

**DETERMINANTS OF STRATEGY IMPLEMENTATION IN  
THE INSURANCE INDUSTRY IN KENYA**

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**(Business Administration)**

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**Determinants of strategy implementation in the insurance industry in  
Kenya**

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leadership in partial fulfilment of the requirements for the award of doctor  
of philosophy degree in business administration of Jomo Kenyatta  
University of Agriculture and Technology**

**2015**

## DECLARATION

This research thesis is my original work and has never been presented for Degree in any other University.

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**Date.....**

**Paul Mwangi Kibicho**

This research thesis has been submitted for examination with our approval as University Supervisors.

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**JKUAT, Kenya**

## **DEDICATION**

This work is dedicated to my family who provided me with the motivation and for their care and sacrifice throughout my studies. Their love, care, concern, support, encouragement and enthusiasm inspired me to achieve this goal.

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## DEFINITION OF TERMS

- Business:** refers to an economic system or entity in which goods and/or services are exchanged for one another or for money, on the basis of their perceived worth, (Business dictionary, 2013).
- Business Strategy:** is a plan of action designed to achieve a particular goal. It stipulates the broad dimensions that a business uses as a basis for gaining and/or maintaining competitive advantage (Teece, 2007).
- Competitive strategy:** Refers to the ability of an organization to discover and implement ways of competing that are unique and distinctive from those competitors and that can be sustained over time (Graham, 2007).
- Corporate culture:** is the set values, beliefs and attitudes that characterize a company and guide its practices. To some extent, a company's internal values may be articulated in its mission statement or vision statement (Wessel, J. R., 1993)
- Effect:** causal relationship between elements and/or variables under study (Midwa, 2008).
- Environment:** Encompasses the infrastructure, governing policies, other business entities, technological and physical infrastructure as well as the geography present and influencing a business' operations and decisions (Ernst & Young, 2008).

**Implementation of a strategy:** refers to the application of the management process to obtain the desired results in an organization (Barnat, 2005)

**Innovation:** are instances of organizational change that: result from a shift in underlying organizational assumptions, are discontinuous from previous practice, and provide new pathways to creating public value (Johnson, D., 2001)

**Insurance:** A contract to finance the cost of risk. Should a named risk event (loss) occur, the insurance firm contracted will pay the holder the contractual amount (Bird, 2012). It involves transfer of risk from the contracting entity to the contracted entity at a fee.

**Insurance industry:** Refers to a sector following fund that invests primarily in insurance companies, so as to obtain investment results that closely track an underlying index of insurers (Hrebiniak, 2006).

**Managerial Competence:** the ability to meet organizational objectives, use available resources efficiently, maintain high levels of employee performance and professionalism, and produce maximum organizational success excellent service to customers (Govindarajan, V., 1989)

**Performance:** Refers to the degree of accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed (Richard *et al.* (2009))



- Resource strength:** refers to a firm's core competencies and endowment of the firm in its output capabilities (Wernerfelt, B., 2014)
- Strategy Plan:** a plan of action designed to achieve a particular goal.
- Strategy:** refers to a plan of action designed to achieve a particular goal (Teece, 2007).
- Strategy implementation:** the activities within an organisation to manage the execution of a strategy plan (Sundbo, J., 1998)
- Vision Statement:** an operating guide defining what a firm aims to accomplish and takes into account the current status of the organization, and serves to point the direction of where the organization wishes to go (Verbeeten, 2008).

## **ABSTRACT**

The fundamental importance of strategy management is that the world keeps changing. Strategy implementation is a series of actions aimed at putting a selected strategy at work by planning how the chosen strategy can be put into effect and managing the changes required. Organizations have come up with credible strategies which have failed to see the light of day due to poor implementation. For successful implementation, an organization's various resources, systems, structures and other variables must be expended. Many studies have been carried out on various issues on strategy management but none has focused on the strategy implementation in a locally incorporated insurance company. This study was meant to evaluate how competitive strategy implementation affects the performance of insurance industry in Kenya. To achieve the objective of this study, data was collected from the managers in insurance firms in Kenya. The study used mixed methods research design to collect and analyse the data. The data was collected using questionnaires. The target population of the study was the entire 51 registered insurance companies operating in Kenya. The data collected was checked for completeness and thoroughly edited before being coded and entered into a computer software SPSS version 17 for analysis. The variables of the study were analysed using descriptive statistics such as mean, frequencies, and standard deviation. A multiple regression model was adopted to examine the effect of the variables of the performance of the firms. The hypothesis of this study was tested using non-parametric statistics of hypothesis testing Mann-Whitney test. The findings of this study will provide useful information to the insurance firm managers on the strategies for competition in today's volatile and ever changing market environment. The study found out that to a very great extent Choice of strategies on advertising and promotion affects the strategy decisions of

company while to a great extent Choice of Staff; Product development and Choice of branch networks affects the strategy decisions of company. The study concludes that to a very great extent, Choice of branch networks affects the strategy decisions of company while Choice of Staff; Choice of strategies on advertising and Product development affects the strategy decisions of company. Further the study recommends that managerial competences be implemented since they are key ingredients in organizational success. It has been found out that minor competence developments are unlikely to have any impact on improvement of firms' performance



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The objective of strategy is to bring about advantageous conditions within which action will occur. The concept of strategy has developed as an important aspect of managing as the dynamics and complexity of the world and business environment have increased. The term strategy is used to explain both the processes for example organizational restructuring and the outcomes of chosen long-term directions. It can be either a conscious, planned activity or a series of events, which lead to a desirable objective. A strategy involves an evaluation of the likely impacts of both the external and internal organizational environment, the long-term goals of the organization (Mintzberg *et al.*, 1998).

From the perspective of classical strategy management theory, strategy is considered a deliberate planning process, initiated by top management, based on an elaborate industry analysis and aimed at designing a cohesive grand strategy for the corporation. Mintzberg *et al.* (1998) point out that a firm's strategy planning process involves explicit systematic procedures used to gain the involvement and commitment of those principal stakeholders affected by the plan. According to Barney (2001) rather than adopting a single style of strategy development, organizations mix six elements of planning, incremental, cultural, political, vision and enforced choice in different combinations.

The basic strategy planning model suggests that a company's strategies are as a result of a plan hence the planning process itself is rational, highly structured and that the process itself is

orchestrated by top management (Hickson *et al.*, 2003). The organizations engage in strategy planning practices so as to clearly define their goals and objectives. The strategy planning model assesses both the internal and external environments to formulate strategy, implement the strategy, and evaluate the success of strategy. Strategy planning incorporates planning, incremental, cultural, political and visionary views. Moreover, strategy planning should involve objective setting, analysis of environmental trends and resource capabilities, evaluation of different options and careful planning and implementation of strategies (Johnson *et al.*, 2006). Strategy plans include elements that describe an organization's present state, aspirations, and intentions for the future, and approach for going forward. A well-documented strategy plan is critically important for organizing thinking and communicating thoughts.

### **1.1.1 Strategy Implementation –Global Scene**

In recent years organisations have sought to create greater organisational flexibility in responding to environmental turbulence by moving away from hierarchical structures to more modular forms (Balogun & Johnson, 2004). Responsibility, resources and power in firms has been the subject of decentralisation and delayering. Given an intensifying competitive environment, it is regularly asserted that the critical determinant in the success and, doubtlessly, the survival of the firm is the successful implementation of marketing strategies (Chebat, 1999). The role and tasks of those employees charged with strategy implementation duties, the mid-level managers, in these new restructured organisations is under scrutiny.

Globally, strategy implementation is slowly taking into account functional areas such as accounting, marketing, human resource management, or information management (for instance, Naranjo-Gil and Hartmann, 2006). The next trend is the continuing emphasis on the

well-accepted factors of strategy implementation such as structure, culture or organizational processes. For instance, the work of Olson *et al.* (2005) reiterates the significance of organizational structure and processes in strategy implementation. The third trend noted is of reporting studies in specific socio-economic contexts such as those in specific countries (e.g. China as in Wu *et al.*, 2004) or developing economies (e.g. Latin American as in Brenes *et al.*, 2007). Referring to strategy implementation as systematic execution, these scholars include organizational culture and structure, work and information system, and essential business processes as the key implementation factors. They also stress the significant point that the degree to which an organization succeeds in establishing a priority system for each implementation action is necessary.

### **1.1.2 Strategy Implementation by Insurance Firms in Kenya**

In Kenya, Health financing systems have three inter-related functions, which are central to achieving universal coverage (UC). They include revenue collection, pooling and purchasing (Kutzin, 2001). Revenue collection refers to the process by which health systems receive money from households and organizations. Pooling refers to the accumulation and management of revenues to ensure that the risk of paying for health care is borne by all the members of the pool and not by each contributor individually. It embodies the insurance function within a health system. Pooling can be explicit or implicit: explicit, when people knowingly subscribe to a health insurance scheme; and implicit, where contributions are through tax revenue (WHO, 2005). Purchasing is the process by which pooled funds are paid to providers in order to deliver a set of health interventions. It involves the transfer of pooled resources to service providers on behalf of the population for which the funds are pooled (Kutzin, 2001). Purchasing can be strategy or

passive (WHO, 2005): strategy purchasing involves a continuous search for the best ways to maximize health systems performance by deciding which interventions should be purchased, while passive purchasing implies following a pre-determined budget or simply paying bills when presented. Strategy purchasing is best for universal coverage. In most cases, pooling and purchasing are implemented by the same organisation. Depending on how they are designed, payment mechanisms can influence provider behaviour (Kutzin, 2001) they can act as incentives/disincentives to providers. Achieving UC will depend on the extent to which countries combine these functions to ensure there is equitable and efficient revenue generation, the extent to which financing systems encourage cross-subsidization and the degree in which health systems provide or purchase effective health services for the population (WHO, 2005).

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

The insurance industry in Kenya is quite competitive and crowded. According to Olotch, (1999) the number of players in the Insurance industry was relatively large. There are Fifty one (51) insurance Companies in a small market of about Kshs. 20 Billion. He noted that the Republic of South Africa accounted for more than 90% of the premium in Africa and had half the number of insurers listed in Kenya. He further suggested that the local Insurance Companies in Kenya should merge to create bigger but fewer units (Olotch, 1999). The industry is governed by the Insurance Act and is regulated by the Insurance Regulator.

Insurance business in Kenya is governed by the Insurance Act 1 of 1985 which provides the registration of Insurance companies, Intermediaries, Risk managers, Loss adjusters, Insurance surveyors and Claim settling agents. All persons and companies carrying out insurance business in Kenya must be registered (Christian, 2006). After independence transformation has taken over



Kenya's insurance industry. In reference to Association of Kenyan Insurers, in the end of 2009 "there were 44 licensed insurance companies, 20 companies engaged in non life insurance while 9 wrote life insurance and 15 companies were composite engaging in both life and non life insurance. The industry had 137 licensed insurance brokers, 21 Medical Insurance Providers (MIPs) and 3,076 insurance agents. Other licensed players included 106 investigators, 57 motor assessors, 18 loss adjusters, 2 claims settling agents, 5 risk managers and 26 insurance surveyors" (AKI 2009,pg.10).

Fifty one insurance companies and three reinsurance companies are currently licensed to operate in Kenya. Due to the presence of many players in the market, competition for business has unfortunately focused on pricing. In a survey carried out for the period 2003 to 2005, the market produced positive underwriting results despite the pressure on rates. Over these three years, nineteen companies averaged a combined ratio of under 100%, signifying underwriting profit, while the remaining sixteen companies showed underwriting losses, with the worst performer recording a combined ratio of 135%. Among all of these, only two companies were able to realize a profit for the year the 2005 because healthy investment returns boosted the poor underwriting performance (Oloch, 1999). According to Oloch (1999), as a result of price wars and other management inadequacies, the industry experienced company failures, with five companies being placed under liquidation or statutory management. The issue of price competition has been of such concern to market players in the industry over the last few years that the Association of Kenya Insurers was forced to give guidance to its members. In place of such competition and failure in the sector, players in the industry need to adopt diversification strategies that will minimize the chance of loss to the Company.

There are several insurance sectors and products in Kenya's market. They can be split into; non-life and life insurance. Non-life insurance is also referred to as General insurance. It covers the policy owner from risks, for instance property/casualty; it protects your possessions from fire and peril (Floods, Earthquakes etc). Health insurance protects you through settling the costs related to your health (Physicians fees). Life insurance is the payments paid to the beneficiaries as a result of death of the insured, according to the contract made by the policy owner and the insurer.

## **1.2 Statement of the Problem**

The insurance sector is highly competitive and has a very dynamic market. This makes the firms in the sector to continually create, implement, assess and improve on strategies so as to remain relevant and competitive in this market. Although, many companies have been implementing strategies in their respective organizations and re-organizing their business processes (Rajagopal, 2002), it is important to note that more than 70 per cent of standard package implementation projects fail (Milis & Mercken, 2002). An Economist survey found that a discouraging 57 percent of firms were unsuccessful at executing strategy initiatives over the past three years, according to a survey of 276 senior operating executives in 2004 (Allio, 2005). In the White Paper of Strategy Implementation of Chinese Corporations in 2006, 83 percent of the surveyed companies failed to implement their strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process.

It is thus obvious that strategy implementation is a key challenge for today's organizations. There are many (soft, hard and mixed) factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for co-ordination and control. How can we better understand

these issues and their importance for successful strategy implementation? This study responded to this question by analyzing existing factors that influence strategy implementation among insurance companies in Kenya.

Despite these problems in implementation, there is scanty local research on this important sector of strategy implementation to shed light on the best way to carry out the implementation process. A study by Gworo (2012) determined the challenges of the implementation of growth strategies at Equity Bank Kenya Ltd. The challenges established included resistance on the part of the staff to accept the new strategy, political and cultural challenges. Gakenia (2008) investigated strategy implementation in Kenya Commercial Bank. The study found that strategy implementation process at KCB follows the basic requirements for a successful strategy implementation. Amollo (2012) studied the challenges of strategy implementation at the Parliamentary Service Commission of Kenya and found that the organization encountered slow procurement procedures due to among others, bureaucracy in administration. Chege (2012) evaluated the challenges of strategy implementation for firms in the petroleum industry in Kenya and found out that strategy implementation challenges in the petroleum Industry in Kenya has a relationship to global oil industry factors. The numerous studies on strategy implementation have however not focused on the insurance industry in Kenya; a sector which is so critical and crucial to the motor industry. This represents a gap in insurance knowledge. It is against this background that this study was proposed so as to critically evaluate the factors affecting strategy implementation among the insurance companies in Kenya.

