

**STRATEGY IMPLEMENTATION AT MADISON  
INSURANCE COMPANY KENYA LIMITED**

**BY**

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## DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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**D61/61276/2013**

This research project has been submitted for examination with my approval as the university supervisor.

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To all of you, may our dear Lord richly bless you.

## **DEDICATION**

This work is dedicated to my parents, Samson Mwanzia and Veronica Mwanzia for perpetually standing by me as I went out in search of my dream.

It is also dedicated to my son, Lawrence Mwanzia Kitwili hoping that this work will inspire him to work hard in pursuit of his career.

## ABSTRACT

Strategy implementation is so critical in creating and sustaining competitive advantage in the business environment. In today's turbulent and competitive environment, there is an increasing recognition of the need for more dynamic approaches to formulating as well as implementing strategies. Implementing strategy is tougher and more time-consuming than strategy-making. Each implementation situation occurs in a different context, affected by different factors such as business practices and competitive situations, work environments and cultures. 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 study was investigating the strategy implementation at Madison Insurance Company Kenya Limited to establish the Focus Strategy and determine challenges encountered by Madison in implementing its strategies. The findings of this study will contribute to building the existing body of knowledge in strategic management and specifically on strategy implementation. A case study of Madison was carried out. It involved an in-depth investigation of the phenomenon of strategy implementation. To obtain primary data, which was qualitative in nature, four senior managers and two departmental heads were interviewed by use of interview guides administered through interview and discussions. Secondary data was obtained from management information system, internet and printed records. Data was analyzed in accordance with the objectives of the study using content analysis method. The results revealed the company's Focus strategy and challenges of strategy implementation at Madison. It is recommended that all employees need to be stakeholders in the future direction of the organization. Their daily performance and activities should be measured along the specific milestones and core values identified by the business plan. In addition, Madison should link the performance management system to the strategy that needs to be developed for the company. There were limitations of the study. First, some of the responses were likely to be biased due to the fact that the informants who were interviewed were the actual people involved in strategy implementation. This is like asking for a self-evaluation. Second, there was a constraint of availability of informants due to engagements such as leave of absence, training, or fieldwork. Some potential informants, being busy top level executives, were not available within the time frame of the research work. Further research is suggested to survey strategy implementation across several insurance firms to support strategy implementation.

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## **LIST OF ABBREVIATIONS**

<b>IRA</b>	Insurance Regulatory Authority
<b>AKI</b>	Association of Kenya
<b>IIS</b>	Insurance Institute of Kenya
<b>I/O</b>	Industrial Organization
<b>SWOT</b>	Strength, Weaknesses, Opportunities, Threats
<b>PESTEL</b>	Political, Economic, Socio-Cultural, Technological, Environmental, Legal
<b>HELB</b>	Higher Education Loans Board
<b>AMREF</b>	African Medical and Research Foundation
<b>ICT</b>	Information and Communication Technology
<b>WAN</b>	Wide Area Network
<b>VOIP</b>	Voice Over Internet Protocol



# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

All organizations have a strategy, even if the strategy only evolves from day to day operations. A well developed strategy will have to be executed well if the firm is to obtain success in its operations. Strategy implementation is the process through which a chosen strategy is put into action. Strategy implementation is concerned with the building of capable organization, effective management of operations, instituting a strategy enabling culture and leadership in reaching organizational purposes. Thompson et al. (2005) suggest that good strategy plus good strategy implementation give rise to good management. Ten schools of strategy formation (Mintzberg et al., 1998) indicate that strategy implementation has been given little attention in spite of its importance in business success.

The study was grounded on the Resource Based View theory as a basis for the competitive advantage of a firm which lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal. Another theory which the study was based is the McKinsey 7S model which is based on the theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing.

The insurance industry in Kenya is regulated by the insurance regulatory authority (IRA), a semi autonomous regulator, set up in 2008. IRA is expected to improve regulation and

stability of the industry. The main players in the Kenyan insurance industry are: insurance companies, reinsurance companies, insurance brokers, insurance agents and finally the risk managers. The statute regulating the industry is the Insurance Act; Laws of Kenya, Chapter 487. The insurance industry in Kenya is currently experiencing fast growth which has brought about unprecedented competition in the industry. Strategy implementation would have to be tailored to different situations and circumstances under which each insurance company operates.

### **1.1.1 Strategy Implementation**

According to Johnson & Scholes, (1999), 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 a managerial process that involves formulating, implementing and evaluating the activities of the company. Strategic management has long been viewed as the concept and process that link an organization and its environment together (Leibold, Probst& Gibbert, 2002). It consists of the analysis, decisions and actions an organization undertakes in order to create and sustain competitive advantages (Dess, Lumpkin & Taylor, 2005). Today's rapidly changing global economy realizes the need for the strategic management to be pro-active. All organizations have a strategy, even if the strategy only involves from day to day operations, therefore there is need for organizations to use strategic management concepts and tools.

