an organization to achieve desired outcomes (Goonan & Stoltz, 2004). Leadership is an important essence for change management process as by definition, change requires new system creation and then institutionalizing the new innovative approaches (Eisenbach, Watson & Pillai, 1999). As change is a transformation process, the agents of change (leaders and management) have to drive a supportive response for change from the stakeholders (Kotter, 2007).

Leaders and managers throughout the organization should be expected to support and communicate the benefits of change to their peers and employees. Change needs to be "cascaded" through the organization, with real change happening at each level (Burnes, 2004). Change efforts therefore need to be implemented throughout the organization, with leaders delegating both the responsibility and authority to make decisions about the change, grounded on a clear change vision, to managers at all levels. This delegation of decision-making authority helps both to reduce blockages and increase acceptance from individuals affected by the change.

2.4.3 Human Resource Plan

The resource-based view of human resource management points out that Human Resource Management has an important influence on the development of organizational capabilities needed for sustaining organizational change and on the firm's performance (Lado and Wilson, 1994). The Human Resource system has the potential to facilitate or inhibit the development and utilisation of organisational capabilities (De Saa-Perez and Garcia-Falcon, 2002). These capabilities may be expanded, upgraded and maintained through a system that emphasises flexibility, productivity, innovation, learning and skill development.

Furthermore, human resource planning can play a significant role in stimulating change and "start a process that results in a more extensive tapping of the organization's hidden

reservoir" (Mueller, 1996, p. 777). The Human Resource system is an "invisible asset" that creates value when it is so embedded in the operating systems of an organisation that it enhances the firm's capabilities (Becker and Gerhart, 1996). Thus, human resource management has an important role to play in building the underlying organizational capabilities required for effectiveness in continuous change.

It is essential to identify the human capital impacts of a change effort on the workforce. Organizations that successfully manage change typically develop a workforce plan specifically designed to steer their organization toward achieving its change vision. Workforce planning ensures the organization has an adequately skilled workforce to support its post-change needs (Burnes, 2004). The plan should also address the issue of redirecting resources in situations where the change creates a gap in the skills and needs of the organization.

2.5 Challenges to Management of Strategic Change

Once organizational leaders realize the need for change, they may face challenges in terms of successfully implementing initiatives that will lead to change. There is significant research that focuses on the process of implementing organizational change, with issues such as how change occurs (Beer, Eisenstat and Spector, 1990; Kanter, 1983, 1989; Quinn, 1980), who initiates the implementation of change (Hambrick, 1989; Robbins and Duncan, 1988; Tichy and Ulrich, 1984) and reactions to the fairness of the change implementation, specifically whether the implementation process was handled fairly or unfairly (Cobb, et al., 1995; Schweiger and DeNisi, 1991).

Management of strategic change involves management of change in people, processes and organizational culture. It occurs in a context that is exceedingly complex constituting a dynamic multi-variable domain where complete understanding of all the factors involved is all but impossible. Many are no longer experiencing discrete changes, i.e. temporary shifts between two successive states that are assumed to be stable, but rather actual movements, in the sense of continuous flows. In this permanent change,

management may consider employees as flexible and adaptable to organizations' need, even if such need may fluctuate.

Strebel (1996) noted that "Peter Drucker has argued that the major obstacle to organizational growth is managers' inability to change their attitudes and behavior as rapidly as their organizations require. Even when managers intellectually understand the need for changes in the way they operate, they sometimes are emotionally unable to make the transition" (p.85). Support for the change process, including the steep learning curves, new systems and the eventual implementation of change may not suffice. Such conditions increase anxiety amongst employees, as they are chartered with maintaining their day-to-day responsibilities alongside that of the change. Such imbalance can affect core values amongst employees such as trust and commitment.

