

**" STRATEGIC ISSUE MANAGEMENT IN THE INSURANCE
COMPANIES IN KENYA "**

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BY

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**A RESEARCH PROJECT PRESENTED IN PARTIAL
FULFILMENT OF THE REQUIREMENT FOR THE DEGREE
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DECLARATION

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This Management Project is my own original work and has not been presented for a degree in any other University.

SIGNED.......... Date...19/10/05.....

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D/61/7253/02

This Management Project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

To my parents, husband, son,

Brothers, sisters and all my Friends

With all my love

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This study in its present form has been made possible by a number of people and institutions to whom I am greatly indebted and to whom I would like to express a lot of gratitude.

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ABSTRACT

The purpose of this study was to establish the current strategic issue management practices in the insurance companies in Kenya and factor influencing these practices. In order to meet these objectives, information was sought through the use of a questionnaire. The data collected was analysed using frequency tables, percentages, and other statistical measures.

The study established that most companies (96.7%) under the study had flexible plans to accommodate environmental impact/changes on their businesses as apposed to a few (3.3%) that did not. Changes in interest rates had the most profound impact on the companies under the study, followed by insecurity, increased competition, government policy and infrastructure in that order.

The study also established that though majority of Kenyan firms (more than 95%) practiced real time Strategic Issue Management, none demonstrated the use of European matrix as prescribed by Ansoff (1990) and that only 20% of the respondents alluded to the availability of an issue management department in their organization while 80% did not have.

The findings from the analyses led to three major conclusions; first, Companies need to continuously monitor strategic issues throughout the year in order to be able to realize the full potential of investing in SIM. The European matrix, method may help companies discover real time positive synergy; therefore it should not be ignored. Lastly, companies need a separate but highly networked department to specifically deal with strategic issues.

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CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 The Environment and Strategic Issue Management

The environment consists of variables that form the context within which firms exist (Hunger and Wheelen, 1995). Environment-serving organizations, such as the business firms, are in constant two-way interaction with the environment. They take in an assortment of resources from the environment, add value to them, and deliver them back to the environment in the form of goods or services. Successful environment-serving organizations are open systems. The 'open' property is made necessary by two factors: (1) continued organizational survival depends on its ability to secure rewards from the environment which replenish the resources consumed in the conversion process, and (2) continued maintenance by the organization of its social legitimacy. This latter requirement arises from the fact that in addition to their products and services, organizations produce side effects on the environment (such as air pollution or student riots), which may socially be undesirable (Ansoff and McDonnell 1990).

According to Pearce & Robinson, (1997), managing activities internal to the firm is only part of the modern executive's responsibilities. The modern executive also must respond to the challenges posed by the firm's immediate and remote external environment. The executive often is compelled to subordinate the demands of the firm's internal activities and external

environment to the multiple and often inconsistent requirement of its stakeholder. To deal effectively with everything that affects the growth and profitability of a firm, executives employ management processes that they feel will position it optimal in its competitive environment by maximizing the anticipation of environmental changes and of unexpected internal and competitive demands.

The Kenyan environment in which firms operate has been continuously changing. The political reforms introduced in the 1990s that saw the emergent of multiparty politics, the economic reforms that led to liberalization thereby opening the domestic market to international competition, the rapid technological changes, increased emphasis in regional integration and globalisation, change in customers needs and preference among others, have greatly affected businesses operating in Kenya. The environment in which firms operate has become unstable in that firms can no longer exploit their historical strengths. Hence successful firms have to continuously scan their environment in order to identify future economic, competitive, technological, social and political discontinuities (Wanjohi, 2002)

According to Ansoff and McDonnell (1990), a strategic issue is a forthcoming development, either inside or outside of the organization, which is likely to have an important impact on the ability of the enterprise to meet its objectives. Strategic issue analysis is the analysis of the impact and response of the organization to significant development in the environment.

Strategic issue management has been proposed very recently, whereas strategic management was proposed forty years ago. Strategic issue management (SIM) was proposed in the late 1970's and

structured as a part of strategic management discipline in the early 1980's (Ansoff, 1980).

Strategic issue management is one set of organizational procedures, routines, personnel, and processes devoted to perceiving, analysing and responding to strategic issues (Dutton & Ottensmeyer, 1987). This management system enhances an organization's capacity to adapt and learn more effectively (Dutton & Jackson, 1987). Ansoff (1980) proposed SIM as a product of evolution of strategic management. He wrote the need of SIM as below:

The concept of strategic issues first appeared during the evolution of strategic planning. When strategic planning was first introduced in practice, the experience quickly showed this to be both impractical and unnecessary. Impractical because strategy revision is energy and time absorbing exercises which, if conducted annually, overloads management. Unnecessary because a strategy is a long term thrust which takes several years to implement. Unnecessary annual revisions, instead of improving a strategy, will cause vacillations in managerial behaviour and prevent a fair test of strategy (Ansoff, 1980,p.133).

According to Ansoff (1980), SIM does not replace the role of strategic management. Rather, SIM is a management tool for effective and efficient employment of strategic management system. As the level of environmental turbulence increases, the need for SIM has increased accordingly. Ansoff proposed two rationales for the need of SIM. First one is the cost efficiency concern. Regular strategic management system is too expensive and requires huge resources and managerial capacity. Secondly, SIM is needed for the firms whose basic strategic thrusts are clear and stable but the environment is turbulent. The firm can establish its long range planning,

but the environment is turbulent enough to affect its performance. In this case, SIM is an essential tool to explore the environmental turbulence.

1.1.2 The Insurance Industry

Part 1 Section 2(1) of the insurance Act, Cap. 487 of the laws of Kenya defines insurance business as a business of undertaking liability by way of insurance (including Reinsurance) in respect of any loss 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.

The insurance industry in Kenya can be traced back to the establishment of the colonial rule at the beginning of the 20th century. Until the 1980s the industry operated in a rather stable environment. However, following the Government's directive in 1978 that required foreign Insurance Companies to be locally incorporated or leave, many new insurance companies sprung up in the 1980s thereby changing the structure of the industry and increased the level of competition. With the introduction of the Insurance Act Cap 487 of the laws of Kenya in 1987, Government supervision in the industry increased. The political, social and economic reform introduced in the 1990s and the unfavourable economic conditions have greatly affected the growth of the industry. These changes pose major threats or opportunities to the firms in form of: - major loss of market share, drastic increase in the cost of doing business, or a ground floor entry into a new business. (Wanjohi, 2002)

1.1.3 Challenges facing the Insurance companies in Kenya

The Association of Kenya Insurers (AKI) maintains that the economic and business environment and circumstances within and without the country have evolved and in some circumstances changed quite dramatically. This tide of change has not spared the insurance industry currently facing one of the most challenging periods in its history (Koima, 2003).

With the Liberalization of the economy, competitive forces in both the external and internal environments offer unprecedented challenge in the operations of the insurance industry (COI Report, 2000). In the recent past, consumers of insurance products have lost their savings as a result of firms winding up their operations. First to wind up was the Kenya National Assurance Company limited ironically a monopoly at the time, going under with government investments and policyholder's fund (Kimura, 2002). The second was Access insurance, then Stallion Assurance and lastly Lakestar that was put under liquidation (COI Report 2001). Even when the companies have not gone under, majority are forced to lay off large numbers of employees (Koima, 2003).

The number of insurance companies has continued to increase, many new companies sprung up in the 1980's and many more were incorporated in the 1990s following the liberalization of the economy. This move has seen the number of registered companies grow from 15 in 1978 to 38 according to the Association of Kenya Insurers list (2004). Competition has further been aggravated by the springing up of many non-insurance companies such as the Health Management Organization (HMOs), pension administrative schemes and the new entrant in the

mortgage sector. These provide services that traditionally were the domain of insurers. The opening up of the Tanzania and Uganda insurance markets and the increased emphasis on globalisation and rationalisation has also increased competition in the industry.

The problem of insecurity being experienced in various parts of Kenya arising from instability in the bordering countries and the worsening poverty situation in the country also poses as a greater challenge to the insurance companies today. Due to the increased crime rate especially in the urban areas and that the general public is now more informed and aware of insurance, companies continue to experience heavy losses particularly theft and compensation for bodily injury (Wanjohi, 2002).

In 1999, Parliament enacted legislation, the Finance Act, which made it mandatory for the insurance companies to invest 20 per cent of their asset in long - term Government securities. Among others, this hampered their participation in the stock market and limited their investments options (Government of Kenya, 2001). Similarly, for companies listed in the stock exchange, their performance in a depressed economy is mirrored in the unstable share values. For those who sought respite from the local stock market by investing in offshore markets, the good times came to an end with the collapse of world stock markets in 1999 (Koima, 2003).

The introduction of the Retirement Benefit Act, 1997 has not spared the industry. It has allowed new competitors and increased regulation in the industry. Under the Act, insurance companies were required to increase their paid up capital to safe guard the large sums of money in the pension. Further, the Act also stipulates that other than the fund administrator, pension scheme

have to appoint a fund manager and a custodian, thus causing the cost of running the scheme to go up considerably. Consequently, small pension schemes have had to wind up. This is a loss to the insurance companies (Wanjohi, 2002).

The sector has been making substantial losses; one of the areas where major losses are made is transport. The Association of Kenya Insurers' chief executive Tom Gichuhi said that cost of accident and death caused by 'matatu' was so enormous to the insurance industry. He noted that insurer were collectively losing in excess of Sh6 billion per year through 'matatu' instigated road traffic accident. Responding to the call to reduce premiums after the new 'matatu' rules, Gichuhi said that the Insurance firm would give the Government at least one year to implement and enforce the reform in the 'matatu' industry before reviewing the premium. (Daily Nation/Tuesday January 27, 2004).

