

**CHALLENGES IN THE IMPLEMENTATION OF STRATEGIC PLAN AT THE  
APA INSURANCE COMPANY LTD IN KENYA**

**LAUREEN AKINYI OMOLLO**

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# DECLARATION

## Student

I, the undersigned declare that this is my original work and has not been submitted to any other university or institution for academic credit

Signed..... Date.....

Laureen Akinyi Omollo

D61/72825/2012

## Supervisor

The research project has been submitted for examination with my approval as the University supervisor

Signed..... Date.....

Dr ZB Awino, PhD,

Senior Lecturer, Department of Strategic Management

School of Business

The University of Nairobi

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## **DEDICATION**

To my entire family for your support, my late parents Morris Omollo and Eunice Awino, I am who I am today because of you, may your souls rest in peace

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## ABSTRACT

With the accelerating dynamics of competition, the key to competitiveness no longer lies in employing strategies, which have been successful in the past or in emulating strategies of successful competitors. Real competitive advantage results from developing strategies that will differentiate the organization from its competitors in the eyes of the customers. The aim of this study was to establish challenges in implementation of strategic plan faced by APA Insurance Co. Ltd. As well as determine how the company has overcome these challenges. The study was conducted through a case study design, focusing on implementation of strategic plan at APA Insurance Company Ltd, interpreting in-depth details concerning the challenges of implementation of a strategic plan and how these challenges have been overcome by the insurance company. The targeted respondents were the management team in at APA headquarters in Westlands, Nairobi. The researcher used primary data collected by use of interview guide with both closed and open-ended questions. Data analysis was done using content analysis. From the study the researcher concludes that, the major challenges encountered by APA Insurance Co. Ltd while implementing strategies included some aspects of organizational culture and structure, high degree of staff turnover and resistance to change. Others included lack of infrastructural facilities, government decisions, inadequate resources and conflict among some employees. Therefore Insurance companies should ensure that employees affected by the strategy are the core aspect in implementation of strategic plan focusing on the outcome and also ensure that the necessary resources are available during implementation of strategic plan. Moreover, insurance companies should assess the customer-employees needs to ensure that it is in line with implementation of strategic plan and make sure that implementation of strategic plan is a team effort. This study has policy implications as there has not been a standard benchmark for the insurance companies as it is for other sectors in Kenya. Currently most insurance companies have implied their course in implementation of their strategic plans and thus this study should act as a bench mark in the industry for results and quality assurance across the sector. This will thereby promote comparability of challenges among the insurance companies in Kenya and particularly during implementation of their respective strategic plans. This makes this study therefore a critical part of the link between theory and practice within the confines of strategic management in Kenyan insurance sector. The researcher encountered several limitations including some interviewees being tight on their schedule to get time for interview might not be able to have personal interviews with the respondents due to their work schedules. The researcher however managed to secure their appointment upon promise that the interview would be brief. Other interviewees were not willing to divulge information for fear of reprisal. There is a need to carry out further studies on strategy monitoring. At the same time, this study should be iterated after sometime after to find out if there are any changes that have taken place and comparison with the findings of this study done. One may also wish to carry out a study on the challenges facing the insurance companies in regards to regulating insurance industry. A study may also be carried focusing on the other aspects of the strategic management process apart from implementation of strategic plan.



# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

In the world of management, increasing numbers of senior managers are recognizing that one of the key routes to improved business performance is implementation of effective strategic plan (Renaissance Solutions Ltd, 1996). This applies even to the insurance industry whose environment dynamism in the current times is posing many challenges to all organizations and therefore calling for effective strategic plans to be formulated and implemented.

All the attention paid to challenges facing management appraisal in general is therefore testimony to its potentially pivotal role in influencing organizational performance and effectiveness. For the developing world, the dynamism of the business environment in the current times is posing many challenges to all insurance companies. Thus, it is only those insurance companies that are able to adapt to the changing external environment and adopt new ideas and ways of doing business that can be guaranteed of survival. Some of the forces of change that have greatly influenced the insurance industry include intense competition, globalization and technological advancement (Kettunen, 2004).

McKinsey's (1982) model describes the seven factors critical for effective strategy execution. The 7-S model identifies the seven factors as strategy, structure, systems, staff, skills, style/culture, and shared values. Mintzberg (1994) views planning strategy as precise intentions that are formulated and articulated by central leadership and backed up by formal controls to ensure their surprise free implementation in an environment that is controllable and practicable. In planning view, strategies are proposed to develop through

a rational and formalized sequence of analytical and evaluative procedures. Herold (2002) observed that planners were better than non-planners at identifying opportunities, setting goals and objectives, and setting proper strategies and effective tactics to achieve them as evidenced by their higher growth rate and higher operational efficiency ratios. He also points out that planners are also more aggressive than non-planners in pursuit of business objectives.

According to Porter (1985) strategists must assess the forces affecting competition in their industry and identify their company's strengths and weaknesses, and then strategists can devise a plan of action. Harrison & St. John (1998), and Woolridge emphasized that the strategic plan implementation could be more difficult than thinking up a good strategy.

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. Insurance business can broadly be classified into general and life. Despite this classification the different classes of insurance businesses can be viewed as lines of business along the profit centre concept. There were 43 licensed insurance companies in 2013. Twenty companies wrote general insurance business only, seven wrote long term business only while fifteen were composite (both life and general).

There were 201 licensed insurance brokers, 21 medical insurance providers, 2665 insurance agents, 2 locally incorporated re-insurers, 23 loss adjusters, 1 claims settling agent, 8 risk managers, 213 loss assessors/investigators, 30 insurance surveyors, and 8

risk managers during the year. APA Insurance has shown exceptional growth since 2010, the first year of operation. In the quest to be the largest underwriter of general insurance in the region APA Insurance (Uganda) opened in January 2009. Reliance Insurance Co Ltd is the associate company in Tanzania. The company has grown to be the industry leader with a turnover of +3B as at 31st December, 2008. APA is now the biggest insurance company in Kenya. APA Insurance is well placed to provide expert and professional services to all its clients and proving to be A New Dimension in Insurance.

### **1.1.1 The Concept of Strategy**

Strategy refers primarily to business strategy, which specifies how a business unit will achieve and maintain competitive advantage within its industry. Therefore one element of strategy that we consider is the set of competitive priorities that define a firm's strategic manufacturing capabilities. To recognize explicitly the growing importance of the globalization, we also consider the geographic scope of a firm's strategy, which is the extent to which a firm's customers are located over a wide geographic area (Stock, 1999).

A strategy is the outcome of some form of planning, organized process for anticipating and acting in the future in order to carry out the organizations mission (Baker, 2013). More specifically, a strategic plan "is a an organization outlay that helps in deciding in advance what kind of planning effort is to be undertaken, when it is to be done, who is going to do it, and what will be done with the results. The more of an organisation's activities that are affected by a plan, the more strategic it is (Radford, 2000).

The longer the effect of a plan and the more difficult it is to reverse, the more strategic it is (Goodstein *et al*, 2001). Therefore, a strategic plan is concerned with decisions that have enduring effects that are difficult to reverse. Strategic planning is long-range planning. In general strategic planning is concerned with the longest period of time worth considering.

According to Maddock, (2002), Strategic plans deal with the futurity of current decisions. It also looks at the alternative courses of action that are open in the future; and when choices are made among the alternatives they become the basis for making current decisions. An effective strategic plan starts with strategic objectives. Objectives indicate what management expects to accomplish, while planning sets forth how, when, where and by whom the objectives will be attained. Strategic objectives give rise to strategic planning maturities.

