

**STRATEGY IMPLEMENTATION AND PERFORMANCE OF APA
INSURANCE LIMITED KENYA**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF
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DECLARATION

I declare that this project is my original work and has not been submitted to the University of Nairobi or any other University for award of a degree.

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

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REG. NO. D61/74713/2014

The project was submitted for examination with my authority as the University supervisor.

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DEDICATIONS

This research project is dedicated to my loving wife Agrippina, for her steady support and encouragement. To my sons Samuel and Barrack and my daughter Nicole, I pray you will grow up to be greater than your dad and mum. Finally all praise be to God the almighty for having given me good health, patient and wisdom to undertake the research project.

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TABLE OF CONTENTS

DECLARATION	i
DEDICATIONS	ii
AKNOWLEDGEMENTS	iii
LIST OF FIGURES	vi
ABBREVIATIONS AND ACRONYMS.....	vii
ABSTRACT	viii
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study.....	1
1.1.1 Concept of Strategy.....	2
1.1.2 Strategy Implementation.....	4
1.1.3 Organizational Performance	5
1.1.4 Insurance Industry in Kenya	6
1.1.5 APA Insurance Limited	8
1.2 Research Problem.....	11
1.3 Research Objective.....	13
1.4 Value of the Study	13
CHAPTER TWO: LITERATURE REVIEW.....	14
2.1 Introduction	14
2.2 Theoretical Foundation of the study.....	14
2.2.1 Resource-Based View	14
2.2.2 Dynamic Capabilities View.....	15
2.3 Strategy Implementation and Organization Performance.....	17
2.4 Empirical Studies and Research Gaps	18
CHAPTER THREE: RESEARCH METHODOLOGY.....	20
3.1 Introduction	20
3.2 Research Design.....	20
3.3 Data Collection	20

3.4 Data Analysis	21
CHAPTER FOUR: DATA ANALYSIS, RESULTS & DISCUSSION.....	22
4.1 Introduction.....	22
4.2 Data Analysis	22
4.3 Insurance Industry Challenges	22
4.4 Strategic Planning Process	23
4.5 Strategy Implementation and APA Performance	24
4.5.1 Strategy Monitoring and Evaluation	25
4.5.2 Strategy Implementation tools	25
4.5.3 Organization Performance in Last Five Years	26
4.5.4 Challenges in Strategy Implementation	28
4.5.5 Strategy implementation and Staff Performance	
4.6 Discussion	29
CHAPTER FIVE: SUMMARY, CONCLUSION RECOMMENDATIONS	32
5.1 Introduction	32
5.2 Summary of Findings	32
5.3 Conclusion	34
5.4 Limitation of the Study	36
5.5 Suggestion for Further Studies	36
5.6 Implication of the Study on Theory and Practice	36
REFERENCES	38
APPENDICES	42
Appendix 1: Interview Guide	42
Appendix 2: Insurance Companies in Kenya.....	44
Appendix 3: Letter of Authority to Collect Data	46

LIST OF FIGURES

Figure 1.2:	APA Group Structure	9
Figure 4.1:	Gross Written Premium from 2011 to 2015	26
Figure 4.2:	Profit before Tax	27
Figure 4.3:	Growth in Assets	28

ABBREVIATIONS AND ACRONYMS

- IRA:** Insurance Regulatory Authority Kenya
- GDP:** Gross Domestic Product
- RBT:** Resource Based Theory
- RBV:** Resource Based View
- VRIN:** Valuable, Rare, Inimitable and Non- substitutable
- CMA:** Capital Markets Authority
- RBA:** Retirement Benefits Authority
- SASRA:** Sacco Societies Regulatory Authority
- KPI:** Key Performance Indicators
- SGR** Standard Gauge Railway
- JKIA** Jomo Kenyatta International Airport

ABSTRACT

Constant changes taking place in the business environment have made it necessary for organizations to embrace strategic planning process in order improve organization performance and also meet stakeholders expectations. Insurance penetration in Kenya stands at less than 3% which is very low compared to South Africa. Strategy implementation is a critical and yet a very challenging part of strategic planning process which involves an organization leadership creating an enabling environment by empowering the employees to deliver on the objectives agreed upon during strategy formulation and review process. Organization performance are outcomes that can be measured using financial or non-financial indicators. The outcomes can then be compared with expected performance within the organization or the industry. Strategy Implementation comes with fair amount of challenges for many organization. The challenges organization encounter during strategy implementation can emanate from within the organization or in the business environment. The objective of this study was to establish the relationship between strategy implementation and performance of APA insurance Limited. APA insurance underwrites general insurance business in Kenya. APA was established in 2003 after the merger between Pan Africa Insurance and Apollo Insurance general divisions. In less than 15 year APA has become a dominant player in the insurance industry achieving a consistent growth in market share and gross written premium. The study was a case study research design that sought to conduct an in-depth study. Primary and secondary data was collected for the purpose of the study. Interview guide was used to collect primary and data collected was analyzed using content analysis technique. From the study findings it clear that strategy implementation positively influences organizational performance that can be measured using both financial and non-financial indicators. The study validate other empirical studies that have previously been done to establish the relation between Strategy implementation and organization performance. The study will benefit both academia and in practitioners as they will have useful insight as to how strategy implementation impact positively organization performance

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Many organizations globally operate in an open system and their dependence on the business environment makes strategic planning as a critical component in strategic management of the organizations. Strategic management as a combination managerial decisions and actions that result in the formulation and implementation of plans designed to achieve company goals and objectives (Pearce and Robinson, 2011). In order to improve performance and exploit opportunities brought about by globalization, regulatory and technological changes, organization across sectors in Kenya, have been embracing strategic planning as a standard management tool. Strategic planning process enables organizations to optimize on the resources and capabilities to exploit opportunities and deal with challenges in a given business domain.

Resource based view (RBV) advocate the use internal resources to achieve sustained competitive advantage instead of focusing on competitive environment. Resource base view is a concept that is used to analyze firm's strategic advantage based on unique combination of resources and capabilities that the firm controls (Pearce and Robinson, 2011). Studies on RBV have been done by Wernerfelt (1984), Conner and Prahalad (1996) and Barney (1991) among many others. The proponents of this view argue that it is more advantageous to use internal resources to achieve short term competitive advantage; however the resources must be unique and expensive to competitors. Dynamic capabilities view (DCV) on the other complement resource based view by arguing that it is not

sufficient for firms to gain sustained competitive by controlling unique resources but firms also need to leverage on dynamic capabilities with the firm to sense, exploit quickly and profitably emerging opportunities in the business environment (Teece, Pisano and Shuen, 1997).

IRA insurance industry report (2015) indicates that Kenya Insurance industry had a total of 52 Insurance companies operating in 2015, 50% underwriting general business while the other 50% underwriting Life business. APA Insurance is among the 26 insurers underwriting general business. In 2015 the Industry total premium grew by 9.8% to record a total premium income of KES. 173 billion compared to KES. 157billion in 2014. Life insurance reported KES.61 billion while that under general insurance business was KES. 112billion. In Kenya general business class dominates compared to developed markets where Life business is the biggest class. The Insurance Industry in Kenya is very competitive and players have to deal with business environment which is constantly changing.