Life insurance premiums are set to increase if a proposed amendment to the HIV/Aids Prevention and Control Bill 2003 is passed by parliament. The Association of Kenya Insurer believes that if the bill becomes law, it will ultimately make the cover expensive, forcing people to seek cheaper cover abroad (Daily Nation/Tuesday May 4, 2004). This will amount to loss of business to the insurance companies.

The role of insurance companies cannot be downplayed. Insurance continues to play an important role in the development of the economy hence the survival of the industry should not be left to chance. According to Irukwu (1975), in the national economy insurance plays two vital roles: -

- i. *Insurance as an economic device which is vital to the survival of other business, by accepting to bear the financial loss of the insured persons and institution, insurance provides stability to both individuals, industrial and commercial undertakings*
- ii. *Insurance as a financial institution accumulates funds, which they invest in the economy, in Government and in privately owned industrial projects.*

Insurance is an indicator of social progress. According to Ejiofor (1975), insurance plays a role in teaching, motivating people to save, invest and in encouraging responsible family headship and property ownership. The companies also offer employment opportunities to a large proportion of the country's population.

Ogulana (1973) suggests that in addition to the conventional roles, African insurance industry should become one of the vital weapons in war against under development as represented in poverty, disease, illiteracy, unemployment, adverse balance of trade and similar features prevalent in Africa.

1.2 Statement of the Research Problem

The business environment within which the insurance companies operate has experienced several changes. These include: - increased competition, increased government supervision, political reforms, social reforms, and the unfavourable economic conditions. All these factors have greatly affected the growth of the industry. Insurance plays a significant role in the country's economic development, thus continued success and survival of the insurance companies in this changed environment is vital. Studies carried out elsewhere in the world indicate that many firms which have been faced with similar challenges have started organizing for 'Issue Management' that is, developing a systematic process by which the company can identify, evaluate, and respond to strategic issues affecting the company (Oomens & Bosco 1999).

A number of studies on strategic issue management have been carried out in other industries. Oomens&Bosco (1999) carried out a research on strategic issue management in major European-Based Companies. Another study was conducted by Ng'ang'a (2001). This focused on real time strategic management practices in the Kenya's companies quoted on the Nairobi Stock Exchange. Little attention, however, has been paid on strategic issue management in the insurance companies in Kenya. Therefore a knowledge gap exists in this area, which the study aims at bridging.

Insurance deals with risks; that is, the unexpected occurrence and so if there is any industry, which needs to be concerned about strategic issue, then it is the insurance industry. With this in

mind, one would therefore expect that the insurance companies have responded to the changed environment by organising for 'Issue Management'. It is upon this premise that this study is being carried. From a managerial point of view, the key questions are: "What are the current strategic issue management practices in the insurance companies in Kenya? What are the factors influencing these practices?" This study aims at answering the above questions.

1.3 Objective of the Study

1. To establish the current strategic issue management practices in the insurance companies in Kenya.
2. To establish the factors influencing strategic issue management practices in the insurance companies in Kenya.

1.4 Importance of the Study

The study will be of importance to the following: -

1. The research will help managers of insurance and other firms to understand the importance of strategic issue management.

2. Insurance companies will benefit from the research by using the best practice guidelines that will be highlighted in the study and consultants may use the research to advice interested parties on effective strategic issue management practices
3. The study will help managers of insurance companies and other organizations to take note of some of the major factors likely to influence strategic issue management practices
4. Scholars to whom the study can form a basis for further research. It will also contribute to the available literature in the strategic management theatre.

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CHAPTER TWO: LITERATURE REVIEW

2.1 Strategic Management

Ansoff (1990) define strategic management as a systematic approach, which involves positioning and relating the firm to its environment in a way, which will assure its continued success and make it secure from surprises. Johnson and Scholes (2002) argue that strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into action.

The external environment, internal resources and competences and the expectations and influence of stakeholders influence the strategic position of an organization. Strategic choices include the underlying bases of choice at the corporate and business level, the direction and the methods of development. Strategic management is also concerned with understanding which choices are likely to succeed or fail. Translating strategy into action is concerned with issues of structuring, sourcing to enable future strategy and managing change.

The key concept in strategic management is 'strategy'. According to Thompson and Strickland (1993), an organization's strategy consists of moves and approaches devised by management to produce successful organizational performance. It guides how an organization conducts its business and how well it will achieve its targets. A strategy is a unified, comprehensive, and integrated plan that relates the strategic advantages of the firm to the challenges of the

environment. It is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization (Jauch & Glueck, 1988).

Strategy is therefore a fundamental framework through which the organization can simultaneously assert its vital continuity and facilitate its adaptation to the changing environment. It is a tool of the top management team for coping with both external and internal changes. It is the match between the organization resources and skill and the environmental opportunities and risks it faces and the purposes it wishes to accomplish (Wanjohi 2002).

2.2 The Concept of Strategic Issues

The analyst can adopt three perspectives when examining strategic issues: a strategy perspective, a Business and Society perspective, and a Public Policy perspective. These perspectives are reflected in the academic literature. Igor Ansoff (1980) one of the first scholars in the strategy field who analysed the importance of strategic issues, defines a strategic issue as: "...a forthcoming development, either inside or outside of the organization, which is likely to have an important impact on the ability of the enterprise to meet its objective." The strategy literature pays particular attention to the impact, which the strategic issue may have on a company. The Business and Society literature on strategic issue focuses on the potential gap between the company's actual performance and the performance, which is perceived or expected by the company's stakeholders. This is reflected in the description given by one of the prominent scholars in the field: Post (1983) defines a strategic issue as "...a gap...between what the organization's relevant publics expect its performance to be and the organization's actual

performance.” The Public Policy perspective traditionally stresses the controversial aspect of strategic issue: how to reconcile the conflicting claims of the external stakeholders as the legitimate representative of the society (Oomens & Bosco 1999).

Wartick & Mahon (1994), tried to integrate these different perspectives in the literature on strategic issues. They suggested that a corporate strategic issue has three key elements: Gap, Controversy, and Impact. Extending the approach of Wartick & Mahon (1994), Oomens & Bosco (1999), proposed to consider these three attributes in sequence. A strategic issue is based on Gaps, which arise between the perception of management and other stakeholder regarding corporate performance. These Gaps may give rise to Controversies, which may have a significant present or future Impact on the organization. Looking at these elements in a sequence way suggest that companies can be involved in managing strategic issue from the very beginning the (Gap stage), from the Controversy stage or at the Impact stage.

According to Ansoff and McDonnell (1990), Strategic issue management (SIM) relies heavily on strategic surveillance through environmental scanning and special alert controls and also employs the technique of object gap analysis to ensure that operational controls are in place. This requires organizational capabilities, which facilitate management response to surprising changes.

Heath (1986), observed that speaking as chairman of the Issue Management Association, Chase (1982) offered the following widely quoted definition: “issues management is the capacity to understand, mobilize, coordinate, and direct all strategic and policy planning function, and all

public affair / public relations skills, towards achievement of one objective: Meaningful participation in creation of public policy that affect personal and institutional destiny.

According to Oomens & Bosco (1999) scholars have devoted a great deal of time and effort drawing up models presenting the Issue Management process as a sequence of steps to be executed. In general, the following steps can be found in these models: Scanning or monitoring the environment, Issue identification, Prioritisation, Analysis, Strategic Decision and Action Programs, Implementation, and Evaluation.

As Ansoff and McDonnell (1990) assert, environmental changes have become more complex and novel. As future become more complex, novel and less flexible, systems become correspondingly more sophisticated. Where the environment is unpredictable and full of surprises, management by flexible and rapid response is needed. Such management requires creativity, novelty, flexible and entrepreneurial approach. This requires managers to practice strategic issue management, contingency planning, weak signal issue management and surprise management. The planning of positioning responses is an organization wide process lasting several months and involving many level of management. It is slow and cumbersome to cope with unanticipated mid year surprises". With increased environmental surprises, firms have begun to use real- time system called Strategic issue management (SIM). SIM offers the following benefits: timely preparedness and anticipation of new development, promote quick internal reaction time, response to problems which may arise from any source, economic, political, social or technological. It is a lightweight system not affected by organizational size and complexity and is compatible with most organizational structure and system.

Heath (1986) mention that the proponents of strategic issue management assert that it is unique in the following ways; It is proactive rather than reactive, it allows companies to intersect problems at an early stage, and it requires application of substantial empirical and qualitative analysis to solve corporate planning problems. He concluded that strategic issue management is also a breakthrough because its systematic corporate approach matrix function demand a synergism that reach beyond traditional department boundaries for establishing a platform of fact, value and policy in corporate performance while communicating with target public (including the company's senior manager).

According to Ansoff (1990), a strategic issue management system is a systematic procedure for early identification and fast response to surprising change both inside and outside an enterprise. SIM is "Real time", continuously preoccupied with strategic issue throughout the year. This implies continuous review, and updating of key strategic issue list impacting either positively or negatively on an enterprise. It involves continuous surveillance and identification for the "hot and urgent" issue /factors which need immediate action. Unlike long range planning and strategic planning systems, which are done in a discontinuous environment, SIM should be chosen and practiced in both surprising and discontinuous environmental turbulence. Depending on the relative expected impact of an issue, firms which practice SIM are capable of identifying and separating urgent strategic issues from those that can be delayed or postponed quite early and put up mechanisms to solve such urgent issues.

2.3 Strategic Issue Management Practices

According to Ansoff and McDonnell (1990), four different SIM practices can be identified which have been referred to as SIM analytical techniques. (These techniques are more or less graduate modification of one from the other).