Strategy implementation is the process that puts plans and strategies into action to reach goals. It is critical to a company's success, addressing the who and how of reaching the desired goals and objectives of the entire organization. Implementation occurs after environmental scans, SWOT (Strength, Weaknesses, Opportunities, and Threats) analyses and identifying Strategic issues and goals. It involves assigning individuals to tasks and timelines that will help an organization reach its goals. 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. 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.

The organization's ability to identify the critical environmental factors and adapt to them in an appropriate way is also of great importance. The fundamental issue of effective

strategic management is based on that employees' at all organizational levels are fully informed about internal and external factors affecting the organization. When managers and employees are informed and understand where the organization is today, where it is heading and which factors are affecting, it often results in that they become more involved and committed. This is especially true when employees also understand linkages between their own daily operations and the organization's performance (David, 1998).

### **1.1.2 The Insurance Industry in Kenya**

Insurance companies play an important financial intermediation role in the economy. Statistics from the Association of Kenya Insurance (AKI) records shows that the total revenue from insurance business is growing at a steady rate of 15 percent per annum. 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). 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. This study is a case study about Madison insurance company Kenya limited which is a key player in the insurance sector.

### **1.1.3 Madison Insurance Company Kenya Ltd.**

Madison insurance company Kenya limited (Madison) is a locally owned insurance Company in Kenya. It was incorporated under Kenyan laws in 1988 after a successful merger between Crusader pic (1974) and Kenya Commercial Insurance Corporation. It is one of the leading names in the insurance industry offering both life and general insurance products. Madison has its head office in Nairobi with twenty one branches in all the principal towns in Kenya. The branches fall under four Regional offices namely, Nairobi Region, Western Region, Coast Region and Central Region.

Despite the severe economic environment and intense competition in the industry over the years, Madison has continued to grow to achieve a combined premium income of over 2 billion by 31<sup>st</sup> December 2012. The main objectives for Madison insurance are to provide the best insurance products at the most reasonable prices and to offer unparalleled customer service to customers.

Madison insurance's investment Strategy focuses on attaining superior long term yields on investment through a well-diversified spread of assets. Its asset base is currently 5.1 billion and they are growing further by developing a larger investment portfolio.

## **1.2 Research Problem**

Strategy implementation is the process that turns plans into action and ensures that such actions are executed in a manner that accomplishes the plans stated objectives (Kotler, 2004). Strategy may be good but if implementation is not effectively managed, the strategic plan may not succeed. Strategy implementation is a key component of strategic management process in organizations. The successful implementation of corporate strategy is the most pressing issue facing many organizations in the world today (Johnson et al., 2008). Mintzberg et al. (2003) state that, ninety percent of well formulated strategies fail at implementation stage, and that there is no one universal approach to strategy implementation.

Insurance companies in Kenya have been affected in various ways by the changes in the business environment that they operate in. Entry of more players coupled with

environmental turbulence has led to enhanced competition in the industry. This calls for a strategic fit of an organizations core competence levels, technology, leadership styles markets, culture people and environmental influences. Successful implementation of strategies should lead to survival and continuous growth.

Bridging the gap between strategy formulation and implementation has a long time been experienced as challenging for many organizations. Implementing programs vary according to the nature of strategic problems that an organization faces and Madison insurance company Kenya Limited it's not an exception. Mbithi (2011) did a study on strategy implementation at Nakumatt Holding Limited Kenya. The objectives of the study were to determine how Nakumatt has been implementing the strategy they have chosen, to determine challenges faced by Nakumatt in Strategy implementation and to determine what measures Nakumatt Holdings has taken to overcome the challenges it faced during strategy implementation. The findings were that there is no agreed upon and dominant framework in strategy implementation. Machuki (2005) looked at the challenges to strategy implementation at CMC Motors Group. Koske (2003) studied Strategy implementation and challenges in public corporations using the case of Telkom Kenya Ltd. Awino (2000) looked at the effectiveness and problems of Strategy implementation of financing higher education in Kenya by the HELB. Muthuiya (2004) studied strategy implementation and its challenges in nonprofit organizations using the case of AMREF. Aosa (1992) did a study on the aspects of strategy implementation within large, private manufacturing companies in Kenya. Shimechero (2010) reviewed challenges of strategy implementation at Centre for African Family Studies. Kiraithe (2011) studied

management of strategic change at Kenya Police Service. These studies have collectively established that different organizations implement strategies in different ways and with different results and challenges. The studies have demonstrated that there is no one universal approach to strategy implementation.

Guided by this knowledge gap, the proposed study was therefore sort to establish strategy implementation challenges at Madison Insurance Company Kenya Limited. What are the challenges encountered while implementing the selected strategies?