1.1.1 Concept of Strategy

The strategic management critical objective for any organization is the realization of competitive advantage which is achieved when the organization is creating more economic value than its rivals (Barney and Hesterly, 2008). Hill and Jones (2001) states that a strategy is an action a company takes to achieve superior performance. A strategy is also seen as unique activities that are undertaken consistently by a firm to distinguish the firm from rivals (Porter, 1985).The ultimate objective of a strategy is to ensure that an organization can not only survive in a given business environment but able to grow the business in a sustainable manner while also meeting stakeholder expectations.

Strategy can be seen from many perspectives as a plan, ploy, pattern, position and a perspective (Mintzberg, Lampel & Quinn, 2002). As plan, strategy specifies what choices to be made and what objectives are to be met. As a ploy, a strategy act as a specific scheme anticipated to outsmart competitors in order to gain a competitive advantage. Strategy as s a pattern is a behavior that is consistently exhibited by an organization in a business environment. As a position, strategy encourages stakeholders to look at organizations in their competitive environment and how they find their and protect their space, avoid and even subvert competition. As perspective, strategy is used not only as a position but also as how the world is viewed by the organization. In a perspective organizations assumes a personality that behave in a certain way when faced with opportunities or threats

Johnson, Scholes and Whittington (2005) sees a strategy as the direction and scope of an organization over long-term with the sole objective of achieving an advantage in a dynamic environment through configuration of resources and competencies with the aim of fulfilling stakeholder expectations. A strategy may also be seen as business approaches and actions that managers are consistently employing to grow the business, retain customers, compete successfully, conduct internal operation effectively and efficiently and achieve targeted level of organization performance (Thompson, Strickland and Gamble, 2008). A strategy is the most reliable path to superior performance and meeting or exceeding stakeholder's expectations. Strategic decisions are complex in nature, affect the entire business setup and may require the use of large amounts of organization resources.

Organizations have different levels of strategies depending on their sizes and complexity. Corporate level strategy is mainly concerned with the scope of the entire organization and how it will add value to other parts of business. Business level strategy is about how the organization will compete in a particular market, what products and services they will offer and how they will gain an edge over competitors while delivering on corporate objectives. Operation strategies deal with how components and parts will assist the organization to deliver effectively the corporate and business level strategies and the key focus is on people, processes and resources (Johnson et al, 2005). The different levels of strategies are all designed to work in harmony, leverage on synergy and enable the organization to gain competitive advantage while at the same time delivering superior performance than rivals.

1.1.2 Strategy Implementation

Strategic planning process includes analysis of the business environment to identify opportunities and threats, developing clear long term plans to exploit the opportunities while dealing with present and emerging threats, implementing the strategy and tracking, measuring actual performance against expected performance. Strategic management process involves managerial decisions and actions that aim at influencing organization long term performance in a given business environment (Wheelen and Hunger, 2008).

Strategy implementation is a critical part of strategy planning process and involves operationalization of the long term plans in order to achieve organization goals and objectives. During the implementation process strategy is broken down to annual and short term objectives. Implementation process is time consuming and involves how a manager directs change, motivates staff, builds and strengthens competencies and capabilities, and

create and nurture supportive work environment to meet and beat performance targets (Thompson et al, 2008).

Strategy implementation involve selecting activities and making managerial choices that will aid in execution of a long range plan. The process involves acting on the corporate objectives by implementing programs, budgets, policies and procedures agreed upon during the strategic planning process (Wheelen and Hunger, 2008). At the implementation stage strategy is translated into activities that are undertaken on daily basis geared toward providing the organization with an edge over rival firms (Pearce and Robinson, 2011). During the implementation phase organization policies and reward system are meant to guide behavior and direct organization change towards achieving stakeholders expectations

1.1.3 Organizational Performance

Organizations exist to deliver specific outcomes that are outlined in their strategic plans. Barney (1991) defines performance as the ability of the organization desired outcomes and objectives. Strategic planning is part of strategic management process that requires the use of considerable amounts of resources and capabilities (Pearce and Robinson, 2011). Hansen and Wernerfelt (1989) argues that the economic model of performance is determined by the quality of organization resources and capabilities, type of the business environment in which the organization compete and the organization's position relevant to its competitors.

Organization performance is the actual outcomes achieved following a particular strategy implementation which can be measured using financial or non-financial measures. Some

organizations prefer to use financial performance measures as opposed to non-performance measures. As part of control and evaluation process the outcomes achieved is compared with the expected performance to determine variation in performance and taking of corrective actions. Increase in profitability and financial strength are some outcomes expected after execution of a strategy.

Kaplan and Norton (1992) designed the balance scorecard as a framework for organization to measure their performance from wider perspectives than the traditional financial measures. The Balance scorecard fills gaps in financial ratios analysis which is based on past firm financial performance. The four perspectives covered by the balance scorecard are financials, customer, innovation and learning and Internal perspective. The four perspectives provide a holistic approach to how organization measure performance by requiring firms to address four basic questions: How customer perceives them, what the firm must excel at, how they can continue and create value, and how the firm want to be perceived by shareholders?

1.1.4 Insurance Industry in Kenya

The Kenya insurance industry is regulated by Insurance Regulatory Authority(IRA) According IRA strategic plan 2013 – 2018, Insurance industry in Kenya plays a important role in the Kenyan economy through contributing to the national development agenda through providing broader financial solutions and services, nurturing entrepreneurial attitudes, boosting investment, innovation, market dynamism and competition, offering social protection alongside the state, releasing pressure on public sector finance; enhancing financial intermediation, creating liquidity and mobilizing savings.

Insurance report for 2015 by IRA, indicates the Insurance industry in Kenya had 52 licensed direct writers, 4 reinsurance and over 5000 intermediaries. 36 insurance companies underwrite general Insurance and health insurance. The general business represent 85% of the total insurance business. Major challenges facing the insurance Industry are fraud, price undercutting and erratic performance, regulatory challenges and limited capacity to underwrite huge infrastructure projects like the Standard Gauge Railway (SGR) and exploration projects in oil and gas.

Sigma Swiss re reports (2015) classify Kenya as an emerging market where the growth of Insurance industry is above the country Gross Domestic Product (GDP) and the growth prospects are very promising into the future due to current low insurance penetration (3% in 2015) i.e. gross written premiums expressed as a percentage of gross domestic output, growing middle class, and discovery of natural resources in oil and gas. Association of Kenya Insurers (2015) insurance industry annual report, AKI argue that the low insurance penetration is an indication of untapped opportunities in areas such as oil and gas, infrastructure, real estate, Bancassurance, micro insurance and agriculture. AKI strategic focus is to achieve 6.5% insurance penetration, KES 10,000 premium per head (density), KES 500 billion insurance industry by the year 2020.