The first one is the use of a simple environmental impact analysis, which analyses one event/trend at a time and does not concern itself with their interdependence. Threats /Opportunities and future Strength and Weakness can be identified from the continuous surveillance of three sources (external environment trends, internal capability trend and performance trends). The continuous surveillance ensures identification of sudden, fast and potentially surprise changes.

The second technique is a more complex called cross-impact analysis, which can be added in order to estimate the likelihood of simultaneous occurrence of several events/trends. This analysis produces clusters of events/trends, which are likely to impact together on the firm, and facilitates identification and preparedness of probable future disaster scenarios or opportunity scenarios.

These two approaches may be complemented by SWOT matrix. SWOT identifies the threats and opportunities posed by each issue and match them to the historical strength and weaknesses of the firm. Opportunities which can be captured using the firm relevant strength are given high priorities; opportunities which require capabilities which are weak in the firm are not pursued;

Threats which can be avoided using the firm's strength are vigorously avoided; Capabilities which are too weak for response to serious threat are built up and converted into strengths. The underlying assumption in the SWOT analysis is that the historical strengths and weaknesses will remain there in the future

The third technique is a more elaborate which is referred to as the issue ranking approach. It involves a continuous environmental surveillance through trend analyses (external environment, internal capabilities and internal performance) and SWOT identification. Impact and urgency of the trends are estimated and presented as key strategic issue to top management at frequent meetings and whenever a new major threat or opportunity is perceived. Then together with planning staff, top management sort issues into one of four categories:

Highly urgent issues of far reaching effect which require immediate attention (i.e. Urgent Issues); Moderately urgent issues of far-reaching effect which can be resolved during the next planning cycle (i.e. Postponable Issues); Non-urgent issues of far-reaching effect which require continuous monitoring (i.e. Delay able Issues); Issues that are "False alarm" and can be dropped from further consideration (i.e. Minor Issues).

The urgent issues are assigned for study and resolution either to existing organization units, or to special task forces. The resolution of issues is monitored by top management both for strategic and tactical implications. The list of the issues and their priorities is kept up to date through periodic review by the top management.

The fourth technique which was first developed and used by a French consulting firm named Eurequip and is referred to as "adding the Eurequip Matrix" to the issue ranking approach above. In this case, the impact and urgency of issues are done after synergy analysis. Both positive and or negative synergy evaluation is done for the issue's impact and issue's urgency. A positive synergy occurs when strengths and or weaknesses are applicable to responding to threats and opportunities. A negative synergy occurs when neither strengths nor weaknesses help deal with threats and opportunities.

2.4 Organizing for Strategic Issues

Oomens & Bosco (1999) using a strategic perspective suggests that there are three ways of organizing for strategic issues: Corporate Level, Functional level, and Process-Oriented. The three forms differ regarding a number of characteristics. For example, the analysis in the first form is at the corporate level, while in the process-oriented organization, the business level and the local operating companies play a key role. The location and the focus of the analysis influences the decision-making on strategic issue. If the analysis is made at the corporate level and the focus is on corporate issues, decision-making tend to be centralized. If the location and the focus of the analysis are at the business and operating company level, this produces a more decentralized decision-making process. So the three organization approaches imply a low, medium, and high organization-wide involvement as shown by the Table 1 below: -

Characteristic	Corporate level	Functional level	Process - Oriented
Location of analysis	Corporate staff	Functional departments	Business Unit & Operating Companies
Focus of analysis	Corporate issues	Functional area issue	Corporate, Business & Location issues
Decision -making	Centralized	Largely centralized	Decentralized
Extent of organization- wide involvement	Low	Medium	High

Table 1 Organizing for SIM, [source: Partly based on Lenz & Engledow (1986)]

As soon as an important strategic issue has been identified, they should be 'allocated' to a particular person in staff or in line management, who will be responsible for monitoring and managing it. According to Oomens & Bosco (1999), there is general consensus in the literature that senior managers should be made responsible for important strategic issues and that staff members should play a supporting, advising and coordinating role. There is also consensus that Issue Management should be part of strategic decision- making processes, that is, formal planning and appraisal session, and that top management commitment to Issue management is crucial

According to Oomens & Bosco (1999), firm can use proactive or reactive strategies in their response to issue. When a reactive attitude is adopted the level of organizational and managerial

involvement in strategic issue is low. Only corporate staff members are working on issue management. Although these staff members can anticipate and identify issues at an early stage, most issues still will only be acted on when the issue has actual impacted on a business unit or an operational company. The line manager handles the issue at the impact-stage and they will have to act first to implement a (reactive strategy). In a proactive setting the line managers are involved from the Gap-stage of an issue, they can make a choice between being proactive now (e.g. anticipating and acting before something has happened, taking the initiative by changing policies, releasing information, or cooperating with stakeholders) or doing nothing and waiting, and implementing a reactive strategy if something happens, defending and adjusting if necessary. Considering all the complex and interacting factors, the line management can decide what to do, depending on the nature of the issue, it's estimated impact and probability of occurrence, whether the issue touches on core activities or entails competitive advantages, top management's preference and attitude, the company's culture and the dominant logic.

2.5 SIM and Organizational Factors

According to Ansoff and McDonnell (1990), there are factors that may influence SIM practices. These factors include top management's response behaviour towards diagnosing perceived trends. The urgency of real time counter measures to be undertaken to arrest perceived losses or to exploit a perceived opportunity may be determined by the management response at / or before /or after the rational trigger point. They define Rational trigger point as the point at which cumulated data show, with a high degree of confidence, that decline in performance will not be reversed and special counter measures are required. In the same vein, Ansoff (1990) discerned

the requirements of strategic leadership other than operational efficiency. The leverage of strategic role to explore the future environmental opportunities is essentially required for top-level managers.

They also assert that the use of weak signal may determine the effectiveness of the strategic issue management (SIM) response. Weak signals, imprecise early indications about impending impactful events, such weak signals mature over time and become strong signals. (Ansoff 1990)

The organizational structure has been argued as a primal factor for organizational adaptation to the environment. Organizational structure embedded in the organization routine or process is the main characteristic of organizational decision-making. The management of organization is premised on a set of basic assumptions on the part of its managers regarding organization structure, decision making processes, and ultimately human behaviour, that are significantly different from those that underlie the economic and behavioural theories that currently dominate academic analysis of business organizations (Bartlett & Ghoshal, 1993). Other factors include: - company size, ownership and control, Industry competition, culture, technology, innovation, changing environment, performance results and infrastructure.

2.6 Challenges of strategic issue management

According to Ansoff and McDonnell (1990), installation and acceptance of SIM is not likely to be simple. The difficulties come from different sources. The first is the refusal of the top management group to submit itself to the discipline of SIM. Periodic planning is frequently used

for organizing 'the others' in the enterprise. If top management refuses to become part of the process, periodic planning can still make a useful contribution to the enterprise. But if top management pay a lip service to SIM (and for example appoint a staff planner to 'manage' the war room) SIM will not work.

Refusal to take charge is frequently coupled with a mentality problem, a refusal by top management to accept new and unfamiliar issues as relevant to the enterprise. Thus the acceptance of SIM by top management is the major problem to solve. The solution is a 'sales campaign' by the 'converted' subgroup of general managers. Careful education, and an involvement in confrontation of issues by the top group, is more promising courses of action. In cases when the new realities require a transformation of mentality of key managers the firm will probable need external help.

Installation of SIM in organization usually meets enormous resistance from the impacted group. In the implementation stage, the strategy itself may be changed so the expected results may not be attainable. In the highly competitive, technologically driven environment, scarce resource may hinder the installation of strategic issue management.

2.7 Conclusion of Literature Review

In conclusion, the above literature review reveals that, SIM is a systematic organizational environmental surveillance and filtering processes embedded in the organizational structure. The environment itself is dynamic and discontinuous and therefore SIM is necessary to enhance

organizational preparedness in meeting novel turbulent challenges. The principal limitation of the strategic issue management system is that, while it reacts to individual departures from the historical dynamics, it does not permit the management to rethink and redefine these dynamics as is done in periodic strategic planning. SIM need key manager's support and it cannot be made to work unless key managers in the organization accept a central role in the system. However, it has been noted that there are both environmental and internal issue, which may hinder effective execution of strategic issue management.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study aimed at establishing the current strategic issue management practices in the insurance companies in Kenya and to determine the factors influencing these practices. To achieve this, a descriptive survey was considered more appropriate as it enabled the researcher to collect a considerable amount of information required for generalization.

3.2 Population

According to the Association of Kenya Insurers list (2004) there were 38 registered insurance companies in Kenya. Since the insurance companies operating in Kenya are few, the researcher carried out a census study. This gave each company an equal opportunity of being interviewed, consequently making the data representative of the Kenya insurance companies.

3.3 Data Collection and Analysis

The study used primary data. The primary data was collected using a questionnaire containing structured questions (see appendix 11). In the construction of the questionnaire the researcher drew upon a number of sources; the works of Wanjohi (2002), Ng'ang'a (2001) and Busolo (2003). The questionnaires was administered using the 'drop and pick later' method, which is a modification of mail questionnaire. Each insurance company was issued with one questionnaire. The questionnaire was addressed to Chief Executive Officer.

The study used descriptive statistics in analysing data. This involved the use of frequency tables, percentages, and other statistical measures. The strategic issue management practices were analysed using frequency distribution and percentages. Frequency tables were used for arraying data obtained to facilitate working out percentages. Percentages reveal the proportions of different attributes being studied for relative comparison. The analysed data is presented in form of tables, charts and graphs.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Overview

This chapter dealt with data analysis and interpretation of the research findings. The data in this study was summarized and presented in the form of tables, graphs, pie charts, frequencies and percentages. The study was conducted as a survey covering all the 38 registered insurance companies in Kenya according to the Association of Kenya Insurers list (2004). The theme of the study was derived from the research objectives that guided the study. The findings are organized according to variables, as they appeared in the questionnaire. A total of 38 questionnaires were dispatched but only 30 duly filled questionnaires were returned, representing 79% response rate.