### **1.3 Objectives of the study**

#### **1.3.1 General objective**

The main objective of this study was to investigate the determinants of strategy implementation in insurance companies in Kenya.

#### **1.3.2 Specific Objectives**

- i. To establish the influence of management competence on strategy implementation in insurance companies in Kenya.
- ii. To assess the influence of resource strength on strategy implementation in insurance companies in Kenya
- iii. To determine the influence of corporate culture on strategy implementation in insurance companies in Kenya.
- iv. To establish the influence of innovation on strategy implementation in insurance firms in Kenya.

#### **1.4 Research Questions**

- i. What is the influence of management competence on strategy implementation in insurance companies in Kenya?
- ii. What is the influence of resource strength on strategy implementation of insurance companies in Kenya?
- iii. What is the influence of corporate culture on strategy implementation in insurance companies in Kenya?
- iv. What is the influence of innovation on strategy implementation in insurance firms in Kenya?

## 1.5 Research Hypotheses

The study was guided by the following hypotheses:

- i.  $H_0$ : -Managerial competence does not significantly affect strategy implementation in insurance companies in Kenya.

$H_1$ : -Managerial competence significantly affects strategy implementation in insurance companies in Kenya.

- ii.  $H_0$ : -Resource strength does not significantly influence strategy implementation in insurance companies in Kenya.

$H_1$ : -Resource strength significantly influences strategy implementation in insurance companies in Kenya.

- iii.  $H_0$ : -Corporate cultures do not significantly influence strategy implementation in insurance companies in Kenya.

- iv.  $H_1$ : -Corporate culture significantly influences strategy implementation in insurance companies in Kenya.

- iv.  $H_0$ : -Innovation does not significantly affect strategy implementation in insurance companies in Kenya.

$H_1$ : -Innovation significantly affects strategy implementation in insurance companies in Kenya.

## 1.6 Significance of the Study

The study is useful to various parties, and especially the following:

### 1.6.1 Operations in the Insurance Industry

The study provides knowledge on adopted strategies in Kenyan insurance companies and effect of appropriate strategy implementation process on their success and better performance.

Managers of firms in the insurance industry will use the study findings as a basis of formulation and implementation in strategy management that can enhance their performance.

### **1.6.2 Policy Implication**

The results of the study will also assist the government of Kenya in formulating policies that assist firms in the insurance industry to improve their service delivery through better and more efficient processes. This will help create fair competition and improve this sub-sector of insurance with a general aim of promoting development of the economy.

### **1.6.3 Other Sectors**

To the general public, the study provides information on the strategies used by the insurance firms in their operations. This will help them in decision making when choosing the firms to insure their anticipated risks based on the suitability and the credibility of the firms.

#### **1.6.4 Contribution to the Existing Body of Knowledge**

The study has contributed to the limited body of local literature with respect to the determinants of successful strategy implementation in the insurance industry. More specifically, the study has espoused on how among other factors, management competence, resource strength, corporate culture and innovation influence strategy implementation success among insurance firms in Kenya. The study findings can also be used by scholars and academicians to explore and conduct further studies in this sector so as to further extrapolate the issues contained herein. The findings will greatly contribute to the existing body of knowledge on strategy management which future scholars and academicians will use as a reference in their studies.

#### **1.7 Scope of the Study**

The target population for the present study comprised all insurance firms in the country. With a large number of the same, the study only narrowed down the scope to those with their headquarters in Nairobi City County for resource optimization purposes. The study collected data on aspects and factors affecting strategy implementation from the managers of insurance companies licensed to operate in Kenya.

#### **1.8 Limitation of the Study**

A number of limitations were anticipated in the course the study. Confidentiality of information was a key constraint as some respondents appeared to withhold crucial information pertinent to the achievement of the study objectives. The researcher however explained to the respondents that the study was only meant for education purposes. The researcher also presented the introductory letter from the University to prove to them that the research had no negative motive as it's meant for education purposes. The study focused on insurance firms across the entire Nairobi City County, considering the expansive geography, this was expected to pose a

challenge in data collection as regards time. To counter this however, the researcher recruited a number of research assistants to help with the administration of the data collection instruments among the respondents targeted. Further, at the data analysis stage, the associations in the regression model of the study have been presented as only either strong or weak, but the attributes that bend the relative strengths have not been accounted for. The researcher therefore recommends a causality study to ascertain the causes of the observed strengths and weaknesses in the relationships.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews available literature that is related to strategy implementation and its relationship to organizational success. It includes the following sections: the theoretical review and models of strategy implementation, conceptual framework, empirical review, summary, critique and gaps. There seems to be widespread concurrence in the literature regarding the nature of strategy planning, which includes strategy implementation. The strategy implementation literature also presents various models showing the organizational characteristics suggested as significant factors for effective strategy implementation (Guffy, 1992).

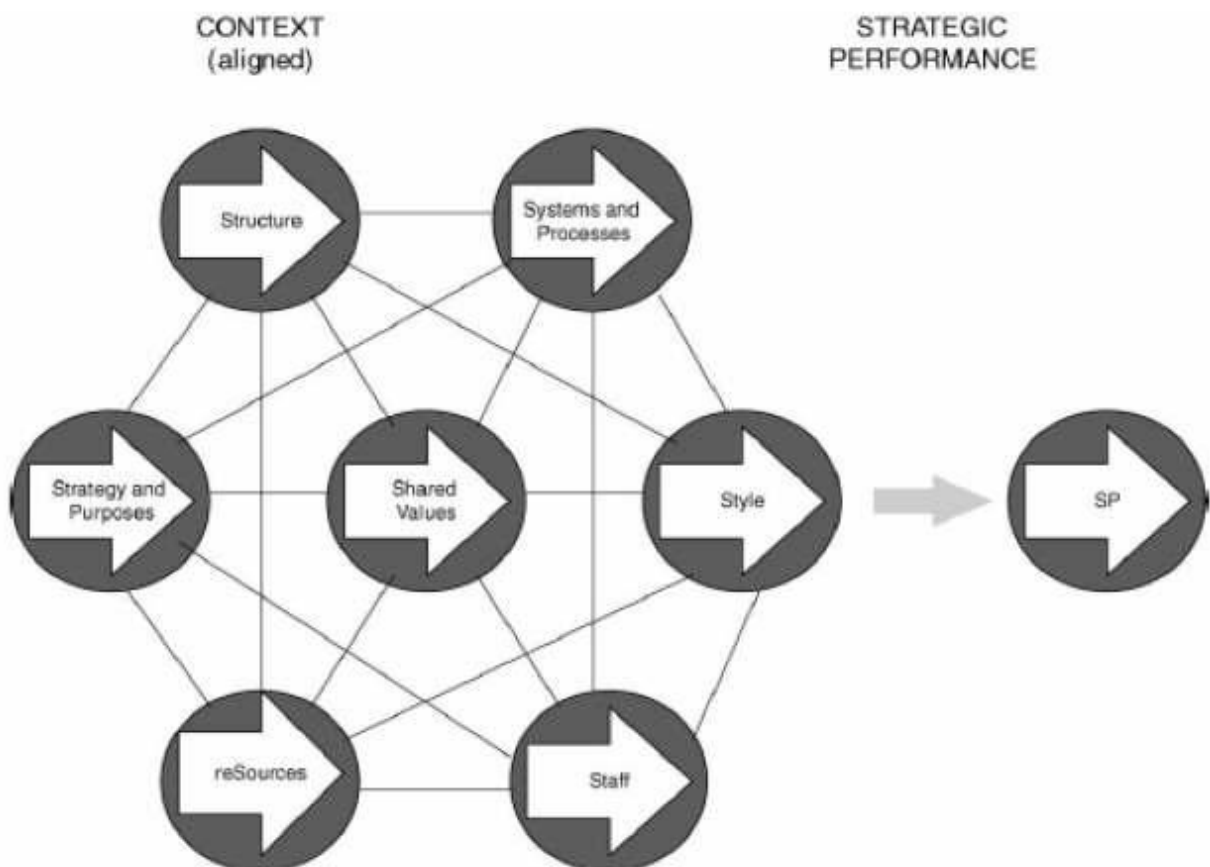
#### **2.2 Theoretical Framework**

There are many studies that are that have focused their attention on explaining strategy implementation and its importance. The aspects of strategy implementation and related ideologies are discussed by various authors and scholars under different contexts and places. The varying opinions and altitudes have been discussed under different theories as presented in this section.

##### **2.2.1 The Higgins's Eight (8) S Model**

Therefore the present study will be grounded on Higgin's Eight S Model. This model, put forward by Higgins, is of the views that the executives must align the cross functional organizational factors; structure, system and processes, leadership style, staff, resources and shared values with the new strategy so that the strategy opted can succeed (Higgins, 2005). All

these factors listed above in the Eight S model are vital for successful strategy execution. Higgins (2005) says that the key here is that all the factors falling in the Contextual Seven S's must be aligned to achieve best possible strategy performance. Importantly organization's arrows should be pointing in the same direction; that is they should be aligned with one another. The other six contextual S's should point in the similar direction as of the strategy (Higgins, 2005). For better understanding of the model it is essential to know and understand what the Eight S's Model offer. This model constitutes the theoretical framework of the study shown in the figure 2.1 below:



**Figure 2.1 Theoretical framework**

*Source: Higgins (2005) 6; Journal of Change Management, 5*

Strategy and Purpose: The element of 'strategy' refers to the actions that a company plans in response to or in anticipation of changes in its external environment, its customers, and its competitors (Waterman *et al.*, 1980). According to Higgins (2005), strategies are formulated to achieve an organization's purpose. Change in strategy purpose leads to change in strategy. Strategy purpose includes strategy intent, vision, focus, mission, goals and strategy objectives. There are four types of strategies named by Higgins as; corporate, business, functional, and process strategies. All the four strategies defer in their organizational level of application. A strategy that promotes success in a firm after implementation has to be a good strategy and hence it is important to ensure that the strategy is good enough and fits the purpose behind its formulation before it is implemented.

Structure: De Wit & Meyer (2003) define organisational structure as the clustering of tasks and people into smaller groups, i.e. dividing the organisations into smaller sections (departments, divisions). Higgins (2005) avows that organizational structure consists of five parts; jobs, the authority to do those jobs, the grouping of jobs in a logical fashion, the managers span of control and mechanism of coordination. Hence when executing a business strategy, decisions are to be made regarding how an organization is structured. This incriminates decisions in terms of jobs to be completed, authority to do the jobs, grouping of jobs into departments and divisions, the span of manager's control and the mechanisms of control of such a structure. A good business structure relies heavily on a competent management and good human resources (Higgins, 2005).

Systems and Processes: The category 'systems' refers to all the procedures, formal and informal, that help the organisation to function on a daily basis (Waterman *et al.*, 1980). Higgins (2005) has described systems and processes by stating that systems and process enable an

organization to execute daily activities. Hence, this element is about the formal and informal procedures used in an organization to manage information systems, planning systems, budgeting and resource allocation systems, quality control systems and reward systems. These are broadly classified as the innovative and entrepreneurial qualities of the firm which according to Higgins impacts on the implementation process and the successful implementation. In the present study, both innovation and corporate culture can be conceptualized as the systems and processes that aid the insurance firms execute their strategy plans on a daily basis.

**Style:** Style refers to leadership/ management mode exhibited by the leaders/managers when relating to subordinates and other employees. According to Hitt, Ireland, & Hoskisson (2009), strategy leadership is defined as “the leader’s ability to anticipate, envision, and maintain flexibility and to empower others to create strategy change as necessary”. Abridging it further, Management style is about the manner in which management treats their colleagues and other employees and what and how they focus their attention on. This difference brings out the management competencies of the management team in an organization. Management competence can also be thought of as the efficacies of the styles managers among the insurance firms exhibit as they lead their subordinates and other employees in strategy execution. It also encompasses how subordinates and other employees relate to their managers throughout the strategy implementation process.

**Staff:** After defining company’s strategy purpose, management must settle, as how many employees are needed and what are the required backgrounds and skills essential to achieve the strategy purpose. This factor also covers aspects such as staff training, career management and promotion of employees (Higgins, 2005).

Resources: According to Waterman *et al.* (1980) the company's crucial attributes and/or capabilities are the so called 'skills'. Higgins (2005) affirms that management must ensure that an organization has access to sufficient resources toward successful strategy execution. Resources include people, money and technology and other management systems. Resource strength therefore has some impact in the implementation process of strategies in a firm as conceptualized in the present study as one of the key determinants of the strategy implementation success.

Shared Values: Shared values on the whole relates to corporate/organizational culture. Therefore, shared values are the values shared by the members of the organization making it different and diverse from the other organizations. This is because a company's culture acts as a kind of organisational glue, thus affecting the degree to which a strategy is successfully implemented (Heide *et al.*, 2002).

Strategy performance: Higgins (2005) states that strategy performance is a derivative of the other seven 'S's. Strategy performance is possessed by an organization as a total, or for profit-based parts of the whole. Performance can be measured at any level. Financial performance measurements are critical barometers of strategy performance. However an expanded balanced scorecard approach is best. In the present study, strategy performance has been conceptualized as strategy implementation success.

From the above mentioned factors it is evident that almost everything an organization carries out is roofed within the Eight S's. Indubitably by applying and using this model during the formulation of strategies, the leaders as well as the managers involved can foresee changes that are to be made within the organization in order to make the strategy workable (Higgins, 2005).

Higgins pinpoint that importantly the model serves as a road map for implementation during the execution stage, helps uncovering the causes of failure during implementation. This study will adopt this model as its theoretical framework.

In the present study Higgins's Eight S Model is deemed to enable insurance firms management to more effectively and efficiently manage the cross functional execution of strategies. The Model pins down that those insurance firm executives who are successful spend a great deal of their time on strategy execution. They believe and realize that execution of strategy is as important and crucial as its formulation. As opined by Higgins, much of strategy execution in the insurance industry revolves around aligning key organizational functions/factors within the present study have been taken to be Management Competence, Resource Strength, Corporate Culture and Innovation. However with frequently occurring changes in the insurance industry, strategies are reshaped more often as compared to the past, making the alignment process a bigger challenge. As such, insurance executives must align the cross functional organizational factors which include Management Competence, Resource Strength, Corporate Culture and Innovation with the new strategy so that the strategy opted can succeed. All these factors tinted above in the Eight S model are vital for successful strategy execution in the insurance industry.