These maturities reflect the scheduled points in time by which strategic objectives are scheduled to be accomplished. In turn, strategic planning maturities are established within planning horizons (Kargar& Parnell, 1996). Hewlett (1999) suggests that “a strategic plan and the strategic planning process itself offers a competitive edge and enables a company to measure achievements against expectations.”A rational framework to evaluate the effectiveness of strategic plans can be found among the tools of strategic planning. The balanced scorecard developed by Kaplan and Norton (2001) was developed for a framework to communicate and implement strategic plans.

### **1.1.2 Strategy Implementation and Challenges**

The poor face two types of risks namely; idiosyncratic (specific to the household) and covariate (common to all). To combat these risks, they have traditionally used risk pooling (for instance funeral and burial societies), income support (for instance credit arrangements and transfers) and informal insurance or risk-sharing schemes such as grain storage, savings, asset accumulation and loans from friends and relatives (Tadesse&Brans, 2012).

However, the prevalent forms of risk management (in kind savings, self-insurance, mutual insurance) which were appropriate earlier are no longer adequate and feasible as they are limited in outreach and the benefits typically cover a small portion of the loss (Churchill, 2013), offer limited protection, low returns for households, and are prone to breakdown during emergencies (Bhattamishra& Barrett, 2008).

Formal insurance instruments can offer superior risk management alternatives, provided poor households can access these services (Maleika&Kuriakose, 2008). World bank (2011) estimates that 1.2 billion (20%) of the world population lives on less than \$1/day (extreme poverty), another 1.8 billion (30%) lives on less than \$2/day (moderate poverty). Of these poor, only one to three percent has access to any type of insurance products (Tucker, 2013).

The lack of formal insurance choices does not stop these poor from attempting to mitigate risk. In fact Tucker (2013) shows that poor urbanites spend about 9.2% of their income attempting to reduce disaster risk without the advantage of insurance. This suggests that insurance services are in demand and have not been effectively supplied.

Hamel & Prahalad (1989) determined that the strategic plan implementation process included the many components of management and had to be successfully acted upon to achieve the desired results. Here, the critical point is that effective and successful strategic plan implementation depends on the achievement of good “fits” between the strategies and their means of implementation.

Robbins and Coulter (1996) have taken into consideration that no matter how effectively a company has planned its strategies, it could not succeed if the strategies were not implemented properly. Harrison (1996) also clarified that the more ineffective the top management decisions, the more ineffective are the choices made at lower levels of management. Similarly, if top management's strategic choices tend to be successful, it reflects favorably on choices made in other parts of the organization.

Simons and Thompson (1998) refer to three categories of factors that affected strategic decision-making process: environmental factors; organizational factors; and decision-specific factors. Here, environmental factors mean external agents such as national culture, national economic conditions, and industry conditions. Organizational factors refer to organizational structure, organizational culture, structure of decision making bodies, impact of upward influence, and employee involvement.

Harrison & St. John (1998), and Woolridge emphasized that the strategic plan implementation could be more difficult than thinking up a good strategy. Harrison and Pelletier (1998) explained that the real value of a decision surfaced only after the implementation of a decision. In other words, it will not be enough to select a good decision and effective results will not be attained unless the decision is adequately

implemented. Kaplan, (2005) argued that it was essential that strategic level manager's demographic characteristics should have been examined for the formulation and implementation of strategic decisions. Kaplan, (2005) stated that there were mostly individual barriers to strategic plan implementation such as too many and conflicting priorities, insufficient top team functions, a top down management style, inter-functional conflicts, poor vertical communication, and inadequate management development.

Eisenstat (1993) pointed out that most companies trying to develop new organization capacities failed to get over these organizational hurdles: competence, co-ordination, and commitment. Sandelands (1994) indicated that there were difficulties to conjecture the commitment, time, emotion, and energy needed to translate plans into action.

Peng and Litteljohn (2001) explained that the political turbulence might be the most important issue facing any implementation process. Lingle and Schieman (1994) stated that market, people, finance, operation, adaptability, and environmental factors play a vital role to long-term successful strategic plan implementation.

All organizations, whether private or public face a common challenge when implementing a new strategic initiative: how to successfully manage the changes that will occur as the new initiative is deployed. Some researchers note that organizations fail to implement up to 70 per cent of their strategic plans (Miller, 2002). Pilkington and Fitzgerald (2006) note that two central themes of operations management concern the case study method and best practices in relation to strategy and context.

Market dynamics have created more challenges for public sector, with the emergence of the global economy, advances in technology, increased societal demands, and the need to provide more social services with fewer resources. As well, a widespread desire for increased organizational scrutiny has increased the pressure for change, given more accessible globalized information systems and heightened media attention critical of government inefficiencies in service delivery. New approaches to management in the public sector are therefore imperative.

A process perspective on implementing strategy (Piercy, 1998; Noble, 1999) widens the traditional focus on organizational structure and control systems by also including behavioural and interpersonal process elements. Doing so introduces psychological issues (e.g. individual motivation and commitment) and issues relating to social and political processes (e.g. organizational culture, leadership, and learning), and requires consideration of their complex interrelationships with organizational structure and control systems.

Strategic plan implementation is not a top-down-approach. Consequently, the success of any implementation effort depends on the level of involvement of top managers. To generate the required acceptance for the implementation as a whole, the affected middle managers' knowledge (which is often underestimated) must already be accounted for in the formulation of the strategy. Then, by making sure that these managers are a part of the strategy process, their motivation towards the project will increase and they will see themselves as an important part in the process (Rapa and Kauffman, 2005).



Unfortunately, in practice, managers and supervisors at lower hierarchy levels who do have important and fertile knowledge are seldom involved in strategy formulation. When they are, however, the probability for realizing a smooth, targeted and accepted implementation of strategic plans process increases substantially. Research studies indicate that less than 5 percent of a typical workforce understands their organization's strategy (Kaplan and Norton, 2001).

This is a disturbing statistic as it is generally believed that, without understanding the general course of strategy, employees cannot effectively contribute to implementation of strategic plans. In addition, a lack in strategic consensus can limit a company's ability to concentrate its efforts on achieving a unified set of goals. It is possible that an organization with a low commitment of top management on strategic implementation will be in a slow-changing environment, or in one that has only recently experienced an increase from low to higher levels of dynamism and/or complexity.

Therefore as the level of environmental turbulence (dynamism and complexity) increases it is likely that the organization will need to move to higher levels of commitment to strategic management. An alternative explanation for low commitment to strategic management might be that such organizations have so far pursued strategies which are associated with lower levels of strategic management commitment and/or capability, for example, the reactor and defender styles of Miles and Snow (2008).

### **1.1.3 Insurance Industry in Kenya**

Insurance entails delivery of insurance products to participants at base of the pyramid. It is offered to shield clients against specific risks in consideration for premiums matching the possibility of occurrence of the risk (Makove, 2011). Conceptual differences exist between insurance and other forms of insurance since insurance has lesser assets and lower volatile premiums. Although low-income earners face risks and economic shocks that might be the same as conventional insurance clients, the low-end market is more susceptible due to limitation of resources and knowledge (Maleika & Kuriakose, 2008), are not able to mitigate risks compared to their higher-income participants; and in case of economic loss from perils, they are less equipped to cope with the aftermaths.

In Kenya, low income target market is generally ignored by the mainstream commercial and social insurance schemes and has not, for a long time, had access to appropriate insurance products (Mbogo, 2009). While over 90% of the population in Kenya is exposed to many risks in life, with the poor being the most exposed, the overall insurance sector serves 8.4% of the total population (Ogodo, 2010).