4.2 Organisations Profile

4.2.1 Years in operation

The study sought to establish the duration in which the companies had been in operation. Figure 1 below shows their response:-

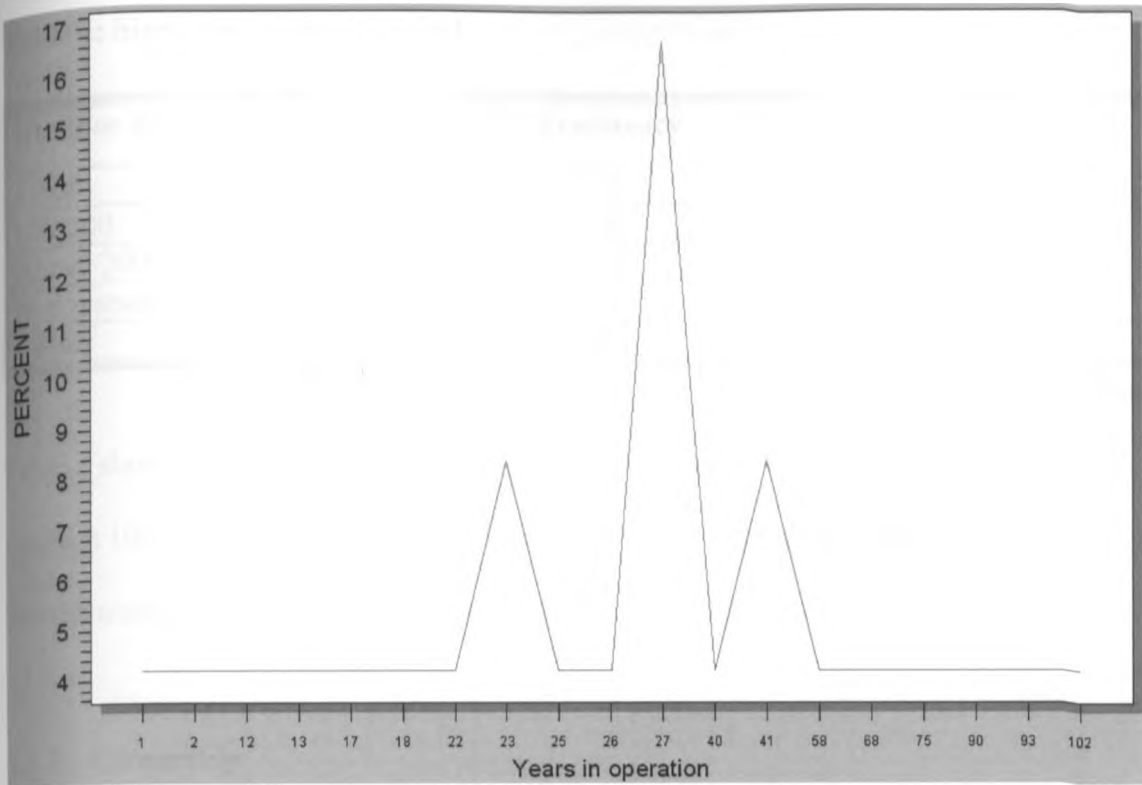


Figure 1: Years in operation

Source: Response Data

Results above indicate that 4.2% of the companies that participated in this study had been in operation for more than a century. 8.4% between 22 and 25 years; 16.6% between 26 and 40 years and 8.4% between 40 and 58 years.

4.2.2 Size

It was of paramount importance to establish the size of companies under the study because it was deduced that size might, to a large extent affect strategic issue management. The size of the companies studied was classified according to the number of employees in the year 2003. This was because the total equity and number of shares were not readily available.

Table 2: Size of companies studied

Number of employees	Frequency	Percentage
1-100	15	50 %
100-200	6	20 %
Above 200	3	10 %
Non response	6	20 %
Totals	30	100%

Source: Response Data

Table 2 shows that 50% of the insurance companies had between 0-100 employees. 20% had between 100-200 employees while 10% had above 200 employees in the year 2003. This implies that the majority of the insurance companies studied (50 %) have between 1-100 employees.

4.2.3 Ownership

The study also sought to find out the type of own ownership of the responding companies.

Table 3: Ownership of the companies

Ownership	Frequency	Percentage
Local	23	76.7 %
Foreign	1	3.3 %
Joint venture	4	13.3 %
Non response	2	6.7 %
Total	30	100%

Source: Response Data

Table 3 shows that, 76.7% of the companies that participated were locally owned, 13.3% were joint ventures and 3.3 % were foreign owned. This implies that the majority of the insurance companies that participated in the study (76.7 %) are locally owned.

4.2.4 Number of Directors

Table 4: Number of Directors

Number of directors	Frequency	Percentage
4-5	12	40 %
6-7	11	36.7 %
7 and more	2	6.7 %
Non response	5	16.6 %
Total	*30	100%

Source: Response Data

Table 4 shows that 40% of the companies that responded had 4-5 directors, 36.7 % had 6-7 directors while those with 7 and more directors were 6.7%. This implies that majority of these companies (40%) had between 4-5 directors.

4.2.5 Type of business underwriting

The study also intended to establish the type of business underwriting under which the companies operated.

Table 5: Business Underwriting

Business	Frequency	Percentage
General	12	40%
Life	3	10%
Both	15	50%
Total	30	100%

Source: Response Data

Table 5 show that, majority of the respondents (50%) were operating both general and life insurance. Those operating general insurance only were 40% while 10% offered life assurance.

4.2.6: Number of Branches

The respondents were asked to state whether or not they had branches/or associated companies making up their portfolio and the exact number of such branches and whether they are situated locally or in foreign countries.

Table 6: Numbers of Branches

Status	Frequency	Percentage
Yes	29	96.7%
No	1	3.3%
Total	30	100%

Source: Response Data

Table 6 shows that 96.7% of the insurance companies had branches while 3.3% did not have. Of these companies, only three had branches outside Kenya.

4.3 The Business Environment

4.3.1 Environmental turbulence perception

The swiftness to perceive business environmental dynamics and changes may affect strategic issue management. To this effect, the respondents were asked to describe the changes in the external environment they had been operating in within five years ago. A total of 27.6% said the changes had been relatively stable while 72.4% asserted that the environment had been continuously changing and therefore igniting regular changes in their annual operating plans.

Further, the respondents were asked to state whether their plan were flexible enough to accommodate adjustments congruent with changes in environmental parameters. Figure 2 below shows their response:-

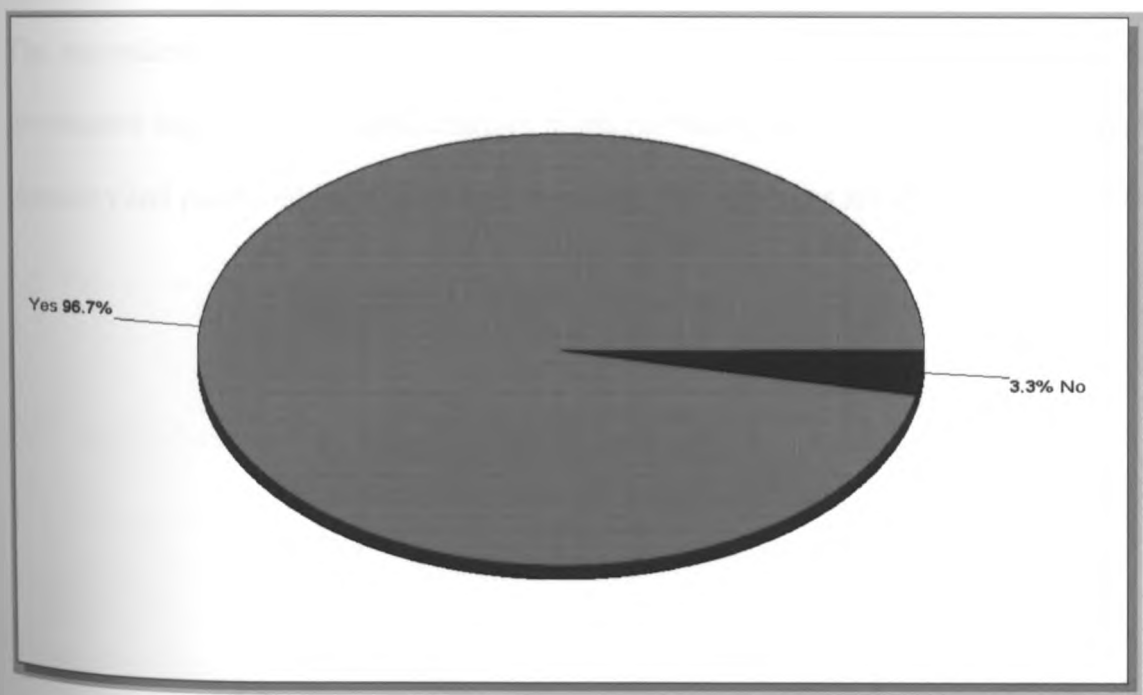


Figure 2: Flexibility in plans

Source: Response Data

The results show that 96.7% of the companies under the study had flexible plans to accommodate environmental impact/changes on their businesses as opposed to 3.3% that did not. This study therefore concludes that companies that have flexible plans vis-a viz recurrent changes in the business environment are likely to be dynamic and thus respond positively hence remaining competitive as opposed to those with rigid plans. In support, Ansoff and McDonnell (1990) asserted that environmental changes have become more complex and novel. Therefore, as future become more complex, novel and less flexible, systems should become more sophisticated. The study thus recommends to the management of insurance companies to adapt their creativity, novelty, flexible and entrepreneurial approach to be able to cope with the unpredictable and surprising environmental challenges.