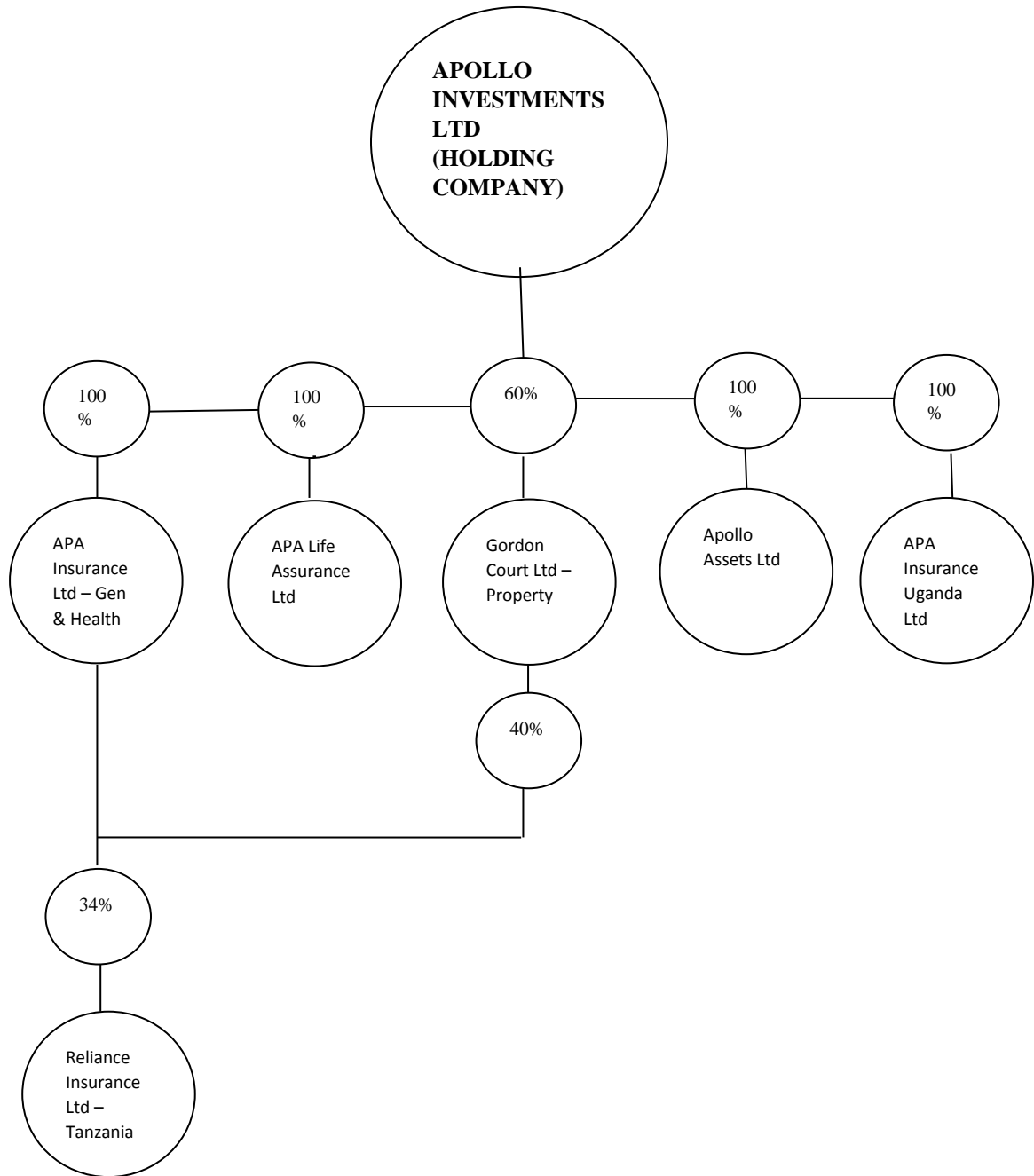
According to Sigma Swiss(2015) report Kenya is part of frontier emerging market that is characterized by low incomes levels, insurance sector in the early stages of development, discovery of natural resources, significant investments in infrastructure projects and with rapid technological innovation making it attractive market in the long term perspective. The emerging market have consistently outperformed the developed markets in terms of

growth in GDP for 38 years out of the last 45 years, with an average GDP growth of 5 % (1970 to 2015) compared to 2.6% in the advanced markets.

1.1.5 APA Insurance Limited

APA Insurance was established in 2013 after the merger between Pan Africa Insurance and Apollo Insurance general business. APA Insurance began operations in 2014 and in less than 15 years the Company has become a dominant player in the Insurance industry with a market share 8.5% in 2015. According to IRA reports (2015) APA reported a gross written premium of KES. 9.2 billion. Average industry growth in 2015 was 10%, but APA Insurance achieved 18% growth in gross written premium making it the second biggest general business Insurer in Kenya. APA report and financial statements for 2015, indicate that in the last five years (2011 to 2015) APA Insurance has recorded a compounded annual growth (CAGR) of 14.92% on gross written premium, 17.30% on total assets and 28.85% on profit before tax.

Figure 1.2 APA Group Structure



Source: APA Insurance 2015 Annual Report and Financial Statements

APA Insurance limited is owned by Apollo Investments limited (Holding Company) which is owned partly by Kenyans who control 60% of stake and while the other 40% is

owned by Swiss Re and multinational reinsurance company from Switzerland. APA Insurance has presence in Tanzania where it has 34% stake in Reliance Insurance Tanzania Limited. APA has presence in each and every County and offices in all major towns in Kenya. APA Insurance Limited is a market leader and pioneer in innovative solutions having been the first Insurer to offer financial solution to people living with HIV Aids when all other Insurers had avoided this category of persons from financial protection. APA specializes in general and health solutions. In 2014 APA paid one the biggest claim for KES. 1.97 billion to JKIA for fire claim. The biggest class of business is motor followed by health and non-motor business.

APA Insurance takes an active role in corporate social responsibility and has won many awards in environment conservation, education and health, empowering the youth, and provision of sustainable supply of clean to communities in arid areas. APA runs a foundation that has been very instrumental in construction of sand dams in Machakos, Makueni and Kajiado counties. The strategic objective of the sand dams is not only to provide communities with reliable source of water in dry seasons but also to ensure food security. The sand dams have seen communities in the counties conveniently access water and also invest in agriculture activities to improve standards of living. On environment conversation, APA has partnered with Egerton University to plant and maintain at least 1500 trees every year at Ngongogeri Park in Nakuru County.

1.2 Research Problem

Strategy implementation remains a big challenge for many insurance companies. This problem is clearly exhibited by increased complaints by customers, unsatisfactory products and services, fraud, low insurance penetration, skewed growth in motor and health business lines that account for over 60% of general insurance premium written, increasing operating expenses and reduced profitability (AKI report, 2015 and IRA Insurance Report, 2015). There are 26 General Insurance operating in a very competitive market characterized by Price wars, low penetration that stands at around 3% of Kenya GDP. Association of Kenya Insurers(2015) Annual report indicate the general business(Non-Life) penetration is at 1.8% with enormous potential for growth provided by discovery of oil and minerals, devolution, government subsidies agriculture insurance, bancassurance and steady growth in GDP.