### **1.3 Research Objectives**

The objectives of the study were to;

- i. Establish the implementation Strategy (focus) at Madison Insurance Company Kenya Limited.
- ii. Determine challenges encountered by Madison Insurance Company Kenya limited in implementing strategy.

### **1.4 Value of the Study**

The results of the study will assist Madison Insurance Company Kenya limited to know the challenges encountered in implementing their strategies and give a better perspective of how they can implement their strategies successfully. The company can invest more funds in trying to overcome the challenges with an assurance of good returns on investment.



This research is a valuable platform for future research to bridge the gap between formulation, implementation and challenges encountered. Other players in the industry may apply lessons learnt in responding to the challenges posed in their respective areas of operation.

The study will contribute to the general understanding of the insurance industry. The study will therefore 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 is to explore theoretical and empirical literature touching on strategy implementation with regard to the changing environment in the insurance sector. 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.

### **2.2 Theoretical Foundation of the Study**

Johnson and Scholes (2004) define strategy as the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. Ansoff (1990) defined strategy as a set of decisions making rules for guidance of organizational behavior. Mintzberg (1991) also described strategy as a plan, ploy, pattern, position and perspective. Thompson and Strickland (2003a) defined strategy as the game plan that management is using to stake out market position, conduct its operation, attract and please customers then compete successfully in order to achieve organizational objectives.

Strategies may be said to be types of plans, which have certain objectives to be achieved. It may include methods and procedures of doing or performing activities to reach the

desired goals. According to Witt and Meyer (2001) strategy embraces all the critical activities of a firm, it provides sense of unity, direction, purpose and facilitating necessary changes induced by environment. Witt and Meyer (2001) recognize strategy as an activity that must take place within the limits of an enterprise financial and other resources. Strategies exist at the level of corporate strategy, business unit strategy or operational strategy.

McKinsey Company introduced the 7s framework for strategy in the late 1970s. The framework maps seven interrelated factors that influence an organization's ability to implement strategies. Companies which are excellently managed have seven elements in common which are strategy, structure and systems (the three "hardware" elements of success) and style, skills, staffing and shared values (the four "software" elements of success).

### **2.3 Strategy Implementation Process**

The strategic management process consists of three stages: formulation, strategy implementation, and strategy evaluation. Strategy formulation includes developing a vision and mission, identifying an organizations external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue. Strategy formulation issues include deciding what new businesses to enter, what businesses to abandon, how to allocate resources, whether to expand operations or diversify, whether to enter international markets, to merge or form a joint venture, and how to avoid a hostile

takeover. Because no organization has unlimited resources, strategists must decide which alternative strategies will benefit the firm most. Strategy-formulation decisions commit an organization to specific products, markets, resources, and technologies over an extended period of time. Strategies determine long-term competitive advantages. For better or worse, strategic decisions have major multifunctional consequences and enduring effects on an organization. Top managers have the best perspective to understand fully the ramifications of strategy-formulation decisions; they have the authority to commit the resources necessary for implementation.

Strategy implementation requires a firm to establish annual objectives, devise policies, motivate employees, and allocate resources so that formulated strategies can be executed. Strategy implementation includes developing a strategy-supportive culture, creating an effective organizational structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems, and linking employee compensation to organizational performance. Strategy implementation often is called the “action stage” of strategic management. Implementing strategy means mobilizing employees and managers to put formulated strategies into action. It’s often considered to be the most difficult stage in strategic management.

Interpersonal skills are especially critical for successful strategy implementation. Strategy implementation activities affect all employees and managers in an organization. Every division and department must decide on answers to questions, such as “What must we do to implement our part of the organization’s strategy?” and “How best can we get

the job done?” The challenge of implementation is to stimulate managers and employees throughout an organization to work with pride and enthusiasm toward achieving stated objectives.

Strategy evaluation is the final stage in strategic management. Managers desperately need to know when particular strategies are not working well; strategy evaluation is the primary means for obtaining this information. All strategies are subject to future modification because external and internal factors are constantly changing. Three fundamental strategy evaluation activities are: Strategy formulation, implementation, and evaluation activities which occur at three hierarchical levels in a large organization: corporate, divisional or strategic business unit, and functional. By fostering communication and interaction among managers and employees across hierarchical levels, strategic management helps a firm function as a competitive team. Most small businesses and some large businesses do not have divisions or strategic business units; they have only the corporate and functional levels. Nevertheless, managers and employees at these two levels should be actively involved in strategic-management activities.

#### **2.4 Factors in Strategy Implementation**

Two sets of factors primarily shape a company’s strategy and these include External factors (macro environment, industry, competition, customers) and Internal factors (resources, competence, culture etc.) It is important to think critically about an

organization's business in terms of what is happening inside the organization and what is happening outside the organization.