Key challenges include; low penetration, absence of a savings culture and low incomes. Although insurance has made significant difference in developing countries challenges are still prevalent. The challenges relate to high administrative costs, irregular income by the clients, poor product design, weak contract enforcement laws, illiteracy and lack of awareness. It is therefore imperative that insurance companies develop insurance risk management models.

Challenges in insurance results because potential clients are exposed to a myriad of risks, all of which cannot be feasibly insured (Mbogo, 2010). The products formed fail to meet consumer expectations (Brown & McCord, 2000). Mbogo (2010) finds insurance products to be general and inadequate in meeting the user needs in Kenya. Additionally, there is inadequate differentiation between products from different insurance companies, making it difficult for consumers to distinguish between competitor offerings in terms of product features (AKI, 2012).

Product design further affects the quality of the service. Although insurance has made significant difference in developing countries challenges are still prevalent and past studies have not adequately addressed them. This study focuses on an area that has not been expressly addressed by other studies namely surveying the challenges associated with the implementation of strategic plans in insurance companies in Kenya.

#### **1.1.4 APA Insurance Company Ltd**

APA Insurance Ltd, incorporated in 2003, commenced its operation on 1st January 2010. Born from the merger of general businesses of Apollo Insurance Company Ltd and Pan Africa Insurance Company Ltd, APA Insurance Ltd carries a wealth of eighty years combined experience from the parent organisations. Pan Africa (1946) is listed on the Nairobi Stock Exchange. Apollo a composite insurer was started in 1977.

Pan Africa in 1965 transformed from life insurer to a composite insurer. In 2000, Pan Africa formed a partnership with African Life a successful life insurer in South Africa and Botswana. Pan Africa was struggling in both Life and General insurance and saw the tie up as giving them new expertise in Life Insurance. Pan Africa's general business was

not performing well and continued to post losses year on year. Apollo was doing well both in General and Life. However the General division was growing faster and had an aggressive strategy for growth. Pan Africa and Apollo, in 2002, agreed to consolidate their General business into APA which was a newly formed company owned 60% by Apollo and 40% by Pan Africa. The Company underwrites Health, Marine, Aviation and other General Insurance risks.

The Company has long established re-insurance relationships with major international re insurers and has the capacity to underwrite large risks. The company as part of its aggressive growth strategy has its Headquarters in Nairobi, with Branches in Nairobi, Mombasa, Kisumu, Eldoret, Nyeri, Nakuru, Thika, Machakos, Meru, Embu, Kisii. It has established 10 liaison offices in other towns across Kenya. Its distribution structure includes tied agents, who only market products of APA Insurance. It launched a campaign - Rewriting the Rules of Insurance. This promise to make insurance easily understood and made promises for speedy claims settlement.

## **1.2 Research Problem**

Implementing strategies successfully is vital for any organization public or private. Without implementation, even the most superior strategy is useless. The notion of strategy implementation might at first seem quite straightforward: the strategy is formulated and then it is implemented. Implementing would thus be perceived as being about allocating resources and changing organizational structure. However, transforming strategies into action is a far more complex and difficult task (Perlitz, 1993). Many organizations seem to have challenges in their attempt to implement their strategies.

Researchers have revealed a number of problems in strategy implementation: These include weak management roles in implementation, a lack of communication, lacking a commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and uncontrollable environmental factors (Alexander, 1991; Giles, 1991; Galpin, 1998; Lares-Mankki, 1994; Beer and Eisenstat, 2000).

In the colonial days the insurance industry in Kenya, operated as branches of British and Indian companies serving mainly Indian and white businesses. Today the trend has changed as all the insurance businesses are run by locally incorporated companies in which locals have 33% of shareholding as a law in all companies incorporated. The Insurance Act Cap 487 of 1984 was a real watershed in the history of the insurance industry establishing it and defined it as business of undertaking liability by way of insurance (including reinsurance) in respect of life and personal injury and any loss or damage, including liability to pay damage or compensation contingent upon the happening of a specified event". This implies that the competition remains stiff on the small market already tapped leaving a big market untapped.

APA Insurance Company upon realization that the only differentiation that is sustainable in the insurance industry can only come from quality customer initiatives that will ensure that customers remain loyal to the organization embarked on a strategic process in 2012 that has been facing some challenges. This is because any new innovations based on products are quickly copied by the competitors hence reducing the impact of such innovations.

It is from this understanding that APA Insurance in 2013 developed a three years strategic plan to move the business to a new level of performance to enable them tap in to the immense benefit of the evolution of customer service as the main differentiating factor. There is a vast knowledge on the strategic plans and strategic planning as put forward by various researchers including Detert *et al.*, (2000); Jarrar and Zairi, (2000); Prajogo and McDermott, (2005)

Recent research suggests that linking organizations' strategic plans with content and process aids strategic plans implementation and improves performance (Brown *et al.*, 2007; Kotha and Swamidass, 2000; Papke-Shields and Malhotra, 2001). Locally, Kibe (2008) studied strategy implementation challenges at Equity Bank and found that organizational culture and structure, high degree of staff turnover and resistance to change posed a major challenge to the organization. Others included lack of infrastructural facilities, government decisions, inadequate resources and indiscipline among some employees.

Other Studies carried out by scholars in the field of strategic management seems more concentrated in strategic planning, strategy formulation and strategy Marketing (Kiptugen 2003; Muturi, 2005; Kamanda, 2006; Situma, 2006; and Muguni, 2007). This leaves the field of strategy implementation inexhaustibly explored. This study seeks to fill the above gap by answering the question: What are the Challenges in the Implementation of Strategic Plan at APA Insurance Ltd?

### **1.3 Research Objective**

The objective of the study was to investigate the challenges in the implementation of Strategic Plan at the APA Insurance Company Ltd.

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

The study is useful in assisting the insurance companies to take measures geared towards improvement in the implementation of strategic plan and the realization of the vision and mission statements of the APA. The findings can also be adopted by other companies which are facing the same problems in trying to implement their strategic plans.

The findings are also of use to the government officials who are in charge of supervising and giving advisory services to the Insurance Industry. The study provides information on strategic plans to potential and current scholars. This will expand their knowledge on strategy implementation in insurance sector and also identify areas of further Research. In the same vein, the researcher/scholars will benefit from this study, either in advancing in the same research problem or in any related research phenomenon.

Other researchers, academicians and scholars shall use this study to debate on the findings and find possible areas for further research. Although the emphasis in this project is on academic research, the APA Insurance management will benefit from the insights presented in this proposed study. Therefore, we hope that the mentioned company's management will pick up on some of the issues that have been presented and will begin to respond to these challenges. It is expected that the management team at APA Insurance will re-examine their management position which will help them steer the company in the volatile insurance industry in Kenya.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter discusses the past studies on strategic plan. The concept of strategy is first discusses and then the strategic planning process. In addition, challenges affecting implementation of the strategic plans are also discussed in details.

#### **2.2 Theoretical Foundation**

This study is be based on the Theory of Dynamic Capabilities as well as the Resourced Based Theory:

##### **2.2.1 Dynamic Capabilities Theory**

This study is be based on the Theory of Dynamic Capabilities as well as the Resource Based Theory: The term Dynamic Capabilities was first introduced in a working paper in 1989 was influenced by Gary Hamel's multinational strategy research leading to Core Competences of the Corporation and was cited in Ikujiro Nonaka and Hirotaka Takeuchi's innovation strategy work *The Knowledge-Creating Company*. Originally, dynamic capabilities were distinct from operational capabilities, which pertain to the current operations of an organization.

Dynamic capabilities, by contrast, refer to "the capacity of an organization to purposefully create, extend, or modify its resource base" (Helfat *et al.*, 2007).The basic assumption of the dynamic capabilities framework is that core competencies should be used to modify short-term competitive positions that can be used to build longer-term competitive advantage.