4.3.2 External environment trends affecting business growth

The study sought to establish the external environmental trends affecting the growth of business. The respondents were thus asked to rank (in terms of major, minor and no effect at all) the government legislatives changes, changes in interest rates, increased competition, infrastructure, insecurity and perceived impacts on their business. The responses are shown in Table 7 below:-

Table 7: External environments

EXTERNAL VARIABLE	MAJOR		MINOR		NO IMPACT	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Government legislation	16	53.3	14	46.7	0	0
Changes in interest rates	22	75.9	5	17.2	2	6.9
Increased competition	19	63.3	9	30	2	6.9
Infrastructure	11	37.9	15	51.7	3	10.3
Insecurity	20	66.7	9	30	1	3.3

Source: Response Data

The results above shows that the changes in interest had the most impact (75.9%) on the companies studied, followed by insecurity (66.7%), increased competition was the third (63%) government policy ranked fourth overall (53.3%) while infrastructure had the least impact (37.9%).

4.4 Practices of Strategic Issue Management

4.4.1 Study of strategic issues

The respondents were asked to state whether they usually study strategic issues, which affect their operation. They were therefore required to highlight whether or not external environmental trends, internal business and capability issues and performance trends were categorical strategic issues worthy their concern. Table 8 below shows their response:-

Table 8: Study of strategic issues

Strategic issue	Yes (percentage)	No (percentage)
a) External environmental trends	96.3	3.7
b) Internal business & capability issues	96.6	3.4
c) Performance trends	100	0

Source: Response Data

The results reveal that (96.3%) insurance companies in Kenya do study external environmental trends, (96.6%) internal business and capability issue and (100) Performance trend. These companies are therefore most likely to respond proactively to myriad environmental dynamics in their industrial domain i.e. according to Ansoff (1990); SIM involves continuous surveillance and identification of the “hot and urgent” issues/factors, which need immediate action in response to surprising changes both inside and outside the enterprise.

4.4.2. Commitment to strategic issues

The analysis of strategic issues affecting a business enterprise is not “a one-time stop affair”. It is supposed to be unremitting, dynamic and enhanced. The study therefore sought to establish from the respondents whether they remain preoccupied throughout the year with checking strategic issues affecting their daily operations. A large percentage (86.7%) asserted that they do while 13% said they do not. These results are very positive because the experts in business suggest that SIM is “real time”, which require continuous preoccupation with strategic issues throughout the year. The companies that do not continuously monitor strategic issues throughout the year are

advised to take deliberate steps to do so in order to be able to realize the full potential of investing in SIM. Further, from those who answered in affirmative (86.7%), the study sought to establish the frequency at which they reviewed those strategic issues. Figure 3 below shows their response:-

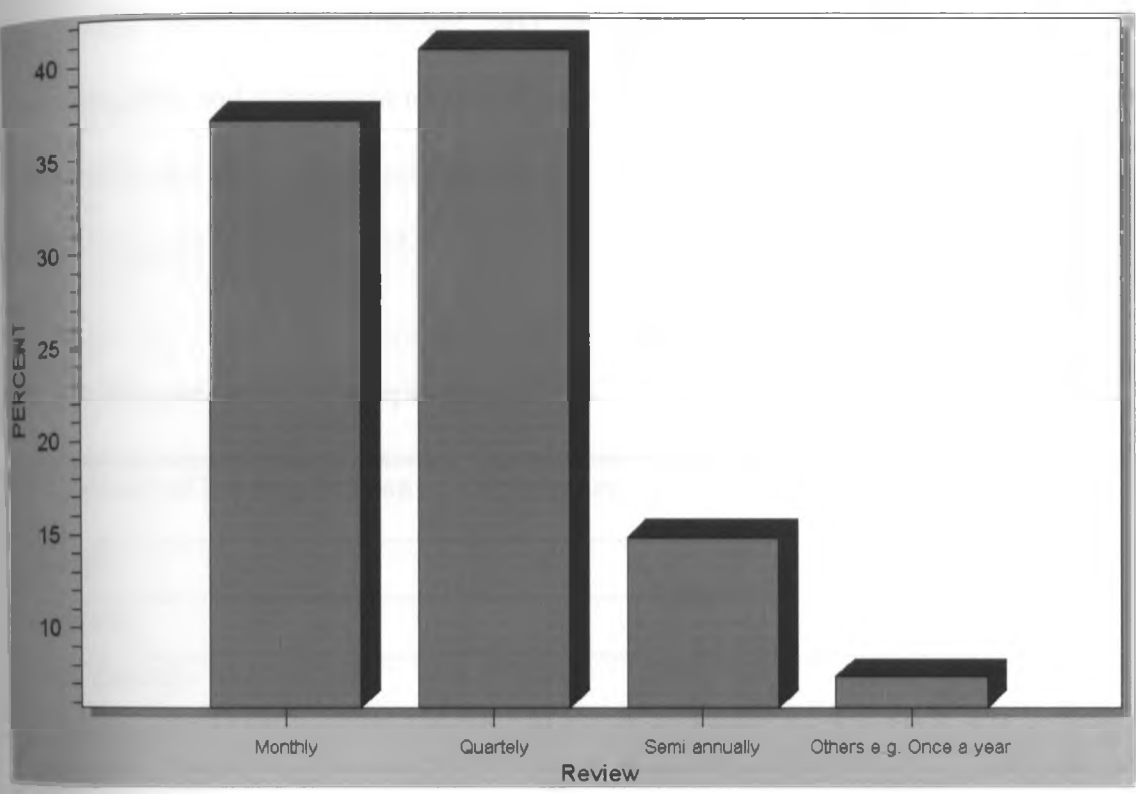


Figure 3: Frequency of review of strategic issues

Source: Response Data

The results above indicate that most of the companies under the study reviewed strategic issues affecting them monthly (37 %) and quarterly (40%) while a few did so semi annually (14.8%) and annually (7.4%) respectively. This study thus infers that the former are likely to respond timely and appropriately to strategic challenges as opposed to the latter. The former are thus

likely to have a better competitive advantage and institute good marketing and management plans as opposed to the latter.

Closely related to the review of strategic issue mentioned above, the study also sought to establish whether the respondents do prepare a list of key strategic issues (i.e. interest rate, government policies, infrastructure, and insecurity) for each year in order to facilitate implementation and subsequent review of the same. A large proportion (93.1%) was affirmative while 6.9% said they did not prepare any list. For those who did, they did so (prepare) in the pattern (frequency) shown in Table 9 below: -

Table 9: Frequency of list preparation

Frequency of list preparation	Frequency	Percent
Monthly	8	26.7 %
Quarterly	12	40.0 %
Semi annually	4	13.3 %
Non response	6	20
Total	30	100.0%

Source: Response Data

Results above show that half (40%) of the respondents prepared a list of key strategic issues quarterly, 26.7 % monthly and 13.3% semi annually.

4.4.3 Technique used to analyse strategic issues

In this study, the terms SIM practices, techniques and methods were used interchangeably to denote the same thing i.e. the way strategic issues are analysed. Thus the respondents were requested to indicate the method/technique/practices they used to analyse strategic issues. Table 10 below shows the techniques used.

Table 10: The SIM techniques used

Technique used to analyse strategic issues	Frequency	Percent
SWOT based on current information only	7	23.3 %
Simple environmental impact analysis	4	13.3 %
Cross impact analysis based on SWOT	13	43.3 %
Issue impact and ranking method	5	16.8 %
Euro quip matrix method based on SWOT	0	0
Non response	1	3.3 %
Total	30	100.0%

Source: Response Data

The results presented above show that most of the respondents (43.3 %) practiced the cross impact based on SWOT, 23.3 % used the SWOT based on current information only, 16.8 % used issue impact and ranking method and lastly, 13.8% used the simple environmental impact analysis method. Congruent with the findings by Ng'ang'a (2001), this study established that though majority of Kenyan firms (96.7%) practice real time Strategic Issue Management, none demonstrate the use of European matrix as prescribed by Ansoff (1990). The managers in the insurance industry are thus advised to use the European matrix, which may help them discover

real time positive synergy (where both strengths and weaknesses may turn out to be useful for pursuing future opportunities or minimizing the impact of the threats).