There are various models to help managers think more strategically about their organizations. SWOT Analysis (internal) is a Careful assessment of the organization and its environment in Identification of Strengths, Weaknesses, Opportunities and Threats. Strengths are an organization's competencies Internal to the organization, Core competences, and Distinctive competencies and can enhance performance if harnessed. Weaknesses are an organization's vulnerabilities Internal to the organization and can lead to poor performance if not addressed. Opportunities are Conditions that an organization can turn to its advantage which External to the organization and can enhance performance if exploited. Threats are Conditions that can hurt the organization and are External to the organization and can hurt performance if not confronted. SWOT provides a way of organizing information for developing strategy and operating plans and does not provide specific answers and has benefits and dangers as a strategic tool.

External Analysis Understanding the external influences on an organization Environmental (PESTEL) scanning, Industry analysis, Competitor analysis, and Market analysis. Environmental complexity can be high or low, positive or negative. Strategic management focuses on integrating all parts of an organization in strategic thinking to enhance organizational performance which allows an organization to be more proactive than reactive in shaping its own future (David, 1998). Strategic management is according to Hendry, Johnson & Newton (1993), not about establishing right or optimal solutions,

but about understanding complex relationships and the uncertain environment. Strategic capabilities are dependent on which resources and competences the organization possesses. These must reach a threshold level in order for the organization to continue to exist (Johnson et al. 2005).

## **2.5 Challenges of Strategy Implementation**

Strategy implementation requires a firm to establish annual objectives, devise policies, motivate employees, and allocate resources so that formulated strategies can be executed. Strategy implementation includes developing a strategy supportive culture, creating an effective organizational structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems, and linking employee compensation to organizational performance. Strategy implementation often is called the “action stage” of strategic management. Implementing strategy means mobilizing employees and managers to put formulated strategies into action. It is often considered to be the most difficult stage in strategic management; strategy implementation requires personal discipline, commitment, and sacrifice.

Successful strategy implementation hinges upon managers’ ability to motivate employees, which is more an art than a science. Strategies formulated but not implemented serve no useful purpose. Interpersonal skills are especially critical for successful strategy implementation. Strategy implementation activities affect all employees and managers in an organization. Every division and department must decide

on answers to questions, such as “What must we do to implement our part of the organization’s strategy?” and “How best can we get the job done?”

The challenge of implementation is to stimulate managers and employees throughout an organization to work with pride and enthusiasm toward achieving stated objectives. Reed and Buckley (1988) discussed challenges associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure. They claim that the debate about which comes first is irrelevant provided there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary based measures. Due to the size of the budgeting systems and the game playing associated with budget setting “it is possible for the planning intent of any resource redistribution to be ignored”. Another problem is when management style is not appropriate for the strategy being implemented, they cite the example of the “entrepreneurial risk taker may be an ideal candidate for a strategy involving growth, but may be wholly inappropriate for retrenchment” (Reed and Buckley, 1988).

An organizational structure conveys how work is divided and assigned to people, and how the activities of the people performing their duties are coordinated in the enterprise (Boseman and Phatak, 1989). The structures define the levels and roles in an organization and can facilitate or constrain how processes and relations work. The roles, responsibilities and lines of reporting in organizations are an important influence on the



success or failure of strategy. Failure to address issues of structure can at minimum, constrain strategy implementation and performance (Johnson and Scholes, 2004).

Recent articles on local and foreign companies confirm notable barriers to successful strategy implementation about which there appears to be a degree of accord including Beer and Eisenstat's (2000) who assert that six silent killers of strategy implementation comprise: a top-down/laissez-faire senior management style; unclear strategic intentions and conflicting priorities; an ineffective senior management team; poor vertical communication; weak co-ordination across functions, businesses or borders; and inadequate down-the-line leadership skills development, insufficient resource allocation (Aosa,1992; Beer and Eisenstat, 2000).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter covered research design, data collection methods and data analysis methods. The population and sample sections were omitted because it was a case study. The chapter utilized theoretical framework, review literature and experience of the author to discuss how the study was done, how results were presented and analyzed to arrive at conclusions and recommendations that might contribute new knowledge to implementation of strategy.

In this section approaches and strategies chosen in order to answer the purpose were discussed. A clarification of how data was collected is included as well as who was interviewed and what method was used.

### **3.2 Research Design**

This was a case study since the unit of analysis was one organization. This was a case study aimed at getting detailed information regarding the strategy implementation and challenges affecting strategy implementation at Madison Insurance Company Kenya Limited.

It is a method of study in depth rather than breadth. The case study research method is used continually by researchers in carefully planned and crafted studies of real-life situations, issues, and problems. The case study method deals with the processes that take

place and their interrelationship. According to Kothari (2002), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of a study.

Case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Researcher Yin (1984) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used (Yin, 1984, p. 23). White (2002) suggests that a case study requires a number of methods for its successful accomplishment.

