

**STRATEGIC CHANGE MANAGEMENT PRACTICES: THE CASE OF AFRICA  
MERCHANT ASSURANCE COMPANY**

**BY**

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## DECLARATION

This research project is my original work and has not been presented for the award of any degree in any other University.

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## **DEDICATION**

This research project is dedicated to my wife Esther Kwamboka Nyabuto.

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## **ABSTRACT**

This research project was meant to investigate how Africa Merchant Assurance Company (AMACO) practices strategic change management. The study was set to meet one broad objective of establishing the strategic change management practices by AMACO.

The study adopted the use of a case study research design where in - depth information was sought using a semi structured questionnaire.

A sample of AMACO senior management and board of directors who were involved in strategic change process were selected using purposive sampling procedures so as to have a representation of the entire organization. The pick and drop method was used to administer the instrument. Though telephone was also used to complete one questionnaire.

The study findings established that AMACO implemented a number of strategic changes, which targeted all departments of the organization but Marjorly; underwriting, marketing and finance. The areas of focus were Products, office set ups, behavior, values and culture. AMACO used teambuilding, seminars, trainings and performance rewards as techniques in strategic change implementation.

AMACO faced various challenges in it's change initiatives for example; resistance to change from both the members of staff and customers. The other challenges that the company faced were inadequacy of resources and high employee turnover. Fear of unknown future and unpreparedness were given as main reasons for resistance.

The study has made a number of recommendations that would be useful. Constant training of employees through seminars and workshops would be

adopted. Periodic strategic review meetings would also be used. The research has also recommended that the Insurance Regulatory Authority should be given more powers to control the industry.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background

Management of strategic change is a method, or process of facilitating change and development in the culture, structure, process, people, and technology in use, leadership styles and even the physical aspects of the work environment. It is therefore that living and symbolic embodiment of how we cope and do business now and in the future. The strategic change process should aim at successful implementation of a strategy. Successful implementation of strategy involves putting the strategy into place and getting the individuals and organizational subunits to go about executing their part of the strategic plan (Thompson and Strickland, 1989).

Strategic change management can also be defined as an effort, by organizational members, to make their organizations more proactive and innovative in initiating and implementing strategic change, and the strategy itself, to gain a sustainable competitive advantage in their industry or market. The scope of strategic management is greater than that of any one area of operational management. It is concerned with the complexity arising out of ambiguous and non-routine situations with organisationwide rather than operation specific implications. Strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into action (Johnson and Scholes, 2002).

Kotter (1995) argues that the employees do not have a responsibility to manage change – the employee's responsibility is no other than to do their best to cope with change, which is different for every person and depends on a wide variety of factors such as; health, maturity, stability, experience, personality, motivation, etc. Responsibility for managing change is with management and executives of

the organization \_ they must manage the change in a way that employees can cope with it. The manager has a responsibility to facilitate and enable change, and all that is implied within that statement, especially to understand the situation from an objective standpoint for instance to 'step back', and be non judgmental, and then to help people understand reasons, aims, and ways of responding positively according to employees' own situations and capabilities. Increasingly the manager's role is to interpret, communicate and enable \_ not to instruct and impose, which nobody really responds to well.

### **1.1.1 Africa Merchant Assurance Company**

Africa Merchant Assurance company (AMACO) Limited is one of the major players in the insurance industry in Kenya. This is a local company incorporated in Kenya and licensed to transact general insurance business. It was licensed and began full operations in the year 2000. In line with the insurance Act, AMACO has raised up share capital of Kshs. 160 million. The company's asset base stands at Kshs590 million. The company's funds are invested in government securities, fixed term deposits and real estate. AMACO specifically targets small, medium, and large clients with the right service, innovative products and flexibility. The company offers the following products; Glass insurance, All risks, Burglary, Office combined, Consequential loss, Contractors all risks, Fidelity guarantee, Fire, Public liability, Travel Insurance, Goods in transit, Marine insurance, Money Insurance, Motor Insurance, Products liability, Professional indemnity and Workmen's compensation. When the company was started, its focus was so much on corporate business that was dominated by business from the Public sector especially the parastatals. Brokers used to struggle to get quotations from the company, and the company ignored small intermediaries then. The reason for the foregoing approach was because of the market opportunity the environment was presenting to the company, as the sitting Government was friendly to the company. AMACO was therefore operating in a soft market.

During the year 2003 through 2004, the impact of change in Government in the year 2002 was felt. There was mid term massive cancellation of policies by the parastatals consequently affecting cash inflow in terms of premium income. The company was left in a bad state, as claims outflow was high because of the latent claims that were maturing.

Like any other company AMACO faced a very turbulent and unpredictable environment ranging from change of Government, legal systems, rejection by small intermediaries, technology, competition, increased customer awareness, employee turnover and others. During the year 2003 through 2004, things became difficult for instance, claims were taking too long to pay and the company was losing staff and customers, and premium income was too low. All these drove the company to undertake significant changes in its operations (Global Reference Model, 2004).

The company realized in the year 2005 that it has to embrace change in order to be relevant and have a share in the market. There was need to overhaul everything in order to have a company with a different corporate identity to keep pace with the changing environment. AMACO has now a sound management team led by the Managing Director, General Manager, and line managers who are highly qualified, experienced and have put the company in the path of growth, change and realignment. AMACO today can be said to be a profitable and growing entity.

**Table 1: The pre tax profitability of AMACO for the last seven years**

Year	Profit before taxation (Kshs.)
2001	(7,453,660)
2002	(822,686)
2003	3,420,890
2004	5,841,500
2005	25,927,080
2006	34,007,678
2007	42,805,488

Source: AMACO audited financial statements

Table 1 above, shows that AMACO has steadily been growing profitably as shown by profits (losses) In the years 2001 and 2002 of Kshs. (7,453,660) and Kshs (822,686), respectively. The figures have been tremendously growing by positive results from the year 2003 to 2007, with the highest pre tax profit of Kshs. 42, 805,488 being recorded in the last year of this current study (2007).

## 1.2 Statement of the Problem

Companies operate in environments that pose a lot of challenges, for them to remain competitive, they must be sensitive. Their sensitivity involves formulating and implementing new strategies. The responses may also involve managing strategic changes. Johnson and scholes (2003) state that change management is context related and cannot be the same for all situations and for all types of organizations.

The insurance industry In Kenya has undergone major changes precipitated by reduced restriction on new entrants into the industry and the weak government regulatory and self-regulatory body (AKI,2006). Though the government regulates the industry, the players operate as if the industry is in tandem with

the theoretical perfect market that is regulated by the forces of demand and supply. This has resulted in new entrants getting into the industry and adopting unethical marketing activities.

A review of literature revealed that a lot of research had been done by management scholars on strategic change management practices in various organizations in Kenya, such as Bwibo (2006), Muturi (2003) and Sheikh (2000). Among these studies, Sheikh's study was the only one that focused on the insurance industry, but more on responses by Kenyan insurance companies following liberalization. No study had been done on strategic change management practices by insurance firms in Kenya more so Africa Merchant Assurance Company.

Africa Merchant Assurance Company (AMACO) has had to deal with a challenging and hard market. It had been forced to undertake major changes in response to the environmental challenges to an extent of even adopting emergent strategies so as to remain competitive in the ever-changing market environment (AMACO strategic plan, 2006). Over the years, the company had increasingly become profitable. Therefore this study intended to investigate strategic change management practices by AMACO that had made her steadily grow in the competitive insurance industry. What changes did AMACO implement? What were the challenges to the change initiatives?

### **1.3 Research Objectives**

The research was set out to achieve the following objectives;

- i. To establish what strategic changes AMACO adapted and what strategic tools they used.
- ii. To establish what challenges the company encountered in implementing the strategic changes.

#### **1.4 Importance of the Study**

The study will benefit the stakeholders of the company. Stakeholders are individuals or groups of individuals who depend on the organization to fulfill their own goals and on whom the organization in turn depends (Johnson and Scholes, 2003).