Lack of change management resources and planning also pose as challenges to effective change management. These include insufficient resources available to conduct the necessary planning and implementation, the lack of a formal change management approach and the lack of change management knowledge within the team. Another set of difficulties in managing significant change situations relates to persistent "mental models" and the limitations inherent in knowledge and language. When change is not understood due to either the words within which it is couched or is otherwise misunderstood, management will encounter challenges in the change programme.

Despite the potential positive outcomes, change is nearly always resisted. Sarah Fine's research shows that human beings tend to resist change, even when change represents growth and development and will lead to greater efficiency and productivity. This is because changes in an organization affect the individuals within that organization, and individuals have the power to facilitate or thwart the implementation of an innovation (Fine, 1986, p. 84). Resistance to change comes from a fear of the unknown or an expectation of loss. The front-end of an individual's resistance to change is how they perceive the change. The back-end is how well they are equipped to deal with the change they expect. An individual's degree of resistance to change is determined by whether they

perceive the change as good or bad, and how severe they expect the impact of the change to be on them. Their ultimate acceptance of the change is a function of how much resistance the person has and the quality of their coping skills and their support system.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology that was used for the study. It outlines the research design, population and data collection method. The method of data analysis is also identified.

3.2 Research design

The methods of collecting data for descriptive research can be employed singly or in various combinations, depending on the research questions at hand. Descriptive research often calls upon quasi-experimental research design (Campbell and Stanley, 1963). Most research falls into two areas: studies that describe events and studies aimed at discovering inferences or causal relationships. Descriptive studies are aimed at finding out "what is", so observational and survey methods are frequently used to collect descriptive data (Borg and Gall, 1989).

A survey research design was used for this study to determine the industry practices and challenges in the management of strategic change. The design was deemed appropriate and the information useful for this study was sought from a large number of industry players in an attempt to get information applicable to as many insurance companies as possible. The research used a structured questionnaire to measure responses in the study.

3.3 Population of study

There are forty five registered insurance companies in Kenya and the target population of this study was thirty insurance companies. The study put emphasis on the companies that have exhibited growth in the recent past with the aim of gathering information useful to both large and small enterprises in the industry and respondents were drawn from middle management.

3.4 Data collection

The study used both primary and secondary data. Primary data was collected using questionnaires and the questionnaire was hand delivered to the targeted respondents and was administered personally by the researcher.

The questionnaire consisted of three parts; Part A collected general and demographic information about the insurance company while Part B collected data on the challenges of managing strategic change in insurance firms in Kenya. Part C comprised of questions aimed at establishing the practices adopted by management in these firms in managing the change that they are experiencing. The questionnaire consisted of close ended questions.

3.5 Data Analysis

The collected data was analyzed using quantitative procedures, more specifically, descriptive statistics. Descriptive statistics utilize data collection and analysis techniques that yield reports concerning the measures of central tendency, variation, and correlation. The combination of its characteristic summary and correlational statistics, along with its focus on specific types of research questions, methods, and outcomes is what distinguishes descriptive research from other research types (Borg and Gall, 1989).

The statistics involved frequencies, means which are a measure of central tendency, percentages, and standard deviation which showed how much variation or dispersion from the average exists. The findings were presented using distribution tables.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings and discussions are presented on the challenges of managing strategic change faced by insurance firms in Kenya and to establish the change management practices adopted by insurance firms in Kenya in managing change. The chapter specifically covers the response rate, challenges of managing strategic change in the insurance industry, practices adopted by insurance firms in managing strategic change in Kenya, strategic management practices and discussions of findings.

4.1.1 Response Rate

The study targeted a sample of 30 respondents. As Table 4.1 below shows, 24 respondents filled in and returned the questionnaire giving a response rate of 80%. This commendable response rate was made a reality after the researcher made personal visits to remind the respondents to fill-in and return the questionnaires. This response rate was excellent and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

Table 4.1: Response Rate

Response	Frequency	Percent
Responses	24	80
Non-responses	6	20
Total	**30**	**100**

4.2 Demographic Information

4.2.1 Years Organization has been in Operation

The study sought to establish the number of years the insurance company had been in operation. From the findings 4.1 below, 45.8% of the respondents indicated that the insurance company had been operating for a period of 5-10 years, 37.5% of the respondents indicated that the insurance company had been operating for a period of over 10 years while those who indicated that the insurance company had operated for 1-4 years were 16.7%.