### **2.2.2 Noble's Strategy Implementation Model (minimalist model)**

Noble (1999b) in turn reports of barriers to effective implementation. The physical distances hindering the necessary, cross-functional collaboration in the organization form physical barriers. Turf barriers are the other side of this coin, representing the differing interests of the distinct units. Interpretive barriers are formed by the different ways different units interpret and comprehend the strategy. Communication barriers need no explanation. Personality barriers

reflect the personal characteristics of key personnel, as well as between different groups in the organization's hierarchy. Another important barrier is that of varied goals amidst the organization and its units. Noble's perspective, therefore, is that of the organization as consisting of different units and functional groups with different characteristics. Noble's model communicates a willingness to overcome the barriers between the content and process paradigms. It combines the strict demarcation between implementation and formulation with concepts from process orientated literature.

Mantere (2000) called it the minimalist model and gave two criticisms to Noble's rather linear view on strategy implementation. The first was the actual linearity, which is not a very realistic view even in the interpretation of a single person. Aberg's three levels of interpretation provided the necessary depth to Noble's model. Aberg's notions help me to augment the minimal model of strategy implementation. The second concern was about the difficulty of determining who the communicator is and who the receiver is in various stages of strategy implementation. Aberg gives a partial answer to this social complexity by speaking of a web in which different levels of interpretation assigns meanings to things and events (Aberg 2000, 54), which is rather far from being clear. It does not answer questions such as what are the roles of managerial and operational processes in such a network. Aberg's levels of interpretation provide some sense for the interpretation process but fail to fully address the complexity of the interrelations between interpretation, adoption and enactment.

There seem to be, however, some interconnections between interpretation and adoption. If one thinks about the three levels of interpretation presented by Aberg, one notes that the factors essential to adoption would seem to be essential to the connotative and symbolic levels of

interpretation as well. Personal values play a role in the connotative layer of interpretation. Organizational values on the other hand play a role in the symbolic, interpersonal layer of interpretation.

It might be prudent, therefore not to speak of interpretation and acceptance as separate processes. It would seem that the structural and systemic dimensions can act as strong strategy messages themselves in many cases, which mean that if the structural and systemic properties are not matched with communication practices (directly affecting the life worlds of the organizational members), one is faced with conflicts in the cultural dimension as well. To put it bluntly, if the structures and systems do not support the change effort, it seems as if the organization (or the management) is saying one thing and doing another. Therefore, when designing systems and changing structures to support the strategy, one possible viewpoint would be to endeavour packaging desired strategy message in the structures and systems. This could also be viewed as creating shared meaning. It is, however, important not to confuse creating shared meaning with the programming of the employees.

The theory underpins the present study in that strategy implementation faces a myriad of challenges. Not all organizations face similar environments, organizations differ in their form and complexity hence different ways of thinking about strategy may make sense in different circumstances. As elaborated in the statement of the problem, a majority of studies in both international and local literature have focused challenges faced in the banking industry and other financial institutions, leaving the insurance largely unexplored. As such, the present study employed Noble's Strategy Implementation Model with a view to relate the barriers presented



thereof, vis a vis the conceptualized determinants, that is, management competence, resource strength, corporate culture and strategy implementation.

### **2.2.3 Resource Based Theory**

The resource-based view (RBV) is a business management tool used to determine the strategy resources available to an organization. The fundamental principle of the RBV is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal (Wernerfelt, 1984). To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Barney, 1991). Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Hoopes, 2003; Barney, 1991). If these conditions hold, the firm's bundle of resources can assist the firm sustaining above average returns. A resource based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors which ultimately creates a competitive barrier. RBV explains that a firm's sustainable competitive advantage is reached by virtue of unique resources which these resources have the characteristics of being rare, valuable, inimitable, non-tradable, non-substitutable as well as firm specific (Makadok, 2001). A firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, copied and simultaneously they add value to a firm while being rare. Major concern in the RBV is focused on the ability of the firm to maintain a combination of resources that cannot be possessed or build up in a similar manner by competitors.

The above theoretical background guided this study in various ways. The transactional theory is highly useful in understanding the risk management strategies used by the companies. The agency theory boldly explains the relationship between the insurers and the insured. The chaos theory explains the concept of competition among the insurance firms. The market differentiation variable will be developed from the competitive strategy theory which explains the market positions of the firms. The models of strategy implementation will explain how the firms plan and execute their competitive strategies while resource based theory is useful in explaining how the available resources could be managed to counter competition. This will be useful in developing human resource management, consumer relations management and advancement of technology in the conceptual framework.

RBV was adopted to underpin the present study, in that, in view of the highly dynamic and competitive industry, for successful strategy implementation, with a view to an earn competitive advantage and flourish in the market, the study assumed that insurance firms have to mobilize their pertinent resources key among which managerial competencies, resources strength, innovation as well as corporate culture. RBV was thus employed to aid in the understanding of how well firms ought to mobilize the resources to achieve successful strategy implementation.

## **2.3 Conceptual Framework**

The conceptual framework outlines the process the study will implement to realize the set objectives. The study model is as explained in the below section.

### **2.3.1 Managerial Competence**

Managerial Competence forms the study's first independent variable, measured by Proficient Management Systems, Ease in evaluation of Strategies, Effective Planning, Effective Resource

Management, Competent Policy Framework, Efficient Operating Systems, Enhanced Communication and Information Systems. When considering all of the literature that has been published regarding the skill-sets required being in the insurance industry, the measures capture much of the essence of what many researchers have presented as key requirements. Indeed it has been argued that developing these skill-sets will engender insurance firms which should be equipped to fulfill their potential and create their own futures (Viseras et al., 2005).

### **2.3.2 Resource strength**

Resource strength is the study's second independent variable and will be indicated Adequacy resource base matching firm needs, Efficiency resource allocation, Adequacy and efficiency of human resources, Reliability of resource sourcing mechanism, Cost effectiveness of the resources, Flow of activities based on resource availability and Realization of set resource goals. This variable is intended to show the insurance company's capabilities and resources that allow it to engage in activities to generate organizational success and competitive advantage (Frame (2005).

### **2.3.3 Corporate culture**

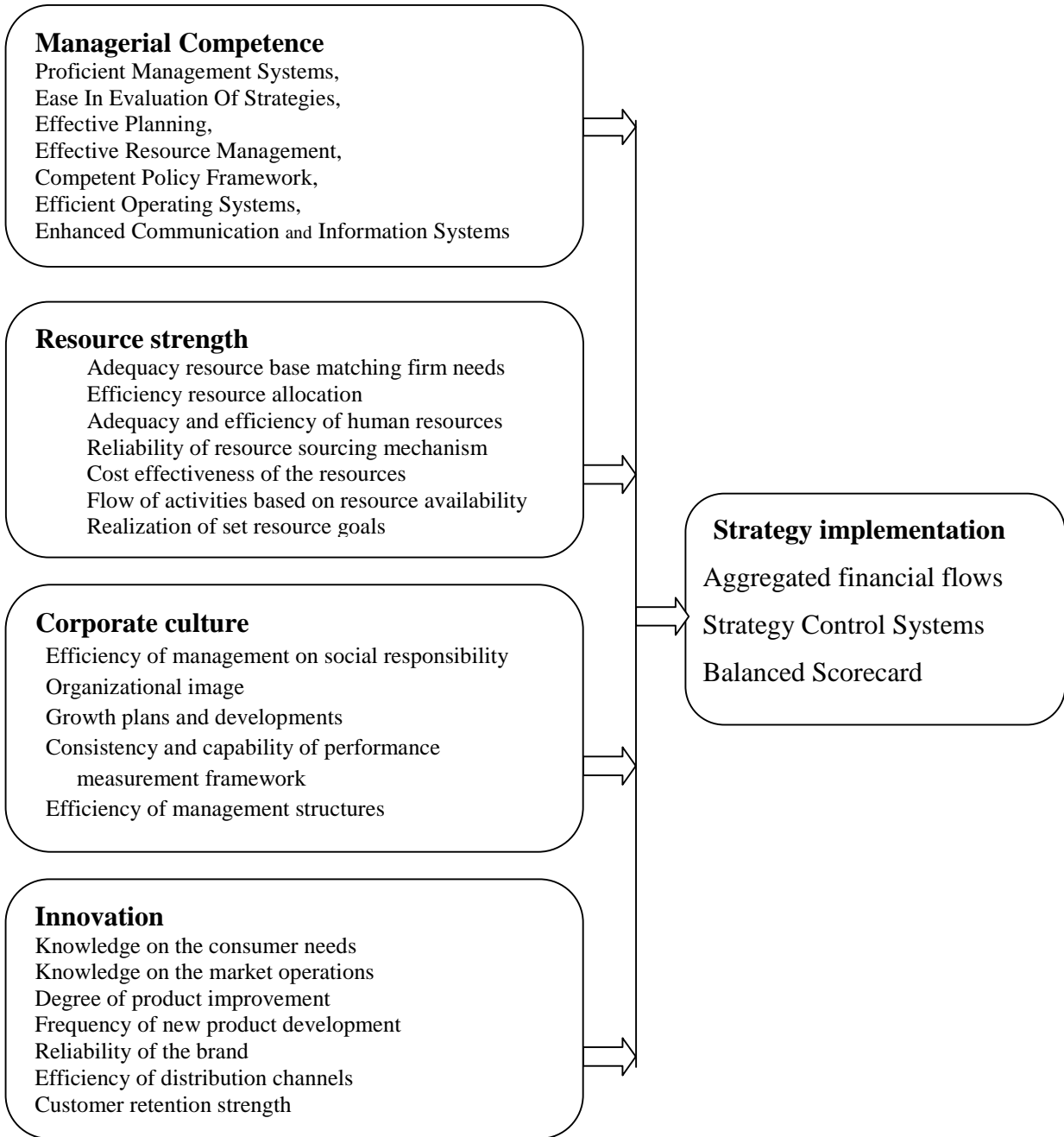
Corporate culture constitutes the third independent variable, indicated by Efficiency of management on social responsibility, Organizational image, Growth plans and developments, Consistency and capability of performance measurement framework, Efficiency of management structures. The variable is intended to demonstrate the set values, beliefs and attitudes that characterize an insurance firm and guide its practices (Bhatti, 2011). Hence it is conceptualized as the systems and processes that aid the insurance firms execute their strategy plans on a daily basis.

### **2.3.4 Innovation**

For insurance companies, innovation is a crucial element in firm success. As the study's fourth independent variable, Efficiency of management on social responsibility Organizational image, Growth plans and developments, Consistency and capability of performance measurement framework and Efficiency of management structures will be used as the indicators. This is deemed necessary as several studies have shown that innovation is a driving force of firm renewal (Danneels, 2002). It is however not captured in literature, how the same affects companies in the insurance sector, owing to the highly complex and dynamic nature of the industry.

### **2.3.5 Strategy implementation**

This formed the study's independent variable and aggregated financial flows, strategy control systems and balanced scorecard will be used as the indicators. Based on empirical evidence success strategy implementation includes designing the organization's structure, allocating resources, developing information and decision process, and managing human resources, including such areas as the reward system, approaches to leadership, and staffing aimed at organizational success (Barnat, 2005).



**Independent variables**

**Dependent variable**

**Figure 2.2: Conceptual Framework**

Source: Author (2015)

## **2.4 Review of Literature**

There are many factors that may affect the successful implementation of firms' strategies. The aspects of strategy implementation are broadly discussed in this section with keen interest on the major variables of the study.

### **2.4.1 Managerial Competence**

For strategies implementation to be successful, optimally functioning competent management system needs to be put in place to ensure the right decisions are made. Certainly organizations that adopt a total quality management philosophy will be better prepared to meet the challenge of competing in the global economic marketplace (Hendricks *et al.*, 1996).

Managerial competence is a concept well known to academics, business practitioners, and consultants in strategy management. It was originally invented as a tool for justifying business diversification at large companies, and for supporting internal processes such as product development (Prahalad & Hamel, 1990). Scholars have acknowledged the importance of the concept by advancing it in multiple directions: by connecting it to conceptual notions of learning, suggesting core competence models to sustain competitive advantage, building on the concept's basic notions to invent similar concepts (Sanchez, 2004), and by developing processes for its identification (Eden & Ackermann, 2000). The importance of the concept is also acknowledged when testing the implementation of core competence as strategy (Clark, 2000).

The three criteria given above make competence a central concept in core competence issues. Competencies are crucial in general too, since they play a major part in organizational developments. Javidan (1998) has suggested a "competence hierarchy," in which the competence concept is of greater value to a company than (in decreasing value order) the capability concept

and the resource concept. Javidan's research is important to this paper, since it is he who suggested the associated concepts as being fundamental to core competence issues. The hierarchy notion, however, is discarded here, since Javidan discusses neither its conceptions nor its implications.

Discussion of the theoretical ideas behind the competence concept has already been dealt with in more detail by others (Sanchez, 2004). The primary signifying characteristic of a competence, apart from its being inherent in individuals and teams, is development. The concept is generally separated into functional competencies and integrative competencies (Henderson and Cockburn, 1994). The former are used in daily activities, and the latter to integrate and develop new competence components. From a technology perspective, scholars suggest that product innovation, facilitated and improved by competencies, are a driving force of firm renewal (Danneels, 2002).

Three types of competencies are distinguished, including, first-order competencies, which comprise customer, technological competencies, integrative competencies, or the ability to combine first-order and second-order competencies, or the ability to build first-order competencies. Danneels' typology is based on the same fundamentals as the division into functional versus integrative and exploitation versus exploration (March, 1991), and is relevant to the concerns of this paper since he studies manufacturing companies with a focus on technology, which is appropriate for the empirical case. Here, we follow the lead of Danneels (2002), and define a competence as residing in individuals and teams with development as its general characteristic. However, since managerial competences are key ingredients in organizational success, they are already highly developed, which implies that minor competence

developments are unlikely to have any impact on them. Consequently, only major developments (i.e. improvements) are included here.

There is also a tendency to categorize the management competence into functional areas. Such a categorization is supported by the intrinsic belief that businesses increase their chances of success when managers are competent in core functional areas such as strategy planning, marketing, finance, operations and human resource management (Giroux, 2007). Thus the survival and growth of a venture requires that the entrepreneur possesses strategy management competences and abilities and shift from an entrepreneur to a managerial style. In so doing however, certain entrepreneurial characteristics must be retained in order to encourage creativity and innovation. Remaining entrepreneurial while making the transition to some of the more managerial traits is vital for the successful growth of a new venture (Kuratko & Hodgetts, 2011).