### **3.3 Data Collection**

Primary data was collected from the company staff by use of interview guides (Appendix ii) in order to establish the implementation strategy and challenges affecting strategy implementation at Madison Insurance Company Kenya Limited. Interview guides were designed and administered through interview and discussions to key informants which included 4 senior managers and 2 departmental heads.

The interview guide comprised of open ended questions. Secondary data sources were also used to provide additional information. This was obtained from already documented

materials such as in-house publications, in-house training materials and periodic performance reviews. Additional interview methods such as through telephone or via e-mail will also be used in the data collection.

### **3.4 Data Analysis**

The completed interview guides were edited for completeness and consistency before processing the responses. Being a case study, content analysis was the most useful technique. It is a technique used to make inferences by systematically and objectively identifying specific characteristics and messages. This was the best method of analyzing the qualitative data that was collected from the interviews and discussions.

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 implementing strategy at Madison Insurance Company Kenya Limited.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents the findings of the case study strategy implementation at Madison Insurance Company Kenya Limited. This chapter therefore presents data analysis on respondent's profile, the Organization strategy Focus, challenges of strategy implementation and discussions on the findings. The study used primary data obtained through an interview guide. The total numbers of persons to be interviewed were six, four senior managers and two departmental heads.

The objectives of the study were to establish the implementation Strategy (Focus) and to determine challenges encountered by Madison in implementing its chosen strategies.

The findings from the study indicate that there is a number of Focus Strategy that is used by Madison Insurance Company Kenya Limited in Strategy implementation.

### **4.2 Respondents Profile**

The respondents comprised the senior managers; the General Manager (general insurance-business), the Underwriting manager, Human Resources manager, Chief Accountant and two departmental heads; the head of ICT, the head of Communications department. In total, the researcher interviewed five respondents out of the intended six respondents. This represented 83.3% response rate. All the respondents interviewed had university degrees with three of them having a Master's degree as well.

The respondents had worked in the organization for over four years thus having sufficient information regarding the organization. The respondents have been holding the current position for a different period of time, ranging from a period of six months to five years and therefore the respondents have sufficient knowledge of the area in which they operate in. This senior level management was selected because of their vast knowledge on operational and strategic management issues of the Company. All the respondents were based at the head office (Madison Insurance House, Upper Hill Road) at the time the study was carried out.

#### **4.3 The Organization's Implementation Strategy (Focus)**

Madison has the main objectives of providing the best insurance products at the most reasonable prices and to offer unparalleled customer service to their customers. Madison insurance strategy focuses on attaining superior long term yields on investment through a well-diversified spread of assets. Its vision is to be top ranked preferred insurance provider. Its mission is to lead in innovative insurance service that creates and protects wealth for all their stakeholders and to practice good corporate governance. It has the following values that is; Teamwork, Integrity, Service, Initiative, Innovativeness and professionalism. It focuses on the following.

Corporate Governance: the Madison Insurance Company limited boards of directors are responsible for the overall direction of the company's corporate policies and are accountable to the shareholders in ensuring compliance with the law and the highest standards business ethics. The directors are committed to conducting business in

accordance with the generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

**Human Resource:** its strength is the people. In view of this, Madison is keen on ensuring that the right people for the right roles in the organization. They achieve this by putting in place policies that attract, develop, retain and motivate quality staff. They also provide a safe and conducive work environment that enables all employees to meet the business objectives set forth. Professionalism, urgent action and integrity are key values amongst their staff creating a performance ethic that ensures every task and service is friendly, proficient and quick for the benefit of their customers.

**Customer Service:** At Madison Insurance the customer comes first. It is their aim to deliver a consistently high standard of customer care to all their customers and provide an excellent human experience in all areas of service. They are committed to providing customer satisfaction which is unmatched in the industry. Its process for providing excellent customer service includes establishing operational procedures and internal infrastructure that support customer service, continuously measuring customer and employee satisfaction, embracing change and striving persistently to improve.

**Information and Communication Technology (ICT):** improving service delivery to their customers and efficiently has been the key driver of Madison's business strategy. At Madison, they leverage on emerging and existing technologies to support this strategy through continuous improvement of their information communication systems. They

have invested heavily in modernized ICT systems with a branch network of 21 branches interlinked through a secure Wide Area Network (WAN) integrated with Voice Over Internet Protocol (VOIP) facility. Additionally, they have integrated their systems with online service portals, which facilitate convenient and interactive communication with their clients. Through the website the customers can access their policy statements, submit claims, chat with them, pay premiums, submit enquiries, and obtain online quotations and access prime information regarding their policies.

Corporate Social Responsibility: Madison Insurance endeavors to be a good corporate citizen. They are always looking for ways to positively engage with the community in what they do business.

#### **4.4 Challenges of Strategy Implementation**

Many challenges occur during strategy implementation and organizations must adopt ways to overcome them in order to survive. Companies must clearly understand the environments they operate in order to implement their strategies. They may either be internal or external challenges.