The academic literature on dynamic capabilities grew out of (1) the resource-based view of the firm and (2) the concept of "routines" in evolutionary theories of organization (Nelson & Winter, 1982). It thus provides a bridge between the economics-based strategy literature and evolutionary approaches to organizations (Ludwig, *et al*, 2011).

The main difference between the resource-based view of the firm and dynamic capabilities view is the fact that the latter focuses more on the issue of competitive survival rather than achievement of sustainable competitive advantage. This focus appears to be closer to contemporary business realities, the latter being more "high-velocity" than the case in previous decades.

The demise of companies like Nokia shows that the more pressing issue is competitive survival. Strategy scholars Gregory Ludwig and Jon Pemberton (2011), in one of the rare and therefore important empirical studies on the topic, emphasise the need to focus on the actual process of dynamic capability building rather than generate further abstract definitions of dynamic capabilities.

It is of key importance to focus on different industry contexts to further advance this emerging area of research. In many industries, changing the entire resource base in response to external changes is simply unrealistic. At the same time, ignoring external change altogether is not an alternative.

Senior managers are therefore forced to engage with the complex task of dynamic capability building in order to facilitate competitive survival in the light of depreciating value of resource bases available within the firm. When senior managers are confronted with the task of building dynamic capabilities, they need to consider sometimes drastic

fluctuations in the threshold capability definition standards, making it more and more complex for companies to understand the minimum requirements needed to remain in the game as an industry player. In turn, these fluctuations derive from external change in the macro environments and the total resource sum available in an entire industry.

Monitoring of these external and increasingly unpredictable parameters will then allow managers to tackle the internal process of adapting their resource base. Often, this is simply not possible because of strong path dependencies or practical feasibility constraints that apply to certain industries. For example, some industries rely on a certain manufacturing process. Once a new technology arrives, changing the manufacturing process on short notice is unrealistic. It is therefore more likely that adaptations are centred on managerial routines and capability level, rather than apply to the resource base level (Helfat *et al.*, 2007).

### **2.2.2 Resourced Based View**

The concept of dynamic capabilities has been further developed by Eisenhardt & Martin(2000), when the authors broaden the understanding of dynamic capabilities and in so develop the RBV. Hence, Eisenhardt & Martin (2000) incorporate dynamic capabilities in the RBV and they define dynamic capabilities in the following way: ‘The firm’s processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources– to match and even create market change’

The authors summarize the definition by telling these words according dynamic capabilities: '...the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die'(ibid, 2000:1107).

The RBV has not gone unchallenged over the years and can for instance be criticised for being inadequate when it comes to dynamic factors concerning the resource development. Therefore, a focus on the dynamic capabilities perspective in the discussion of the RBV provides a more adequate explanation because they are complementary when they are linked together (Carpenter et al., 2001).

The RBV can also be criticised for being too focused on demand side interactions. What is misleading in the RBV debate, meant by Adner and Zemsky (2006), is the neglecting of the demand environment. The authors point out that 'strategic heterogeneity is rooted not only in differences between firms' internal resources, but also in the extent of consumer heterogeneity in the firms' demand environment.

### **2.3 Previous Studies of Strategy and Implementation Challenges**

Implementing strategies successfully is vital for any organization public or private. Without implementation, even the most superior strategy is useless. The notion of strategy implementation might at first seem quite straightforward: the strategy is formulated and then it is implemented. Implementing would thus be perceived as being about allocating resources and changing organizational structure. However, transforming strategies into action is a far more complex and difficult task (Perlitz, 1993).

Hewlett (1999) suggests that most strategic plans are hurdled by the financial constraints during the time of their implementation. It is important, particularly at the business level, to integrate non-financial measures such as market share or market growth in the budget, so that one can better assess the extent to which improved competitive strength is being achieved as well as the extent to which deviations are due to changes in the business attractiveness. Premchand (2004) states that implementation of the strategic plan requires an advance program of action evolved within the parameters of the ends of the budget and means available adequate (Premchand, 2004).

This framework, he further states, should include the following; identification and enumeration of the implementation tasks, assessment of the suitability of the means of achieving the ends and prospects for the improvement of means if they are less than adequate (Premchand, 2004). Supervision of the acquisition of goods and services to ensure value for the money spent, (Brigham, 2005).

It was suggested an accounting system that records government transactions and provides a framework for an analysis of their implications (Kadondi, 2002). Another was a reporting system that permits a periodic appraisal of the actual implementation of policies (Ndiritu, 2007).

Undeniably coordination is critical to the performance of any firm. The specialist implementation skills possessed by a mid-level marketing manager as an individual do not fully contribute to the organizational skills base, unless these individuals can coordinate their efforts. The challenge for any manager is how to coordinate the efforts of talented employees within a limited time frame and to ensure that the aims and mission of

the intended marketing strategy is clearly understood. Firms can aid this process through rules, directives and routines (Grant, 2002). Coordination deals with only the technical problem of integrating the actions of mid-level marketing managers within firms. Cooperation, however, concerns the building mechanisms that link individuals in ways that permit them to perform given tasks, such as implement the marketing strategy effectively.

Many strategic planning managers have resorted into unrealistic and unattainable strategic plan schedules. It is easy to ignore reality at times when developing a schedule, to skip some fundamental steps in completing the schedule, and to skip some fundamental steps in completing the schedule. Pacelli (2004) established that one other way of ensuring that the strategic plan schedule is realistic is to make sure that the strategic planning schedule is not too long, the strategic planning team understands it clearly and all the strategic plan tasks produce useful deliverables.

The government, as an important institution, provides public goods and services and designs the rules and regulations of the society that allow markets to flourish. It also puts in place the necessary policies that will facilitate the efficient distribution and allocation of resources to enhance the welfare of the people.

The government promotes economic development through a number of channels. The government can undertake large-scale investment such as investment in industry and infrastructure projects that are beyond the scope of the private sector. The government also provides social goods such as education, public health, etc., and thus raises the stock of human capital and its productivity in the long run.

Strategic plan implementation is not a top-down-approach. Consequently, the success of any implementation effort depends on the level of involvement of middle managers. To generate the required acceptance for the implementation as a whole, the affected middle managers' knowledge (which is often underestimated) must already be accounted for in the formulation of the strategy. Then, by making sure that these managers are a part of the strategy process, their motivation towards the project will increase and they will see themselves as an important part in the process (Rapa and Kauffman, 2005).

To facilitate the implementation in general implementation instruments should be applied to support the processes adequately. Two implementation instruments are the balanced scorecard and supportive software solutions (Rapa and Kauffman, 2005). The balanced scorecard is a popular and prevalent management system that considers financial as well as non-financial measures. It provides a functionality to translate a company's strategic objectives into a coherent set of performance measures (Kaplan and Norton, 1993).

## **2.4 Strategy and Implementation Challenges**

Implementing strategies successfully is vital for any organization public or private. Without implementation, even the most superior strategy is useless. The notion of strategy implementation might at first seem quite straightforward: the strategy is formulated and then it is implemented. Implementing would thus be perceived as being about allocating resources and changing organizational structure. However, transforming strategies into action is a far more complex and difficult task (Perlitz, 1993).

Hewlett (1999) suggests that most strategic plans are hurdled by the financial constraints during the time of their implementation. It is important, particularly at the business level, to integrate non-financial measures such as market share or market growth in the budget, so that one can better assess the extent to which improved competitive strength is being achieved as well as the extent to which deviations are due to changes in the business attractiveness. Also, since most budgets will be based on operating departments, it is important to superimpose key non-dollar factors that would signal whether the strategic programs are proceeding on schedule.