Significant research work has done to examine the effect of strategic planning and performance with mixed findings. Caelderries and VanDierdonck (1998) did a study of 82 Belgium firms and their finding were that long term planning enables firm to strengthen its competitive position, facilitate integration and harmonization of member's conduct. Aldehayyat and Twaissi (2011) did a study on strategic planning and business performance focusing on small business organizations in Jordan and the study established a positive relationship between strategic planning and firm performance. Kumar (2015) conducted a study to establish the nexus between strategic planning and firm performance and the findings confirmed that firms that display higher level of strategic planning performed better in all performance measures compared to the firms that exhibited low levels of strategic planning.

Chavunduka, Chimunhu and Sifile (2015) did a study on strategic planning intensity and firm performance focusing on Zimbabwe Mining Development Corporation and the findings established a positive relationship between strategic planning and organizational performance. Asiabugwa and Munyoki (2012) did a study on e-commerce strategy and commercial banks performance in Kenya. The study findings established that positive relationship existed between bank strategy and performance. Arasa and K'Obonyo (2012) on the relationship between strategic and firm performance and the findings established there was a relationship between strategic planning and organization performance.

Ongaki (2014) also did a study on Jubilee insurance which only focused on Strategic management practices and performance but did not address relationship between implementation and performance. Bansal (2005) did a study on process and challenges in the merger between Apollo and Pan Africa that resulted in the formation of APA insurance, however the study did not focus on strategy implementation and performance of APA insurance There is no known study that has been conducted to establish the effect of strategy implementation and performance of APA Insurance Limited. The research sought to establish the relationship between strategy implementation and performance by answering the question: what is the relationship between strategy implementation and performance of APA Insurance Limited?

1.3 Research Objective

The objective of the study was to determine the effect of strategy implementation and performance of APA Insurance Limited.

1.4 Value of the study

The study very useful to other researchers and scholars as it will add to the body of knowledge by adding to the existing theories. The study will provide an additional platform that other researchers can use to conduct other studies.

The study will encourage more firms in insurance industry players to fully embrace strategic planning as core part in strategic management practice and use it as basis for evaluating performance, making improvements and dealing with emerging business challenges. The study will also provide valuable insights on strategic planning for companies specializing in short term business in Kenya.

The study will assist the Government and IRA in policy formulation to guide insurance industry in developing comprehensive long-term plans to exploit opportunities and deal with threats in the business arena. The study findings will be useful to IRA in developing relevant regulations to assist the insurers in improving products and services.

CHAPTER TWO

LITRETURE REVIEW

2.1 Introduction

This chapter covers the review of various studies that are relevant to Strategy and organizational performance. It presents a review of the relevant theories that explain Strategy and organizational performance; literature on empirical studies conducted on Strategy and Organizational performance.

2.2 Theoretical Foundation

The Theories that have been used to explain the Strategy and organizational performance relationship in this study are The Resource-based theory also referred to as The Resource-Based View (RBV) and Dynamic capabilities view (DCV).

2.2.1 Resource Based View

Resource based view as a method of examining and finding a firm's strategic advantages based on examining distinct combination of assets, skills, capabilities and intangibles as an organization (Pearce and Robinson, 2011). The resource based view (RBV) is an important theory on how an organization can gain a competitive advantage by leveraging on internal resources and distinct capabilities. The RBV argues that for a firm to achieve a sustainable competitive advantage the firm must not only control and acquire resources that are valuable, unique and difficult to copy but also have the ability to exploits the resources (Barney, 1991, 1994, 2002). Teece, Pisano and Shuen (1997) sees firms with superior processes, distinct skills and competencies as being profitable because they are able to produce at lower costs while offering products of higher quality and superior

performance. The source of sustained competitive advantage in the short run emanate from firms scarce and difficult to imitate resources.

Barney (1991) was among the pioneers who developed the core tenets of RBV by articulating full set of characteristics that make a resource a potential source of competitive advantage i.e. valuable, rare, inimitable and non- substitutable(VRIN). Valuable assist the organization to improve value offered to customers. Resources are rare if they can only be acquired by one or few organizations. When few organizations can acquire same resources it results in competitive parity. Organization with valuable and rare resources can achieve short run competitive advantage if the resources are costly to imitate and difficult to substitute by rivals.

There are two assumptions that have identified in RBV: Heterogeneous and immobile resources. The assumption on heterogeneity is that skills, capabilities and other resources are unique and different for any particular organization making it easy for organization to outcompete others using different strategies and a different mix bundle of assets. The next assumption is that the resources are not mobile at least on a temporary basis. The immobility makes it difficult for organizations to replicate competitor's resources and implement same strategy to achieve same or superior performance (Barney and Hesterly, 2008). The major criticism leveled against RBV is that there is lack of clarity of what a resource is and how to distinguish them from capabilities (Teece et al, 1997).

2.2.2 Dynamic Capabilities View

Resources and capabilities is defined as bundle of tangible and intangible valuable assets which also include organization management skills and competencies, process, routines

and any other valuable assets the organization controls and can be used by the organization to successfully implement organization long terms goals and objectives. Teece et al (1997) define dynamic capabilities as the firm ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environment. Dynamic capabilities can be viewed as the ability of organizations to reconfigure, extend or change quickly resource base and capabilities to exploit emerging opportunities (Helfat et al 2007).

Dynamic capabilities are not common capabilities; they are unique to each organization and rooted in the company history. The dynamic capabilities are captured not only in the past and current practices but also in business models that go back decades making it difficult for other organizations to copy. The dynamic capabilities stem from how organization have been performing routine operations which shapes processes and positions that are built over a period of time (Teece et al, 1997). The building the organization capabilities takes decades to build. .

The major criticism of dynamic capabilities theory is that they described in vague terms, with some scholars and researchers viewing them as being tautological and not easy to understand. Some of criticism of dynamic capabilities view (DCV) is that the theory lacks the ability to explain what constitute successful change with rational consistency, conceptual clarity and empirical rigor (Arend and Bromiley, 2009). The criticism on dynamic capability view is countered by other scholars who argue that the gaps in DCV are signs of a young emerging field in it early stage of development (Helfat and Peteraf, 2009).

2.3 Strategy Implementation and Performance of Organization

Strategic planning process provides clear understanding of the business environment, assist the organizations in formulation and implementation of strategies that are aligned to their resources and capabilities. Strategy implementation touches on every facet of the organization and therefore is important to have a holistic approach dealing with complex issues of implementation (Okumus, 2003). Lack of clear strategy may be a major setback to the implementation process. Strategy may fail due challenges due to challenges encountered at the implementation stage (O'Regan and Ghobadian, 2002). Employees who have a better understanding and appreciation of organization strategic plans are likely to positively influence the performance of the organization compared to employees with poor understanding as those with better understanding will greatly assist in seamless implementation of the organization strategy (Schaap, 1992).