The findings revealed that Madison Insurance Company Kenya limited experienced the following highlighted challenges: risk management, risk quantification, The widespread revolution of e-commerce and mobile technology Combined with rapidly changing demographics, economic and regulatory uncertainty, and the constant struggle to competitively differentiate themselves, changing customer expectations, technological



changes, Growing cultural diversity and changing family structures, declining number of traditional insurance agents, government policies and requirements, rewards and sanctions, political stability, lack of staff commitment, leadership and management and organizational culture.

Most respondents informed the researcher the company does not have a fully operational risk testing program. Furthermore, the maturity of risk testing varies across the life and health insurance sectors. Moreover, to produce this information it takes longer than a month and they do not have fully documented risk policies that cover the significant risks to which they are exposed. The degree of coordination between and among risk, finance and compliance functions is moderate level of coordination and this poses a challenge to strategy implementation.

Risk quantification which requires internal risk and capital models to meet the highest quality standards, be appropriately calibrated (“real time”), and fully tested and documented, as well as subject to independent scrutiny and validation. In quantifying risks, market and underwriting risks are most likely to be stochastically modeled, and that they had infrastructure or data issues that prevented them from following their desired approach to risk quantification and henceforth a challenge to strategy implementation.

Changing customer expectations is one of the challenges that the respondents admitted that the organization is not meeting changing consumer and policyholder expectations, and in turn are missing out on a vital competitive differentiator and this fosters a major challenge to strategy implementation.

Compounding these developments are technological advances that have transformed consumer preferences about how they interact with the insurance company. The respondents revealed to the researcher that this is creating new distribution and communication channels that are changing how the company conducts its business and manage relationships. While older generations tend to be less at ease with these shifts, younger consumers are generally comfortable utilizing digital platforms to become more informed shoppers and buyers. Moreover, though this lucrative segment likely will remain relatively small, there are an increasing number of self-directed consumers who have a strong desire to play an active role in their own financial planning.

Growing cultural diversity and changing family structures continue to heavily influence demand and life and retirement purchasing patterns and as a result, effectively reaching certain multicultural markets has become even more critical. Insurers' Family composition also has undergone significant change contributing to the need for more effective target marketing strategies. In particular, single parent households have increased and females are making more financial decisions than ever before and the transition into adulthood is occurring at a slower pace, which has delayed the types of life events (e.g., marriage, parenthood) that typically drive the purchase of life insurance. This has prompted a challenge in strategy implementation at Madison.

Declining number of traditional insurance agents is reducing the insurer's ability to have sustained customer interactions. Traditionally, agents would help clients become more financially literate by explaining financial products and services, as well as individual

financial and coverage needs over time. Despite the rise in self-directed customers, this lack of personal interaction is hurting the insurer's overall ability to market and sell more complex products, particularly via online channels.

Respondents did observe that in order to achieve the desired results; rewards and sanctions play an important role. The respondents highlighted that reward and sanctions did exist in the organization, however, the respondents were unsure what criteria is used in rewarding as there were instances where non deserving people got rewarded. The respondents agreed that reward and sanctions brought about a challenge in strategy implementation especially where they weren't aligned to the actions and objectives of individuals with the objectives and needs of the company's strategy. The respondents agreed that as much as financial rewards are important, non-financial rewards such as autonomy in project supervision, recognition of the role they play are also equally important in the implementation of strategies.

Political stability is a challenge to the company. Changes in the domestic political environment bring about changes in Government policies, objectives and strategies which directly impact on the implementation of strategies at Madison. In addition, the dynamics of the political parties and the potential alliances, political events such as elections, and uncertainty also affect the implementation of strategy at Madison Insurance Company.

Commitment of staff to strategy implementation was another challenge which the researcher established from the respondents. Most respondents informed the researcher that although some members of staff were committed most of the members of staff were

not committed. Most members of staff did not link strategy implementation to their performance and they don't associate their roles with the objectives of the corporation.

Leadership and management in the organization is a challenge to strategy implementation. The respondents supported this view by pointing out various kinds of challenges faced by the organization that were as a result of leadership and management such as Rigidity, management resistance to change and new ideas, promotion not been based on merit, non-involvement of all employees in strategy implementation, lack of visionary leadership together with poor leadership skills and bureaucracy together with the failure to embrace new ideas and innovational technology in business was noted as a challenge.

Organization Culture was cited as one of the major challenges to strategy implementation. 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. The respondents indicated that challenges brought about by culture includes; communication problems between the departments, lack of trust when the strategies threatens the culture, opposition of strategies, opposition of change within the organization, administrative, hinders full implementation of strategy, delayed services and also poor service delivery. 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 in agreement that the challenges which they encounter pose challenges to the implementation of strategies as it leads to delay in service provision, results to employees resistance to performance contracts because they did not understand it fully.