Figure 4. 1: Years organization has been in operation
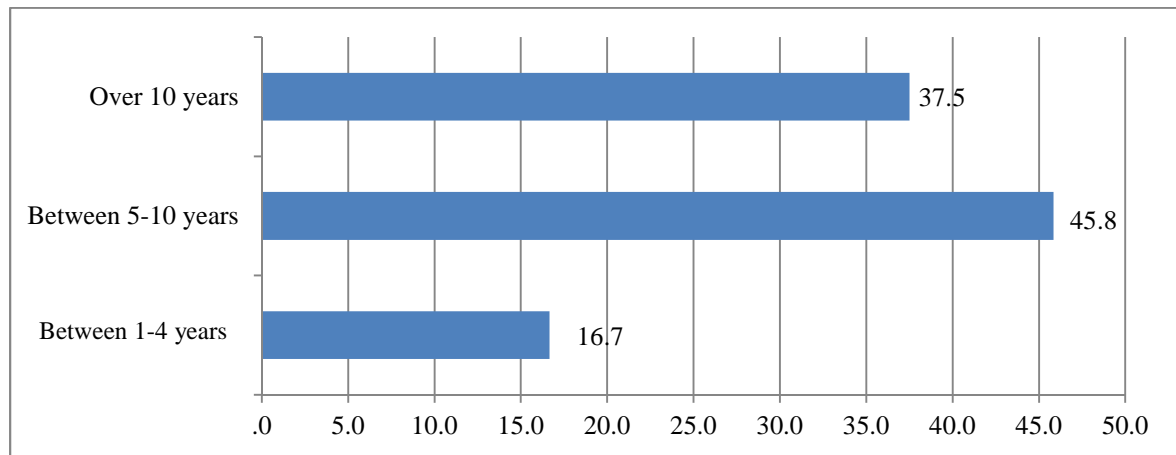
4.2.2 Number of Branches the Insurance Company Operates

The study also sought to determine the number of branches the insurance company operated. From the findings, 50% of the respondents indicated that the insurance company operated 5-10 branches, 33.3% % of the respondents indicated that the insurance company operated over 10 branches while 16.7% of the respondents indicated that the insurance company operated 1-4 branches.

Figure 4. 2: Number of branches the insurance company operates
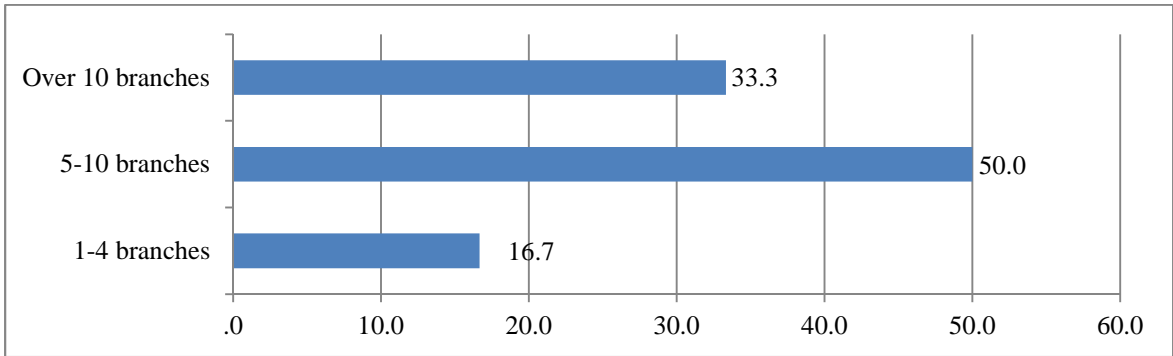
4.2.3 The Services Offered by the Insurance Company

According to the findings, 45.8% of the respondents indicated that the insurance company offered health insurance, 29.2% of the respondents indicated that the insurance company offered automotive insurance while 8.3% of the respondents indicated that the insurance company offered home insurance, travel insurance and pension plans.