This study will provide useful insights to AMACO Managers into the understanding of change management in the firm and how best to go about it so as to ensure that all stakeholders rally behind change and be able to deal decisively with resistance to change within the organization. The managers will be able to understand what their roles are in change management.

Employees of AMACO will find the study useful, as it will help them to understand that change is obvious in environment serving organizations and hence need to be change compliant. The study will also help them in defining their jobs and they will take change as their responsibility.

Managers in other firms will find the study useful as they can apply the lessons learnt in planning and implementing future changes in their organizations. They will also appreciate the important role that strategic change management plays in sustaining the organizations in the market.

The results of this study will assist policy makers to gain understanding on how strategic change management promotes growth of the sector thereby contributing to the overall economic growth of the country. The study findings have recommended the appropriate policies to be adopted so as to sustain the continual role insurance industry plays especially in employment creation among other contributions.



It is hoped that the findings of this study will make valuable contributions to the academicians who may find useful research gaps that may stimulate interest in future research in this area of strategic change management. Recommendations have been made on possible areas of future studies.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Strategic change management

The current business environment in which firms operate is characterized by drastic unexpected changes in environmental factors such as; political legal systems, customer awareness, competition and technological advancement which have created new challenges to organizations (Ansoff and McDowell 1990, Hill and Jones, 2001). New situations which are unpredictable and difficult to understand are becoming daily occurrences, leading to change being seen as an adventure into the unknown where outcomes are probabilistic and cannot be predetermined before hand.

The Future cannot be known. The only thing certain about it is that it will be different from, rather than a continuation of, today. But the future is as yet unborn, unformed and undetermined, though it can only be shaped by purposeful action. The one thing that can motivate that action is an idea, but an idea of a different economy, a different technology or a different market exploited by a different business (Drucker, 1998). This idea is nothing but change of strategy.

Strategic change is the reshaping of culture, strategy, structure and paradigms of an organization over time by tinkering natural designs, and external forces or simple drift in order to implement a strategy. A strategy is a game plan, or deliberate, or emergent patterns of decisions, which shape an organization's future. These decisions may involve changing the future scope and shape of the activities, or major change of internal conditions to protect, promote and enhance the capability of the organization to compete successfully (Johnson and Scholes, 2002).

Without effective strategic change management, strategic planning will not succeed. It will be difficult to implement. Strategic planning can be defined as the creation of a sense of long term direction in order to anticipate and shape the future environment facing an organization, to allocate resources for competitive advantage and to steer change in the organization. Strategic change is fundamental and leads to fundamental shift in the organizational paradigms. Strategic management can also be defined as an effort, by organizational members, to make their organizations more proactive and innovative in initiating and implementing strategic change, and the strategy itself, to gain a sustainable competitive advantage in their industry or market (Thompson and Strickland, 1989).

Strategy itself is really about continuity, not change: it is concerned with imposing stable patterns of behavior on an organization. But to manage strategy is frequently to manage change, that is to recognize when a shift of a strategic nature is possible, desirable, necessary and then to act. The need for strategic reorientation is realized and thus moving from a familiar domain into a less well defined future where many of the old no longer apply. People must abandon the roots of their past successes and develop entirely new skills and attitudes (Quinn, 1999). Quinn argues that what matters is how we organize work today, given the demand of today's market, and the power of today's technologies. How people and companies did things yesterday does not matter to the business reengineer. Today, today, always today. This is the voice of the obsessively analytic mind, shouting into today's wind (Quinn, 2003).

Some writers and some practitioners argue that strategic change is an extension of the planning process. Though the emphasis here is on getting, the logic of the strategy right and then persuading people of that logic, designing structures and control systems appropriate to the strategy and using them as mechanisms of

change, putting in place the resources required and planning timing and sequencing of change in detail. The success of strategic change in an organization depends on the extent to which people change their behavior, for example towards customers or each other. While not dismissing the need for planning, they stress the importance of achieving the commitment of people in the organization to change and need for behavioral change, not only in terms of that which is formally controlled, but also in terms of everyday aspects of organizational life. Indeed there are those who would argue that in rapidly changing environment, organizations cannot rely on formal planning of change, but rather need to become learning organizations, continually sensitive to changes in the environment and able to adapt continually to those changes (Johnson and Scholes, 2003).

Strategic management is a systematic approach for managing strategic change. This approach consists of; positioning of the firm through strategy and capability planning, real time strategy response through issue management which need to benchmark the company's operations with the best players in the industry, and systematic management of resistance during strategic implementation (Ansoff & McDonnell, 1990).

## **2.2 Rationale for strategic change management**

We live in a world in which the only predictable constant has already become rapid and relentless change. Managing change has, therefore, become the theme of managers in today's business; because of external and internal turbulences. These turbulences are apparently random and unpredictable ways in which change occurs, due to the perverse interaction of the external and internal conditions of an organization. Organizational change is inevitable and a lot of

times an organizational necessity. Therefore, effective change management is a source of sustainable competitive advantage (Christen et al, 2006).

Every management that is strategic, wants to manage a company flexible enough to be able to adjust quickly to changing market conditions, lean enough to be able to beat any competitor's price, innovative enough to keep its products and services technologically fresh, and dedicated enough to deliver maximum quality and customer service to the satisfaction of customers in their ever changing needs. Having these qualities requires constant and consistent change. Therefore, sustainably successful organizations must change continuously, particularly in the face of increasing global competition (Christen et al, 2006).

Liebhaber (1992) explores the three forces, namely, the 3C's: Customer, Competition, both domestic and global, and Change, separately and in combination, are driving today's companies deeper and deeper into territories that most of their executives and managers find frighteningly unfamiliar. Customers know what they want and at what price, liberalization and free market economy has increased competition, and environmental change in terms of technology, social political systems, legal systems and even the Global warming are the current changes that can drive organizations crazy. This explains why insurance companies are now venturing into crop insurance, which was initially perceived as a risk area. Insurance companies in Kenya have now revised their policy documents by enlarging the prints and also preparing them in plain language, away from the legal jargon.

David and Frank (1997) contend that every organization sets goals and objectives, which it pursues. The pursuit of these goals and objectives transforms the organization from one state to the other and thus bringing/ensuring change in the organization. Change is achieved when a desired

state is socially constructed and consensus emerges on the means and resources to reach the desired end state.

Baxter and Montgomery (1997) observe that any system is always confronted by internally opposing forces. The prevailing forces which are presented by the status quo on one hand and the competing forces or ideas seeking to dislodge the status quo on the other hand. This struggle for power inherently sets the organization in a permanent state of change; such changes can either be radical or incremental, but more often than not, changes tend to be radical and revolutionary.

Evolution theory by Achrol (1991) asserts that change is not planned, but evolves overtime, being influenced by the environment. This means organizations change over, whether they like it or not, by virtue of their interactions with their external environment. They therefore have to change to survive in the market.

### **2.3 Kinds of strategic Changes**

Most of the organizations, which have gone through change, have adopted at least some kind of strategic change initiatives, which are three according to Hill and Jones. These are Reengineering and E\_Engineering, Restructuring, and, Innovation. Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as quality, cost, service and speed. Instead of concentrating on a company's functions, strategic managers make business processes the focus of attention. In this kind of strategy existing arrangement of tasks, roles and work activities are ignored. They start the reengineering process with the customer and ask; How can we reorganize the way we do our work, our business processes, to provide the best and the lowest cost goods and services

to the customer? How can we now continue to improve and refine the new process and find better ways of managing task and role relationships? E-engineering refers to change efforts centered on the introduction of new software systems, which is an important aspect of managing external environment (Hill and Jones, 2001).