Strategic planning process by defining company purpose, provide a clear path to the organization which improve coordination and control of organization activities (Arasa and K'Obonyo 2011). The primary objective of strategic planning process is to direct the organization in focusing on priority areas that will enable it to meet its long-term objectives (Kotter, 1996). Hopkins and Hopkins (1997) contend that strategic planning process results in superior financial performance only when managers engage in the process with intensity. This view is supported by Miller and Cardinal (1994) who set forth and tested the notion with affirmative results that the amount of strategic planning a firm conducts positively affects its performance.

Organization performance can be from different perspectives. Traditional measurement has concentrated on financial measure on such areas as profitability, return on equity and

return on total asset. However this measure do not provide a complete picture of organization and over time it has proven inadequate. The balance scorecard is system to measure organization performance and it provide a quick snapshot of the health of the business (Kaplan and Norton, 2005) The balance scorecard has four perspectives that interlinked providing how the business in doing in terms of financials, customers, internal operation and learning and growth. This perspectives are important in both strategy formulation and implementation as they provide critical areas in the organization that has gaps and which the organization need to focus in order to improve overall organization performance. By addressing those weak areas the organization is able to improve the other perspectives simultaneously. Addressing learning and growth perspective automatically improve staff motivation which in return has positive impact on customer experience, improvement in internal processes and finally profitability.

2.4 Empirical Studies and Research Gaps

Research studies have been undertaken to establish the relationship between strategic planning and firm performance with varied findings. The early studies include that of Thune and House (1970) that studied 36 companies employing the approach of examination of each company performance before and after formal strategic planning was initiated. The study covered informal and formal planners. The comparisons showed that formal planners out performed informal planners in all performance measure that were used. Harold (1972) did a study to cross validate Thune and House (1970) by surveying 10 organizations, comparing performance of formal and informal planers over a 7 years period. The survey results confirmed that formal planners outperformed non formal planners and therefore validating the findings of Thune and House (1970).

Pearce et al (1997) conducted a study that involved 97 manufacturing firms that averaged \$20 million in annual sales turnover and confirmed that there was a positive correlation between the degree of planning formality and firm performance. In yet another study carried out by Hopkins and Hopkins(1997) to established the extent to which banks engage in strategic planning process is a major factor of banks financial performance and mediator of the strategic planning – financial performance relationship.

Other studies conducted in Africa have also established that firms that practiced strategic planning recorded superior performance than those firms that did not (Adegbite, 1986) and (Fubara, 1986). However this studies was on focused on formality rather than establishing the relationship between planning and organization performance. Study conducted for indigenous multination companies in Nigeria established that effective firms were those that practiced formal strategic planning (Imoisili, 1978)

Arasa and K'Obonyo (2011) conducted a survey to establish the link between strategic planning and insurance companies' performance. The findings confirmed that insurance firms that exhibited a higher level of strategic planning performed better in all performance measures compared to those firms with low level of strategic planning. However the study focused on strategic planning steps rather than the direct relationship between strategy implementation and performance. This study will focus on establishing whether or not there is a relationship between strategy implementation and performance of APA Insurance Limited.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, the data collection procedure and techniques that has been used to generate, measure and analyze the data and the target group. This is against the background of research objective of determining the effect of strategic planning and performance of APA Insurance Limited

3.2 Research Design

The research design was used is a descriptive case study. The unit of the study will be APA Insurance Limited Kenya. Rejendra (2008) has defined a research design as the linkage and organization of conditions for collections and analysis of data in a manner that aims at combining relevance to the research purpose with economy in the procedure.

A case study allows an in depth investigation of an individual organization or a phenomenon. A case study allows a research to retain the holistic and meaningful characteristic of real life event (Yin, 2009). A case study involves a careful and complete observation of social units. It is a method of study in-depth rather than breath and places emphasis on the full analysis of a limited number of events or conditions and other interventions. Flexibility of the case study approach and emphasis on understanding is sometimes labelled 'thick description' (Cooper and Schindler 2014)

3.3 Data Collection

The study utilized both primary and secondary data gathered for the purposes of addressing the research objective. The secondary data was extracted from published and unpublished

records such as the Association of Kenya Insurers (AKI), Insurance Regulatory Authority (IRA), Insurance Industry Journals, Published Articles, electronic data, and audited financial statements. Primary data was collected using an interview guide.

Interview guide was the most suitable method of collecting primary data as it allowed for face to face contact with the respondents making it easier to seek clarification for answers provided. APA top managers were target respondents. The managers targeted for interview were in operation, business development and finance and the chief executive officer. The data collected was for a period three to five years period which is considered appropriate as most strategic plans are spread for three or five years period.

3.4 Data Analysis

Data analysis is a whole process that start immediately after data collection and ends at the point of interpretation and data processing (Kothari, 2004). Qualitative data will be obtained and analyzed using content analysis technique. Berelson (1952) has defined Content analysis as a systematic, replicable technique for compressing many words of texts into fewer content categories based on explicit rules of coding. Mugenda and Mugenda (1999) observe that content analysis involves observation and detailed description of objects, items or things that comprise the study. Content analysis is important in gaining new insights. Content analysis enables researchers to sift through large volume of data with relative ease in a systematic manner. The interview guide will be unified to allow for determination and reliability and variability in the answers given by respondents.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, results and interpretations sought from the research study as well as the discussion of the findings. The first section deals with the general information of the respondents under the study, the second section focuses on strategy implementation, the third section deals with strategy implementation and performance and the fourth section deals with the discussion and findings.

4.2 Data Analysis

From the findings the interviewees included senior managers and middle management from Business development, Finance, Operations and Human resources. The Managers had worked for the APA Insurance for more than five years and therefore could be relied upon to provide accurate evidence on the strategic planning process undertaken. The Managers were also involved in the strategy planning process, periodic review and implementation of the strategy.

4.3 Industry Challenges

The major challenges established during the interview process can be grouped in two broad categories, internal challenges, External challenges brought by competition, fraud and regulatory, technological challenges. Internal challenges related to support systems for efficient operations, sufficient resources to support business expansion like investing in research and product development, in ability to find and sometimes retain critical talent to support business growth and key talents being poached by other competitors. Competition

challenges included premium undercutting, unethical business practices by other insurers, who influence tender businesses through non ethical practices. Fraud is a major challenge especially in medical and motor business class that account for over 60% of the Gross premium written. The IRA report 2015 estimate fraud to account for between 10-20% of the general claims paid. The government through IRA has also been coming with new guidelines and regulation on claim settlement that has an impact of Insurer credit policies. For example all claims admitted are required to be settled within 30days from the previous 60days. Risk based capital(RBC) is also part of the new regulation where insurer have to match their capital requirements based on kind of business they underwrite, credit and market risk. High risk business attracts more capital commensurate to the risk profile.