The concern for financial measurement accuracy in the budgets seems to have jeopardized the concern for relevance in some companies' budgets. The various program alternatives need to be economically evaluated in two respects. First, there are different ways to achieve a particular strategic implementation action and these alternatives should be compared. A cost/benefit analysis is needed, but unfortunately is done too often on narrow grounds. By only looking at the financial costs and benefits without taking a strategic risk-assessment into account one might easily pursue the less favorable project or fail to search for less risky alternatives (Porter 1985).

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Unfortunately, in practice, managers and supervisors at lower hierarchy levels who do have important and fertile knowledge are seldom involved in strategy formulation. When they are, however, the probability for realizing a smooth targeted and accepted strategy implementation process increases substantially.

Research studies indicate that less than 5 percent of a typical workforce understands their organization's strategy (Kaplan and Norton, 2001). This is a disturbing statistic as it is generally believed that, without understanding the general course of strategy, employees cannot effectively contribute to a strategy implementation. To facilitate the implementation in general implementation instruments should be applied to support the processes adequately.

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## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter covers research design, which will be a case study, how data will be collected and analysed to achieve the objectives of the study

#### 3.2 Research design

This study was conducted through a case study design. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). This method is preferred because it also allows for prudent comparison of the research findings. The primary purpose of a case study is to determine factors and relationships among the factors that have resulted in the behaviour under study. Since this study seeks to identify the challenges in the implementation of strategic plan, a case study design is deemed the best design to fulfill the objectives of the study.

A research design encompasses the methodology and procedures employed to conduct scientific research. The design of a study defines the study type (descriptive, correlation, semi-experimental, experimental, review, meta-analytic) and sub-type (example: descriptive-longitudinal case study), research question, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan (Adèret *al*, 2008).

The design will therefore give the researcher an in-depth understanding of challenges in implementation of strategic plan in APA Insurance Ltd and how these challenges can be or have been overcome by the company. This research design has been used successfully by Machuki 2005, Mumbi 2005 and Kibe 2008 among others.

### **3.3 Data Collection**

To meet the objectives of this study, the researcher collected pertinent primary and secondary data. Emphasis will be given to primary data which will be collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda and Mugenda, 2003).

The interviewees will be six in total, this will include the head of strategy and functional heads in charge of finance, risk management, information technology and operations, human resources and business development division at APA Insurance Ltd. The guide will include unstructured (open-ended) questions to encourage the interviewee give an in-depth and felt response without feeling held back in revealing of any information.

Secondary data on the other hand included but not limited to previous studies by other researchers and other literature on APA Insurance Ltd that will help achieve the objectives of the study. In addition, the researcher shall also use publications on the company particularly those on strategy and implementation of strategic plan by the company. Before data collection, the researcher will seek authorization from the relevant authorities including from the University of Nairobi and the management of the APA Insurance Company Ltd.

The introduction letter given by the university will facilitate creating confidence that the study will be used for academic purpose only. For more effective and successful data collection, the researcher will prepare a luncheon with each of the targeted interviewees during the time that will be most convenient with them

### **3.4 Data analysis**

Data collected from the study was qualitative in nature. Content analysis will be used to analyze the data collected. According to Mugenda (1999), content analysis is the systematic qualitative description of the composition of the objects or materials of the study.

Data analysis involves observation and detailed description of objects, items or things that comprise the study. The themes (variables) that shall be used in the analysis will be broadly classified into two: strategic plan implementation process and challenges affecting strategy implementation.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents data findings, interpretation and discussion. The aim of the study was to establish implementation challenges faced by APA Insurance Co. Ltd. As well as determining how the company has overcome these challenges. Findings in this study would indicate the real situation of implementation of strategic plan in the insurance industry particularly in Kenya. The interviewees for this study were drawn from the Risk and Audit Department, Claims Department, Underwriting Department, Marketing Department and the Finance Department. The researcher learnt that all the interviewees had at least three years in their current management position.

The chapter is organized into three sections where the first section addresses general issues on implementation of strategic plan while other sections will present challenges, and suggested solutions to the challenges facing implementation of strategic plan.

#### **4.2 General information**

Implementation of strategic plan involves organization of the firm's resources and motivation of the staff to achieve objectives. For any firm to succeed in implementation of strategic plan, the management must have a clear understanding and support formal policy development and implementation. This study revealed that, APA Insurance Company Ltd has financial capacity to implement strategies and employees are motivated to maintain and support the implementation of strategy initiatives. The company relies on the management staff skills for successful implementation of strategic plan.

The company has a well co-ordinate system of operation that ensures adequate leadership and direction provided by the various departments. At the same time, the key implementation tasks and activities are always clearly defined and this enabling the entire process of the implementation of strategic plan to be.

### **4.3 Implementation of Strategic Plan challenges faced**

The study revealed that, too many and conflicting priorities, insufficient top team functions, a top down management style, inter-functional conflicts, poor vertical communication, and inadequate management development poses a big challenge in implementation of strategic plan.

The main challenges facing implementation of strategic plan as discussed under this section include commitment of top management; involvement of employees' valuable knowledge; communication, the challenge of integrating new system with the old; clear assignment of responsibilities; change barriers as well as the role of teamwork in implementation of strategic plan. Other challenges include employees' differences, inadequate time as well as insufficient finance.

#### **4.3.1 Commitment of top management and implementation of Strategic Plan**

Commitment of top management was identified as a major challenge facing implementation of strategic plan. The study revealed that, the most important thing when implementing a strategy is the top management's commitment to the strategic direction itself which is a prerequisite for implementation of strategic plan. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. Rapa and Kauffman, (2005) confirms the findings by asserting

that, demonstrable commitment of top management becomes, at the same time, a positive signal for all the affected organizational members for any successful implementation of strategic plan. Therefore, the management must not spare any effort to persuade the employees of their ideas as well as employing the appropriate resources.

#### **4.3.2 Involvement of employees' valuable knowledge and Implementation of Strategic Plan**

At APA insurance co. Ltd, there is wide involvement of the employees' capabilities in implementation of strategic plan. The implementation of strategic plan process within the company is not a top-down-approach but rather a process involving all levels of management including junior staff. This indicates that, the success of any implementation effort depends on the level of involvement of all staff members. At the same time, to generate the required acceptance for the implementation as a whole, the affected employees' knowledge must already be accounted for in the formulation of the strategy.

Rapa and Kauffman argues that, by making sure that all employees are a part of the implementation of strategic plan process, their motivation towards the project will increase and they will see themselves as an important part in the process. They further adds that, in practice, managers and supervisors at lower hierarchy levels who have important and fertile knowledge are seldom involved in strategy formulation and when there are the probability for realizing a smooth targeted and accepted implementation of strategic plan process increases substantially.



### **4.3.3 The Role of Communication on implementation of Strategic Plan**

The study revealed that, communication at APA Insurance Co. Ltd is well enhanced at both the horizontal level and vertical level. At the same time, communication aspects are emphasized in the implementation of strategic plan stage thus making the strategic management process to run smoothly.

The organization in addition has adopted a two-way-communication program that permits and solicits questions from employees about issues regarding the formulated strategy and thus informing the employees about the new requirements, tasks and activities to be performed by the affected employees.

This implies that, it is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion. However, one may not misunderstand mere passing of information or the sharing of information to mean active participation by employees but rather it is the full engagement with direct dialogue that produces active participants in the change process.

Rapa and Kauffman indicated that, the way in which a change is presented to employees is of great influence to their acceptance of it. To deal with this critical situation, an integrated communications plan must be developed. Such a plan is an effective vehicle for focusing the employees' attention on the value of the selected strategy to be implemented.