Strategic managers also turn to restructuring as a means of implementing strategic change aimed at improving performance. In restructuring an organization reduces its level of differentiation and integration by eliminating divisions or levels in the hierarchy, and also downsizes by reducing the number of employees to decrease operating cost. Changes in the relationships between divisions or functions are common in restructuring programs. Reasons why restructuring is done are shift in technology, recession or excess capacity as result of growth of the company which consequently increases bureaucracy (Hill and Scholes, 2001)

Innovation is another kind of strategic change initiative undertaken by organizations that want to remain competitive in a changing environment. Innovation is the process by which organizations use their skills and resources to create new technologies or goods and services in order to change and respond better to the needs of their customers. While innovation can lead to the kind of change organizations want – it can also usher in undesirable change, that is technologies that are inefficient and products customers may not want ( Hill and Scholes, 2001) .

#### **2.4 Tools of Strategic Change Management**

There is a wide range of tools for analyzing change issues, planning, controlling, implementing and eventually learning from the change process. The tools should be applied in accordance with the objectives of the change being undertaken and

as those involved with the change gain familiarity and fluency of the various tools.

#### **2.4.1 Force field analysis**

Kurt Lewin is most renowned for his development of the field theory. The field theory is the "proposition that human behavior is the function of both the person and the environment: expressed in symbolic terms,  $B = f(P, E)$ ." (Deaux 9) This means that one's behavior is related both to one's personal characteristics and to the social situation in which one finds himself or herself. The field theory may seem obvious to us now, but most early psychologists did not believe in behaviorism. Many psychologists at the time believed in the psychoanalytic theory that held human motives to be blind pushes from within. Lewin thought of motives as goal-directed forces. He believed "that our behavior is purposeful; we live in a psychological reality or life space that includes not only those parts of our physical and social environment that are important to us but also imagined states that do not currently exist" (Lewin, 1951).

Lewin's field theory leads to the development of actual field research on human behavior. With boldness, Lewin manipulated complex situational variables in natural settings. His approach has guided experiments in the field of social cognition, social motivation, and group processes. Most importantly Lewin helped develop action research. Action research uses empirical social research, social action, and controlled evaluation. This is the diagnosis and evaluation of enabling or driving and restraining forces that have an impact on the change process either positively or negatively.



### **2.4.2 Stakeholder analysis.**

This is the systematic identification of key stakeholders and appraisal of their influence on, and posture towards the change. It may also involve creating a strategy to reshape the influence of these or new stakeholders in order to increase their support of the change process. Mitchell, Agle et al. (1997) proposes a classification of stakeholders based on power to influence, the legitimacy of each stakeholder's relationship with the organization, and the urgency of the stakeholder's claim on the organization. The results of this classification may assess the fundamental question of "which groups are stakeholders deserving or requiring manager's attention, and which are not?" This is salience – "the degree to which managers give priority to competing stakeholder claims".

### **2.4.3 Change project management.**

This is the focusing of change into one or more discrete projects to reach a preplanned result within a specified time and cost whilst efficiently and effectively managing interdependencies with other projects and activities of the change process. Lewin has termed change project management as planned change whereby he has given four elements unified together to understand and bring about planned change. These elements are ; field theory, Group Dynamics, Action Research and the Three Step model of change ( Lewin, 1943). Lewin conceived action Research as a two pronged process, which will allow groups address some questions. Firstly, it emphasizes that change requires action, and is directed at achieving this. Secondly, it recognizes that successful action is based on analyzing the situation correctly, identifying all the possible alternative solutions and choosing the most appropriate to the situation at hand.

The Three Step model is often cited as Lewin's key contribution to organizational change. A successful change project, Lewin (1947) argued, involved three steps: First step is unfreezing. He believed that the stability of human behavior was

based on a quasi\_stationary equilibrium supported by a complex field of driving and restraining force. He argued that the equilibrium needs to be destabilized (unfrozen) before old behavior can be discarded (unlearned) and new behaviors successfully adopted. The second step that is termed moving new behavior is taught by trial and error basis to enable groups and individuals to move from a less acceptable to a more acceptable set of behaviors. The third step is refreezing which seeks to stabilize the group at a new quasi\_stationary equilibrium in order to ensure that the new behaviors are relatively safe from regression.

## 2.5 Resistance to Strategic change

Organizational change efforts often run into some form of human resistance. Although experienced managers are generally all too aware of this fact, surprisingly a few take time before an organizational change to assess systematically who might resist the change initiative and for what reasons (Kotter and Schlesinger, 1979). Kotter argues that there are generally four reasons why people resist change; parochial self-interest, misunderstanding and lack of trust, different assessments and low tolerance for change. Machiavelli in his famous book, *The prince*, said that there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain of success than to take a lead in the instruction of a new order of things, because the innovation has for enemies all those who have done well under the old conditions and lukewarm defenders in those who may do well under new (Ansoff and McDonnell, 1990:403).

Resistance is taken to mean a multifaceted phenomenon, which introduces unanticipated delays, costs, and liabilities into the process of a strategic change. During the change process, whenever there is resistance; procrastination and delays in triggering the process of change, unforeseen implementation delays

and inefficiencies occur which to make change more costly than originally anticipated and efforts within the organization to sabotage the change or to absorb it in the welter of other priorities are the common features (Ansoff and McDonnell, 1990).

Resistance to change basically takes two forms according to Ansoff and McDonnell; Behavioral and Systemic resistance. Behavioral resistance to change has to do with individuals of the organization who can either be employees or departmental managers. Behavioral resistance can be either by individuals or group resistance. The reasons for resistance to change agrees with the believe of Kotter which are; parochial self interest, misunderstanding and lack of trust, different assessments and low tolerance to change.

Systemic resistance comes from the passive incompetence of the organization though it produces similar effects of delays, unanticipated costs and chronic malperformances of new strategies like behavioral resistance. Systemic resistance occurs whenever development of capacity lags behind strategy development. To manage systemic resistance, the organization must develop capacity to support strategy (Ansoff and McDonnell, 1990).

## **2.6 The insurance industry in Kenya**

An estimated 43 insurance companies and 2 reinsurance companies are currently licensed to operate in Kenya. The industry is governed by the Insurance Act and is regulated by the Commissioner of Insurance. Though ordinary life and superannuation business are gaining increasing significance, short term business tends to dominate the local market, with general insurance premiums making up 75% of the Kshs. 20 billion of gross premiums written in 2000 (PWC, 2000). Kenyan insurance companies generally report high loss ratios, which in 1998 - 2000 ranged from 60% to 75% for the industry as a whole. Insurers have

traditionally relied on investment income to act as a cushion for their underwriting results.

**Table 2: General business premiums distribution in 2000**

Motor commercial	25%
Motor private	19%
Other classes	16%
Personal accident	14%
Fire industrial	14%
Theft	6%
Marine and transit	6%

Source: Price WaterHouse, 2000

According to (AKI, 2006) report, there were 43 licensed insurance companies in the year 2006. Twenty-one companies wrote general insurance business only, seven wrote long-term business only, while fifteen were composite (both life and general). There were 197 licensed insurance brokers, 2633 insurance agents, 2 locally incorporated reinsurers, 26 loss adjusters, 209 loss assessors/investigators and 30 risk surveyors during the year.

The Insurance Industry experienced fairly good growth in 2006 with most companies reporting increased premium income and profitability. The Industry recorded gross premium income of Kshs. 41.68 billion compared to Kshs. 36.40 billion in the year 2005, representing a growth rate of 14.5%. The good performance can be attributed to the overall economic growth in the country, which reached 6.1% in 2006 compared to 5.8% in 2005 (AKI, 2006).

The Insurance Industry In Kenya experienced significant developments during the past year. The enactment of Insurance Amendment Act (2006) saw the creation of the long awaited Insurance Regulatory Authority. It also introduced the requirement that insurance premium for motor and fire classes of business is paid before the insurance contract is entered into. The proposed amendments in the Finance Bill 2007 are a further indication of the government's commitment to strengthening the industry. Amongst the proposed changes is to have insurance premiums for all classes of insurance paid on a Cash and Carry basis and an increase in the minimum share capital. The Cash and Carry measure is a healthy development which when fully implemented will improve liquidity and ease cash flow of insurance companies (AKI, 2006).