4.4 Strategic planning process

The researcher established that there was a clear strategic planning process that involved analysis of the business environment, formulation, implementation and evaluation and control. Top management team guided the strategy planning process. Strategy was reviewed every five years at the corporate level. Once every year in October the Managers will have a retreat to review performance for each function in the current period and plan for the following year. During the annual review performance for each function such business development, operations, finance and human resources will measured against agreed standards set in the beginning of year or half yearly. The top managers have developed four clear objectives that were used to measure performance and guide in setting each staff activities for the year. The objective follows a balance scorecard perspective and focused on to achieve effectiveness and efficiency in the internal processes, learning and growth, customers and profitability. It is from this Balance scorecard that each and every

staff job description is drawn and performance is measured on half yearly based on critical activities agreed upon between the staff and the line manager at the beginning of the year.

As part of strategy implementation process tentative budgets on revenue, expenditure and manpower and key initiatives, policies and activities were agreed upon during the strategy retreat that are subject to approval by the Board. Once the Board approves the budgets, Managers will put the strategy into through aligning structure to the strategy and empowering functional teams to deliver on the strategy. Resource gaps and policies to empower staff are provided. Products are processes are improved and other support structure like equipping and expanding branches and recruiting staff is also done at the implementation stage. The major challenges faced in the strategic planning process are changing business environments in terms of regulatory changes and competition that will call for review of budgets expectation and tactics to meet broad corporate expectations. Other challenges include changes in some assumptions made at planning stage that lead to revision at the implementation stage when those assumptions no longer hold.

4.5 Strategy Implementation and performance

The study confirmed that APA uses business plan agreed upon during strategic planning process to implement the strategies with minimal changes made where assumptions no longer hold. Delivery on key strategic initiatives agreed is responsibility of the various heads of functional areas such as business development, operations, finance, human resources etc. During the implementation process activities for each staff member and functional are aligned to the key objectives agreed upon during the planning and review process. Implementing framework include clear strategic objectives, activities, implementing staff, time frame, expected output and output indicators. The

implementation includes aligning the organization structure to support strategy implementation by hiring, empowering and reward system.

Clear metrics are put in place and performance is measured and monitored on monthly basis. APA uses both financial and non-measures with financial performance indicators such gross premium written, expense, investment incomes and claim notified and settled being very important.

4.5.1 Strategy Monitoring and Evaluation

The study established that after the strategy has been translated into actions to be undertaken by different line managers and clear commitment made to delivery of set targets, actual performance is tracked and measured against the budgets on monthly basis. Using town hall meetings financial performance is communicated to the staff by to management on quarterly basis. The town hall meeting are also used to reward staff that have excelled in specific area of business set by the management. The categories used to reward top performers include customer service and process innovation and efficiency. The main objective of rewarding staff that have excelled is encourage staff to perform at their optimal level and therefore achieve budgets set.

4.5.2 Strategy Implementation tools

The study also confirmed that APA uses the Balance scorecard that has four perspectives namely internal, learning and growth, customer and profitability perspectives. Under each perspective APA has developed key corporate objectives. The key corporate objectives are aligned to key performance indicators for each functional area such business development, finance, operations, and risk and internal audit. Every staff activities are aligned to the key

performance areas and corporate objectives. Performance for each staff is tracked and measured half yearly using specific scoring criteria based weights provided by management for the specific functional area. Operation staff will have higher weight on internal perspective measures such as claims settled and policies underwritten compared to Business development whose weights are higher in customer's acquisition and gross premium written.

4.5.3 Performance for the last five years

Figure 4.1 Gross Written Premium from 2011 to 2015

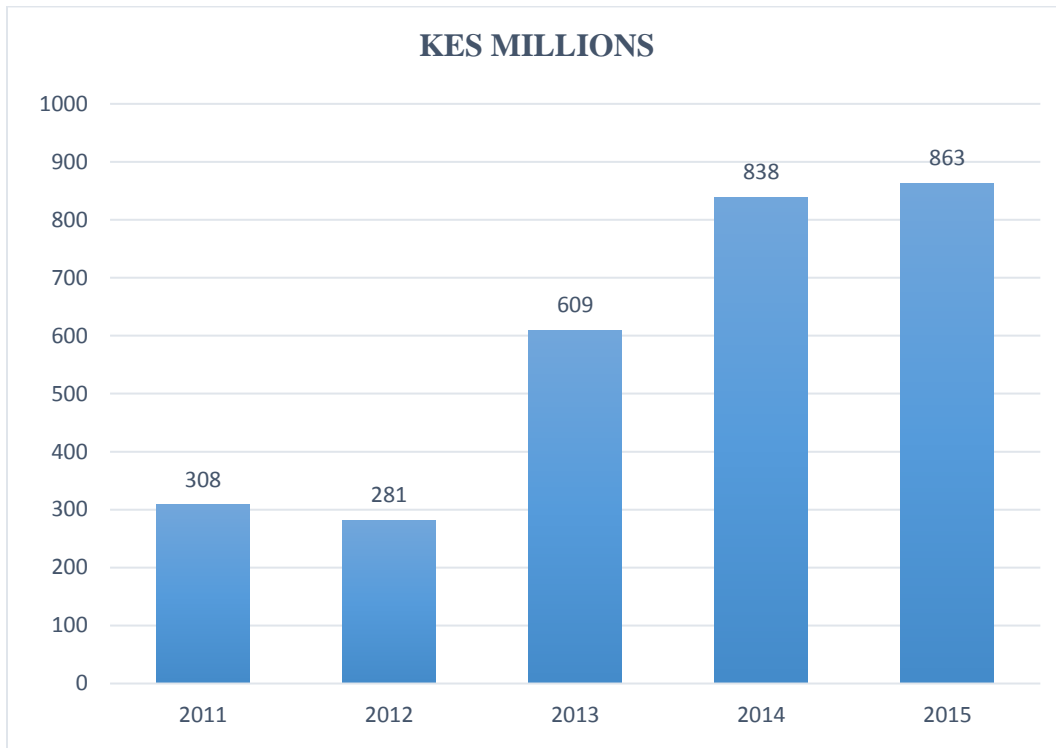


Source APA Annual Reports financial Statements 2015

Gross written premium has grown at compounded annual growth of 14.92%. Gross written premium has grown consistently from KES. 5billion in 2011 to 9.2 billion in 2015 a good

performance considering the many business challenges. The performance is attributable to sound strategic planning process and effective implementation process.

Figure 4.2 Profit Before tax



Source: APA Annual Reports and Financial Statements 2015

APA total assets have grown at compounded annual growth (CAGR) of 17.3% from 2011 to 2015 to stand at KES. 15.7 billion.

Figure 4.3 APA Growths in Assets 2011 to 2015



Source: APA Annual Reports and Financial Statements 2015

4.5.4 Challenges in Strategy implementation

The study confirmed that there were challenges experienced during the strategy implementation. These challenges included rapid changes in business environment that rendered some assumptions made during planning process to be untrue. This changes in assumption are dealt with through revision of the budgets or structure depending on impact they had on the strategy. The other challenges included regulatory changes and guidelines made by IRA to address gaps identified in services delivery by insurers and solvency. This changes included reduction timeline for settlement of claims admitted that call for revision of credit policy and internal process review. IRA is adopting Risk Based Supervision (RBS) where Insurers capital will no longer be uniform for General Insurers but based

nature of business underwritten and financial exposure. Risk based capital (RBC) requirement has made insurers to be more prudent in managing credit and writing certain class of business with high loss ratio that will increase the need to increase their capital base to match the financial risk exposure.