According to Variyam and Kraybill (2013), it is the owner-manager's lack of managerial competence that negatively impacts their ability to adequately address strategy business problems in the areas of finance, marketing, human resource management and the implementation of formal control systems. Similarly, in the first comprehensive examination of the internal barriers to growth facing Canadian SMEs, weak management is identified as the main obstacle to building a successful business (Giroux, 2007). Managing an enterprise may be the most critical tactic for its future success. Individuals with higher managerial ability become successful managers and promote firm growth while marginal managers close down their firms and become workers (Variyam & Kraybill, 2013). After initiation of a new venture, the entrepreneur needs to develop an understanding of management change. According to Beaver



and Jennings, (2009), one of the primary ingredients in small business success must be the managerial competence of the owner-manager.

According to Enders (2004), firm differences and strategies are the outcome of management competencies. A firm's management team is responsible for the most important decisions of corporate performance. A never-ending task has been gauging management practices in firm success. Despite the many success factor studies, it remains unclear what exactly distinguishes successful from unsuccessful companies. Opler and Titman (2004) assert that the efficient use of firm resources depends on the decisions of the management team. According to Amit and Schoemaker (2003), successful firm strategy implementation depends on market imperfections and managerial decisions about resources. A firm may achieve better rents not just because it has access to resources but because the core competencies of a firm better utilize these resources (Penrose, 2007; Enders, 2004). In other words, the quality of management is an important driver of strategy implementation. Enders (2004) reported that differences in firm performance result from management quality. He argues that management competence can therefore be used as a means to explain these differences. The many suggested characterizations of management competence generally refer to some key constituent elements of competence, such as knowledge, skills, organization, coordination, capabilities, learning, and professional relationships. Several qualitative methods have been used to measure management competence. Boyatzis (2002) created a comprehensive management competency framework that addressed all levels of management. He examined 2000 managers to determine generic competencies that were relevant to performance at various levels of management using the Job Competence Assessment method. This method enabled managers to generate their own list of characteristics perceived to lead to effective performance at their managerial level. Ghiselli (2003) determined specific

psychological traits considered important to managerial performance. Katz (2004) investigated management competencies and claimed that managers at all levels required technical, human, and conceptual skills. Stewart (2001) identified “leading-edge competencies” considered important for effective management these competencies include long term vision, ability to implement change, having customer and market orientation, willingness to empower, effective planning, entrepreneurial flair, ability to use teams and think laterally, and ability to enhanced communication and information systems in firm culture.

#### **2.4.2 Resource Strength**

Strategy formulation comprises the articulation of a mission, a set of long term objectives to be achieved within the stated mission, and an action plan specifying how the mission and objectives will be realized. In the context of health care, a mission common to governments of most countries is to provide, or cause to provide, health care for all citizens of the country. Long term objectives include efficient provision of quality health care that is accessible and equitable, in a manner that is socially and ethically acceptable. One of the principal components of an action plan for achieving these objectives is finding ways and means to finance the provision of health care (Berman, 1996).

Mankins & Steele (2005) suggest that resources deployment has to be discussed as early as possible in the whole implementation planning process, and these resources – financial, personal and time – have to be included in the company’s budget from the beginning (Allio, 2005). Resource allocation contains two aspects. The first one is the level of necessary resources; the second one is the timing of the allocation (Mankins & Steele, 2005). In order to assure the necessary amount and the right timing Mankins & Steele (2005) argue that every business unit

has to answer three questions precisely: What actions have to be taken in order to implement the new strategy within the unit? How long will it take? What kind of resources will be needed and when during the implementation stage? After obtaining the answers for these questions from every unit, organizations can build up their resource allocation for the whole strategy initiative (Mankins & Steele, 2005).

A resource mobilization strategy, therefore, comprises the mix of mechanisms the government employs in order to directly finance its own production and delivery of health care (and indirectly ensure nongovernment provision of health care) in a manner that is efficient, equitable, sustainable, transparent and improves quality of care, (Chawla & Govindaraj, 1996). The direct tools available to the government for mobilizing resources for the health sector are tax revenues, public sector user fees, insurance and donor funding, and the government may employ any one or a combination of many to meet its requirements of funds.

According to Jain (2008), a key determinant of resource strength is resource planning, which provides an opportunity to develop planning tools for material-based, service-only, and service-plus-material strategy plans. Strategy plans and re-plans activities and tasks, synchronizes dates, and performs impact analysis and simulations to improve on-time completion. The planning processes are structured into core processes and facilitating processes. Frimpong *et al.* (2008) identify ten core processes vital in effective strategy execution: scope planning, scope definition, activity definition, resource planning, activity sequencing, activity duration estimating, cost estimating, and schedule development, cost budgeting and project plan development. The output from these processes, the strategy plans, makes up an input to the strategy executing processes.

In addition to the ten planning processes, there is only one executing process and two controlling processes. The emphasis is on planning, with little offered on executing especially.

A crucial consideration in strategy management is the availability of an efficient and sufficient quantity of qualified craft workers, supervisors, managers, and staff. To attract key qualified staff, a number of strategies can be adopted: Offer competitive wages and benefits; Provide job security; provide a safe and healthy work environment; treat workers fairly and with respect and provide good working conditions (Frame, 2005). Necessary tools include wage and benefit surveys and governmental resources. It is necessary to note that workers have transferable skills and knowledge—good workers have other options, and therefore it is important to consider hiring someone whose skill set is similar to, but not exactly the same as, what one typically hires (Belassi, 2006).

For effective resource disbursement and distribution in donor funded projects, there is need to establish secretariats, financial and management systems to support the administration of these funds meeting the criteria for due diligence, results-based management, and effective and timely disbursement (Ika, 2009). Strategy plans can be reinforced through ongoing and rigorous monitoring, evaluation and reporting mechanisms (Roodman, 2006).

The importance of resource strength to a firm's competitive growth was firstly recognized by Penrose (2010). She contended that a firm consists of a collection of productive resources and its growth depends on the manner in which its resources are deployed. Following the early work in the emergence of firm resource strength (Teece 2012; Wernerfelt 2014), Barney (2012) formalized a comprehensive theoretical framework from the resources based perspective.

According to Barney (2012), firms can be conceptualised as resource strengths that are heterogeneously distributed among firms and are imperfectly mobile. The differences in resource endowments across firms over time, thereby allows for a resource-based successful strategy implementation.

The fundamental suggestion for insurance firm actions from the resource strength view is that firms select strategies to generate rents based upon their resource, capabilities and a fit with environment opportunities (Grant 2011; Hunt and Morgan 2010; Mahoney 1995). 'For the firm, resources and products are two sides of the same coin' indicates that firms can earn above normal returns by identifying and acquiring resources that are critical to develop market-demanded products (Wernerfelt 2014, p. 171). Therefore, firms seek to acquire and develop unique sets of resources and capabilities as a means to gain better strategy execution.

### **2.4.3 Corporate Culture**

The concept of culture has principally stemmed from the study of ethnic and national differences in the disciplines of sociology, anthropology and social psychology. A good summary of the many definitions for culture developed in each of these disciplines was given by the cultural geographer Haggett (1975). Culture describes patterns of behaviour that form a durable template by which ideas and images can be transferred from one generation to another or from one group to another. The corporate culture of a company determines its overall direction in terms of its general attitude towards growth and management of its various businesses and product lines. Organizational culture includes the shared beliefs, norms and values within an organization. It sets the foundation for strategy.

Three aspects of this definition need further explanation. First, the transfer of behaviour does not take place through genetics but instead takes place through the social interaction between members of a group. Second, according to the culture pattern theory (e.g. Benedict, 1934) the various elements of a culture tend to form a relatively stable harmonious system and therefore any cultural template is durable and slow to change. Third, the ideas and images of culture provide a guide for the conduct of acceptable behaviour. As such, many aspects of the culture are embodied in rules of various sorts; some are laws (e.g. against stealing) which are backed by official punishment for deviation; others are social norms (e.g. about what clothes to wear) which are backed by social disapproval and rejection of deviates.

Initially, within organisational theory, scholars used the culture concept as a metaphor to study organizations as forums in which meanings are constructed and expressed through social interactions. But as it became part of the vocabulary of management thinking, more and more researchers began to employ culture as a variable rather than as a “root metaphor”, something an “organisation had” versus something “it was”. Some of the earliest references to the concept of culture as an internal organisational variable are found in the literature of organisation development (Harrison, 1972). Several researchers began to link various types of cultures (e.g. “strong vs. weak”) to certain outcome variables such as performance and internal integration (Wilkins & Ouchi, 1983). Thus, culture became a mechanism with which to achieve managerial effectiveness and control (Barley *et al*, 1988).

It is also defined as a pattern of basic assumptions, invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered valid and therefore, to be taught to new members as the

correct way to perceive, think and relate to those problems (Schein, 1991, p. 9). These definitions outline some of the common key elements that appear in many of the definitions proposed for organizational culture. First, organizational culture is a shared phenomenon (Wilkins and Ouchi, 1983). Culture, in this sense, is a learned product of group experience and is, therefore, only to be found where there is a definable group with a significant history. The group does not necessarily have to be a whole company. Companies can have multiple cultures (Kotter and Heskett, 1992) or subcultures (Wilson, 1997) usually associated with different functional or geographic groupings.

Second, the majority of authors, with the exception of Schein (1991), believe that there are two levels of culture, the visible level and the deeper, less visible level. Schein's (1990) view is that the term culture should only relate to the "deeper" less visible level, although he does use visible evidence to understand and describe different cultures. The visible aspects encompass behaviour patterns, the physical and social environment and the written and spoken language used by the group. Many of these have been researched using a semiotic approach by researchers such as Barley (1983), Manning (1979) and Van Maanen (1977).

The third element relates to the manner in which new members learn the culture. A process of cultural socialization arises informally from the existing employees and formally through induction training programmes. Harrison and Carroll (1991) explained that if an individual enters an organization where employees work in an environment of strong group and peer pressure, the individual adopts the employees' norms. Whereas when the group pressures are weak, the individual is likely to accept the norms encouraged by management. There is therefore no

guarantee that the service personnel interacting with customers will adopt or communicate the content of the internal corporate marketing messages.

Finally, organizational cultures tend to change slowly over time. Kotter and Heskett (1992) explained that culture evolves as a result of the turnover of group members, changes in the company's market environment and general changes in society. Wilkins and Ouchi (1983) quoted a number of examples of organisations claiming to experience great distress because the culture could not be changed or because its members would not change fast enough. Developing these elements into a definition results in organizational culture being defined as the visible and less visible norms, values and behaviour that are shared by a group of employees which shape the group's sense of what is acceptable and valid. These are generally slow to change and new group members learn them through both an informal and formal socialization process.

Thompson *et al.* (2007) define corporate culture as the character of a company's work climate and personality – as shaped by its core values, beliefs, business principles and policies, traditions, ingrained behaviours, work practices, and styles of operating. It is considered one of the success factors for strategy implementations because it influences the organization's actions, approaches to conducting business and the way of executing strategies (Thompson *et al.*, 2007). A company's culture can promote strategy execution, when its values are strategy-supportive and its practices and behavioural norms add to the company's strategy execution efforts (Thompson *et al.*, 2007). A company's culture should encourage strategy thinking and dialogue, which helps to develop a strategically more aware workforce which is also more open to necessary strategy changes (Beaudan, 2007). It is the task of top management to foster a corporate culture that



paves the way for the effective implementation of new strategies (Thompson *et al.*, 2007; Raps, 2004).

The claim that cooperate culture is linked to strategy implementation is founded on the perceived role that culture can play in generating competitive advantage (Scholz, 2010). Krefting and Frost (1985) suggest that the way in which organizational culture may create successful strategy execution is by defining the boundaries of the firm in a manner which facilitates individual interaction and/or by limiting the scope of information processing to appropriate levels. Similarly, it is argued that widely shared and strongly held values enable leadership to predict employee reactions to certain strategy options thereby minimizing the scope for undesired consequences (Ogbonna, 2013). Theorists also argue that sustainable strategy implementation advantage arises from the creation of organizational competencies which are both superior and imperfectly imitable by competitors (Reed and DeFillippi, 2010). To this end, it is argued that the ‘uniqueness quality’ of organizational culture makes it a potentially powerful source of generating advantage over competitors. Indeed, many commentators have advised firms and researchers to exploit the multiple advantages which could be offered by cooperate culture and leadership rather than focusing on the more tangible side of the organization (for example, Johnson, 2001; Prahalad and Bettis, 1990).

#### **2.4.4 Innovation**

Entrepreneurship, in its narrowest sense, involves capturing ideas, converting them into products and, or services and then building a venture to take the product to market (Johnson, 2001). A noticeable trend in the study of entrepreneurship in recent years has been away from the subject of small business *per se* towards the concept of entrepreneurship (Chell, 2001). The present study reflects this trend by emphasizing the concept of entrepreneurship itself, rather than the

personality or psychology of small business entrepreneurs. Omung'ala (2006) studied the entrepreneurial strategies in business development services in Kenya. The study discovered that there were business development service providers employing entrepreneurial strategies and as a result, had gained competitive edge in relation to the delivery of their services.

On a different view, invention is the narrowest definition of innovation. Drucker (1994) maintained that there are seven basic sources of opportunities to innovate. Only one of them is to do with inventing something new. Innovation is thus more than invention, and does not have to be technical. There are numerous examples of social and economic innovations (Drucker, 1994). Innovation is a proposed theory or design concept that synthesizes extant knowledge and techniques to provide a theoretical basis for a new concept (Sundbo, 1998). Innovation thus has many facets and is multidimensional. The most prominent innovation dimensions can be expressed as dualisms: radical versus incremental; product versus process; and administrative versus technological (Cooper, 1998).

Innovation can be radical and incremental. Radical innovations refer to path-breaking, discontinuous, revolutionary, original, pioneering, basic, or major innovations (Green *et al.*, 1995). Incremental innovations are small improvements made to enhance and extend the established processes, products, and services. However, this contradistinction does not “necessarily [correspond] to the more fine-tuned reality” because “radicalism is a continuum” (Katila, 2002, p. 307). Product innovation, as the name suggests, “Reflects change in the end product or service offered by the organizations, [whereas] process innovation represents changes in the way firms produce end products or services” (Utterback cited in Cooper, 1998, p. 498). Some researchers have categorized innovation into technological and administrative innovations.