4.4.4 Proactive ness of SIM actions taken

The study sought to establish the exactness at which the respondents did estimate the urgency of strategic issues. They were asked to answer whether they sort the identified issues according to their urgency. Their responses are shown in Figure 4 below:-

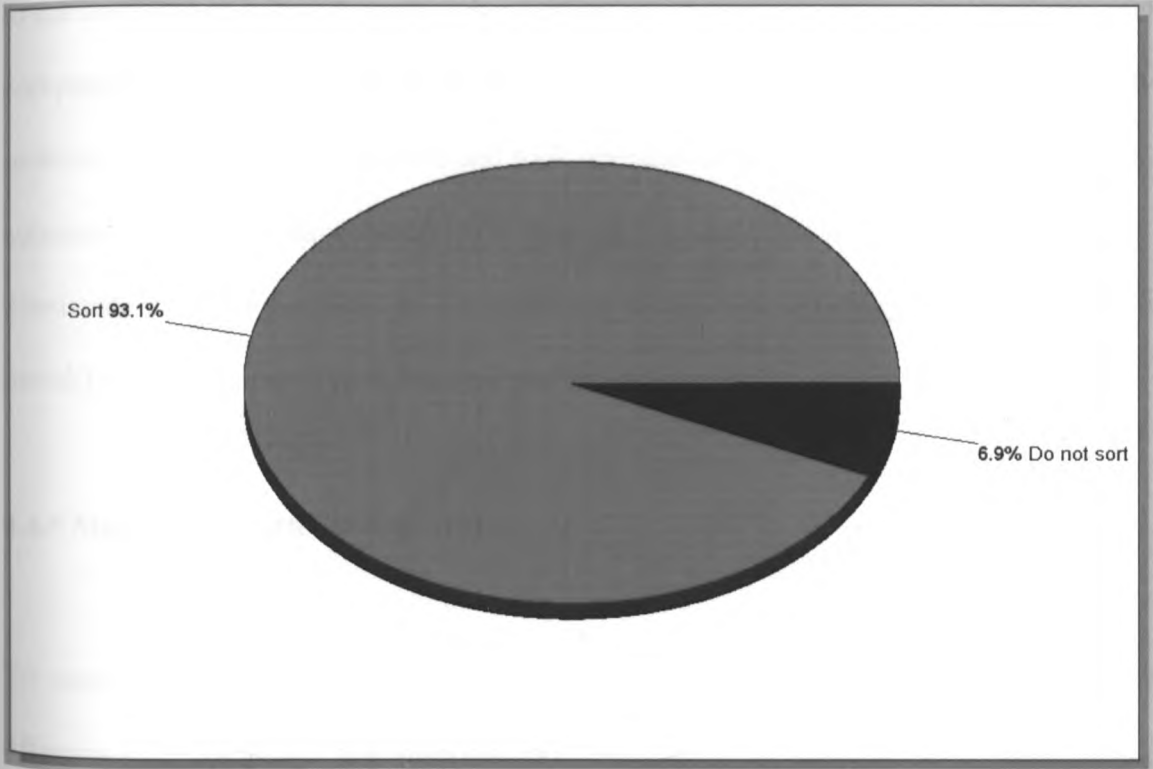


Figure 4: Sorting of issue according to their urgency **Source: Response Data**

The results above indicate that majority of the companies (93.1%) do sort the identified issues according to their urgency as opposed to 6.9% that do not. Related to this, the study wanted to

establish the timing of the actions regarded as urgent as mentioned above. A total of 16.7% said they did so when performance results are unknown, the available information is vague and its course is unclear, 56.7% started to act when performance results are unknown, but information was available about the issue's impact and its timing and occurrence were well established and 26.7% acted when performance results were known, and it showed that something was clearly wrong.

Similarly, the study sought to find out the companies'/management's responses to timely action to cut costs and or improve profits when certain factors were discovered to have been making the companies make losses. A large proportion (79.3%) said they always discussed, analysed the problem and made quick decisions and took operational corrective measures without waiting for adjustments in the establishment and head office decisions while 20.7% said they always discussed, analysed the problem but corrective decision/action delayed (usually more than one month) to adjust the establishment and head office decision

4.4.5 Management attention to SIM

To establish the management's commitment and the attention they give to strategic issues affecting the company, the respondents were asked to state whether their planning and management team treated such issues (strategic) between the planning cycles. About 93.1% of the respondents answered in the affirmative as compared to 6.9% who posted nays. These results reveal that the management teams give due and conscious attention to strategic issues affecting their companies.

Closely related to investigation into conscious treatment of strategic issues by the management, the study also sought to investigate the availability of SIM departments within the companies under the study. However, contrary to the findings above, only 20% of the respondents alluded to the availability of an issue management department in their organization while 80% did not have. These results expose the likelihood of poor organizational structures within the companies that are designed to deal with strategic issue. Similarly, the study sought to establish with certainty, the exact forums through which the companies that alluded to the absence of a strategic issue department discuss and record strategic issues. The findings are shown in the figure 5 below:-

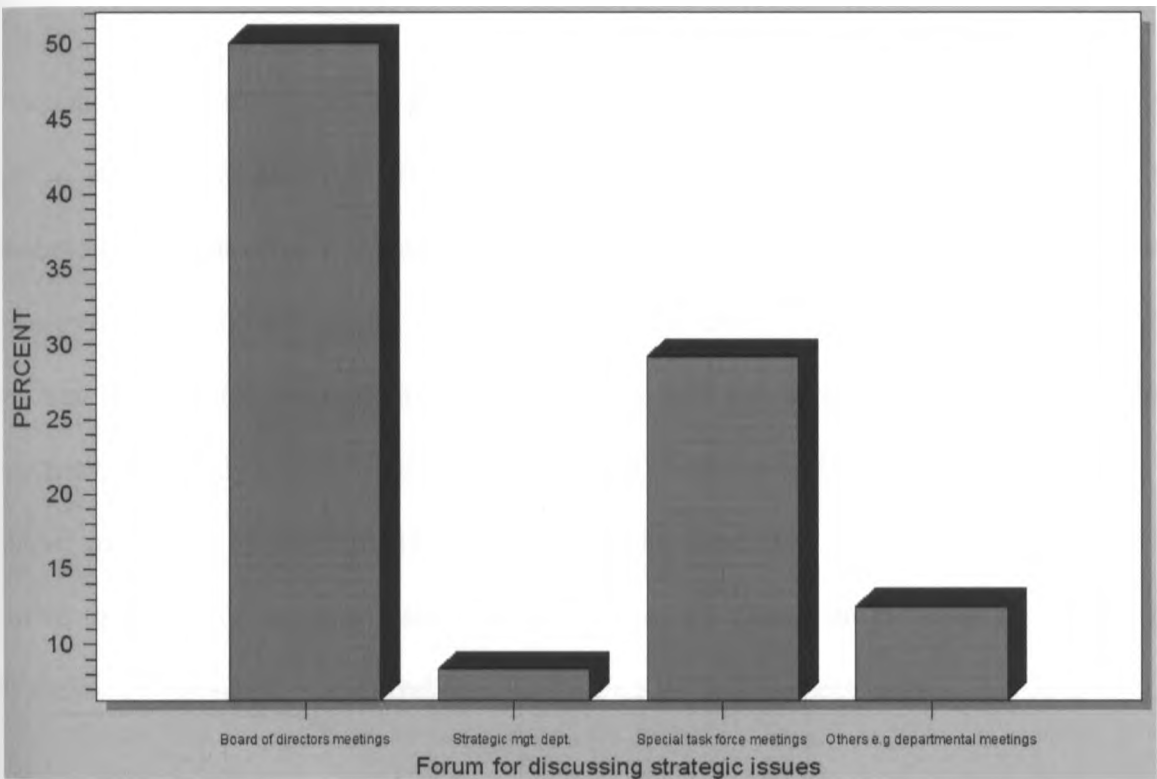


Figure 5: Forum for discussing strategic issue

Source: Response Data

The results show that only 8.3% of the companies under study had a strategic issue management department. 50% discussed their “strategic” issues in the planning meetings or board of directors meetings, 29.2% at the assigned special task force meetings and (12.5%) in departmental meetings. This study recommends that for the respondents to be able to properly address strategic issues, they should form an autonomous but highly networked department to specifically deal with strategic issues. The formation of a functional SIM department is proactive and not reactive as it will allow the companies to intersect problems at an early stage, and will require application of substantial empirical and qualitative analysis of issues to solve corporate planning problems.

To evaluate the competency of the personnel in charge of strategic issue management, the study sought to establish whether the respondents desired the executive in charge of SIM in their organizations possess certain professional and academic qualifications. A total of 79.3% said they desired certain qualifications, while 20.7% did not desire any special qualifications. This means that most of the respondents were very keen with personnel quality and hence proper competency. The study went to find out the structural hierarchy and the relationship between the executive in charge of strategic issues and the chief executive. A total of 85.2% said the executive in charge of strategic issue management report directly to the chief executive. This result shows the priority the organizations place on SIM and the personnel in charge as well.

Lastly, the study sought to establish the delegation and authority of the top management in the companies studied to carry out certain SIM functions e.g. review of strategic issue, accept/reject

strategic issue resolutions and offer advisory role in the strategic issue management processes.

The results are shown in Table 11 below:-

Table 11: Delegation/authority in SIM

Statement	Not applicable (%)	To a less extent (%)	To a moderate extent (%)	To a great extent (%)	To a very great extent (%)
Review/criticize strategic issues	3.3	6.7	23.3	30	36.7
Accept/reject strategic issue resolutions	10	16.7	16.7	30	26.7
Offer advisory role in the SIM process	6.7	6.7	16.7	20	50

Source: Response Data

The likert scale above show that the top management do participate to a very great extent in the review/criticizing of strategic issues in their organizations, in acceptance and or rejection of issue resolutions and in offering advisory role in the SIM process.