4.5.5 Strategy implementation and Staff performance

The study established that strategy implementation had a positive impact on staff motivation. The corporate objectives were aligned with each staff job description and daily activities that were required to be performed to achieve corporate objectives. Staff were appraised on half yearly basis and performance scored against agreed metrics for each functional area. The results of performance appraisal were used for salary adjustments, promotions, staff trainings and developing others incentives to motivate performance such as medical, staff loans and staff development.

4.6 Discussion

The study findings were compared with other empirical studies done previously. The study is clearly linked to the theories adopted. The study findings establish a nexus between strategy implementation and organization performance. Strategy implementation has many challenges and the finding confirms that resources and dynamic capabilities play an important role in successful strategy implementation which influences organization performance.

The study findings also confirms that strategy implementation has a positive impact on corporate performance that can be measured using financial and non-financial indicators. In the five years covered by the study APA performance in terms of gross written premium,

growth in assets and profitability has grown consistently. Other indicators of performance that were established during the study include increase in capacity to pay claims, growth product lines, and increase in number of employees and branch network. APA insurance also has gone regional and operate in Uganda under APA brand and has a substantial stake in Reliance Insurance in Tanzania.

The study finding also established that APA continue to be market leader in product innovation. It is among the first insurer to lunch products in the Agriculture sector providing insurance for livestock and crops farmers. APA has also lunched innovative products in the micro insurance business that provide cover for person in the low income segments that take credit from microfinance institutions.

The study finding established that strategy implementation had a positive impact on employees performance corporate objectives were aligned to employee's key performance indicators that were measured through performance appraisals conducted on half yearly basis. The performance appraisals results formed the basis for staff promotions, training, salary adjustments and other staff welfare. The staff appraisal have positive impact on staff performance as they provided feedback on actual performance which the staff could compare with expected performance. The appraisal also identified skills gaps and areas that staff needed to improve to enhance competency. The appraisal process also assisted human resource team and line managers on talent gaps to fill and formed the basis for staff recruitment and hiring. The study findings confirms that strategy implementation was used a mean to develop a pool of talent to facilitate smooth succession planning (Johnson et al, 2005)

The study findings established that strategy implementation was used as a basis for compliance with the regulatory environment. IRA continue to introduce guidelines and regulations for efficient and effective delivery of insurance services to the public. Some of the regulation include risk based capital requirement that compel insurers to change their capital based on risk exposure. Other regulations include settlement of claims and risk management function for insurers. This changes have impact on resources and capabilities where insurers are required to hire or develop the capabilities from within. Compliance with regulation is a major challenge in the implementation process as it requires that resources and capabilities have to be aligned constantly with the expectations of the stakeholders (Johnson et al, 2005)

The study findings confirms strategy implementation has great impact on overall APA performance in terms of financial, customer services, staff motivation, product quality and innovation, branch expansion, continuous improvement, distribution channels and improvement on internal processes. Strategy implementation is everyone's jobs and effective leadership is used to ensure that the organization is aligned and moving in the right direction (Kaplan and Norton, 2011).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter cover five major sections, this include the summary of the findings, conclusion of the study, limitation during the study, recommendations for policy formulation and suggestion for further study.

5.2 Summary of Findings

The study established that APA Insurance has five years strategy that follow strategic planning process and is reviewed every year. The top management has developed broad corporate objectives based on Balance Scorecard framework. The broad corporate objectives are used to develop Key performance indicators for each functional. Each staff job description is aligned to the corporate objectives and staff appraisal is done half yearly to measure how well each staff is doing against agreed KPI's.

A strategy has to get Board approval and afterward communicated downward from the top management team to line managers and finally to the subordinate teams in each functional area. Environment analysis is done that focuses on immediate environment such as competition, and suppliers and remote environment which include the legal and regulatory, technological, social cultural, demographic and political forces. SWOT analysis is used to analyze internal capabilities against opportunities and threats. The key objectives and initiatives are set by the top management team working together with the lines managers. The key objectives set are used to develop key performance indicators (KPI) for each staff. The line managers discuss key performance indicators with each staff and agree on activities that will deliver the objectives. Half yearly staff appraisal is done to measure

performance based on agreed performance scorecard whose outcome is used to determine promotion, salary increments, demotion, training and even redeployment.

The study confirmed that Financial and non-financial measures of performance have been adopted. The performance measures are aligned to the corporate objectives. Performance is measured using the balance scorecard that has four perspective's namely Internal, customers, learning and growth and profitability. The four perspectives are aligned to ensure that corporate goal and vision is realized.

The internal perspective focus on how to improve internal processes like underwriting and reinsurance, claims, risk and audit, human capital, and customer services. The objective of internal perspective is to deliver effective and efficient excellent customers experience. The internal perspective has a direct impact on the customer perspective and profitability. Excellent customer's services improves customer retention and therefore enable growth in business and premium income as paying claims timely reduces customer complaints and lower expenses that would have been incurred in litigation.

Learning and growth perspective is aligned to ensure that the business develops key distinctive capabilities that are necessary to impact positively on the internal, customer and profitability perspectives. Training, mentorship, staff appraisal process and reward system has been fully adopted to change behavior and deliver on the learning and growth perspective which is a critical area overseen by Human Resources Manager. Key performance indicators are in place to measure on the progress achieved for learning and growth perspective.

The customer's perspective is headed by business development managers and the key objective is to deliver financial solutions that will drive sales and subsequently meet premium income, pay expenses, claims and suppliers, generate investment income, and profitability objective to deliver a fair shareholder return. The business development team is in charge of products development and review, pricing, promotion and distribution. The team ensure that product meet the needs of the market and are competitive. Performance for business development team is measured in terms of premium income, sale volumes, mix and quality, loss ratio, and business persistency.

Profitability perspective is the core mandate of the finance team. The finance team ensure that proper accounting of assets is done, business activities such sales and operation are adequately financed and investment of asset cash is done prudently to deliver best returns. The finance team also set credit policy and ensure seamless collection of premiums earned. Compliance is also the core mandate of the finance team who ensure that the business comply with relevant laws and regulations. Preparation and presentation of financial reports is key performance area for finance team. Clear standards are in place to measure performance in terms of turnaround time for paying suppliers, salaries, facilitation of business development and processes, delivery of timely financial reports on revenue, investment income and expenditure, premium collections and compliance.

5.3 Conclusion

The study has confirmed APA has formal five years strategy which follow strategic planning process involving environmental scanning, formulation, implementation, evaluation and control. The five years strategy is broken in annual objectives and short term tactic for effective execution. Implementation process is an elaborate process that

includes putting strategy into action by developing budgets, policy and programs that are necessary to achieve the corporate objectives for a given period. Strategies alongside budgets are approved by the board directors and implemented by top management team and lines managers of different functional areas. Key Performance Indicators are developed from corporate objectives and each employee's job description and activities are aligned to the corporate objectives. Performance for each functional area is tracked and evaluated periodically to measure progress toward achievement of the corporate objectives. The corporate objectives are formulated using the balance scorecard.