The introduction of "Cash & Carry" is also a wake up call for the insurance companies to rethink their strategies by offering creative solutions for premium payment to their customers as well as customization of client needs. Insurance companies should re-examine their claim payment procedures and put in place measures to improve on it. They must be innovative in coming up with new products that cater for the diverse needs of the insuring public and embrace technology.

Some of the strategic change practices which have been adopted by the Kenyan insurance companies are forced because of the turbulent external environment, for instance change of government policy and amendment of legislation, high competition, change of climatic conditions like global warming, customer awareness and even the issue of HIV/AIDS. The requirement for increased paid up capital by the year 2010 has made some companies to downsize/retrench to cut down on their operating costs so as to save for purposes of capitalization. Therefore downsizing is one of the strategic change strategies that have been currently used in Kenya. A case at point is Standard Assurance Company limited and Monarch insurance company.

A number of insurance companies have adopted merger as a strategy to manage their changing environment. Pan Africa General Insurance for Instance merged with Apollo to form APA Insurance. This increased the capacity of the two underwriters and currently APA is one of the leading underwriters that we have in Kenya. Union of Kenya merged with Provincial Insurance to form UAP Provincial. In these examples all the operations changed and even the structure and thus change in corporate identity. Other companies are considering merging like ICEA and Lion of Kenya. Many will follow as the government requirement to increase capital by the year 2010 will force others do so.

Kenyan insurance companies have also become more flexible especially on pack aching some of their products. Motor insurance policy especially in the PSV sector can now be arranged on monthly basis. This is a strategic change strategy which is being used to penetrate public service vehicle market. The policy documents are being done in simple English and bigger prints which are eligible. Employers' liability policy can now be taken without a subsisting workmen's compensation Act. Underwriters are now customer focused. This is because customers know what they want and at what price.

Life companies in Kenya are now focusing on unit-linked products as a way of competing with the other financial sector; like banks and stock markets. The reason to this is that most people are thinking on how much they will earn on a shilling invested. These life products' maturity have also been reduced to short periods for instance three years, to take into account of reduced life expectancy as a result modern diseases.

The other strategic change management practice that insurance companies in Kenya are pursuing is change in office set up. Companies are now investing so much on renovations to come up with modern offices, which are aimed to

change corporate identity. Most employers are now encouraging members of staff to sit in common pools for instance work stations. Those offices, which are partitioned, glasses are put to encourage open door policy.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Research Design**

This research project adopted a case study research design based on Africa Merchant Assurance Company (AMACO). It involved an investigation of the strategic change management practices to help in understanding of the phenomenon. The case study research design was best suited here due to lack of data over a longer continuous period of time taking cognizant that most strategic approaches are emergent in nature. Cooper and Schindler (2005) contend that case studies place more emphasis on a full contextual analysis of fewer elements or conditions and their interrelations, which relies on qualitative data. In Kenya, other research studies that have used a case study design include studies by Muturi (2006) and Okiro (2006), among others.

### **3.2 Data Collection**

Primary data for this study was collected from AMACO senior managers and board of directors who were involved in strategic change initiatives. Therefore a purposive sampling approach was used to exclude middle level managers, lower cadre staff and all those who joined the company after the year 2007. A sample of 4 directors and 10 senior managers was sought giving a total of 14 respondents.

A semi-structured questionnaire was used as an instrument of data collection. Some questionnaires were mailed especially, to some of the directors, while others were dropped and picked, and one was answered through telephone.

### **3.3 Data Analysis**

Being a case study, content analysis was undertaken in this research especially for the qualitative approach (Open ended questions). Content analysis has been defined as "any technique for making inferences by systematically and



objectively identifying specified characteristics of messages" (Nachmias and Nachmias, 1996, pp 324). Fully filled and completed questionnaires formed the basis of quantitative analysis. Data collected was edited for completeness and accuracy to ensure that maximum data quality standards were achieved. After editing, coding was done for the questions and Statistical program for social sciences (SPSS) was used to analyse the data.

## CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

### 4.1 Introduction

The purpose of this study was to investigate the strategic change practices by AMACO, more specifically the strategic changes adapted and the challenges encountered in implementation. Board of directors and senior managers were targeted and useful responses were obtained from 10 out of a targeted population of 14 making 71.4 % response rate. The data were coded, entered in SPSS spreadsheets and analysed to yield the findings. The findings were presented using tables, pie charts and bar charts as follows in the following sections.

**Table 3: General information on respondents**

<b>Department</b>	<b>Frequency</b>	<b>Percent</b>
Administration	1	10
Marketing	2	20
Legal	1	10
ICT	1	10
Board of directors	2	20
Underwriting	1	10
Finance	1	10
Claims	1	10
<b>Total</b>	<b>10</b>	<b>100</b>
<b>Position</b>	<b>Frequency</b>	<b>Percent</b>
Director	2	20
General manager	1	10
Asst general manager	1	10
Asst marketing manager	1	10
Legal officer	1	10

ICT manager	1	10
Underwriting manager	1	10
Finance manager	1	10
Regional manager	1	10
<b>Total</b>	<b>10</b>	<b>100</b>
<b>Years in service</b>	<b>Frequency</b>	<b>Percent</b>
1 year	0	0
2 years	0	0
3 years	2	20
4 years	3	30
5 years	0	0
6 years	1	10
7 years	3	30
8 years	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Table 3 shows that the sample consisted of senior managers from all the seven departments of AMACO and board of directors. This representation is sufficient to make comparisons across the departments concerned with change implementation. 50% of the respondents have been in the organization between three and four years, while the remaining 50% represents those who have been there for a period of six to eight years. This shows that the data from these respondents is objective and reliable since the strategic change programs were initiated as from the year 2005, meaning those targeted participated.

## 4.2 Strategic Planning

The respondents were asked about the existence of strategic plan in the company and the period of implementation. Their knowledge on the people charged with the formulation process and implementation were sought.

**Table 4: Period of the strategic plan**

Period of strategic plan	Frequency	Percent
1-2 years	9	90
3-4 years	0	0
5-6 years	1	10
Over 6 years	0	0
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

All the respondents agreed that AMACO has a strategic plan and the strategic plan has been running for 1 to 2 years according to majority of the respondents who represented 90%, while 10% of the respondents mentioned 5 to 6 years as shown in table 4 above.

Most of the respondents who were subjected to this study agreed that AMACO's strategic plan is prepared by board of directors and senior managers. Senior managers are involved in strategic formulation as indicated by 90% of the respondents, while board members were rated at 10% as shown in figure 1 below.

**Figure 1: People Involved in strategy formulation**



Source: Researcher, 2008

**Table 5: Environment in which AMACO operates**

Operational environment	Frequency	Percent
Very turbulent	6	60
Discontinuous	1	10
Very stable	3	30
Others	0	0
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Sixty percent of the respondents were of the opinion that AMACO operated in a very turbulent environment, 30% of them said that the company operated in a very stable environment, 10% stated a discontinuous environment while there was no indication of any other environment as shown in table 5 above.

### 4.3 Strategic Change Management Practices

The first objective of the study sought to find out the strategic changes AMACO has adapted and the tools used.

**Table 6: Vision for change**

Vision for change	Frequency	Percent
Yes	9	90
No	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

The respondents were asked whether AMACO has a vision for change. As depicted in table 6 above, 90% of the respondents were positive, while only 10% stated that the company had no vision for change.

**Table 7: How the vision was developed**

Vision Development	Frequency	Percent
No response	2	20
Management committee	2	20
Corporate strategic meeting	6	60
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Upon further probe on how the vision was developed, 60% said through corporate strategic meeting, 20% of the respondents mentioned management committee meetings, while another 20% never responded as shown in table 7 above.