#### **4.3.4 Challenge of integrating new and old system**

Traditional implementations of strategic plan concepts generally over-emphasize the structural aspects (top-down approach) and reduce the whole effort down to organizational top management exercise. This study signified that, implementation of strategic plan requires an integrative point of view.

In addition to the organizational structure, cultural aspects and the human resources perspective need to be considered as well. An implementation effort is therefore ideally a boundless set of activities and does not concentrate on implications of only one component, such as the organizational structure. For the insurance industry, it is of great importance to integrate general facts as well in the reflection of the implementation process by the virtue of the risks inherent with the sector.

It is therefore the consideration of general and specific facts that ascertain that cultural aspects and human resources aspects are of as much importance as organizational aspects. Findings of this study rhymes with the argument put forward by Dean and Terziovski, (2000) who said that, an integrative interpretation allows an important scope of development for implementation activities.

#### **4.3.5 The Change Barrier**

Change is part of the daily life within an organization. The ability to manage change has proved to be a core competency for insurance industry. This study revealed that, implementation efforts often fail when managers do not clear many doubts that loom within the employees of the implementation of strategic plan aftermath. There was a unanimous agreement that, insurance companies have to be aware that barriers against

the implementation of the strategy can lead to a complete breakdown of the formulated strategy. The interviewee mentioned that, past implementation of strategic plan at APA Insurance Co. Ltd. have been marked with intense and well-articulated awareness meant to inform the entire staff members of the intended benefits. To enhance the relationship between implementation of strategic plan and the customer service, APA Insurance Co. Ltd has converted competitive methods in a way that conforms to a cost leadership, differentiation, or focus generic strategy type. This has helped the company avert challenges emanating through implementation of strategic plan. The company had been reporting both high strategic plan quality and high implementation of strategic plan capability to generate statistically superior returns.

APA Insurance Co. Ltd has also always aimed to be at the financial heart of the community and have been striving hard to remain close to the customer, assess the market needs and be responsive to the evolving requirements of the business community, the industrial and manufacturing sector and indeed, every segment of the economy.

To reinforce these findings, Rapa and Kauffman points out that, barriers to implementing a strategy range from delay to outright rejection. However, this psychological point of view is often downplayed during discussions of implementation issues, even though it is becoming more and more obvious that implementation of strategic plan consists, for the most part, of psychological aspects. By changing the way they view and practice implementation of strategic plan, senior executives can effectively transform change barriers into gateways for a successful execution.

#### **4.3.6 The Role of Teamwork in Implementation of Strategic Plan**

Findings from this study disclosed that, teamwork plays vital role within the process of implementation of strategic plan and when the role of teamwork is undermined, the process of strategic planning is derailed. As stipulated by Kaplan and Norton's (2004), when it comes to implementation activities, teamwork is often ignored. This implies that, teams can play an important part to promote the implementation of a strategy.

At the same time, differences in personality can result in serious inconsistencies in how strategies are understood and acted upon. This study indicates that, APA Insurance Co. Ltd has embraced teamwork in implementation of strategic plan by recognizing different personality types and thus imparting relevant skills on how to handle teams effectively.

#### **4.3.7 Employees' differences and Implementation of Strategic Plan**

The researcher also noted that, implementation of strategic plan is influenced largely by the coherence and integration of existing employees within the organization. Majority of interviewees expressed dismal employee conflicts within APA Insurance Co. Ltd and thus human resource factor had been progressively marking the key success factor within the company.

Interviewees, nonetheless indicated that, one of the major reasons why implementation of strategic plan efforts has failed in the insurance sector is the cohesion between employees that has been conspicuously absent for strategic planning as indicated by Lorange (1998), the difference of employees requires, as a consequence, different management styles.

#### **4.3.8 Supportive Implementation instruments**

To facilitate the implementation in general, implementation instruments should be applied to support the processes adequately. This study revealed that, APA Insurance Co. Ltd has a strategy planning system that is integrated with other control systems like budgets, information and reward systems.

In addition, the company uses balanced scorecard to provide a framework for integration the strategic planning to meet the insurance requirements. This is an indication that, in the context of implementing strategies, the application of the right implementation of strategic plan instruments should not be neglected.

#### **4.3.9 Time horizon in Implementation of Strategic Plan and Financial Change**

The interviewee agreed unanimously that, time horizon in implementation of strategic plan is among the major challenges in implementation of strategic plan in the insurance industry. APA Insurance Co. Ltd in particular was mentioned to have fallen in the said menace at times. It was mentioned, however, that the company has normally been relying on Critical Path Analysis (CPA) to identify critical points within implementation of strategic plan processes that enhance timing of events during the process.

Ennew and Binks, (1996) claimed that, the challenge of time can be attributed to an underestimation on the part of many executives who do not have a clearly focused view on the complexities involved in implementing strategies and on the general process to deal with these multifaceted complexities.

Basically, it is difficult to identify the necessary steps of the implementation. It is even more difficult to estimate an appropriate time frame. One has to find out the time-intense activities and harmonize them with the time capacity. Interviewees for this study unanimously pointed out inadequacy of financial resources as the major challenge facing successful implementation of strategic plan within the insurance industry.

It was emphasized that most of the strategic plan developed and which houses a paramount growth plan for the organization, end up being shelved because of lack of finance to implement them. This was also expressed as a major challenge for APA Insurance Co. Ltd though through the study the researcher noted that the company has been operating on a continuous allocation of funds on strategic issues through creation of implementation of strategic plan reserve that has ensured consistent availability of fund for the process.

Expression by Peppard (2000) indicated that, management's handling of the implementation of strategic plan process can be considered successful if things go smoothly enough that the company has the required financial resources. In addition, the company needs to meet or beat its strategy and financial performance targets and shows good progress in achieving management's strategic vision geared towards efficient and effective service delivery to its intended clientele.

#### **4.4 Solutions to the Implementation of Strategic Plan challenges**

As was stated by Lingle and Schieman (1994) market, people, finance, operation, adaptability, and environmental factors play a vital role to long-term successful implementation of strategic plan. At the same time, successful implementation of

strategic plan requires sound mechanisms for directing activity and behaviour, especially including effective communication systems as well as appropriate strategic and management controls. To involve employees is an important milestone to make strategy everyone's everyday job. That is why the involvement of all employees is essential to increase the general awareness of the strategy.

This would also help build consensus during implementation of strategic plan since a lack of strategy consensus can limit a company's ability to concentrate its efforts on achieving a unified set of goals. To deal with communication challenges, an integrated communications plan must be developed. Such a plan is an effective vehicle for focusing the employees' attention on the value of the selected strategy to be implemented.

In an effort of avoiding power struggles between departments and within hierarchies, insurance companies should create a plan with clear assignments of responsibilities regarding detailed implementation activities. When responsibilities are clear then potential problems are avoidable. To address the challenge of integrative human resource factor, major stakeholders in the insurance industry should put employees who have to be integrated into considerations as well as analyzing their individual capabilities.

To accomplish implementation of strategic plan within the required time, insurance companies have to integrate the relevant divisions and the responsible managers. In addition to calculate the probable time frame an extra buffer should be calculated to account for unexpected incidents that might occur at any time. Poor implementation of strategic plan mechanisms can lead to failure in strategic planning even if the strategy was adequately appropriate. A good implementation plan will therefore not only ensure

the success of an appropriate strategy but can also redeem a less appropriate strategy. Customer service is the key to insurance sector and insurance companies should continually enhance customer experience and satisfaction, to deliver quality in a competitive environment.

Customer service delivery refers to the processes and actions that make it easier for customers to do business with a company. That is, an organization can use these customer contact points to communicate their understanding of the ability to meet and implement the necessary strategies to satisfy customer needs.