From the study it is clear that APA like any others organization faces challenges in strategy implementation. Some of the challenges are outside the control of the organization, therefore it is very important that the organization be agile and by developing their capacity to enhance distinctive capabilities that will ensure that the organization remain competitive and is able to deliver on the corporate vision and objectives. Communication and understanding of the corporate objectives by all staff is also key to enhancing performance outcomes as this will ensure that all staff have a clear understanding of where the organization is headed and their roles in achievement of the corporate goals. Insurance industry is very dynamic and therefore it call for improvement of better management analysis tools. Urbany and Davies (2007) developed the three cycle analysis to get customer insight and gain competitive advantage. Three cycle analysis is very important analysis tool in complementing the SWOT analysis and developing unique selling propositions.

Finally the study has confirmed there is a relationship between strategy implementation and organization. The intensity with which organization undertake the implementation process has impact on organization performance.

5.4 Limitation of the study

Time was a limiting factor as the study was conducted at a time when the organization was undertaking the budgeting process and developing strategies for the year 2017. After making a formal request, it took days to get authorization to collect data. Senior managers were interviewed and they were able to provide details on the strategic planning process and performance for the last five years apart from providing annual financial statements and reports that are also available in the organization website. Other limitation was experience in carry research study of this magnitude as was my first time to carry out this type of research study.

5.5 Suggestion for Further Research

Based on the foregoing conclusion on the finding of this study, it is recommended other similar studies be carried out in other Insurance companies to establish the relationship between strategy implementation and performance.

5.6 Implication of the Study on Policy, Theory and Practice

The study support the Resource based view and Dynamic capabilities view that postulate that organizations are bundle of resources and capabilities that can be exploited to achieve a sustainable competitive advantage. The resources and capabilities are critical in sensing, seizing and transforming organization quickly to exploiting the emerging opportunities and dealing with emerging challenges (Teece, Pisano and Shuen, 1997, Teece, 2011).

The study has also shown that organizations that embrace formal strategic planning process, develop few key corporate objectives, clear budgets, processes, policies and programs, spend and align resources in the implementation process will perform better than organizations that pay little attention to the implementation process. The study findings will benefit both academia and practitioners as the insight will enhance sound strategy planning process and also ensure that there is more focus in implementation and developing dynamic capabilities within the organization for effective exploitation of opportunities and dealing with emerging challenges in the business environment. The study will also be beneficial to local and foreign investors that may use insight to evaluate investments options in the Insurance industry.

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Appendix 1: Interview Guide

Demographic Information

1. What is your role in strategy planning and implementation?
2. For how long have you worked for APA?

Insurance Industry challenges

3. What are the 3 biggest challenges in the Insurance Industry in Kenya?
4. How has IRA assisted in solving some of the challenges?
5. What broad approaches has APA adopted to overcome the challenges?

Strategic Planning Process

6. What is APA vision and mission?
7. How does APA undertake the following activities in the strategic planning process?
 - Environmental scanning
 - Strategy formulation
 - Strategy implementation
 - Evaluation and control
8. How often does APA review their strategic plan and what inform the review?
9. In the internal analysis what specific management tool(s) does APA use?
10. Who is involved in reviewing of APA strategic plan?
11. What are some of the challenges APA face in the strategy formulation stage?

Strategy Implementation and Performance

12. To what extent has strategy implementation increased effectiveness of meeting APA goals and objectives in the last five years?
13. How is the monitoring and evaluation of the strategy implementation done?
14. What specific management tools does APA use in strategy evaluation process?
15. Balance scorecard is a framework that has been adopted by some organization to get a balanced view of an organization performance, to what extent does APA use this framework?
16. What challenges/problems does APA face in strategy implementation process?
17. How does APA develop and measure staff performance?

18. How does APA measure organization performance and what are the most important performance indicators?

19. How has APA performed in the following areas in the last five years;

- Lead time in processing claims
- Growth in market share
- Internal processes improvement
- Claims Payments
- New products
- Customer services
- Corporate Social responsibility

20. What has been APA performance in last five years in the following areas?

- Gross written premium
- Claims ratio
- Profitability

Thank you

Appendix 2: Insurance Companies in Kenya

General Insurance companies

1. AAR Insurance Company
2. African Merchant Assurance
3. AIG Insurance Company
4. Allianz Insurance Company
5. APA Insurance Company
6. Britam General Insurance
7. Cannon Assurance Company
8. CIC Insurance Company
9. Corporate Insurance Company
10. Direct Line Insurance Company
11. Fidelity Insurance Company
12. First Assurance Company
13. GA Insurance Company
14. Gateway Insurance Company
15. Geminia Insurance Company
16. Heritage Insurance Company
17. ICEA Lion Insurance Company
18. Intra Africa Assurance Company
19. Invesco Insurance Company
20. Jubilee Insurance Company
21. Kenindia Insurance Company
22. Kenya Orient Insurance Company
23. Madison Insurance Company
24. Mayfair Insurance Company
25. Occidental Insurance Company
26. Pacis Insurance Company
27. Phoenix of East Africa
28. Resolution Insurance Company
29. Saham Insurance Company
30. Takaful Africa Insurance
31. Tausi Assurance Company
32. The Kenya Alliance Insurance Company
33. The Monarch Insurance Company
34. Trident Insurance Company
35. UAP Insurance Company
36. Xplico Insurance Company

Life Insurance Companies

1. APA Life Assurance Ltd
2. Barclays Life Assurance Ltd
3. British American Insurance
4. Cannon Assurance
5. Capex Insurance
6. CIC Life Assurance
7. Corporate First Assurance
8. First Assurance
9. GA Life Assurance
10. Geminia Insurance Company
11. ICEA Lion Insurance Company
12. Jubilee Insurance Company
13. Kenindia Assurance Company
14. Kenya Orient Life Assurance Company
15. Liberty Kenya Insurance Company
16. Madison Insurance Company
17. Metropolitan Insurance Company
18. Old Mutual Insurance Company
19. Pan Africa Insurance Company
20. Pioneer Assurance Company
21. Prudential Life Assurance Company
22. Saham Assurance Company
23. Takaful Africa Insurance Company
24. The Kenya Alliance Insurance Company
25. The Monarch Insurance Company
26. UAP Life Assurance Company

Reinsurance Companies

1. Kenya Reinsurance Company
2. Africa Reinsurance Company
3. PTA Reinsurance Company
4. E A Africa Reinsurance Company

Source: IRA Kenya (2015)

Appendix 3: Letter Authorizing Data Collection



UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE..... 20/9/2016

TO WHOM IT MAY CONCERN

The bearer of this letter..... PETER INYESA STEM

Registration No..... DBI/74713/2014

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
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