Technological innovation is about “the adoption of a new idea that directly influences the basic output processes, [whereas] administrative innovations include changes that affect the policies, allocation of resources, and other factors associated with the social structure of the organization” (Daft 1978 cited in Cooper, 1998, p. 497). The created innovation leads to the lower production cost of the organization, new beneficial knowledge, new products, new production process, new working technique and new working procedure which in turn would generate competitive advantage in the long run (Dunning and Dunham, 2010). Innovation factor generates value added to the organization through strategy, behaviour, support and motivating activities under 5 principles, i.e. (1) customer satisfaction (internal and external), (2) best practices (3) teamwork (4) challenging spirit and (5) the effective communication in integrating derives to achieve objective goals.

According to Schumpeter 1934, entrepreneurs are innovators. The concept of the entrepreneur as innovator underpins the entrepreneur paradigm in which the role of the entrepreneur is highlighted in the innovation process. According to this paradigm, only a person who founds a new company on the basis of a new idea can be called an entrepreneur. Entrepreneurship is viewed as a creative act and an innovation. Entrepreneurship is about creating something that did not previously exist. The creation adds value to the individual and the community, and is based upon perceiving and capturing an opportunity (Johnson, 2001). Bygrave and Hofer (in Legge and Hindle, 1997) held similar views. They regarded entrepreneurship as a change of state, a dynamic process, and a unique event. Legge and Hindle (1997) believed that people who lead teams and organisations to introduce innovations are entrepreneurs. Entrepreneurs seek opportunities, and innovations provide the instrument by which they might succeed. Corporate

entrepreneurship often refers to the introduction of a new idea, new products, a new organisational structure, a new production process, or the establishment of a new organisation by (or within) an existing organisation. As Herbig *et al.* (1994 pp. 37 and 45) have observed: “Innovation requires three basic components: the infrastructure; the capital; and the entrepreneurial capacity needed to make the first two components work”.

Innovation is the specific tool of entrepreneurship by which entrepreneurs exploit change as an opportunity for a different business or service. There is considerable overlap between entrepreneurship and innovation (Kanungo, 1999). Moreover, innovation has to address market needs, and requires entrepreneurship if it is to achieve commercial success (Zhao, 2001).

An entrepreneurial innovative attitude can be defined in different ways but has frequently been linked to two indicators (Brouwer, 2012): Risk Aversion and Opportunity Recognition. Risk takers are more likely to implement a new strategy (Knight, 2011), and risk attitude affects the selection of individuals for entrepreneurial positions (Cramer *et al.*, 2010). Opportunity recognition is linked to Schumpeter (2011) who argues that some people are able to see and realize new business strategies whereas others are not. An insurance firm has a higher level of strategy implementation compared to an average firm (Jennings and Lumpkin, 2011), and successful corporate strategy implementation is the sum of an enterprise’s innovation, renewal, and venturing efforts (Zahra, 2011).

There have been many studies on how an entrepreneurial innovation affects strategy implementation (Wiklund and Shepherd, 2010). Some empirical studies find that those enterprises that have adopted an entrepreneurial innovation have exhibited superior strategy implementation (e.g., Wiklund, 1999; Zahra, 2011). However, researchers who have found this

link between entrepreneurial innovation and strategy implementation also note the paucity of empirical documentation. Other researchers have not found a significant relationship (Wiklund and Shepherd, 2010), indicating that the relationship is inconsistent. A shorter product life cycle is a general tendency in today's insurance business environment (Hamel, 2014), which makes existing operations more uncertain and causes businesses to seek new. Consequently, operations can benefit from being entrepreneurially oriented by taking risks, being innovative, and changing products, processes, markets and firms. (Wiklund and Shepherd, 2010).

#### **2.4.5 Strategy Implementation**

Researchers have realized the need to develop a sound strategy and then reorganize the structure, systems, leadership behaviour, human resource policies, culture, values, and management procedures of the company in order to ensure successful strategy implementation, (Schaap, 2006). A problem does not so much seem to exist in the development or formulation of strategies (Dannenmaier & Dannenmaier, 2007) but is realized in its execution. Companies have the awareness of the importance of proper strategy development and they can refer to lots of appropriate methodologies, such as Gaelweiler's concept on strategy and operative corporate management, Hamel's and Prahalad's model on future-oriented strategy development, Porter's Five Forces and generic strategy types or Puempin's Strategy Success Positions or SEPs (Eschenbach *et al*, 2003). But the challenge in strategy management lies in the effective implementation of the developed strategies after their successful formulation, (Krassnig *et al*, 2009). Many companies, even though they had dedicated considerable resources to the development of their business strategies, ends up not satisfied with the transformation of the developed strategy framework and guidelines into business reality due to the challenging intricacies of strategy implementation (Dannenmaier & Dannenmaier, 2008).

Particularly, strategy implementation includes designing the organization's structure, allocating resources, developing information and decision process, and managing human resources, including such areas as the reward system, approaches to leadership, and staffing (Barnat, 2005). Successful strategy planning implementation requires a large commitment from executives and senior managers, whether the strategy planning is occurring in a department or in a complete organization. Executives must lead, support, follow-up, and live the results of the strategy planning implementation process or else the strategy planning implementation process will fail. Without the full commitment of the senior executives in the organization, there is no need to start strategy planning. Participants will feel fooled and misled. A vision statement and a mission statement, along with goals of the current year, filed, unimplemented in a cabinet or computer is a serious source of negativity and poor employee morale (Kodali & Chandra, 2001).

In a study about effective leadership behaviour in which 38 organizations were studied, Howell (2005) stated that "Effective champions are distinguished by three behaviours that includes (a) conveying confidence and enthusiasm about the innovation, (b) enlisting the support and involvement of key stakeholders, and (c) persisting in the face of adversity." Although the growing need for change in organizations is widely acknowledged by researchers, it is alleged that up to 70% of change initiatives fail (Higgs & Rowland, 2005). But, why do change efforts not succeed? Execution cannot succeed unless the strategy itself is designed to be executable. Apart from wasting significant amounts of time and money, they result in lower employee morale, a diminished trust and faith in senior-level leadership, as well as create an even more rigid organization since a company that has failed to change will encounter more employee scepticism in its next attempt (Heracleous, 2000). Research suggests that senior-level leaders are

more than willing to communicate, but they often approach the task on a tactical rather than a strategy level (Clampitt *et al.*, 2002). In addition, these same people are trained to plan but not execute plans (Hrebiniak, 2005). While the reader may perceive strategy implementation to be complex, sufficient allocation of resources together with thorough research of the market place will boost chances of success. CEOs must endeavour to: (a) Identify the market factors that bear most upon a strategy, (b) Set up contingencies for known situations that are susceptible to unknown changes, and (c) Have various measures in place to cope with the real possibility of encountering unexpected developments in the external environment (Anonymous, 2003).

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work by implementing it throughout the organization has always been a challenge across the industry (Hansson *et al.*, 2003; Hrebiniak, 2006). Ability to implement strategy is the deciding factor between success and failure of a strategy in any company. Implementation manifests the strategy intent of a company through various tactical and competitive actions to achieve the desired results, which otherwise may remain as distant dreams. Great strategies are not discovered over a couple of strategy sessions. In fact great strategies evolve over time as a result of rigorous monitoring of progress towards strategy goals, when emerging realities are discussed thread bare, the learning of which helps in revising the strategies. In effect, it can be said that meticulous implementation has strategy development embedded in it. Similarly companies need to incorporate strategy implementation in the planning phase itself. This can be done by involving persons key to execution during planning phase itself (Hansson *et al.*, 2003). It will not only help in gaining insights in to practical aspects of strategy at an early stage, but it also helps politically to get their whole hearted commitment to strategy implementation.

Planning is no doubt important, but making the plan work is a bigger challenge which deals with organizational politics, culture and sometimes managing change. All of which require single minded pursuit from top and unquestionable commitment from managers. Organizational politics especially when strategy execution contradicts the existing power structure in the company may hamper proper allotment of resources, which will adversely impact strategy deployment.

Apart from inter-twining strategy planning and implementation through incorporating execution into planning and evolving strategy through rigorous follow up and corrections, there are other factors that may bridge the gap between great strategies and effective execution. First of these factors is communication (Hartmann, 2002). Many a times we find that managers who are supposed to be delivering performance to meet the strategy goals of the company do not have a clear idea of what the strategy is all about. They do not realize what needs to be done to fulfil the strategy plan. They are unaware of their role in the strategy game plan. They cannot describe company's strategy in one simple sentence, which means that the strategy is not understood by the people responsible for acting on it. Great strategy plans or intents are represented by a catchy tag line, which conveys the company's intentions to all concerned, even to marketplace. Lack of proper understanding of what is important for the strategy to be delivered, may result in having your priorities wrong – and the projected levels of returns will never be a reality (George, 2002). Strategy implementation failures may be as a result of unfeasibility of the strategy, weak management, unworthiness or a misunderstanding of strategy, unaligned organization systems and resources, poor coordination, uncontrolled environment factors, linking performance and pay to strategies and resistance to change within the organization.



According to Pearce and Robinson (2000) strategy management can be seen as a combination of strategy formulation and strategy implementation. Strategy formulation involves doing a situation analysis of both internal and external environment, setting the vision, mission and objectives of the organization and suggesting a strategy plan to achieve the set objectives. There is a forward and backward linkage between strategy formulation and implementation (Pearce and Robinson, 2000). From inception to the outcomes, there is a clear path of strategy management that most firms travel. Strategies formulated are not actions but rather have to be activated through implementation. The same path is observed in the intertwined implementation process where: strategies implemented leads to plans, which should then lead to programs; the programs leads to formulation of projects which require allocation of a given amount of resources and have to be completed within a given timeframe; projects then provide the requisite infrastructure that directs the day to day operations of the firm. Also, strategy implementation involves allocating sufficient resources, establishing chains of command and reporting structure, assigning responsibility of specific tasks and processes to specific individuals or groups and managing of the process. Strategy formulation and implementation is continuous and requires continuous reassessment and reformulation (Pearce & Robinson, 2000).

Competitive strategy is the strategy choice that can influence construction firms ' performance. In analysing the strategies of firms, the Porter framework has been the dominant tool for the past two decades. Porter's model of the five relevant forces in an industry and his generic strategies are still popular concepts. Sandberg (1986) found that business strategies and industry structure have direct influence on growth performance of firms. In addition, such factors as strategy types, the adoption of new technologies, quality products and services, customer relations and other

organizational strategy related factors are also revealed to have important influence on superior performance of firms. Given the limited resources in terms of finances, human expertise and production process, construction firms can address the scope of competition by adopting a narrow product/service and market approach.

Research not only suggests a relationship between strategy and performance, but also that performance measures can, and perhaps should, be linked to strategy (Abernethy and Guthrie, 1994; Ittner *et al.*, 2003). Traditionally, business performance has been measured in three ways. First, financial measures provide objective artefacts of a firm's performance. Accounting data such as return on assets (ROA), return on investment (ROI), and return on sales (ROS) have been applied to numerous studies (Daily *et al.*, 2002; Jacobson, 1987; Palepu, 1985). The new financial measure, Economic Value-Added (EVA), also has been applied to some studies (Bacidore *et al.*, 1997; Chen & Dodd, 1997). However, the use of EVA is not that popular because it is too complex for managers to understand and use (Ittner & Larcker, 1998a). Proponents of using financial measures emphasize the objectivity associated with comparing the performance level of various business units along standardized lines (Sieger, 1992). However, financial measures often do not result in the valid valuation of intangible assets (Huselid, 1995). Nonetheless, financial measures remain the most popular and widely accepted approach in strategy-performance studies (Geringer *et al.*, 1989).

Second, market-based measures of performance have received considerable attention in the literature (Amit & Livnat, 1988). Market value added (MVA) has been touted in the popular press as the most accurate means of evaluating how well a firm creates shareholder wealth (Tully, 1994).

Third, qualitative measures include subjective areas of performance such as ethical behaviour, stakeholder satisfaction with performance, customer satisfaction, and management satisfaction with performance (Parnell *et al.*, 2000). They may also include employee satisfaction, delivery performance, process improvement, measures of material and parts delivery time, throughput time, due-date performance, quality, machine flexibility, and inventory levels (Hendricks *et al.*, 1996). Specifically, a number of Internet businesses rely heavily on measures of web traffic to gauge performance. Viewing performance through a non-financial lens can provide insight into organizational processes and outcomes that cannot be seen via financial measures. In fact, non-financial measures are indicators of intangible assets and key drivers of firm value and may be better predictors of future financial performance than historical accounting measures, and thus should be disclosed (Ittner & Larcker, 1998); Kaplan & Norton, 1996; Wallman, 1995).

The problem of today's managers is competition and dynamism of environment and unknowns of the outside and inside of the organization each affecting the implementation of plans especially strategy ones. Strategy implementation is an elemental step in revolving a company's vision and objectives into reality. Without proper implementation, even the most superior and fine strategy would not make the grade as established. In last few decades, a number of articles have been published to understand the significance of strategy implementation presenting not only models for better execution of strategies, also highlighting factors that affect effective strategy implementation.

According to Kaplan and Norton (2008) managers have always found it difficult to balance their near-term operational concerns with long-term strategy precedence. Implementation success depends on motivating employees which is the art of managers. In order to focus on

implementation of strategies, all the factors should specifically be noticed. In addition, every factor consists of sub-factors which should be noticed too, for defining the main factors substances and characteristics. Because the model is formed based on ranking sub-factors, it is essential to distinguish, analyse and evaluate them initially, and then making decision about the indexes for each main and sub-factors.

Bhatti, (2011) claims that for implementation of strategies, it is important to plan a program in which job descriptions of all occupational titles are defined and appropriate implementation tools such as technology and information are accessible for staff. He states that in such conditions, as proper structure of organization, sufficient resources along with a strong leadership who has a predefined vision, and explicit organizational culture, a successful implementing can be set going (Bhatti, 2011). A strategy which might look fine and effective on papers, may fail to take off for a basic reason as employees might not like the change and resist it by going around its basic set requirements.

Implementation of strategy may also fall short as of inadequate accessibility and availability of required resources. Derisory communication and training can play a major role for poor implementation. Similarly if people do not understand the basic essence as what is to be done or do not enclose the required knowledge, skills and expertise it become difficult for the strategy to implement and work as expected. From the discourse, it is clear that strategy implementation is very important to the success of the firm and factors that affect it also indirectly affect the performance of a firm.