Figure 4. 3: The Services Offered by the Insurance Company
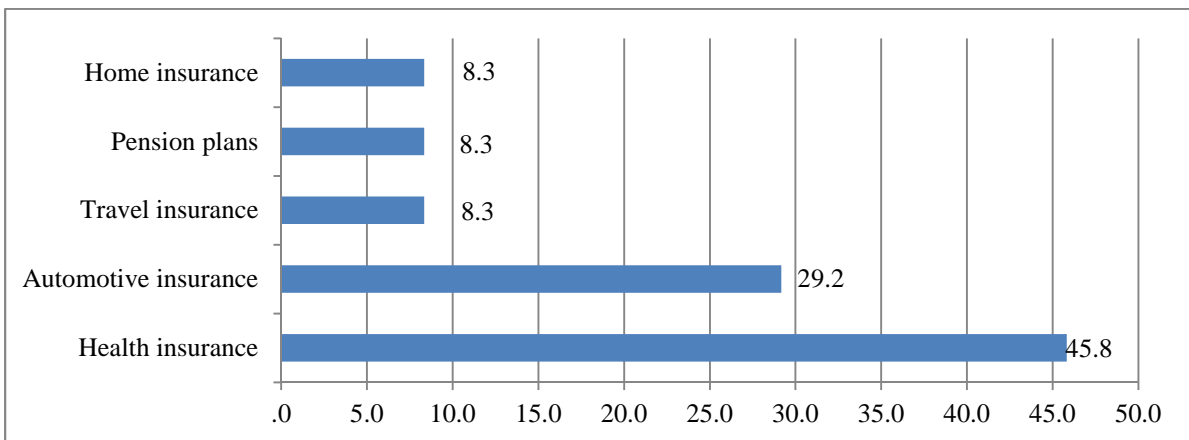
4.2.4 Ownership Structure of the Insurance Company

According to the findings, 95.8% of the respondents indicated that the insurance company was a limited company while 4.2% of the respondents indicated that the insurance company was a partnership.

Figure 4. 4: Ownership Structure of the Insurance Company
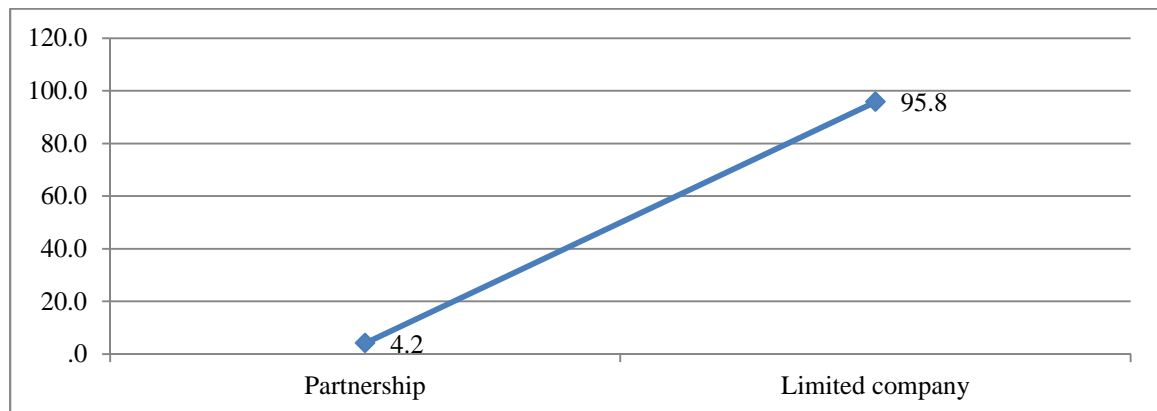