**Table 8: How the vision was communicated**

People in AMACO	Communication platform used					Total
	Memos	Staff meetings	Management meetings	Corporate strategic meetings	Board meetings	
Board of directors	0%	0%	0%	10%	90%	100%
Senior management	0%	0%	20%	70%	10%	100%
Middle level management	70%	30%	0%	0%	0%	100%
Lower cadre	20%	80%	0%	0%	0%	100%

Source: Researcher, 2008

The study sought to find out how the vision for strategic change was communicated to various people in the organization. From table 8 above, one can observe that staff meetings and memos were the main communication platforms of the change vision to lower cadre and middle level management at 80% and 70% respectively. Board meetings were used as forums to board members at 90%, while senior managers received the communication of change vision during corporate strategic meeting which rated 70%, 20% during management meetings and 10% during board meetings.

**Table 9: Strategic change objectives**

Objective	Frequency	Percent
No response	1	10
Improvement of service standards	4	40
Quality staff	2	20
Profitability	3	30
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

The respondents were asked to identify the main strategic change objectives and as indicated in table 9 above, the improvement of service standards was rated at 40% while Profitability was rated at 30% and finally Quality of staff was at 20%.

**Table 10(a): Was the change planned?**

	Frequency	Percent
Yes	9	90
No	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

From table 10(a) above, one can observe that the strategic change was planned as supported by 90% of the respondents against only 10% who felt it was not planned.



**Table 10(b): Strategic change implementation period**

Number of years	Frequency	Percent
1	9	90
2	0	0
3	0	0
4	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

From table 10(b) above, the implementation period was within 1 year as supported by 90% of the respondents against only 10% who were of the opinion that it was within 4 years.

**Table 11: Was the duration for change implementation enough?**

	Frequency	Percent
No response	1	10
Yes	3	30
No	6	60
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

The implementation period was not enough according to 60% of the respondents, 30 % agreed that the period was enough while a minority consisting 10 % did not respond to this question as shown in table 11 above.

**Table 12: Appropriate duration of strategic change**

Duration.	Frequency	Percent
1 years	1	10
2. years	1	10
3. years	3	30
4 years	1	10
No response	4	40
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Table 12 above shows suggestions on the appropriate duration within which strategic change would be implemented. 30% of the respondents suggested an appropriate duration of three years, while those who were for one, two and four years were all represented by 10 % each. 40 % did not respond to this question.

**Table 13: Theme of the strategic change Initiative**

	Frequency	Percent
Transformation	2	20
Reengineering	6	60
Restructuring	1	10
Reorganization	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

The respondents were asked to identify the theme of the strategic change Initiative and as indicated in the table 13 above, the Reengineering was rated 60%, while Transformation was rated at 20% and finally both Restructuring and Reorganization were at 10% each. Further probe revealed that senior managers are responsible for drawing up the strategic change program.

**Table 14: Preparation made for change**

Preparations made	Yes	No
Assessment of environment	90%	10%
Defining the change objectives	100%	0.0%
Capability to manage change	80%	20%
Forming change committee	10%	90%
Communicating to stakeholder	100%	0%

Source: Researcher, 2008

The study sought to find out whether there were any preparations made in readiness for the change. From table 14 above, one can observe that there were a lot of preparations. Assessment of environment was mentioned at 90%, both the defining of change objectives and communicating the change to the stakeholders were mentioned at 100% each and capability to manage change at 80%. However forming change committees was not undertaken.

**Table 15: How the change was effected**

	Frequency	Percent
Rapidly	1	10
Gradually	8	80
Intermittently	0	0
Continuously	1	10
Combination	0	0
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Table 15 above shows that the strategic change was carried out gradually as mentioned by 80% of the respondents. Those who indicated that change was carried rapidly and continuously represented 10% each, while there was no indication that change was intermittent.

**Table 16: Mode of communication as change process advanced**

Mode of communication	Frequency	Percent
Meetings	4	40
Memos	2	20
Management reports	4	40
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

The strategic change management issues were communicated through meetings and management reports as shown in table 16 above at 40% each, while memos were reported at 20% as the change process advanced.

**Table 17: Targeted areas for change management process**

Target for change	Not targeted	Low	Moderate	High
Behavior	10%	10%	10%	70%
Values	-	10%	30%	60%
Culture	-	-	60%	40%
Products	-	20%	-	80%
Office set up	-	10%	20%	70%
Departments	-	20%	20%	60%

Source: Researcher, 2008

Table 17 above shows that products were highly targeted for change (80% response), but other areas were equally important in the change management.

For example office set up (70% response), behavior change (70% response) and value and departments (60% response each).

**Table 18: Factors that contributed to the need for change**

<b>Factors</b>	<b>Not at all</b>	<b>Slightly</b>	<b>Moderately</b>	<b>Greatly</b>
Technology	0	10%	10%	80%
Financial loss	10%	0	20.0%	70%
Change of policy	10%	10%	30%	50%
Deregulation	60%	10%	30%	0%
New CEO	90%	0	0	10%
Loss of market share	30%	10%	20%	40%
Customer demand	20%	30%	0%	50%
Recession	40%	20%	40%	0%
Proactive need	10%	20%	30%	40%

Source: Researcher, 2008

For example office set up (70% response), behavior change (70% response) and value and departments (60% response each).

**Table 18: Factors that contributed to the need for change**

Factors	Not at all	Slightly	Moderately	Greatly
Technology	0	10%	10%	80%
Financial loss	10%	0	20.0%	70%
Change of policy	10%	10%	30%	50%
Deregulation	60%	10%	30%	0%
New CEO	90%	0	0	10%
Loss of market share	30%	10%	20%	40%
Customer demand	20%	30%	0%	50%
Recession	40%	20%	40%	0%
Proactive need	10%	20%	30%	40%

Source: Researcher, 2008

For example office set up (70% response), behavior change (70% response) and value and departments (60% response each).

**Table 18: Factors that contributed to the need for change**

Factors	Not at all	Slightly	Moderately	Greatly
Technology	0	10%	10%	80%
Financial loss	10%	0	20.0%	70%
Change of policy	10%	10%	30%	50%
Deregulation	60%	10%	30%	0%
New CEO	90%	0	0	10%
Loss of market share	30%	10%	20%	40%
Customer demand	20%	30%	0%	50%
Recession	40%	20%	40%	0%
Proactive need	10%	20%	30%	40%

Source: Researcher, 2008

From table 18 above it is evident that technology highly contributed to need for change and rated at 80%, financial loss at 70%, both change of policy and customer demands at 50% each. The loss of market share and proactive need at 40% each, and finally the new CEO at 10%.

**Table 19: Internal factors that influenced change in AMACO**

Internal factors	High	Moderate	Low	Not at all
Organization structure	70%	20%	0%	10%
Management commitment	100%	0%	0%	0%
Culture	30%	0%	50%	20%
Leadership	30%	10%	40%	20%
Teamwork	90%	10%	0%	0%
Organizational politics	0%	20%	20%	60%
Resource availability	60%	30%	10%	0%
Technology	90%	0%	0%	10%

Source: Researcher, 2008

The internal factors were ranked on their influence on change at AMACO. As shown on table 19 above, management commitment ranked highly at 100%, both technology and



teamwork at 90%, organization structure at 70%, resource availability at 60% and finally culture and leadership at 30% each.

**Table 20: External factors that influenced change in AMACO**

<b>External factors</b>	<b>High</b>	<b>Moderate</b>	<b>Low</b>	<b>Not at all</b>
Regulatory requirements	50%	10%	30%	10%
Competition	80%	10%	0%	10%
Government involvement	20%	0%	70%	10%
Recession	20%	0%	30%	50%
Customers	90%	0%	10%	0%

Source: Researcher, 2008

The external factors were ranked on their influence on change at AMACO. As shown on table 20 above, customers ranked highly at 90%, competition at 80% regulatory requirement at 50%, while both government involvement and recession at 20% each.

**Table 21: Roles played by board of directors in change process**

	Frequency	Percent
No response	1	10
Policy formulation	6	60
Provision of resources	2	20
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

From the above table 21 one can observe that the board of directors mainly did policy formulation, which gave the organization direction. This role was rated at 60%. The other role that was identified as per the above table is provision of resources, which was second at 20%.