The relationship between strategy and performance has been convincingly established in literature. The prescriptive school views improved performance as an explicit goal of strategy.

Lenz (2010) identifies six distinct research streams, two of which explicitly consider strategy as a critical component. The first considers the strategy-structure-performance model of Chandler (2011). The second describes an environment-strategy- performance model consistent with contingency and industrial organization models. Empirical evidence generally supports the relationship between strategy and performance. For example, Miller and Friesen (2011) identified ten different strategy types. Six of these strategies were generally successful (Adaptive Firm under Moderate Challenge, Adaptive Firm in Very Challenging Environment, Dominant Firm, Giant Under Fire, Entrepreneurial Conglomerate, and Innovator). The remaining four strategies were unsuccessful (Impulsive - Running Blind, Stagnant Bureaucracy, Headless Giant, Swimming Upstream). Using the Miles and Snow (2013) strategy typology, Hambrick (2014) found significant performance differences between prospectors and defenders. Using Porter's (1980) generic strategy typology, Dess and Davis (2005) found some evidence of performance differences among strategy clusters (representing Porter's generic strategies) in the insurance industry.

#### **2.4.6 The nexus between strategy implementation and firm success**

Several studies have indicated that implementation of a strategy is a difficult task, but nobody really seems to know the true rate of implementation as evidenced in Dandira (2011) among other cited authors in the earlier literature. Candido and Santos (2008) in their article "Strategy implementation: what is failure rate?" noted that the difficulty of successfully implementing new business strategies has long been recognized in the literature; for example, Wernham (1986), and Ansoff and McDonnell (1990) concluded that most managers believe that the difficulty in implementing strategy surpasses that of formulating it. Even with all this criticism, strategy

management is a widely practiced undertaking within the corporate world and a lot of companies have benefited from its use. This means that many firms have been able to successfully implement strategies and are gaining from them, though, after successful implementation there needs to be periodical reviews of the same.

Even though, many researchers have studied the strategy implementation process (Pearce & Robinson, 2001; Noble, 1999; Mintzberg, 1994) among others, there is a given trend where they all embark on their studies using different paths leading to very differing causations and none has been able to bring together all these factors together in the same document. Each of the researchers has come up with different models and these models differ in that they provide different paths to achieving successful implementation of the strategies. Mockler (1995); Barney, (2001); and Hickson *et al.* (2003) claim that though remarkable progress has been made in the field of strategy management, the problem of strategy implementation failure still persists. It is still therefore important for researchers and practitioners to make this their on-going concern. Most studies treat failure to successfully implement strategies as a failure to succeed or improve performance. This is a wrong connotation since if the firm successfully implements a bad strategy, the firm will not be said to be successful but will deteriorate in performance in the same way, a firm that is not successful should not be seen as failing to successfully implement its strategies. Implementation of strategy does not guarantee success but rather it enhances its achievement. A firm that is successful has to implement superior quality strategies that will enhance its competitive ability and hence bring about success in the organization.

According to Chorn (1991) research in the USA, Europe and Australia revealed that superior performance (success) if measured on different performance measures is associated with high

degrees of alignment between competitive situation, strategy, organization culture and leadership. On the similar lines literature reveals that an important corollary of achieving alignment is presumed to enhance business performance of a firm, just as misalignment is expected to undermine its performance (Chopra *et al.*, 2007). A number of authors have studied the obstacles to strategy implementation, and deployment has often been cited as one of the main reasons for failure to achieve expected or projected performance in many companies (Dean & Sharfman, 1996; Mintzberg, 1994; Noble, 1999). A report by Deloitte and Touche (1992) has shown that eight out of ten companies fail to deploy their strategies effectively. Most of the obstacles or barriers to strategy implementation fit into one of the following inter-related categories: too many and conflicting priorities; the top team does not function well; top down management style; inter-functional conflicts; poor vertical communication; and inadequate management development; this is also an argument in Wessel (1993). In general, the past studies have shown weak contributions on the link between competitive strategy implementation and the performance of an organization. The findings of this study will therefore add knowledge on this phenomenon.

It was empirically proven by Randall *et al.* (2003) that the fit between business environment and firms' supply chain selection affects overall performance. It is thus imperative to link business performance with the fit between competitive strategies. Typically, firm's business performance is measured using financial metrics (Chi *et al.*, 2009), but only financial measures cannot give measures of supply chain performance as a whole. Several other metrics related to inventory, customer satisfaction, etc. must also be included.

## **2.5 Critique of Existing Literature Relevant to the Study**

This study has looked into many previous related studies that provide an insight and a pathway to the achievement of the study's mandate and objectives. Some of the empirical studies cited have are not fully perfect but constitutes the general views of the world that nothing can ever be fully perfect. A person going through this review will gain some of the insights discussed in this section.

From Higgin's 8s model, the model shows eight factors that are vital for the successful strategy implementation. This model has evolved from one sided 6s model, to the still one sided 7s model and finally Higgins brought in the outcome side of the equation in his 8s model. The Ss are factors that are bound to ensure successful strategy implementation if well observed. All these factors are important and are well presented in the model with their interactive abilities well-presented though some are closely interrelated such as: staff and resources, since some people will view staff as part of resources; structure being part of the systems and processes, e.t.c. But Higgins try his best to differentiate these factors and comes up with given dimensions of the that the strategy managers can relate to per each of the S's and successfully implement their strategies.

Previous studies on competitive strategies in Kenya have been focused on other issues but avoided the area of effects of strategy implementation on performance of insurance industry in Kenya. For example, Mwihaki (1999) did a study on the strategies for enhancing small-scale tourist hotel competitiveness: a case study of Mombasa, Kenya. The study concluded that low income, stiff competition, low quality services and high prices hamper development of the small scale tourist hotels but failed to mention and research anything on the effects of lack of strategy



management or poor implementation in these hotels. Those that were beyond the enterprise's control were; transport and communication problems, poor communication systems (bad roads, inaccessible and inadequate feeder roads), Technology and foreign markets. Omung'ala (2006) noted some of the drawbacks which slowed down the development of business services but none was directed towards the strategy implementation and management. They include: accessing information and appropriate technology; dilapidated infrastructure; state monopolies that control international connections that impose inefficient pricing structures and conditions; and state bottlenecks prevalent in acquiring relevant certification that necessitate entrepreneurial strategies and their direct or indirect linkage to the external environment.

Most of the studies that focused on strategy management and implementation cited communication as an important determinant of success in implementation. Even though this is an important factor that needs to be considered, it becomes redundant if considered as well as management competence in a study. This is because communication is integrated in the management competence and it is usual that a competent management team has to be very good in communication and has to have the capability to enhance it across all the areas of the firm, thus ensuring ease of transfer of information from the management to the subordinate staff. Therefore, this factor is overshadowed by the management competence factor and is not applicable since including this factor in the study would cause the problem of multicollinearity, which has to be avoided in this study. All the factors considered in this study have been ascertained in one way or another to affect strategy implementation by different authors in other sectors but none of these authors is from Kenya or has looked at the insurance sector. The most contentious is the strategy implementation and organization's external environment. Strategy

implementation is viewed by most of the studies (Dannenmaier & Dannenmaier, 2007; Krassnig *et al.*, 2009; Hrebiniak, 2005; Hansson *et al.*, 2003) as a process while this study looks at it as a means to gain success in the firm. The challenges outlined in one of the sections of this study therefore highly places failure on the incompetence of the firm's management even though other factors not under consideration may have influenced the failure in strategy implementation.

## **2.6 Research Gaps**

The literature reviewed has looked into business strategy as a source of competitive advantage. Competitive strategies lead to a low cost structure or product differentiation Porter (1998) and superior performance (Chopra *et al.*, 2007, Randall *et al.* 2003, Chorn, 1991). Factors such as communication (Hartmann, 2002), proper understanding of what is important for the strategy to be delivered (George, 2002) can bridge the gap between great strategies and effective execution. From the literature reviewed, it is worth noting that implementing strategy has always been a challenge for organizations across the industry (Hansson *et al.*, 2003). Challenges of strategy implementation include: conflicting priorities in the organizations (Wessel, 1993), lack of competence, coordination and commitment (Eisenstat, 1993), political instability (McGrath *et al.* 1994) and failure to involve implementers at the formulation stage (Dandira, 2011).

In line with the importance and challenges affecting implementation of competitive strategies, it is critical for organizations to evaluate how competitive strategy implementation impact on organizational performance. In Kenya, studies on competitive strategies have not focused on competitive strategy implementation and its effect on performance of insurance industry in Kenya, for example, a study on competitive strategies applied by cement manufacturing firms in Kenya (Obiero, 2008) a survey of intensive growth strategies adopted by Total Kenya Limited in response to competition in the oil industry in Kenya by Midwa (2008), a survey of competitive

strategies adopted by LPG marketers in Kenya to cope with competition by Njoroge, (2006) and an investigation of strategy responses of petroleum firms in Kenya to challenges of increased competition in the industry (Chepkwony, 2001). This study therefore, seeks to bridge the knowledge gap that exists by evaluating competitive strategy implementation and its effects on the success of insurance industry in Kenya.

## **2.7 Summary**

This chapter has reviewed available literature pertinent to strategy implementation and the conceptualized determinants thereof. It has been established that various empirical studies have been conducted to explore the determinants of successful strategy implementation with reference to a myriad of corporate institutions and sectors. The literature reviewed demonstrates a widespread concurrence regarding the determinants of includes strategy implementation success, key among which include management competence, resource strength, corporate culture and innovation. The strategy implementation literature also presents various theories and models showing the organizational characteristics suggested as significant factors for effective strategy implementation.

## **CHAPTER THREE**

### **THE METHODOLOGY**

#### **3.1 Introduction**

This chapter explains how the research was done. This includes the research design, target population, sample size and sampling technique, data collection procedure, reliability and variability, measurement and analytical techniques.

#### **3.2 Philosophical Orientation**

This study is approached from a positivism philosophy point of view. According to Ashley and Orenstein (2005), the positivism school of thought is grounded on the philosophy that only one reality exist though can only be known imperfectly due to human limitations and researchers can only discover this reality within the realm of probability. Hanson (2008) adds that according to the school of thought, the researcher and the subjects were independent; didn't influence each other or outcome. Thus, the researcher upheld objectivity by remaining neutral to prevent values and biasness from influencing outcome. This study achieved this by applying scientific research approaches from sampling to analysis and interpretation. Positivism approaches vouch for experimental methods of data collection which can be modified as it is challenging to subject human to conditions.

#### **3.3 Research Design**

Research design is an arrangement of conditions for collection and analysis of data in a way that combines their relationship with the purpose of the research (Chandran, 2011). It is a means to achieve the research objectives through empirical evidence that is required economically. The

choice of a design is determined by research purpose as described by the research problems and questions, categories of data needed, sources of data and cost factors (Robinson, 2010).

This study used mixed research design. Some authors regard this approach as the third methodological movement one which complements purely quantitative or qualitative strategies. The mixed methods design can be determined by both priority and implementation of data collection (Onwuegbuzie *et al.*, 2009). Priority wise, in a mixed methods study, the researcher can give the same priority, weight, or status to the quantitative and qualitative aspects (equal weight designs), or alternatively can give greater weight to one of them (different weight designs). On implementation of data collection, this concept refers to the order in which the researcher collects quantitative and qualitative data. The two options are collecting information at the same time (simultaneous, concurrent, or parallel designs) or at different points (sequential or two-stage designs).

### **3.4 Target Population**

The insurance industry is highly volatile and competitive and has a very dynamic market. Consequently insurance companies continually create, implement, assess and improve on strategies so as to remain relevant and competitive in the market. Against this realization, the present study deemed the insurance industry an appropriate target population. Bryman and Bell (2007) define target population as the group of individuals or items under consideration in any field of inquiry and have a common attribute. The target population for the study was 102 managers. These included two managers from each of the insurance companies in Kenya (see Appendix II). According to Association of Kenya Insurers (AKI 2014) report there are a total of 51 insurance companies licensed to operate in Kenya from which the research aims to acquire its

information. These firms were divided into three main categories: Composite insurance firms, Life assurance insurance firms and general insurance against other risks as shown in table 3.1

**Table 3.1: Target Population**

<b>Type of insurance company</b>	<b>Number</b>	<b>Target population (managers)</b>
Composite Insurance Companies	14	28
General Insurance Companies	25	50
Life Assurance Companies	12	24
<b>Total</b>	<b>51</b>	<b>102</b>

### **3.5 Sample and Sampling Technique**

Sampling is the process of selecting a portion, piece, or segment that is representative of a whole is an important step in the research process because it helps to inform the quality of inferences made by the researcher that stem from the underlying findings. The sample was picked on the basis of the Central Limit Theorem. In statistical theory the central limit theorem (CLT) states that, given certain conditions, the arithmetic mean of a sufficiently large number of iterates of independent random variables, each with a well-defined expected value and well-defined variance, will be approximately normally distributed, regardless of the underlying distribution (Rice, John, 1995). These implies that any sample equal to or greater than 30 is representative enough irrespective of the population size.

The study classified the companies by organizational types by classifying insurance companies into composite (those carrying out life and non-life insurance business); life business only

insurance companies; and those carrying out non-life business only. The sample size shall excluded insurance firms currently under statutory management and those that have been closed down. This study adopted purposive sampling. The purposive sampling technique, also called judgment sampling, is the deliberate choice of an informant due to the qualities the informant possesses. It is a nonrandom technique that does not need underlying theories or a set number of informants. Purposive sampling is selecting a sample on the basis of your own knowledge of the population, its elements, and the nature of your research aims (Babbie 1997). That is the population is non-randomly selected based on a particular characteristic (Frey, et al. 2000.). The individual characteristics are selected to answer necessary questions about a “certain matter or product” (MacNealy, 1999); the researcher is then able to select participants based on internal knowledge of said characteristic.

Simply put, the researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience (Lewis & Sheppard, 2006). Purposive sampling is especially exemplified through the key informant technique (Garcia, 2006), wherein one or a few individuals are solicited to act as guides to a culture. Key informants are observant, reflective members of the community of interest who know much about the culture and are both able and willing to share their knowledge (Bernard 2002).

An optimum sample is one which fulfils the requirements of efficiency, representatives, reliability and flexibility. Efficient sample size is based on an estimate of the sample size required to limit sampling variability to the desired level. Analytical studies use the size of the effect that the study estimates should be able to detect.