4.3 Challenges of Managing Strategic Change in the Insurance Industry

With regard to the extent to which the insurance companies encountered challenges in managing change, the respondents indicated that insurance companies encountered poor communication of the change to subordinates, negative perception of change and risk-aversion i.e. fear to make mistakes or to fail, to a moderate extent as indicated by a mean score of 2.9167, 2.8333 and 2.7917 respectively. The respondents also indicated that the insurance companies encountered difficulty in identifying and analyzing the core of the problem or the real cause of the problem that necessitates change as well as organization culture that was not amenable to change to a moderate extent as indicated by a mean score of 2.7083 respectively. The respondents also indicated that the insurance companies encountered information overload i.e. difficulties in distinguishing between relevant data and available data, preference to evaluate existing ideas instead of generating new ideas, lack of ownership of the change by employees, resistance to change , lack of support from senior management   and   lack of resources to support the change initiatives to a little extent as indicated by a mean score of 2.3333, 2.2083, 2.0417, 2.000, 1.7083 and 1.625 respectively.

Table 4. 2: Challenges of Managing Strategic Change in the Insurance Industry

	Mean	Std. Deviation
Difficulty in identifying and analyzing the core of the problem or the real cause of the problem that necessitates change.	2.7083	0.99909
Poor communication of the change to subordinates.	2.9167	4.26224
Lack of ownership of the change by employees.	2.0417	1.19707
Resistance to change.	2	1.21584
Negative perception of change.	2.8333	1.57885
Organization culture that is not amenable to change.	2.7083	1.23285
Information overload i.e. difficulties in distinguishing between relevant data and available data.	2.3333	1.30773
Risk-aversion i.e. fear to make mistakes or to fail.	2.7917	1.53167
Preference to evaluate existing ideas instead of generating new ideas.	2.2083	1.31807
Lack of resources to support the change initiatives.	1.625	0.82423
Lack of support from senior management.	1.7083	0.9079
Lack of complete and correct information on the need for change.	1.75	0.94409
Difficulty in clarifying the strategy or change objective.	1.7917	0.97709

4.4 Practices Adopted by Insurance Firms in Managing Strategic Change in Kenya

According to the findings, the respondents indicated that the company had built change adaptability skills and helped individuals internalize and move through the change to a great extent as shown by a mean score of 3.75, the respondents also indicated that the respective companies had developed plans for staff transition, redeployment, separations and talent retention as well as measured adoption and performance and developed strategies to address problems to a great extent as shown by a mean score of 3.7083 respectively. The respondents also indicated that the company had developed a communication strategy and roll-out plan to create understanding and drive acceptance

and that it had also developed a plan to gain the support of those individuals most critical to success to a great extent as shown by a mean score of 3.625 and 3.5833 respectively. The respondents further indicated that the company had articulated the change in a concise and compelling manner that could be shared broadly and developed a training strategy to create proficiency for operating under the new model to a great extent as shown by a mean score of 3.5 respectively, the respondents also indicated that the company had evaluated relevant programs and policies, to identify points of incongruence and develop plans for alignment to a moderate extent as shown by a mean score of 3.4583.

Table 4. 3: Practices Adopted by Insurance Firms in Managing Strategic Change in Kenya

	Mean	Std. Deviation
Articulate the change in a concise and compelling manner that can be shared broadly.	3.5	0.88465
Develop a plan to gain the support of those individuals most critical to success.	3.5833	1.01795
Develop a communication strategy and roll-out plan to create understanding and drive acceptance.	3.625	1.20911
Develop plans for staff transition, redeployment, separations and talent retention.	3.7083	0.95458
Build change adaptability skills and help individuals internalize and move through the change.	3.75	1.32698
Evaluate relevant programs and policies, to identify points of incongruence and develop plans for alignment.	3.4583	1.02062
Develop a training strategy to create proficiency for operating under the new model.	3.5	1.14208
Measure adoption and performance and develop strategies to address problems.	3.7083	1.16018