**Table 22: Roles played by senior managers**

	Frequency	Percent
Strategy formulation	4	40
Implementation	3	30
Supervision	3	30
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

From table 22 above three major roles were identified for senior managers at AMACO as; strategic change formulation at 40%, implementation and supervision at 30% each.

**Table 23: Roles played by Middle level managers**

<b>Role</b>	<b>Frequency</b>	<b>Percent</b>
No response	1	10
Implementation	7	70
Supervision	2	30
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

From table 23 above, it is observed that implementation (70%) is the main role for middle level managers, while supervision takes 20%. 10% never responded on this question.

**Table 24: Roles played by consultants**

<b>Role</b>	<b>Frequency</b>	<b>Percent</b>
No response	3	30
None	5	50
Advise on formulation	2	20
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

From table 24 above, most (50%) of the respondents were of the opinion that the consultants never played any role in strategic change at AMACO. However a small percentage of 20% stated that they played advisory role at formulation stage. There was no response from 30% of the respondents on this question.

**Table 25: Roles played by Lower cadre**

<b>Role</b>	<b>Frequency</b>	<b>Percent</b>
No response	2	20
Implementation	8	80
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

**Table 23: Roles played by Middle level managers**

Role	Frequency	Percent
No response	1	10
Implementation	7	70
Supervision	2	30
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

From table 23 above, it is observed that implementation (70%) is the main role for middle level managers, while supervision takes 20%. 10% never responded on this question.

**Table 24: Roles played by consultants**

Role	Frequency	Percent
No response	3	30
None	5	50
Advise on formulation	2	20
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

From table 24 above, most (50%) of the respondents were of the opinion that the consultants never played any role in strategic change at AMACO. However a small percentage of 20% stated that they played advisory role at formulation stage. There was no response from 30% of the respondents on this question.

**Table 25: Roles played by Lower cadre**

Role	Frequency	Percent
No response	2	20
Implementation	8	80
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Table 25 above shows that the role played by lower cadre was purely that of implementation according to 80% of the respondents. However 20% of the respondents never indicated anything.

#### 4.4 Change management process systems

**Table 26: Systems developed for documentation**

Documentation	Frequency	Percent
No response	2	20.0
Information communication technology (ICT)	8	80.0
<b>Total</b>	<b>10</b>	<b>100.0</b>

Source: Researcher, 2008

Table 26 above shows that documentation mainly embraced information communication technology (80%). The rest of the 20% never responded.

**Table 27: Systems developed for Periodic reporting**

Periodic reporting	Frequency	Percent
Management meeting reports	7	70
Achievement assessment/performance appraisals	3	30
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

In periodic reporting, AMACO mainly implemented management reports (70%) as shown in table 27 above. 30% of the respondents recorded performance appraisal as a means of periodic reporting.

**Table 28: Systems developed for Feedback**

<b>Feedback</b>	<b>Frequency</b>	<b>Percent</b>
No response	1	10
Suggestion box	5	50
Meeting	1	10
Visiting customers	2	20
Evaluation of standards	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Feedback from the stakeholders; especially employees, customers, and the society, AMACO mainly embraced suggestion boxes at 50% as shown in table 28 above. However, visiting customers as a feedback system is recorded at 20%, while meetings and evaluation of service standards are at 10% each. There was no response of 10% on this question.

**Table 29: Systems developed for Information dissemination**

<b>Information dissemination</b>	<b>Frequency</b>	<b>Percent</b>
Memos	4	40
Notice boards	1	10
Staffs meeting	2	20
Emails	2	20
Advertisements	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

From table 29 above one can observe that the company adopted use of memos mostly (40%) on information dissemination during strategic changes, emails and staff meetings at 20% each, while notice boards registered 10%.

**Table 30: Methods used in strategic change process**

Method used in change process	High	Low	Not at all
Taskforce	0%	40%	60%
Brainstorming	90%	10%	0%
Opinion polls	0%	40%	60%
Suggestion box	50%	20%	30%
Newsletter	60%	10%	30%
Questions and answers	0%	40%	60%
Changing symbols	0%	50%	50%

Source: Researcher, 2008

The methods used in strategic change process especially at formulation were ranked as shown on table 30 above, brainstorming ranked highly at 90%, followed by newsletter at 60%, and suggestion box at 50%. Other methods like taskforce, question and answers and changing symbols were never used.

**Table 31: Techniques used to implement change**

Technique	Frequency	Percent
Rewards	2	20
Training	2	20
Seminars	3	30
Teambuilding	3	30
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

The study also sought to find out the techniques used to implement strategic changes in AMACO. From table 31 above one can observe that seminars and team building activities were mostly used. The two techniques both scored 30% each showing that they were more popular. Training and rewards were equally adopted but at a low degree of 20% each.

**Table 32: Department affected most**

Department	Frequency	Percent
Underwriting	6	60
Marketing	2	20
Accounts	2	20
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

From table above 32 above, one can depict that underwriting department was most affected by the change 60%, marketing and accounting at 20% each. These three departments seem to have been targeted by the change programs as they are the main departments of any insurance firm.

**Table 33: Reasons why change was necessary**

Reasons	Frequency	Percent
To cope with customers' demand	6	60
Improve cash flow	2	20
Moving to higher levels of success	2	20
<b>Total</b>	<b>10</b>	<b>100</b>



Source: Researcher, 2008

The strategic changes were necessary in AMACO. All the respondents (100%) were in agreement that the Company needed change. This was mainly to cope with the customers' demand (60%), move to higher level of success (20%) and to improve on cash flow as shown in table 33 above.

**Table 34: Challenges faced in implementing change**

Challenge	Frequency	Percent
Resistance to change	5	50
Employee turnover	2	20
Resource unavailability	3	30
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Table 34 above shows that resistance to change was the biggest challenge in implementation of strategic change at 60%, while resource unavailability is another challenge ranked at 30%. Employee turnover was also another challenge faced by AMACO during strategic implementation; it was ranked at 20%.

**Table 35: Sources of resistance for change**

Source	Frequency	Percent
Intermediaries	2	20
Staffs	7	70
Customers	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

The study sought out to establish whether there was any resistance to strategic change initiatives at AMACO. All the respondents (100%) who completed the questionnaire were in agreement that there was some resistance. Resistance to

change was mainly from members of staff 70%, intermediaries 20% and customers 10% as shown in table 35 above.

**Table 36: Reasons for resistance to change**

Reasons	Frequency	Percent
Unpreparedness	3	30
Fear of unknown	5	50
Previous success	2	20
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Three reasons were given as the main causes of resistance to change in AMACO as demonstrated in table 36 above. Fear of the unknown ranked highly at 50%, while unpreparedness and previous success were indicated at 30% and 20% respectively.

**Table 37: How AMACO responded to resistance**

Response	Frequency	Percent
Training	4	40
Rewards	2	20
Briefings	3	30
Dismissals	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Table 37 above shows that AMACO used training 40%, briefings 30%, rewarding 20% and dismissals at 10% to counter resistance to change initiatives in the organization.

**Table 38: Role of leadership in strategic change implementation**

<b>Leadership roles</b>	<b>Frequency</b>	<b>Percent</b>
No response	1	10
Driving the organization	6	60
Supervision	1	10
Provision of resources	2	20
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

Table 38 above depicts that the role of leadership in implementing the strategic change at AMACO is driving the organization ( 60%) and provision of resources (20%), while supervision is only 10%.

**Table39: Legal recommendations for proper strategic implementation**

<b>Recommendations</b>	<b>Frequency</b>	<b>Percent</b>
No response	1	10
Corporate governance	2	20
Restructuring of claims	2	20
Training	1	10
Amendment of the Insurance Act	4	40
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

In regard to legal recommendations for proper strategic implementations, table 39 above shows that the majority (40%) suggested amendments of the insurance Act, while both corporate governance (20%) and restructuring of claims (20%) were also mentioned.