#### **4.5 Discussion**

A service organization can only successfully implement a strategic plan after integrating (or outsourcing) investment in numerous assets, processes, people, and materials. Much like manufacturing a product is composed of hundreds of thousands of product compared of hundreds or thousands of components, services similarly consist of hundreds or thousands of components.

However, unlike a product, service components are often not physical entities, but rather are a combination of processes, people skills and materials that must be appropriately integrated to result in the 'planned' or 'designed' service (Goldstein, Johnston, Duffy and Rao, 2002). The managerial approach in a service organization such as APA Insurance Ltd presents the reactions of the stakeholders towards service delivery processes, in relation to the procedures in implementation strategic plan.



Implementation of strategic plan by APA Insurance Ltd has attracted much more attention in strategic and organizational research than strategy formulation or strategic planning. The process is less glamorous than strategy formulation, people overlook it because of a belief that anyone can do it , people are not exactly sure what it includes and where it begins and ends.

Organizations seem to have difficulties in implementing strategies, however, researchers have revealed a number of problems in implementation of strategic plan: example weak management roles in implementation, a lack of commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and uncontrollable environmental factors (Aaltonen and Ikavalko,2002).

Kaplan and Norton (2001) indicate the core of any business strategy is the customer value proposition which describes the unique mix of products, price, service, relationship and image that a company offers. Accordingly, APA has identified the wishes of their clientele which have been incorporated in the strategic plan.

At the same time, this study has established high quality leadership as very crucial in the strategic plan implementation process. APA Insurance Ltd has a structure that provide overall framework for implementation of strategic plan. Nonetheless, just as Pearce and Robinson (2004) argued, while structure is critical in strategic plan implementation it is not in itself sufficient to ensure successful execution. Within the organisation structure, individuals, groups and units are mechanisms of organisational action which is a major determinant of successful strategic plan implementation.

Another challenge in implementation of strategic plan at APA is the Political factor among the stakeholders. Werlin (2000) asserts that poor policies by the relevant stakeholder attribute this divergence partially to weak organizational capability of an organization to design and implement effective and pragmatic a strategy.

Conducive political environment was therefore pointed out to be major influence to a successful implementation of strategic plan particularly in the insurance industry. The traditional textbook approach to implementation of strategic plan was treat 'implementation' as an activity following 'formulation' usually, implementation is treated as a question of organization design, where systems and structures are manipulated in concert with strategic goals.

More recent views treat implementation either as an issue of gaining prior group commitment through coalitional decision-making, or as a question of total organizational involvement through corporate culture (Martin and Horne 2002). Another problem is that some top-level managers believe implementation of strategic plan is "below them" something best left to lower-level employees. High level of top-management's assume the role of planning and thinking strategically, and assume the role of lower level "grunts" is simply to carry out the top-level's demands and implementation requirements. Let the "grunt" handle execution (Hrebiniak, 2006).

The APA Insurance Ltd further prescribes how to deal with pivotal issue of the challenges facing implementation of strategic plan at both the top-management level and the lower-level cadre. Empowerment of the employees at lower-levels to implement strategies is considered an essential aspect.

They also need to be brought closer to accepting the importance of implementation of strategic plan for satisfactory service delivery to their clients. Even though implementation of strategic plan at APA Insurance Ltd remains a top priority for its success, it is faced with the challenge of creating plans that are breakthrough in their orientation, getting all stakeholders to commit to the organization's strategies and to follow through on implementation of critical activities, and decreasing cycle time in the planning process.

The Insurance Company has based its strategic management process on the fundamental notion that an effective strategy offers unique opportunities for market differentiation and long-term competitive advantage. Strategy implementation is not an easy task by any means. The future of an organization to successfully implement a strategy is been attributed to the various obstacles including lack of management support and understanding, lack of sufficient training and failure to allow sufficient time for the evolution (Ahuja and Khamba, 2008).

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the research summary, conclusion and recommendations. The chapter also presents the limitations as well as implications of the study to APA, insurance industry, policy, theory and practice. Lastly this chapter gives suggestions for further study.

#### **5.2 Research summary**

Strategies are a critical element in organizational functioning, but whereas most organizations have good strategies, successful implementation of strategic plan remains a major challenge. The overall strategic process begins when executives evaluate their current position with respect to mission, goals, and strategies. They then scan the organization's internal and external environments and identify strategic factors that may require change.

Internal and external events may indicate a need to redefine the mission or goals or to formulate a new strategy at either the corporate, business, or functional level. It may also include dramatic strategic changes including executing strategic decision. Implementation of strategic plan is concerned with both planning how the choice of strategy is put into effect, and managing the change required.

In this process, it is laden with complexity and challenges. The objectives of this study included establishing challenges faced by insurance companies in implementation of strategic plan as well as how these challenges can be surmounted to ensure proper implementation of strategic plan in respect to APA Insurance Company.

The findings of the study show that the major challenges encountered by the company included some aspects of organizational culture and structure, high degree of staff turnover and resistance to change. Others included lack of infrastructural facilities, government decisions, inadequate resources and indiscipline among some employees.

The study further established that there is a mix of values and beliefs that have been propagated overtime by people who have held senior management positions for a considerably long period of time. These aspects have been instilled into the other organizational members and define “the way of doing things here” hence the organizational culture. Some aspects of the resulting culture promote negative attitude amongst some staff towards their development.

Another major challenge for insurance companies is ensuring that decisions at each of these levels are made consistently, focused on delivering the correct service to targeted customers (Boone, 2000:96). The models are quite important to APA Insurance Co. Ltd in that a thorough analysis of the model will help to implement strategies that would go a long way in ensuring customer satisfaction in terms of service delivery in the organization.

Findings also asserts that successful implementation of strategic plan communicate the desires of top management but must be backed by an effective planning process. This allegation was reinforced by findings from the primary research where the researcher found that poor implementation of strategy can result in failure of a strategy.

Implementation of strategic plan practically improves on service delivery to a large extent. In addition, implementation of strategic plan is a team effort. From the study, the researcher found that, once an organization has set its vision and mission, strategy formulation and implementation flows since strategies are formulated and implemented around them.

Implementation of strategic plan is about managing change and resistance to change can be considered the greatest threat to successful implementation of strategic plan. The study found out that APA Insurance Co. Ltd involved all employees and other stakeholders in its implementation of strategic plan process. This is in order to minimise resistance to change. Changes were communicated to all those affected. There were also efforts by the company to prepare staff members for changes to be effected in the future. The company also hired consultants to resolve managerial skills challenge.

APA Insurance Co. Ltd offered training to employees on new products and services. The training also covered customer relationship management. After the training sessions, employees were assisted in utilising the learnt skills in the real working situations. The study also found that the company encouraged employees to brainstorm, share new ideas, and to own the implementation of strategic plan process.

The leadership style of delegating responsibilities, creating incremental challenges and rewarding performance enhanced the morale of senior managers and branch managers in implementing strategies. Lower level employees were also rewarded for good performance, dedication and long service.

In order to address financial constraints challenge that inhibited on implementation of strategic plan, the company started getting assistance from international organizations. The company also acknowledged the importance of social cultural processes in successful implementation of strategic plan hence the formulation of its core guiding values aimed at assisting in implementation of strategic plan.

### **5.3 Conclusion**

From the study the researcher concludes that, the major challenges encountered by APA Insurance Co. Ltd while implementing strategies included some aspects of organizational culture and structure, high degree of staff turnover and resistance to change. Others included lack of infrastructural facilities, government decisions, inadequate resources and conflict among some employees.

As a way of dealing with the challenges encountered, APA Insurance Co. Ltd involved all employees and other stakeholders in its implementation of strategic plan process. There was also communication to all parties to be affected by the changes as a result of new strategies implemented.