#### **4.4 Discussion**

The study established that Madison Insurance Company Kenya Limited has six core values; teamwork, Integrity, Initiative, Innovativeness Professionalism and Urgent Action.

Madison has a board of directors and senior Management team who have the necessary experience in strategic management since they are involved at every level of strategic planning. Madison Insurance emerged as the runner's up at the Association of Kenya Insures (AKI) agents of the year awards 2010, and won the award for the most improved insurance company.

The Human Resource department of Madison Insurance Company Kenya Limited confirmed that training is very important when implementing their strategies. The company trains employees on the implementation of new strategy so that they can get the necessary knowledge.

The findings from this study on the challenges of implementation of strategy at Madison established that there are challenges encountered by the company that are also evident in other studies previously conducted.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

In this chapter, the researcher provides a summary of the findings, the conclusions made from the study, the recommendations made by the researcher based on the findings as well as the suggestions for further research.

### **5.2 Summary of findings**

The study found out that Madison faces many challenges while implementing strategies. This chapter summarizes the focus strategy and challenges which the study established. Madison Insurance Company Kenya Limited has six core values; teamwork, Integrity, Initiative, Innovativeness Professionalism and Urgent Action. The study found out that there are some challenges which include the following; risk management, risk quantification, The widespread revolution of e-commerce and mobile technology Combined with rapidly changing demographics, economic and regulatory uncertainty, and the constant struggle to competitively differentiate themselves, changing customer expectations, technological changes, Growing cultural diversity and changing family structures, declining number of traditional insurance agents, government policies and requirements, rewards and sanctions, political stability, lack of staff commitment, leadership and management and organizational culture.

Management has modified the culture within the organization to accommodate new changes. This has been done by bringing on board new skills and cultivates the culture of delegation through Management by Objectives. This enhances team spirit and accountability among members of staff. Management however had to do a lot of awareness and maintain very effective and efficient communications process.

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).

In some cases 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 study noted that the challenge of differentiation was countered by intense marketing in all the markets of choice and customer service. The study indicated that there is a challenge of staff commitment and leadership. The study found out that in order to overcome challenges related to core competence the Company had strengthened its training programs, performance with reward, and evaluated the skills required to provide competitive service. The management had aligned the company operations to the widespread revolution of e-commerce and mobile technology Combined with rapidly changing demographics and the changing environment.



### **5.3 Conclusions**

Two sets of factors primarily shape a company's strategy and these include External factors (macro environment, industry, competition, customers) and Internal factors (resources, competence, culture etc.) It is important to think critically about an organization's business in terms of what is happening inside the organization and what is happening outside the organization.

Strategy implementation carries with it many inherent challenges which include the amount of time required to develop, deploy and implement the strategy as well as aligning people around its strategies. Strategy implementation focus on how chosen strategies are put into effect and managing the required changes. The strategy implementation challenges experienced by the company were enhanced by both government policies and requirements under which it's operating. The company had no control over these policies and regulations. Just like any other insurance company, Madison operates in a complex environment, which is more unpredictable and less stable.

### **5.4 Recommendations**

The study recommends the following:-

For Madison Insurance Company Kenya Limited to improve the customer experience it must continue to invest in understanding consumer and policyholder expectations. The industry's long history of designing products and services based on under writing's, producers' and legal expectations has made it a challenge to change insurance to a customer- focused business. Making the change is complex and often wrenching, but an

enhanced consumer analytics program that can help determine ways to attract and retain more customers is a good first step in meeting this challenge.

It should revisit its customer experience programs. Candidly assess its organizational commitment. Are its actions aligned with its slogans? Is it measuring what is important, holding people accountable, and rewarding them for improving the customer experience?

It can change traditional distribution platforms. Most insurance companies have been hamstrung by their existing distribution platforms and have been nervous about disrupting them. This is a rational concern; change has to occur to promote future success. Taking a long-term view can facilitate this change; organizations that view the ideal distribution model of ten years from now tend to be in a better position to align distribution with the market's changing expectations.

Design products for consumers rather than producers. Obviously, you can't generate revenue from a product that a producer won't sell, nor can you meet changing consumer needs if you only offer what producers will sell. Accordingly, Madison can test a new product aimed specifically at a consumer need and design it for the web, which will maintain simplicity.

Madison should differentiate its value proposition through thoughtful advice. More and more consumers don't have a good understanding of how to protect what's important to them.

An insurance company's greatest asset is the data it collects and analyzes. Information advantage through analytics is recommended for Madison. Widespread customer use of mobile, social, and online channels, Consumer use of smart phones and tablets is causing insurers to re-think how they promote their brand, educate consumers, and serve policyholders.