**Table 40: what government policy would you like to be changed or introduced for strategic changes?**

Policy	Frequency	Percent
No response	3	30
Give Regulator authority	7	70
<b>Total</b>	<b>10</b>	<b>10</b>

Source: Researcher, 2008

The Kenya insurance regulatory authority to be given more power to control the industry (70%) as shown in table 40 above.

**Table 41: Suggestions to top management of AMACO for successful strategic change implementation**

Suggestions	Frequency	Percent
No response	1	10
Strategic review meetings	4	40
Constant training	3	30
Use consultants	1	10
Involve everyone	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Researcher, 2008

The respondents were asked to make suggestion to the management for successful implementation of strategic change. The majority (40%) stated strategic review meetings, constant training (30%), use of consultants and involving everyone each at (10%) as shown in table 4.39 above.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS & RECOMMENDATIONS**

### **5.1 Summary of Findings**

From the study it was found that AMACO has a strategic plan as indicated by 100% of the respondents. The strategic plan has been running for 1 to 2 years according to majority of the respondents (90%) while 10% of the respondents mentioned 5 to 6 years. The strategic plan in AMACO is prepared every 1-2 years according to all the respondents. The senior managers are involved in strategic formulation as indicated by 90% of the respondents while Board members were rated at 10%.

The findings further shows that AMACO has a vision for change which was developed through corporate strategic meeting (90%) and management committee meetings (20%). The strategic change objectives were; the improvement of service standards, the improvement of the profitability of the company and improvement of the quality of staff at AMACO. The strategic change was planned as supported by 90% of the respondents, only 10% said no. The implementation was within one year as supported by 80% of the respondents while only 10% said that the implementation was within four years. The implementation period was not enough according to 60% of the respondents and majority of the respondents 30% recommended 3 years. The study identified the theme for the strategic change initiative as reengineering rated 60% while transformation was rated at 20% and finally both Restructuring and Reorganization were at 10% each.

Meetings and memos were the main communication platforms of the change vision of the company. Board meeting was used at 90% to the directors, corporate strategic meeting 80% to the senior managers. Staff meetings and memos were the main communications used to middle level managers and lower

cadre staff at 70% and 80% respectively. It was also found out that AMACO operates in a very turbulent environment according to 60% of the respondents while 30% of the respondents said that the environment of operation is very stable.

Assessment of the environment during strategic change formulation at the organization was done as mentioned by 90% of the respondents. Defining of the change objectives and communicating the change to the stakeholders were mentioned at 100% each, while capability to manage change was at 80%. However forming change committees was not undertaken. Most of the respondents were of the opinion that the strategic change was carried out gradually as mentioned by 80% of them. The change management issues were communicated through both management meetings and management reports as indicated by 40% of the respondents each while 20% mentioned memos.

It was further realized that the advancement in technology highly contributed to need for change and rated at 80%, while the financial loss at that the company faced ranked second at 70%. There was also the change in government policy especially the cash and carry for all classes of insurance that was rated at 50%, increased awareness of customers that changed their demand at 50%, loss of market share and proactive need of the company at 40% each. From the study it was like the new chief executive officer was not a major driving force as only 10% indicated so.

The board of directors mainly did policy formulation (60%) and provision of resources 20%. The senior manager's major roles were strategy formulation, implementation and supervision. Middle level managers were concerned with implementation and a bit of supervision of the lower cadre. The consultants participated as advisors, but again majority of the respondents who were 50%

said they contributed less in AMACO's strategic process. The lower cadre staff only did strategic change implementation.

The main areas that were targeted for change at AMACO were; products which rated at 80%, behavior and office set ups at 70% each, departments at 60%, values and culture 40% each. The departments that were most affected by change were; underwriting, marketing and finance in that order. Brainstorming was majorly used during during strategic change formulation stage as indicated by 90% of the respondents, 60% said that newsletters were used and 50% also recorded use of suggestion boxes.

The techniques that were used to implement strategic changes in AMACO were; seminars, teambuilding, training and performance rewards in form of bonuses. Documentation mainly embraced ICT (80%). Management reports were mainly used in periodic reporting as indicated by 70% of the respondents and performance appraisal 30%. The Company used suggestion boxes, visitation of customers face to face and performance evaluation as a means of getting feedback. Finally information dissemination mainly used memos and email.

There were a number of challenges that the company faced in the implementation of change. The biggest challenge was resistance to change initiatives. Resistance to change came from members of staff both as individuals and or as group. Several reasons were giving for such a resistance For instance; unprepared ness on their part, fear of the unknown future and others felt they had succeeded previously. Fifty percent of the respondents said that resistance was a major challenge. The other challenge was inadequate resource to undertake the change programs. These resources were financial and human. The other challenge that was encountered was employee turnover. Members of staff were leaving in large numbers and hence creating gaps. The main techniques

that the company used to counter resistance were training, paying of bonuses at the end of the year, briefings and dismissal at lower scale.

## **5.2 Conclusions**

The strategic changes that were undertaken in AMACO were reengineering, reorganization and restructuring. The main focus was on product developments, which were to tailor, make products for customers, reorganization of departments and office set-ups. The departments which were mostly affected were; underwriting, Marketing and finance. Processes were changed and reporting procedures in the Company. All these gave AMACO a new image and hence better corporate identity. AMACO mainly embraced Information communication technology in documentation, management reports and performance appraisal were emphasized in periodic reporting. Feedbacks were encouraged through suggestion boxes and face-to-face with customers and finally information dissemination, which mainly used memos.

AMACO used a number of techniques in implementing its strategic change initiatives. One of the strategic tools it used was seminars, which were majorly organized by the Company. The other tool that was adopted was training which was both on job and out of job and this was for everybody in the organization. Teambuilding was yet another technique that was used in strategic implementation.

Resistance to change was the biggest challenge in implementation of change at AMACO; while resource unavailability is another challenge ranked second and employee turnover last. Resistance to change came from the employees as individuals and groups. The reasons that were given for such resistances to change were; fear of unknown future, unpreparedness and unwillingness to change as the customers and members of staff had a view that previous



strategies had succeeded. The strategic changes were necessary in the organization and this was mainly to cope with the customers' demand, move to higher level of success and Improve cashflow.

### **5.3 Recommendations**

To overcome the various forms of resistance, whether behavioral or systemic resistance, there is need for constant training of all employees of AMACO. This will improve their understanding of the change processes and even increase competence. Through workshops and seminars, employees could be facilitated to understand the overall importance of change and this will create commitment.

Periodic strategic review meetings should be held constantly where feedbacks could be encouraged. In this way the benefits and the negative consequences of strategic changes will be compared and proper directions taken. At the same time all employees should be involved from strategic change formulation to implementation so that they can own the change programs. Involvement could be in a form of ideas that can be incorporated.

The insurance regulatory authority (IRA) should be given more powers to control the industry. The decisions IRA makes should be final, for instance the body approves premiums filed by each insurer to use on that particular year the license applies, but rarely are the guidelines followed.

### **5.4 Suggestions for Further Research**

Change is inevitable in any organization that is environment serving. This is because the environments are so turbulent and they require such. This is the situation in which AMACO finds herself. However changes are normally perceived negatively especially by those ones who come up with all forms of resistance, but still there are benefits associated with strategic changes. It would therefore be

very important if a study could be carried in future to establish the relationship between strategic change initiatives and profitability and or relationship between strategic change initiatives and the growth of AMACO.

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

The study covered one area that is board of directors and senior managers. These are the people who got involved in strategic formulation. The employees in the other category like middle management and lower cadre were who form the majority in AMACO and play a big role in strategic change implementation were not targeted. Therefore the data might have been biased.

The target respondents were very busy people who could not easily find time to complete the questions. This actually made the research take a lot of time in data collection. In four instances respondents could misplace questionnaires and others had to be supplied again. Because of the busy schedules of these respondents, some of the questionnaires were never even received back. Out of the fourteen targeted only ten responded making 71.4% response rate.