4.4.6 Analysis of the factors influencing real time strategic issue practices

The study intended to establish the impact of infrastructure, company size, organization structure, shareholders, top management, competition, employees' reaction to change, technology/production process, technology, changing environment and profitability indices on

strategic issue management decisions. The respondents were asked to rank the impact of the indices in terms of “not applicable, to a less extent, to a moderate extent, to a great extent and to a very great extent” Their responses are shown in Table 12 below:-

Table 12: Factors influencing real time strategic issue practices

Statement	Not applicable (%)	To a less extent (%)	To a moderate extent (%)	To a great extent (%)	To a very great extent (%)
Infrastructure	3.3	20	30	26.7	20
Company size	3.4	27.6	24.1	41.4	3.4
Organizational structure	-	16.7	40	33.3	10
Majority shareholders	13.3	13.3	20	33.3	30
Top management (CEO,	-	6.9	3.4	20.7	69.0
Industry competition	-	-	17.9	28.6	53.6
Employees attitude towards change	-	6.7	30	33.3	30
Technology/production process	3.3	13.3	23.3	30	30
Innovation/technology advancement	-	10	20	36.7	33.3
Changing environment	3.3	67	26.7	33.3	30
Profitability results	3.4	3.4	10.3	27.6	55.2

Source: Response Data

The results reveal that top management was rated to have had a very great impact on SIM followed by profitability results of the companies, industry competition, innovation/technology advancement, employees' attitude to change and changing environment respectively. The company size (number of employees) and infrastructure, respectively, were the factors considered to have had the least impact on strategic issue management decisions. These findings concur with Ansoff's and McDonnell (1990) asserting that SIM is a light weight system not affected by organizational size and complexity and is compatible with most organizational structure systems.

The study also sought to establish the attitude of respondents on several key strategic concerns. The respondents were required to rank the issues as "not applicable =1, to a less extent =2, to a moderate extent =3, to a great extent=4 and to a very great extent=5". Their response is shown in Table 13 below:-

Table 13: Attitude towards SIM

Statement	Not applicable	To a less extent	To a moderate Extent	To a great extent	To a very great extent	Mean	Ranking
Failure to address Strategic issues can adversely affect organizations. performance	0	4.14	12.42	20.64	93.15	26.07	1
Top managers monitor resolution of issue for strategic & tactical implications in our organization	2.01	1.98	9	44.04	64.95	24.40	2
Top management takes active interest in the output and recommendations of SIM dept.	0	7.98	15.03	44.04	49.95	23.4	3
SIM still holds a place in our organization	4.14	0	15.48	37.2	56.85	22.73	4
SIM process is pleasant & motivating activity to undertake	0	4.02	6.03	48	55.05	22.62	5
There is feeling of teamwork in SIM dept.	4.44	6.66	16.65	39.96	33.3	20.20	6
Importance of SIM is clear to everyone in our organization	3	18	24.03	39.96	15	19.99	7
SIM dept. is highly respected and held in high esteem	7.77	2.22	13.32	31.08	44.4	19.76	8
Resources required for strategic issue handling are adequate in or organization	0	8.28	46.53	33.12	10.35	19.66	9
SIM process is time consuming activity	5.01	22.02	29.97	12	4.95	14.79	10
SIM gets great deal of resistance from the finance department	9	19.98	18	12	10.05	13.81	11

Source: Response Data

Most of the respondent agreed to the statements that failure to address Strategic issues can adversely affect their organizations and that the top managers monitor the resolution of issue for strategic & tactical implications in their organization. These were the highest ranked statements. SIM gets great deal of resistance from the finance department was the lowest ranked statement.

4.4.7 Satisfaction in undertaking SIM

In general, the study sought to establish from the respondents how they rated (on a likert scale) their satisfaction in undertaking the SIM schedule in their organizations, to what extent they considered SIM as a project worthy investing in and the extent they would agree with the view that insurance companies could not operate successfully without strategic issue management. Their responses are shown in the Table 14 below:-

Table 14: Satisfaction in undertaking the SIM schedule

<i>Statement</i>	<i>Not applicable (%)</i>	<i>To a less extent (%)</i>	<i>To a moderate extent (%)</i>	<i>To a great extent (%)</i>	<i>To a very great extent (%)</i>
Satisfaction	3.4	3.4	17.2	65.5	10.3
Worth of investment	-	3.3	3.3	56.7	36.7
Optimal operation		6.7	6.7	40	46.7

The results serve to underscore the value the respondents' placed on SIM. A large proportion of the respondents (46.7%) agreed "to a very great extent" the assertion that insurance companies could not operate successfully without strategic issue management, 65.5% said they agreed to "a

great extent" the statement that they were satisfied in undertaking the SIM schedules in their organizations and 56.7% agreed to a great extent that SIM was a project worthy investing in. These companies therefore, will likely benefit from the many gains offered by SIM as highlighted by Ansoff (1990) only and only if they turn their positive attitude about SIM to actual implementation of the same.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the major findings of the study, conclusions and recommendations.

5.2 Summary of the findings

The purpose of this study was to establish the current strategic issue management practices in the insurance companies in Kenya and factors influencing these practices. The study was conducted as a survey covering all the 38 registered insurance companies in Kenya according to the Association of Kenya Insurers list (2004). The variables of company profile, response to business environment, current practices of SIM and the factors influencing strategic issue management practices were all considered as categorical variables.

The study found out that 4.2% of the companies that participated in this study had been in operation for more than a century. 8.4% between 22 and 25 years; 16.6% between 26 and 40 years and 8.4% between 40 and 58 years. A big proportion 82.1% of the companies that participated were locally owned, 14.3% were joint ventures and 3.6% were foreign owned. This implies that the majority of the insurance companies that participated in the study (82.1%) are locally owned. Majority of the respondents (50%) were operating both general and life insurance.

Those operating general insurance only were 40% while 10% offered life assurance as the only business underwriting.

The results show that most (96.7%) companies under the study had flexible plans to accommodate environmental impact/changes on their businesses as apposed to a few (3.3%) that did not. This study therefore concludes that companies that have flexible plans vis-a viz recurrent changes in the business environment are likely to be dynamic and thus respond positively hence remaining competitive as opposed to those with rigid plans. Management therefore requires creativity, novelty, flexible and entrepreneurial approach to be able to cope with the unpredictable and surprising environmental challenges.

The results above shows that the changes in interest rates had the most (major) profound impact on the companies under the study, followed by insecurity, increased competition was the third most profound, government policy ranked fourth overall while infrastructure had the least impact. The results also reveal that most insurance companies in Kenya do study strategic issues affecting their operations. Congruent with the findings by Ng'ang'a (2001), this study established that though majority of Kenyan firms (more than 95%) practiced real time Strategic Issue Management, none demonstrated the use of European matrix as prescribed by Ansoff (1990).

Only 20% of the respondents alluded to the availability of an issue management department in their organization while 80% did not have. These results expose the likelihood of poor organizational structures within the companies that are designed to deal with strategic issue. The top management was rated to have had a very great impact on SIM followed by profitability

results of the companies, competition, innovation/technology advancement, employees' attitude to change and changing environment respectively. The company size (number of employees) and infrastructure, respectively, were the factors considered to have had the least impact on strategic issue management decisions.

A major proportion of the companies rated their agreement as "to a very great extent" the assertion that failure to address strategic issues could adversely affect their organization's performance, followed by top managers monitoring of the resolution of issue for strategic and tactical implications in their organizations, SIM still holds a place in their organizations and was a pleasant and motivating activity to undertake

5.3 Conclusion

The business environmental changes have become more complex and novel. Therefore, as future become more complex, novel and less flexible, systems should become more sophisticated. Managers need to adapt their creativity, novelty, flexible and entrepreneurial approach to be able to cope with the unpredictable and surprising environmental challenges.

Companies need to continuously monitor strategic issues throughout the year in order to be able to realize the full potential of investing in SIM. The European matrix, method may help companies discover real time positive synergy (where both strengths and weaknesses may turn out to be useful for pursuing future opportunities or minimizing the impact of the threats) therefore it should not be ignored

For companies to be able to properly address strategic issues, they should form an autonomous but highly networked department to specifically deal with strategic issues. The formation of a functional SIM department is proactive and not reactive as it will allow the companies to intersect problems at an early stage, and will require application of substantial empirical and qualitative analysis of issues to solve corporate planning problems.

5.4 Recommendations for further research

1. Further research should be undertaken to establish the practice of SIM in public and parastatals corporations in Kenya.
2. A research should be undertaken to determine whether other companies for instance family businesses and Non Governmental Organizations practice real time Strategic Issue Management.
3. A research should be undertaken to determine whether other companies in different industries use European matrix.

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APPENDIX 1
LETTER OF INTRODUCTION

**Department of business administration,
Faculty of commerce,
University of Nairobi,
P.O Box 30197,
July 20, 2004.**

To Whom It May Concern:

Dear Respondent,

RE: REQUEST FOR RESEARCH DATA

I am a postgraduate student at the University of Nairobi undertaking a research project as part of the requirement of the degree of Master of Business Administration (MBA). The topic of my research is "Strategic Issue Management in the Insurance companies in Kenya".

Your firm has been selected to form part of the study. I kindly request you to fill the attached questionnaire. Any information provided will be treated in strict confidence and used solely for academic purposes. Neither your name nor that of the firm will be mentioned in the final report.

A copy of the research project will be made available to you upon request. Your co-operation will be greatly appreciated. Thanking you in advance.

Sincerely,

Swalehe Amina Mkamunduli.

MBA Student

REG. NO D/61/7253/02

E-mail mbora75@yahoo.com

P.O Box 5620-00200 Nairobi

Tel. 0720225353

Mr. Jackson Malu

Supervisor

Dept. of Bus. Admin

University of Nairobi

APPENDIX II

QUESTIONNAIRE

SECTION 1: COMPANY DATA

1. Company Name:
2. Date established:
3. Size:

Year as at 31 st December	2003	2002	2001	2000	1999
Number of employees					
Total Equity					
Number of shares					
Total Assets					

4. Ownership and percentage of ownership
 - () Local
 - () Foreigner
5. Number of directors
 - Local
 - Foreign.....
6. Business underwriting (Tick one)
 - () General insurance
 - () Life assurance
 - () Both
7. Does your company have branches and / or associated companies? (Tick one)
 - () Yes
 - () No
8. If yes, how many?
 - In Kenya
 - Outside Kenya.....