4.5 Level of Agreement or Disagreement with the Practices

From the findings, there was consensus among the respondents that there was a formal planning and strategic change implementation process and that there was access to training and personal development opportunities for staff to update their skills on a regular basis as shown by a mean score of 3.9583 and 3.7083 respectively, the respondents remained neutral on the fact that there was a formal data gathering and analysis process for monitoring change programmes in place in the organization, that the culture in the organization encouraged innovation and change, that communication on change was two-way i.e. both from and to management and that leaders in the organization were visibly active in and support change initiatives as shown by a mean score of 3.4167, 3.3333, 3.25 and 3.1667 respectively.

Table 4. 4: Level of Agreement or Disagreement with the Practices

	Mean	Std. Deviation
Leaders in this organization are visibly active in and support change initiatives.	3.1667	0.96309
The culture in this organization encourages innovation and change.	3.3333	0.70196
Communication on change is two-way i.e. both from and to management.	3.25	1.18872
There is a formal planning and strategic change implementation process.	3.9583	0.69025
There is access to training and personal development opportunities for staff to update their skills on a regular basis.	3.7083	1.08264
There is a formal data gathering and analysis process for monitoring change programmes in place in this organization.	3.4167	1.34864

4.6 Discussions of Findings

This study had two objectives which were to determine the challenges of managing strategic change faced by insurance firms in Kenya and to establish the change management practices adopted by insurance firms in Kenya in managing change. From

the findings of the study, it is evident that that the insurance companies encountered poor communication of the change to subordinates, negative perception of change and risk-aversion i.e. fear to make mistakes or to fail. These findings are in agreement with the findings of Covin and Kilmann (1990) who noted that it is critical to communicate information (e.g. mission statements and goal achievement status) during change. They find that "failure to share information or to inform people adequately of what changes are necessary and why they are necessary is viewed as having a highly negative impact. Feedback gathering from employees, which is pertinent to implementation issues, serves a significant evaluative function for organizational leaders. Additionally, it may be radical for managers to provide channels and opportunities for employees to gather feedback about their own participation in change programs. Sinetar (1988) suggests the informal communication program, which refers to a mechanism to help various corporate stakeholders become comfortable with change and with the organization's long-term goals, be extensively conducted so as to create mutual understandings among change agents and employees.

From the findings it is also evident that the industry had built change adaptability skills and helped individuals internalize and move through the change. These findings are in agreement with Strebel (1996) who noted that the major obstacle to organizational growth is managers' inability to change their attitudes and behaviour as rapidly as their organizations require. Even when managers intellectually understand the need for changes in the way they operate, they sometimes are emotionally unable to make the transition" (p. 85). Support for the change process, including the steep learning curves, new systems and the eventual implementation of change may not suffice. Such conditions increase anxiety amongst employees, as they are chartered with maintaining their day-to-day responsibilities alongside that of the change. Such imbalance can affect core values amongst employees such as trust and commitment.

The study also reveals that there was a formal planning and strategic change implementation process and that there was access to training and personal development opportunities for staff to update their skills on a regular basis. This is in line with De Saa-

Perez and Garcia-Falcon, (2002) who note that the Human Resource system has the potential to facilitate or inhibit the development and utilisation of organisational capabilities. These capabilities may be expanded, upgraded and maintained through a system that emphasises flexibility, productivity, innovation, learning and skill development. Furthermore, human resource planning can play a significant role in stimulating change and "start a process that results in a more extensive tapping of the organization's hidden reservoir".

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusions drawn from the findings highlighted and recommendations that were made. The conclusions and recommendations drawn were in a quest to address the research objectives of determining the challenges of managing strategic change faced by insurance firms in Kenya and to establish the change management practices adopted by insurance firms in Kenya in managing change.