Social media and social networking channels add an additional dimension to customer interaction. Moreover, the adoption and use of these channels goes beyond just end consumers – agents and advisors increasingly expect information and transactional services to be available on the device of their choice. As a result, Madison Insurance Company Kenya Limited have to manage not only internal policyholder data, but also their distributors' and prospective customers' social, mobile, and online data. Effectively combining these external sources with internal policyholder data can provide the company a significant information advantage when targeting, selecting, and serving their customers (both consumers and agents/advisors).

Information advantage through analytics can also be by Modernization of policy and claims/benefit administration systems, combined with service-oriented enterprise integration that insurers can take to gain an information advantage.

Developing a comprehensive information strategy that aligns with business strategy, can help Madison save valuable time and resources if they do have a clear information strategy. Senior management should determine which questions the company needs to

answer in order to make effective decisions, as well as where and how information, analytics, and insights can provide it with a competitive advantage.

Operations; Transforming billing and payments improve the claims function. Customer billing and payments are as much an opportunity to provide excellent customer service as they are a core operational and accounting function. A strong customer billing process is customer-centric and is the primary communication between customers and the company. Moreover, high quality billing and payments provide carriers the opportunity to deliver important marketing, sales and other information the company feels would benefit its customers, as well as to demonstrate the company's commitment to their satisfaction.

The move to electronic billing and payments thanks in large part to advances in the accessibility and capability of mobile technologies over the last several years, because customers are increasingly paying bills electronically, insurance companies are experiencing pressure from them to offer the same flexibility of choices that many other industries do. Insurers that are unable to provide such options run the risk of customers and other important stakeholders perceiving them as behind the times and/or inefficient.

Value added communications is another opportunity to communicate with customers and is available on an ongoing basis through invoices, and forward thinking companies view the process as a multifaceted method of communication that helps grow the business. Insurers are using invoices to announce special promotions, track loyalty program

participation, advise customers about billing changes, and offer customized messages for up-selling or cross-selling.

Contracting terms and conditions should include performance requirements, termination clauses and reporting procedures. Compensation agreements, roles, responsibilities, and expectations for performance should be clearly defined, and make clear the required and expected extent of third party administrator oversight.

### **5.5 Limitations of the study**

Interviewing top level executives in the organization on strategy implementation is like asking for a self-evaluation. It also demands that the informant makes a judgment on the institution they work for. It is expected therefore that some of the responses were likely to be biased as the informant may perceive penalties resulting from taking a particular position on an issue. This was, however, minimized by assuring the informants that the information was to be used solely for academic purposes.

There was also a constraint of availability of informants due to engagements such as leave of absence, training, or fieldwork. Some potential informants, being busy top level executives, were not available within the time frame of the research work. Nonetheless, the informant rate was high enough that these limitations had marginal effects on the overall findings of the study.

## **5.6 Suggestions for Further Research**

A comparative study needs to be carried out to compare the findings of this study with other insurance companies in Kenya. The study recommends that since market variables change from time to time core competences should be harnessed to bring out competitive advantage to the Madison Insurance Company Kenya Limited.

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# APPENDICES

## Appendix i: Introduction letter



**UNIVERSITY OF NAIROBI**  
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**MBA PROGRAMME**

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DATE... 22/08/2014

**TO WHOM IT MAY CONCERN.**

The bearer of this letter... PAUL KIWILI MWANZA


Registration No... DCI/61276/2013

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

  
**PATRICK NYABUTO**  
**MBA ADMINISTRATOR**  
**SCHOOL OF BUSINESS**



## **Appendix ii: Interview Guide.**

Research Objective: To investigate factors affecting Strategy implementation at Madison Insurance Company Kenya Limited.

1. How do you define the concept of strategy implementation?
2. What kind of issues would you associate strategy implementation with?
3. How do you participate in the strategy implementation process?
4. How are the policies pertaining to strategy implementation communicated within the different levels of the organization?
5. Describe your own role in the process of Strategy implementation?
6. Evaluate the degree of the strategy implementation problems in your organization?
7. Is your strategy consistent with customer and employee attitudes about your strengths and weaknesses?
8. Do employees understand your strategy and the assumptions on which it is based?
9. Do your recognition and reward systems reinforce your strategy?
10. Does your organization have a way to quickly determine whether failure to achieve goals is due to a poor strategy or just a poor strategy implementation?
11. What challenges do you encounter in the process of strategy implementation?
12. Is the senior management of the institution in the forefront in providing leadership to enable strategy implementation?
13. What challenges do you face in terms of employees morale, behavior and general approach to work during the implementation of the strategies?
14. Is senior leadership committed to the same Strategy?
15. Does the company Strategy identify a unique selling preposition?
16. Does the company have a selected Focus Strategy?
17. Have you determined the key success factors of the strategy?
18. What is the general attitude of junior and middle level staff towards the business strategy? Do they have adequate information on their roles in the strategy implementation?
19. What's your general comment on strategy implementation of the Company?

**Thank you for your cooperation**