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## Appendix I

### Semi Structured Questionnaire

#### PART A: RESPONDENT'S PERSONAL PROFILE

1. Name/Optional \_\_\_\_\_
2. Position in the company \_\_\_\_\_
3. Department \_\_\_\_\_
4. Number of years in company \_\_\_\_\_

#### PART B: STRATEGIC PLANNING

5. Does your company have a strategic plan? Yes \_\_\_ No \_\_\_

If yes, how long does your strategic plan run?

- i. 1\_2 years \_\_\_\_\_
  - ii. 3\_4 years \_\_\_\_\_
  - iii. 5\_6 years \_\_\_\_\_
  - iv. Over 6 years \_\_\_\_\_
  - v. Any other \_\_\_\_\_
6. How often is a strategic plan prepared in AMACO?
- i. Every 1\_2 years \_\_\_\_\_
  - ii. Every 3\_4 years \_\_\_\_\_
  - iii. Every 5 Years \_\_\_\_\_
  - iv. As required by board \_\_\_\_\_

7. Who among the following is/are involved in strategy formulation?

- i. Board of directors \_\_\_\_\_
- ii. Senior management \_\_\_\_\_
- iii. Middle level management \_\_\_\_\_
- iv. Lower cadre \_\_\_\_\_
- v. Consultants \_\_\_\_\_
- vi. Combination of (specify) \_\_\_\_\_

8. How would you describe the environment within which AMACO is operating?

- i. Very Turbulent \_\_\_\_\_
- ii. Discontinuous \_\_\_\_\_

- iii. Very stable \_\_\_\_\_
- iv. Others \_\_\_\_\_

**PART C: STRATEGIC CHANGE MANAGEMENT PRACTICES**

9. Does the company have vision for change? \_\_\_\_\_

If yes, explain how it was developed \_\_\_\_\_

10. How was the vision communicated to the following?

- i. Board of directors \_\_\_\_\_
- ii. Senior management \_\_\_\_\_
- iii. Middle level management \_\_\_\_\_
- iv. Lower cadre \_\_\_\_\_

11. What were the strategic change objectives? \_\_\_\_\_

12. Was the change planned? Yes \_\_\_ No \_\_\_

If yes, within which period was it to be implemented? \_\_\_\_\_

13. Was the duration enough? Yes \_\_\_ No \_\_\_

If no, suggest the duration, which would be appropriate \_\_\_\_\_

14. Who in your organization draws up the strategic change programs? \_\_\_\_\_

15. What was the theme of the strategic change initiative? \_\_\_\_\_

- i. Transformation \_\_\_\_\_
- ii. Reengineering (Change in processes) \_\_\_\_\_
- iii. Restructuring \_\_\_\_\_
- iv. Innovation/Creativity \_\_\_\_\_
- v. Reorganization \_\_\_\_\_

vi. Any other (Specify) \_\_\_\_\_

16. Was any preparation made in respect of the following?

- i. Assessment of the environment \_\_\_\_\_
- ii. Defining the change objectives \_\_\_\_\_
- iii. Assessment of capabilities to manage change \_\_\_\_\_
- iv. Forming change committee \_\_\_\_\_
- v. Communicating to stakeholders \_\_\_\_\_
- vi. Others (specify) \_\_\_\_\_

17. How was the change carried?

- i. Rapidly \_\_\_\_\_
- ii. Gradually \_\_\_\_\_
- iii. Continuously \_\_\_\_\_
- iv. Intermittently \_\_\_\_\_
- v. Combination \_\_\_\_\_

18. How were various change management issues communicated as the change process advanced? \_\_\_\_\_

19. To what extent were the following targeted in the change management process? Choose from (Not targeted, Low, Moderate, High)

- i. Behaviour \_\_\_\_\_
- ii. Values \_\_\_\_\_
- iii. Culture \_\_\_\_\_
- iv. Products \_\_\_\_\_
- v. Office set ups \_\_\_\_\_
- vi. Departments \_\_\_\_\_
- vii. Any other (specify) \_\_\_\_\_

20. Indicate if any of the following contributed to need for change and to what extent. Choose from (Not at all, slightly, Moderately, Greatly)

- i. Technology \_\_\_\_\_
- ii. Financial loss \_\_\_\_\_
- iii. Change of policy \_\_\_\_\_



- iv. Deregulation \_\_\_\_\_
- v. New CEO \_\_\_\_\_
- vi. Loss of market share \_\_\_\_\_
- vii. Customer demand \_\_\_\_\_
- viii. Recession \_\_\_\_\_
- ix. Proactive need \_\_\_\_\_
- x. Any other (specify) \_\_\_\_\_

21. Describe how the following factors have influenced the change process in AMACO.

**Internal factors**

- i. Organizational structure \_\_\_\_\_
- ii. Resource availability \_\_\_\_\_
- iii. Culture \_\_\_\_\_
- iv. Leadership \_\_\_\_\_
- v. Teamwork \_\_\_\_\_
- vi. Management commitment \_\_\_\_\_
- vii. Technology \_\_\_\_\_
- viii. Organizational Politics \_\_\_\_\_
- ix. Any other (specify) \_\_\_\_\_

**External factors**

- i. Regulatory requirements \_\_\_\_\_
- ii. Competition \_\_\_\_\_
- iii. Government involvement \_\_\_\_\_
- iv. Recession \_\_\_\_\_
- v. Customer \_\_\_\_\_
- vi. Any other (specify) \_\_\_\_\_

22. What are the roles played by the following in the change process?

- i. Board of directors \_\_\_\_\_

- ii. Senior management \_\_\_\_\_
- iii. Middle level management \_\_\_\_\_
- iv. Consultants \_\_\_\_\_
- v. Lower cadre staff \_\_\_\_\_
- vi. Other (specify) \_\_\_\_\_

23. Were specific teams established to implement change? Yes \_\_\_ No \_\_\_

- i. If yes how was the team formed? \_\_\_\_\_
- ii. What were the roles and powers of the teams? \_\_\_\_\_
- iii. How were the team members trained about the concepts of change? \_\_\_\_\_

24. How did the change managers ensure availability of resource? \_\_\_\_\_

25. What systems were developed for the following?

- i. Documentation \_\_\_\_\_
- ii. Periodic reporting \_\_\_\_\_
- iii. Feedback \_\_\_\_\_
- iv. Information dissemination \_\_\_\_\_

26. How were the following methods used in the strategic change process?

- i. Task forces \_\_\_\_\_
- ii. Brain storming \_\_\_\_\_
- iii. Opinion polls \_\_\_\_\_
- iv. Suggestion boxes \_\_\_\_\_
- v. News letters \_\_\_\_\_
- vi. Question and answers \_\_\_\_\_
- vii. Changing symbols \_\_\_\_\_
- viii. Others \_\_\_\_\_

27. What techniques did your company use in implementing change programs?

28. Which departments of your organization have been affected most by strategic change programs? \_\_\_\_\_

29. What challenges did your company face in implementing strategic change programs? \_\_\_\_\_

30. In your view were the strategic changes necessary in your organization? \_\_\_\_\_

Give reasons to your answer above \_\_\_\_\_

31. Did your strategic change programs elicit some resistance? Yes \_\_\_ No \_\_\_

If yes, from where? \_\_\_\_\_

32. What were the reasons for such resistance? \_\_\_\_\_

33. How did your organization respond to resistance?

34. What would you say is the role of your organizational leadership in implementing strategic change programs? \_\_\_\_\_

#### **PART D: RECOMMENDATIONS**

35. What legislation recommendations would you like to make to enable insurance firms have a competitive advantage managing their strategic change programs? \_\_\_\_\_

36. What government policy would you like to suggest to be introduced or changed in helping companies in their efforts to manage strategic change programs? \_\_\_\_\_

37. What policy guidelines would you like to suggest to the top management of AMACO that will enable the company's strategic change programs become successful? \_\_\_\_\_