To make the sample size an efficient estimate the study adopted a simple random sample design, although with more information for studies that are frequently repeated, design-specific estimates can be developed. The sample size of this study was calculated from the Slovin's formula given as:

$$n = N / [1 + N(e)^2]$$

Where:

n = The sample size

N = Total population

e = Error tolerance

Since the study population (N) is 102. Error of tolerance will be 0.05. Thus the sample size was determined as shown below:

$$n = 102 / [1 + 102(0.05)^2] = 93$$

The 93 respondents were drawn proportionately from the target population as illustrated in the sampling frame (Table 3.2)

**Table 3.2: Sampling Frame Population**

<b>Type of Insurance Company</b>	<b>Target Population</b>	<b>Sample Size</b>
Composite insurance Companies	28	25
General insurance companies	50	47
Life assurance companies	24	21
<b>Total</b>	<b>102</b>	<b>93</b>



### **3.6 Data Collection Instruments**

Data was collected using questionnaires which totalled to 93 in number. A questionnaire is a formalized list of questions that are used to solicit information from respondents. For this research the researcher used both structured and unstructured questions to gather necessary data. Structured or closed questions are meant to save the respondents' time and get definite answers. Copper and Schindler (2003), state that structured questions necessitate getting as much information as possible from the limited space on the form.

Open-ended or unstructured questions on the other hand are meant to ensure that respondents' feelings are not disregarded and further explanations are made. Thus the questionnaires were unstructured to enable the researcher get information, ideas, opinions and thoughts freely from the managers of the various insurance firms. Besides, unstructured questions also encouraged the respondents to give an in-depth response without feeling held back in revealing any information. The questionnaire method was used because it provides greater uniformity across research situations as respondents respond to the same standardized questions. At the same time the questionnaire technique gave the respondents enough time to respond to the questions as they were given some days to answer the questionnaires. Also the element of anonymity associated with the questionnaire survey technique enhanced the chances of getting honest responses. Thus the use of questionnaires in this study was appropriate and very efficient (Mugenda & Mugenda, 2003).

### **3.7 Data Collection Procedure**

The refined questionnaire was then administered to the various managers of different insurance companies. Saunders *et al* (2003) argues that a reasonable and moderate high response rate is guaranteed with self-administered questionnaires, hand delivered and collected questionnaires.

Therefore, the questionnaire was delivered in person and was distributed after initial communication with the respondents to seek consent. The respondents were given some days to answer the questionnaires after which the questionnaires were collected for analysis. No public postal service or email service was used to distribute questionnaires. The structured questions were used in an effort to conserve time and money as well as to facilitate easier analysis as they are in immediate usable form.

### **3.8 Pilot study**

This study did a pilot study for 3 insurance firms purposively to capture the three strata employed in the sampling technique that is; one from Composite insurance firms one from Life insurance firms and one from general insurance firms. The questionnaires were taken to some top managers in 3 selected insurance firms to pre-test the tools of data collection. A pilot study, is a small experiment designed to test logistics and gather information prior regarding a larger study, in order to improve the latter's quality and efficiency. A pilot study can reveal deficiencies in the design of a proposed experiment or procedure and these can then be addressed before time and resources are expended on large scale studies. The responses from the respondents were used to adjust and refine the questionnaires accordingly.

#### **3.8.1 Reliability**

Reliability refers to the accuracy and precision of a measurement procedure (Copper & Schindler 2003). It measures the degree to which a research instrument gives consistent results. The author states that reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error (Copper and Schindler, 2003). Errors likely to affect reliability are interviewer/interviewee fatigue, bias from the interviewer and inaccuracy of the instrument in

use, inaccuracy in scoring by the researcher and finally, unexplained errors whose source cannot be determined.

Cronbach alpha, which is a measure of internal consistency, was used to test the internal reliability of the measurement instrument

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}} \dots\dots\dots \text{Equation (Cronbach, 1951).}$$

The higher the score, the more reliable the generated scale is. (Nunnally 1978) has indicated 0.7 to be an acceptable reliability thus it was considered adequate for this study. Based on the feedback from the pilot test, the questionnaire was modified and a final one developed.

### 3.8.2 Validity

On the other hand, validity is the extent to which differences found with a measuring tool reflect true differences among respondents being tested (Copper and Schindler (2003). Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. Validity can be measured by the extent the data obtained accurately reflects the theoretical or conceptual concepts; that is if the measurements gotten are consistent with the expectations. The validity of this study was determined by asking a series of questions, and often looked for the answers in the research of others such as supervisors, statisticians and colleagues.

### **3.9 Data Management**

The first step was the inspection and editing for completeness, coding and accumulation of missing data. Data coding was done numerically to facilitate faster data entry and reduce errors. Each item in the questionnaire was coded and entered into the SPSS package for statistical analysis. Checks were conducted to identify missing data.

Missing data which arise in non-random variables affects the generalization of results while those that are random in nature are less serious as they are either ignorable or replaceable (Tabachnik and Fidell, 2007). Accuracy was maintained during data coding and entry and where missing data of random nature was identified, it was replaced using the mean for data sets as proposed by Engel and Schutt (2005), Tabachnik and Fidell (2007).

Outliers are observations with extreme values as compared with other observations that distort the results and limit generalization to only situations with the same kind of outliers (Tabachnik and Fidell, 2007). Outliers were identified and the researcher sought to find out whether all the required statistical assumptions were met at each stage. To minimize outlier effects, the process ensured correctness and accuracy in data entry by handling missing data using replacement. It will also employed probability random sampling from the targeted population and large samples where accessible and appropriate. The researcher checked whether the underlying statistical assumptions such as normal distribution were met. The most critical assumption were the central limit theorem which hinges on normal distribution.

The first stage involved proof reading the original data against the computerized data set. The researcher examined the data output of descriptive values for accuracy and graphic presentation

of each variables examined during investigation. Further, the screening process examined means and standard deviations to determine accuracy.

The second step was to determine the existing patterns of correlation among the variables tested. The purpose was to minimize exceedingly high correlations which would lead to inflated or deflated correlation, low correlation and uncorrelated items. According to Tabachnik and Fidell (2007), correlation is a measure of the extent of positive correlation or negative correlation. Positive correlation occurs when two scores increase simultaneously. On the other hand, negative correlation exists when one goes up while the other one goes down.

Data was screened for the following; levels of measurements, sample size, assumptions of normality, linearity, independence of errors and homoscedasticity. Further screening entailed outlier detection and establishing presence of multicollinearity. Testing for compliance with statistical assumptions of multivariate analysis provided a pillar for making statistical inferences and results. Meeting assumptions was considered critical for successful analysis. The researcher took cognizance of the fact that complexity of relationships caused by a large number of variables would distort findings and lead to biased conclusions and inferences. In addition, complexity of analysis and results would hide the indicators of assumption violations. The researcher therefore sought to detect assumption violations and their implications on the estimation processes and interpretation of results.

### **3.10 Data Analysis and Presentation**

The quantitative data was edited and coded into Statistical Package for Social Sciences (SPSS) for analysis. SPSS generated descriptive statistics such as frequencies, mean and standard deviation. The data was presented in tables, pie charts and graphs. The qualitative data was analysed by means of content analysis. Content analysis is a methodology in the social sciences

for studying the content of communication. According to Holsti (1969), content analysis is used to make inferences about the antecedents of a communication, to describe and make inferences about characteristics of a communication and to make inferences about the effects of a communication.

The study adopted the following multiple regression model to establish the effects of competitive strategies on performance of insurance companies in Kenya. According to Katz (2006) regression analysis generates an equation to describe the statistical relationship between one or more predictor variables and the response variable. Howell (2002) further offers that as part of regression analysis, measures of goodness of fit typically summarize the discrepancy between observed values and the values expected under the model in question. Gelman (2006) adds that ANOVA statistics are important as they analyze the differences between group means and their associated procedures.

$$Y = a_0 + a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + e$$

Where:

- Y = Dependent variable (Strategy implementation)
- $a_0$  = Constant term
- $X_1$  = Managerial Competence Strategy (Independent variable 1)
- $X_2$  = Resource Base Strength Strategy (Independent variable 2)
- $X_3$  = Corporate Culture and Procedures Strategy (Independent variable 3)
- $X_4$  = Innovation Strategy (Independent variable 4)
- $a$  , = Coefficients of the variable  $X_1$ ,  $X_2$ ,  $X_3$ , and  $X_4$
- e = Error term (standard error)

The researcher intended to use the above model to ascertain the causal effect of the independent variables (Managerial Competence, Resource Base Strength, Corporate culture and procedures, Innovation and entrepreneurship) upon the dependent variable (Strategy implementation). The researcher typically assessed the statistical significance of the estimated relationships, that is, the degree of confidence that the true relationship is close to the estimated relationship. Statistical Package for Social Sciences (SPSS) was used to generate multiple linear regression statistics. Positive coefficients of the independent variables denoted direct relationship between the dependent and independent variables. Negative coefficients of the independent variables denoted inverse relationship between the dependent and independent variables.

The hypothesis of the study was tested using Pearson Product Moment Correlation. The test statistics was generated from Statistical Package for Social Sciences (SPSS). The study used Pearson Product Moment Correlation so that the relationship between the determinants of strategy implementation and organizational performance could be established. If the P (probability) value associated with each test was less than the significance level  $< 0.05>$ , the relationship was deemed statistically significant. If greater, the relationship was deemed not statistically significant.

## **CHAPTER FOUR**

### **RESEARCH RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This section presents analysis and findings of the study as set out in the research methodology. The study's findings are presented to evaluate the determinants of strategy implementation in insurance companies in Kenya. More specifically, the study sought to establish the contribution of management competence on strategy implementation in insurance companies in Kenya; analyze the effects of resource strength on strategy implementation in insurance companies in Kenya; determine how corporate culture influences strategy implementation in insurance companies in Kenya; and ascertain the effects of innovation on strategy implementation in the insurance firms in Kenya.

##### **4.1.1 Response Rate**

The target population for the study was 102 managers. These included two managers from each of the insurance companies in Kenya. The sample was picked on the basis of the Central Limit Theorem in statistical theory which implies that any sample equal to or greater than 30 is representative enough irrespective of the population size. The study classified the companies by organizational types by classifying insurance companies into composite (those carrying out life and non-life insurance business); life business only insurance companies; and those carrying out non-life business only. The sample size excluded insurance firms currently under statutory management and those that have been closed down. The sample size was taken to be 93 all of which returned fully filled giving a response rate of 100%. According to Mugenda & Mugenda (2003), a response rate of 50% is adequate, 60% is good and 70% and above is excellent. Thus a response rate of 100% was appropriate for the study. This is as tabulated in table 4.1 below.



**Table 4.1 Response Rate**

<b>Questionnaires</b>	<b>Frequency</b>	<b>Percent (%)</b>
Returned	93	100.0
Unreturned	0	0.0
<b>Distributed</b>	<b>93</b>	<b>100.0</b>

*Source: Survey data, 2014*

#### **4.1.2 Reliability and Validity**

Reliability refers to the accuracy and precision of a measurement procedure, it measures the degree to which a research instrument gives consistent results. The author states that reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error (Copper & Schindler, 2003). Errors likely to affect reliability are interviewer/interviewee fatigue, bias from the interviewer and inaccuracy of the instrument in use, inaccuracy in scoring by the researcher and unexplained errors whose source cannot be determined.

Cronbach alpha, which is a measure of internal consistency, was used to test the internal reliability of the measurement instrument. The higher the score, the more reliable the generated scale. Nunnally (1978), has indicated 0.7 to be an acceptable reliability. Thus it was considered adequate for this study. Based on the feedback from the pilot test, the questionnaire was modified and a final one developed.

Table 4.2 below shows that all the scales were significant having an alpha above the prescribed threshold of 0.7. Innovation had the highest reliability ( $\alpha = 0.831$ ) followed by Strategy Implementation Process ( $\alpha = 0.801$ ), then Management Competence ( $\alpha = 0.729$ ), while Corporate Culture and Resource Strength had lower levels at ( $\alpha = 0.719$ ) and ( $\alpha = 0.713$ ) respectively. The study thus found the analysis reliable and could be used for further investigation.

**Table 4.2 Reliability Coefficients**

Scale	Cronbach's Alpha	Number of Items
Management Competence	0.729	3
Resource Strength	0.713	4
Corporate Culture	0.719	4
Innovation	0.831	3
Strategy Implementation Process	0.801	3

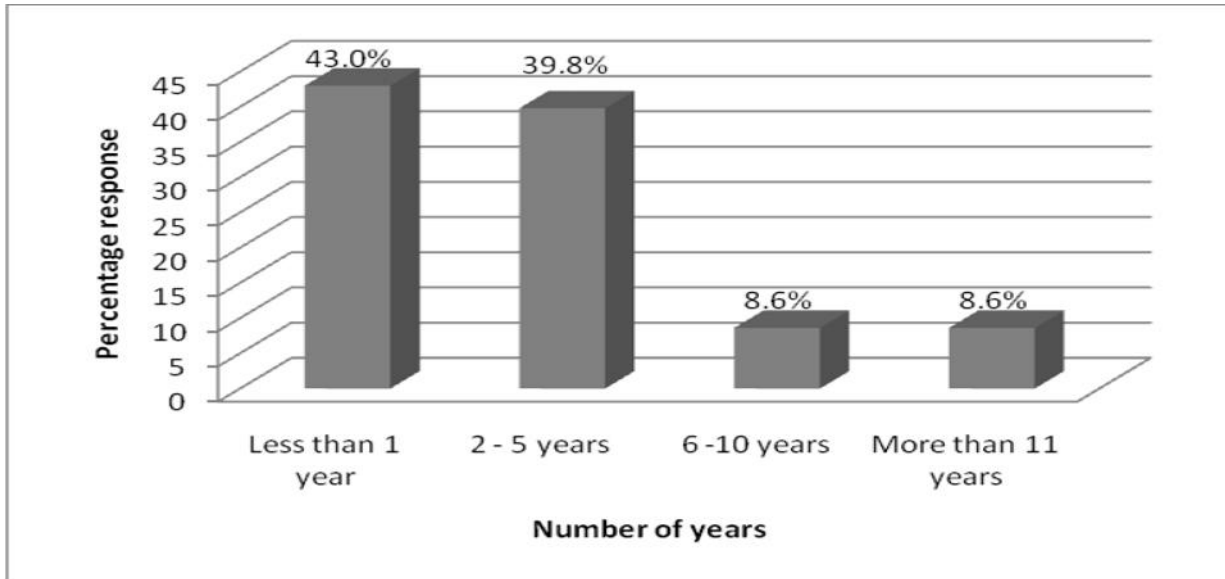
*Source: Pilot Study, 2014*

## **4.2 Background Information**

This section captures the responses by respondent's duration of services provision in the insurance sector; duration organization has been operating in Kenya; size of workforce; whether strategy management is practiced; as well as whether a specified set of strategies are interacted in day to day activities within the firm (Corporate strategies, business strategies, functional strategies and operational strategies). Findings are presented and analyzed in tables and figures below.