5.2 Summary of the Findings

5.2.1 Challenges of Managing Strategic Change in the Insurance Industry

The study established that the insurance companies encountered poor communication of the change to subordinates, negative perception of change and risk-aversion i.e. fear to make mistakes or to fail to a moderate extent. The study also established that the insurance companies encountered difficulty in identifying and analyzing the core of the problem or the real cause of the problem that necessitates change as well as organization culture that was not amenable to change to a moderate extent.

The study deduced that the insurance companies experienced information overload i.e. difficulties in distinguishing between relevant data and available data, preference to evaluate existing ideas instead of generating new ideas, lack of ownership of the change by employees, resistance to change, lack of support from senior management and lack of resources to support the change initiatives to a little extent.

5.2.2 Practices Adopted by Insurance Firms in Managing Strategic Change in Kenya

The study found that the firms had built change adaptability skills and helped individuals internalize and move through the change to a great extent. The study also found out that the firms had developed plans for staff transition, redeployment, separations and talent retention as well as measured adoption and performance and developed strategies to address problems to a great extent. The study revealed that the insurance companies had developed a communication strategy and roll-out plan to create understanding and drive acceptance and that they had also developed a plan to gain the support of those individuals most critical to success to a great extent. The study established that the firms had articulated the change in a concise and compelling manner that could be shared broadly and developed a training strategy to create proficiency for operating under the new model to a great extent. The study also established that the organizations had evaluated relevant programs and policies, identified points of incongruence and developed plans for alignment to a moderate extent.

5.2.3 Agreement with Practices

The study found out that there was a formal planning and strategic change implementation process and that there was access to training and personal development opportunities for staff to update their skills on a regular basis. The study also established that there was a formal data gathering and analysis process for monitoring change programmes in place in insurance firms, that the organization culture encouraged innovation and change, that communication on change was two-way i.e. both from and to management, and that leaders in the industry were visibly active in and supported change initiatives.

5.3 Conclusions of the Study

From the findings, the study concludes that the importance of communication for change is not only informing, motivating and coordinating but also managing employee

expectations. The study also concludes that the major obstacle to organizational growth is managers' inability to change their attitudes and behavior as rapidly as their organizations require. Even when managers intellectually understand the need for changes in the way they operate, the sometimes are emotionally unable to make the transition.

The study further concludes that lack of change management resources and planning also pose as challenges to effective change management. These include insufficient resources available to conduct the necessary planning and implementation, the lack of a formal change management approach and the lack of change management knowledge within the team.

5.4 Limitations of the Study

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on the challenges of managing strategic change faced by insurance firms in Kenya. The study relied purely on responses from the respondents and did not visit the grounds where the projects were taking place.

Due to limited time the study could not collect information through observation of the insurance companies over a period of time to assess the impact of strategic change. The study, however, minimized these challenges by collecting information from several registered insurance companies.

5.5 Suggestions for Further Research

The study recommends that further research should be done on the policy measures that can be strategically developed in order to enhance the success of insurance companies. Further study should look at how to mitigate the challenges that insurance companies encounter. By so doing, it will encourage and ensure success of insurance companies. The study further recommends that a similar study should be done to investigate the challenges facing change management practices adoption by insurance firms in Kenya.

5.6 Recommendations for Policy and Practice

The study recommends that leaders and managers throughout the industry should support and communicate the benefits of change to their peers and employees. Change needs to be "cascaded" through the organization, with real change happening at each level. The study also recommends that the Human Resource system should facilitate the development and utilisation of organisational capabilities. These capabilities may be expanded, upgraded and maintained through a system that emphasises flexibility, productivity, innovation, learning and skill development. Furthermore, human resource planning can play a significant role in stimulating change and start a process that results in a more extensive tapping of the organization's hidden reservoir.

The study also recommends that managers should provide channels and opportunities for employees to gather feedback about their own participation in change programs. In relation to this, face-to-face communication in seeking employees' views and concerns is highly recommended.