Other initiatives adopted included training of employees, encouraging employees to brainstorm, share new ideas, and own the implementation of strategic plan process, change in leadership style, rewarding the performance of senior managers as well as

lower level managers and employees. In order to address the challenges of financial constraints, APA Insurance Co. Ltd started getting assistance from international organizations. The company also recognized the importance of social cultural processes in successful implementation of strategic plan hence its development and adoption of core guiding values.

Essentially successful implementation of strategic plan is a vehicle for providing forward-looking leadership regarding the most fundamental issues of concern to an organization and its environment in a very purposeful, systematic, and effective manner and this universally agreed

As indicated by Peppard, (2000: 214), management's handling of the implementation of strategic plan process can be considered successful if things go smoothly enough that the company meets or beats its strategic and financial performance targets and shows good progress in achieving management's strategic vision geared towards efficient and effective service delivery to its intended clientele.

#### **5.4 Recommendations**

For an organization to successfully improve the overall probability that the strategy is implemented as intended the researcher recommends that. Insurance companies should ensure that employees affected by the strategy are the core aspect in implementation of strategic plan focusing on the outcome and also ensure that the necessary resources are available during implementation of strategic plan.



Moreover, insurance companies should assess the customer-employees needs to ensure that it is in line with implementation of strategic plan and make sure that implementation of strategic plan is a team effort. For APA Insurance Co. Ltd to continue implementing its strategies effectively; it is recommended that the organization looks at its failures and challenges and then address the same.

Although the company has attempted to address some of the challenges it faces while implementing strategies, there is a need to do more. The organization should always strive to be proactive while addressing challenges to implementation of strategic plan other than waiting for some challenges to arise and then put efforts address the same.

APA Insurance Co. Ltd has to consider reducing on the bureaucracy and recognize the fact that the necessary tools for successful implementation of strategic plan are managers and workers empowered to act on their own judgements, reengineered work process and procedures, self directed work teams and rapid incorporation of information technologies to improve existing organizational capabilities.

On cultural aspects, and resistance to change, APA Insurance Co. Ltd should recognize the fact that when a company's culture is not in line with the current strategy, the cultures need to be changed. Successful cultural changes have to be led by top management. What organizations leaders say and do plants the seeds of cultural change. Only top management has the power and organizational influence to bring about major change in a company's culture.

In addition, insurance companies should ensure that the necessary resources are available during implementation of strategic plan which impacts positively on service delivery. Insurance companies should also realize that, effective service delivery is possible if there is proper implementation of strategic plan since this would act as a guide in policy formulation. Furthermore, customer service should be the core aspect in implementation of strategic plan focusing on efficient and effective service delivery.

The researcher recommends that the company carries out an evaluation on the application of the strategic plans if this has been running in the company. We suggest that this starts from the division level the all the concerned parties can do the same to the whole company.

From the research the need for a well planned training for all the staff and especially those involved in implementation of the strategy is required. The government through Insurance Regulatory Authority should ensure stability in the insurance industry by regulating prices to ensure quality underwriting of risks as well as moderating immerging trends so as to prevent crisis in this industry.

## **5.5 Suggestions for further studies**

There is a need to carry out further studies on strategy monitoring. At the same time, this study should be iterated after sometime afterto find out if there are any changes that have taken place and comparison with the findings of this study done.

One may also wish to carry out a study on the challenges facing the insurance companies in regards to regulating insurance industry. A study may also be carried focusing on the other aspects of the strategic management process apart from implementation of strategic plan.

## **5.6 Limitations of the Study**

The researcher encountered several limitations including some interviewees being tight on their schedule to get time for interview might not be able to have personal interviews with the respondents due to their work schedules. The researcher however managed to secure their appointment upon promise that the interview would be brief. Other interviewees were not willing to divulge information for fear of reprisal.

They were nonetheless assured that the information would strictly be treated with utmost confidentiality. Some of the interviewees were also not accessible because of their hierarchy in the organization.

## **5.7 Implications of the study on Policy, Theory and Practices**

This study has policy implications as there has not been a standard benchmark for the insurance companies as it is for other sectors in Kenya. Currently most insurance companies have implied their course in implementation of their strategic plans and thus this study should act as a bench mark in the industry for results and quality assurance across the sector.

Strategy Implementation especially on areas focusing in customer experience and adherence to Industry regulations and consumer protection is a key area for policy makers. This will thereby promote comparability of challenges among the insurance companies in Kenya and particularly during implementation of their respective strategic plans. This makes this study therefore a critical part of the link between theory and practice within the confines of strategic management in Kenyan insurance sector.

Strategy Implementation affects the quality of products and services offered to consumers. In practice aligning the study should be able to highlight areas on concerns where as a Company and as an Industry we are missing out. The gap is clearly defined and it's only when we Implement strategy is when Insurance as a practice will become credible and increase quality assurance

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# APPENDICES

## Appendix I: Introduction Letter

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UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
MBA PROGRAMME

Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE... 4/10/2014

### TO WHOM IT MAY CONCERN

The bearer of this letter ... LAUREN A. DM 0110

Registration No. D61/72225/2012

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 - 00100, NAIROBI  
03 OCT 2014

## Appendix II: Interview Guide

### Section A: Details of the Respondent

1. Respondent Name:.....
2. Position held:.....
3. Number of years in the position:.....
4. Department:.....

### Section B: Strategy Implementation

Being guided by the factors listed below, how would you describe strategy implementation at APA Insurance Company?

5. Does staff and management have a clear understanding and support formal policy development and implementation?.....  
.....  
.....
6. Does the company have financial capacity to implement strategies?.....  
.....  
.....
7. Are employees highly motivated to maintain and support the implementation of strategy initiatives?.....

8. Does the management staff have the skills that enable successful strategy implementation?.....

.....

9. Does the current organizational structure supports strategy implementation?.....

.....

10. Does the staff and management staff readily accept change?.....

.....

11. Any other comment regarding strategy implementation at APA Insurance?.....

.....

**Section C: The Challenges in Strategy Implementation**

Organizations are usually faced with various challenges in their pursuit to implement strategies. By using **Yes** or **No** what is your experience at APA insurance with the following challenges as far as its strategy implementation process is concerned

1. Was time allocated for the project adequate?  
.....

.....

2. Was co-ordination sufficiently effective?

.....  
.....

3. Were the capabilities of employees involved sufficient?

.....  
.....

4. Was training & instructions given to lower staff adequate?

.....  
.....

5. Were there some uncontrollable factors in external environment that had adverse impact on implementation?

.....  
.....

6. Was leadership and direction provided by departmental heads adequate?

.....  
.....

7. Were key implementation tasks and activities clearly defined?

.....

8. Did any champion(s) and or supporters of the strategy leave the company during implementation?

.....  
.....

9. Were overall goals of the strategy well understood by staff?

.....  
.....

10. Are people rewarded/recognised for executing plan?

.....  
.....

11. Has there been lack of a feel of “ownership” of a strategy among employees?

.....  
.....

12. Has there been lack of understanding of the role of organizational structures and design in the execution process?

.....  
.....

13. Was information systems used to monitor implementation inadequate in any way?

.....  
.....

14. Were the financial resources provided adequate to execute strategy?

.....  
.....

15. In evaluating the overall success of the strategy implementation process at APA Insurance Company Limited, how would you rate the entire process of strategy Implementation?

- I.** Achieved the intended outcomes.
- II.** Achieved partially intended outcomes.
- III.** Did not achieve the intended outcome

16. Please give any other comment you may have regarding the subject of this research.....

.....  
.....

*Thank you for your cooperation*