SECTION 3 : THE ENVIRONMENT

1. How can you describe the changes in the external environment you are operating in within the last 5 years? (Tick one)
- Relatively stable
 - Continuously changing and therefore making us change annual operating plans
 - Always surprising us with new issues
 - Others (please specify).....

2. Are your plans flexible enough to allow adjustments with changes in environmental parameters? (Tick one) Yes () No ()

3. From the year 2003 to date, have the following had any impact on your company? (Tick each according to the estimated impact):

	Major	Minor	No
a) Government directives and & Legislatives	()	()	()
b) Changes in interest rates	()	()	()
c) Increased competition	()	()	()
d) Infrastructure	()	()	()
e) Insecurity	()	()	()
F) Others (please specify).....	()	()	()

SECTION 111: PRACTICES OF STRATEGIC ISSUE MANAGEMENT

(B: For all the following questions, kindly tick as appropriate)

1. Do you normally study strategic issues which may affect your operation (both short term and long term?) coming from the following areas?

(NB: A strategic issue is a forthcoming development, either inside or outside of the organization, which is likely to have an important impact on the ability of the enterprise to meet its objectives.)

- a) External Environment trend? Yes () No ()
- b) Internal Business & capability Issues? Yes () No ()
- c) Performance trends? Yes () No ()
- d) Others (please specify)

2. Are you continuously pre occupied throughout the year with checking strategic issues which may affect your daily operations? Yes () No ()

If yes how often do you review these strategic issues?

- () monthly
- () Quarterly
- () Semi annually
- () Others (please specify).....

3. Do you prepare a list of Key strategic Issues for each year? Yes () No ()

If yes how often do you update this list?

- monthly
- Quarterly
- Semi annually
- Others (please specify).....

4. Does your planning and management team perceive and treat "Strategic issues" which affect the company between the planning cycles? Yes () No ()

5. Which method /technique /practice do you use to analyse strategic issues?
(NB: 1. SWOT means analysis of the strengths, weaknesses, opportunities, and threats facing the company)

(NB. 2. For the purpose of this question, the words method, technique and practice implies the same thing and that means, the way you analyse strategic issues

- SWOT based on current information only
- Simple environmental impact analysis method based on SWOT
(Where each issue is analysed separately without considering the effect of other identified issues).
- Cross impact analysis based on SWOT
(Where various related critical issues are grouped together the likelihood of simultaneous occurrence estimated, and hence future major loss/ disaster or future major profit /opportunity are identify).
- Issue impact and ranking method based on SWOT

(Where critical issues are ranked according to urgency and therefore grouped as follows: Urgent issues requiring immediate action; those issues not very urgent to be postponed to next year's plan; those issues not very urgent but require continuous monitoring throughout the year; those issues of lesser importance and hence dropped from the issues list)

() Euro quip matrix method based on SWOT

(Where the impact /urgency of issues are done after the evaluation of the issue's urgency .This involves prior vigorous assessment of whether the strengths and or weaknesses are applicable to responding to threats/opportunities.)

6. Do you sort the identified issues according to their urgency? Yes () No ()

7. If your answer in 4 above is yes, what action do you take on urgent issue requiring immediate action?

() Where practical immediately alter operation plans to accommodate the issue

() Where impractical immediately refer it to top management /special task execution staff for further analysis

() Always wait until the next planning period and incorporate it there

() Others (please specify).....

8. When does your organization start to act on an issue, which is perceived to be urgent, and having major impact in the organization?

() Start to act when performance results are unknown, the available information is vague and its future course is unclear

() Start to act when performance results are unknown, but information is available about the issue's impact and its timing and occurrence are well established.

Start to act when *performance results are known*, and it shows clearly something is wrong

Others (please specify).....

9. Occasionally, a certain factor is discovered which has been making the company make losses .How can you describe your management response to timely action to cutting costs or improving profits.

a) Always discuss, analyse the problem but corrective decision /action delayed (Usually more than one month) to adjust the establishment and seek head office decision)

b) Always discuss, analyse the problem and make a quick decisive decision and take operational corrective measures (within the same month) without waiting for adjustments in the establishment and head office decision.

c) Others (please specify).....

10. Which one of the following contributing factors greatly affects the manager's delay time in actually taking corrective decision: please rank them from number 1 to 4 according to importance. (NB: Number 1 to be the most important factor while number 5 should be the least important factor)

Time taken in discussing and verifying details

Time taken by individual managers trying to manage crisis alone

Time taken to study the unfamiliar/new challenges

Systems delay in information flow

Others (please specify).....

11. Do you have issue management department in your organization?

(NB issue management involves developing a systematic process by which the company can identify, evaluate, and respond to strategic issue affecting the company).

Yes ()

No ()

If no, where are such "Strategic" issues discussed and recorded?

() In planning meetings or Board of Directors Meetings

() In the strategic management department

() At the assigned special task force meetings

() Others (please specify).....

12. Are there some basic professional and academic qualifications required of the executive in charge of strategic issue management in your organization?

Yes ()

No ()

13. Does the executive in charge of strategic issue management in your organization report directly to the chief executive?

Yes ()

No ()

14. To what extent does the top management in your organisation have authority to do the following? (Tick where appropriate)

1 = Not applicable, 2 = to a less extent, 3 = to a moderate extent, 4 = to a great extent, 5 = to a very great extent

Statement	1	2	3	4	5
Review or criticize strategic issues					
Accept or Reject strategic issue resolutions					
Offer Advisory role in the strategic issue management process					

**SECTION IV: FACTORS INFLUENCING STRATEGIC ISSUE
MANAGEMENT PRACTICES**

1. Rate the extent to which the following factors impact on strategic issue management decision? (Tick where appropriate)

1 = Not applicable, 2 = To a less extent, 3 = To a moderate extent, 4 = To a great extent, 5 = To a very great extent

Statement	1	2	3	4	5
Infrastructure (roads, electricity, telephone etc)					
Company size (number of employees)					
Organization structure (layers of managers)					
Majority shareholders					
Top management (CEO, MD, GM)					
Industry competition					
Employees attitude towards accepting change					
Technology/production process					
Innovation /technology Advancement					
Changing environment					
Profitability results					

2. To what extent do the following statements apply to your organisation? (Tick where appropriate)

1 = Not applicable, 2 = To a less extent, 3 = To a moderate extent, 4 = To a great extent, 5 = To a very great extent

Statement	1	2	3	4	5
Strategic issue management process is a pleasant and motivating activity to undertake in our organisation.					
The resources required for strategic issue handling are adequate in our organization.					
Failure to manage strategic issues can adversely affect our organization performance.					
Strategic issue management process in our organization is a time consuming activity.					
The importance of strategic issue management is clear to everyone in our organization.					
The top management takes an active interest in the output and recommendations of the strategic issue management department in our organisation.					
Strategic issue management gets great deal of resistance from the finance people in our organisation.					
They're a feeling of teamwork in the strategic issue management department in our organization.					
The strategic issue management department is highly respected and is held with high esteem in our organization.					
Strategic issue management still holds a place in our organization.					
The top managers monitor the resolution of issue for strategic and tactical implications our organisation.					

3. Generally speaking, how satisfied are you in undertaking the strategic issue management schedule in your organization? (Tick where appropriate)

1. Not applicable
2. Not satisfied
3. Less Satisfied
4. Satisfied
5. Very satisfied

4. To what extent do you consider strategic issue management as a project worth investing in? (Tick where appropriate)

1. Not applicable
2. To a less extent
3. To a moderate extent
4. To a great extent
5. To a very great extent

5. With respect to your organization, to what extent would you agree with the view that insurance companies cannot operate successfully without strategic issue management? (Tick where appropriate)

1. Not applicable
2. To a less extent
3. To a moderate extent
4. To a great extent
5. To a very great extent

END

THANK YOU FOR YOUR TIME AND COOPERATION

APPENDIX 111

ASSOCIATION OF KENYA INSURERS, LIST OF INSURANCE COMPANIES 2004

1. African Merchants Assurance
2. ALICO insurance Co. (K) Ltd
3. Apollo Insurance Co. Ltd
4. APA Insurance company limited
5. Blue Shield Insurance Co. Ltd
6. British American Insurance Co. (K) Ltd
7. Canon Assurance (K) Ltd
8. Concord Insurance Co. Ltd
9. Co-operative Insurance Company of Kenya Ltd
10. Corporate Insurance Co. Ltd
11. Fidelity Shield Insurance Co. Ltd
12. First Assurance Co. Ltd
13. Gateway Insurance Co. Ltd
14. Geminia Insurance Co. Ltd
15. General Accident Insurance Company (K) ltd
16. Heritage AII Insurance Co. Ltd
17. Insurance Company of East Africa Ltd
18. Intra Africa Assurance Co. Ltd
19. Invesco Assurance Co. Ltd
20. Jubilee Insurance Co. Ltd
21. Kenindia Assurance Co. Ltd
22. Kenya Orient Insurance Company Limited
23. Kenyan Alliance Insurance Co. Ltd
24. Lion of Kenya Insurance Co Ltd
25. Madison Insurance Co (Kenya) Ltd

26. Mercantile Life and General Assurance Co. Ltd
27. Occidental Insurance Co. Ltd
28. Old Mutual life Assurance Co. Ltd
29. Pan Africa Life Insurance Co Ltd
30. Phoenix of East Africa Assurance Co Ltd
31. Pioneer Assurance Co. Ltd
32. Royal Insurance Company of East Africa Ltd
33. Standard Assurance (K) ltd
34. Tausi Assurance Co Ltd
35. Trident Insurance Co. Ltd
36. UAP Provincial Insurance Co. Ltd
37. The Monarch Insurance Company Limited
38. United Insurance Co. Ltd