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APPENDICES

Appendix: Questionnaire

PART I (A): GENERAL INFORMATION

(Kindly tick ( ) or fill the blank spaces as appropriate)

1. How long has the insurance company been in operation?

   i. Less than 1 year ☐   ii. Between 1-4 years ☐

   iii. Between 5-10 years ☐   iv. Over 10 years ☐

2. How many branches does the insurance company operate:

   i.   1-4 branches ☐   ii. 5-10 branches ☐

   ii.   Over 10 branches ☐

3. What are the services offered by the insurance company?

   Health insurance ☐

   Automotive insurance ☐

   Travel insurance ☐

   Pension plans ☐

   Home insurance ☐

   Other (please specify)...

4. Kindly indicate the ownership structure of the insurance company.

   Partnership ☐

Limited company ☐

Other (please specify) …………………………………………………………….

5. What is the company's country of origin? ……………………………………….

Part II (B) Challenges of managing strategic change in the insurance industry

1. To what extent do you encounter the following challenges to managing change in your organization? Please tick as appropriate. Use a 5- point scale, where,

1= Not at all   2= Little extent   3= Moderate extent   4= Great extent   5= Very great extent

CHALLENGES IN MANAGING STRATEGIC CHANGE	RESPONSE RATINGS				
	1	2	3	4	5
Difficulty in identifying and analyzing the core of the problem or the real cause of the problem that necessitates change.					
Poor communication of the change to subordinates.					
Lack of ownership of the change by employees.					
Resistance to change.					
Negative perception of change.					
Organization culture that is not amenable to change.					
Information overload i.e. difficulties in distinguishing between relevant data and available data.					
Risk-aversion i.e. fear to make mistakes or to fail.					

Preference to evaluate existing ideas instead of generating new ideas.					
Lack of resources to support the change initiatives.					
Lack of support from senior management.					
Lack of complete and correct information on the need for change.					
Difficulty in clarifying the strategy or change objective.					

Other challenges (please specify)

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

Part III (C) Practices adopted by insurance firms in managing strategic change in Kenya

1. To what extent does your company apply the following practices in managing strategic change in your organization? Please tick as appropriate. Use a 5- point scale, where,

    1= Not at all   2= Little extent   3= Moderate extent   4= Great extent   5= Very great extent

CHANGE MANAGEMENT PRACTICES ADOPTED BY INSURANCE COMPANIES	RESPONSE RATINGS				
	1	2	3	4	5
Articulate the change in a concise and compelling manner that can be shared broadly.					
Develop a plan to gain the support of those					

individuals most critical to success.				
Develop a communication strategy and roll-out plan to create understanding and drive acceptance.				
Develop plans for staff transition, redeployment, separations and talent retention.				
Build change adaptability skills and help individuals internalize and move through the change.				
Evaluate relevant programs and policies, to identify points of incongruence and develop plans for alignment.				
Develop a training strategy to create proficiency for operating under the new model.				
Measure adoption and performance and develop strategies to address problems.				

Other practices (please specify)

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

2. The following are statements about best practices in the management of strategic change. Please indicate your level of agreement or disagreement with whether the following practices are evident in your organization. Please tick as appropriate. Use a 5- point scale, where,

   1= Strongly disagree   2= Disagree   3= Neutral   4= Agree   5= Strongly agree

LEVEL OF AGREEMENT OR DISAGREEMENT WITH :-	RESPONSE RATINGS				
	1	2	3	4	5
Leaders in this organization are visibly active in and support change initiatives.					
The culture in this organization encourages innovation and change.					
Communication on change is two-way i.e. both from and to management.					
There is a formal planning and strategic change implementation process.					
There is access to training and personal development opportunities for staff to update their skills on a regular basis.					
There is a formal data gathering and analysis process for monitoring change programmes in place in this organization.					

Thank you very much for your time.