### **4.2.1 Duration of services provision in the insurance sector**

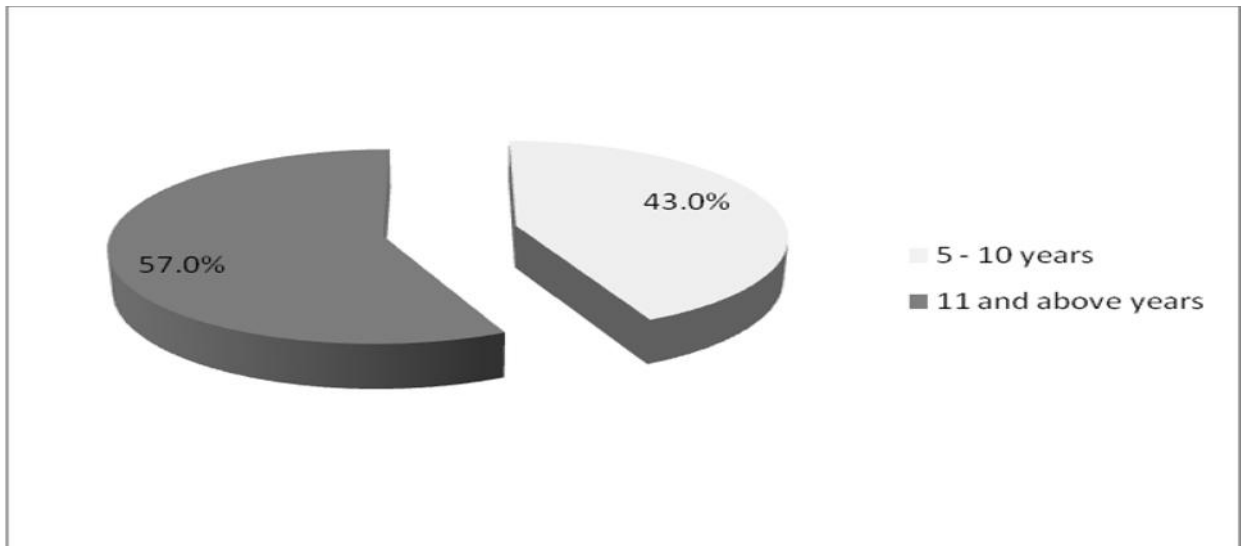
Study sought to find out the respondents duration of services provision in the insurance sector. From the findings 43% of the respondents indicated that they had less than one year service duration, 39.8% indicated that they had between 2-5 years, 8.6% between 6-10 years and more than 11 years respectively.



**Figure 4.1: Duration of services provision in the insurance sector**

#### **4.2.2 Duration organization has been operating in Kenya**

From the findings, 57% of the respondents indicated that their respective organizations have been operating in Kenya between 5-10 years while 43% indicated that organization has been operating in Kenya between 10-15 years.



**Figure 4.2: Duration organization has been operating in Kenya**

### 4.2.3 Size of Workforce

Findings indicated that 40.9% of the respondents were supportive staff, 24.7% supervisors, while 17.2% indicated that they were middle level and high level managers.

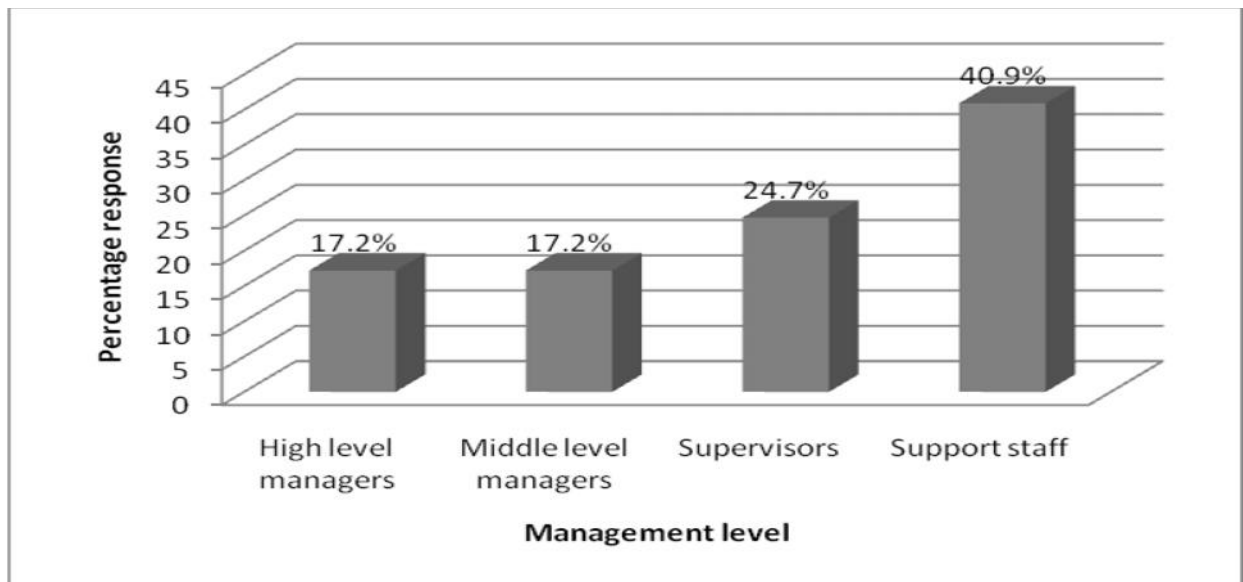
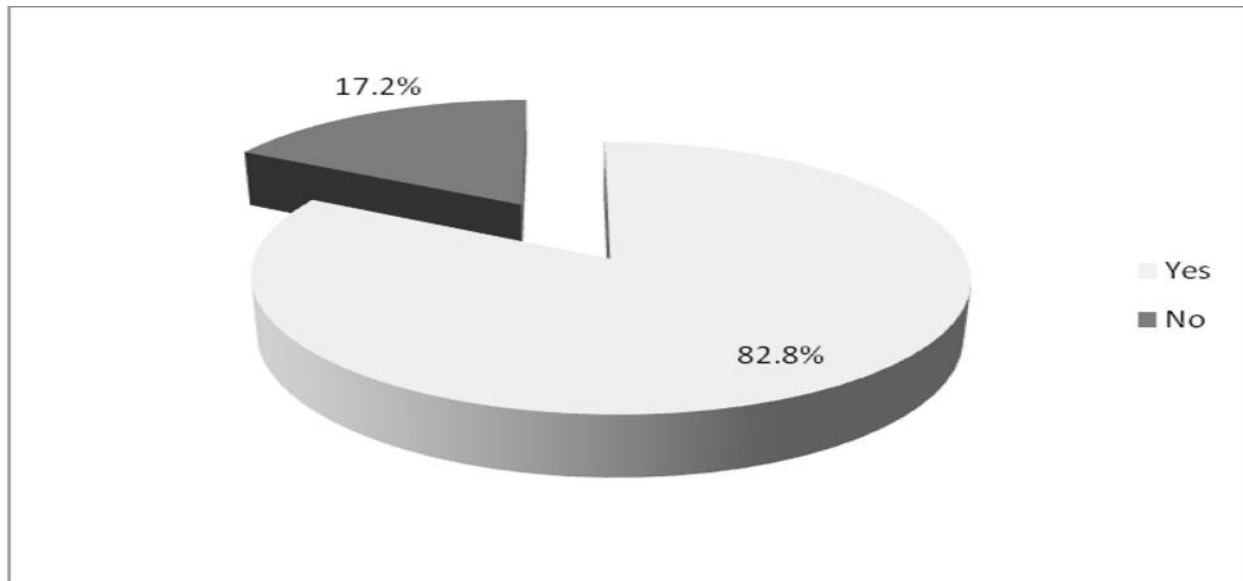


Figure 4. 3: Size of workforce

### 4.2.4 Whether strategy management is practiced

The study sought to find out whether strategy management is practiced across the organizations. From the findings, 82.8% of the respondents indicated that strategy management practiced while 17.2% indicated that strategy management is not practiced.



**Figure 4.4: Whether strategy management is practiced**

#### **4.2.5 Strategies interacted**

As shown in Table 4.3, 74.2%, 65.6%, 57% and 43% of the respondents indicated that Operational strategies, Business strategies, Functional strategies and Corporate strategies are interacted in day to day activities within the firm while 57%, 43%, 34.4% and 25.8% of the respondents indicated that Corporate strategies, Functional strategies, Business strategies and Operational strategies are not interacted in day to day activities within the firm.

**Table 4.3: Strategies interacted activities within the firm**

<b>Strategy</b>	<b>Yes (%)</b>	<b>No (%)</b>
<b>Corporate strategies</b>	43	57
<b>Business strategies</b>	65.6	34.4
<b>Functional strategies</b>	57	43
<b>Operational strategies</b>	74.2	25.8

### **4.3 Study Variables**

The study investigated four conceptualized determinants of strategy implementation success in insurance industry in Kenya, namely Management Competence, Resource Strength, Corporate Culture and Innovation. The same generated sets of questions to which respondents were asked to respond. Findings thereof are hereby presented in tables and figures, analyzed and discussed in relation to what previous scholars found.

#### **4.3.1 Management Competences and strategy implementation**

The study sought to find out how management linked management competencies to successful strategy implementation. This was on a five (5) point Likert scale (where 1= no extent 2= less extent, 3= moderate extent, 4= great extent and 5= very great extent). The scores of ‘no extent’ and ‘less extent’ have been taken to represent a statement, response of which is to no extent, equivalent to mean score of 0 to 2.5. The score of ‘moderate extent’ has been taken to represent a statement response of which is to a moderate extent, equivalent to a mean score of 2.6 to 3.4. The score of ‘great extent’ and ‘very great extent’ have been taken to represent a statement response of which is to a great extent equivalent to a mean score of 3.5 to 5.4. Table 4.4 present the findings.

From the findings respondents linked to a very great extent: Efficient performance management (4.7419); Ease in evaluation of implemented strategies within the firm (4.6774) and Efficient operating systems to successful strategy implementation (4.5914). Further respondents linked to a great extent: Effective resource management (4.4839); Enhanced communication (4.4086); Ease in evaluation of implemented strategies within the firm (4.279); Competent policy frameworks and procedures (4.021); Efficient decision making and implementation (3.9140);

Competent management team (3.8065) and Proficient management system of the firm to Successful strategy implementation (3.7957).

**Table 4.4: Management Competencies and Strategy Implementation**

Management competencies	Mean	Sdev
Competent management team	3.8065	1.36141
Proficient management system of the firm	3.7957	1.35582
Efficient decision making and implementation	4.2796	1.01473
Ease in evaluation of implemented strategies within the firm	4.6774	.47000
Effective planning and enforcing change	3.9140	.97419
Effective resource management	4.4839	.65297
Efficient performance management	4.7419	.43994
Competent policy frameworks and procedures	4.0215	.92052
Enhanced communication and Information systems	4.4086	.64667
Efficient operating systems	4.5914	.49424

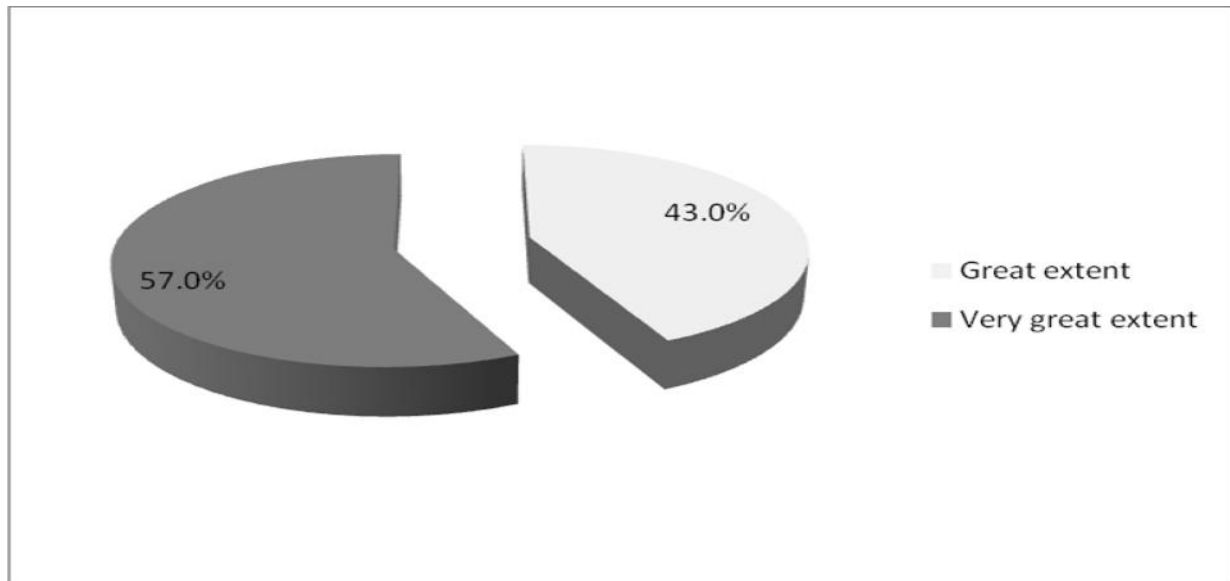
On the extent to which competence strategies affects the strategy decisions of company, respondents agreed that choice of strategies on advertising and promotion (4.6022) affects the strategy decisions of company to a very great extent. They further indicated that choice of staff (4.4946); product development (4.4839) and Choice of branch networks (4.3118) affects the strategy decisions of company to a great extent.

**Table 4.5: Effect of management competence strategies on strategy decisions**

Strategy decisions	Mean	Sdev
Choice of branch networks	4.3118	.65297
Product development	4.4839	.49211
Choice of strategies on advertising and promotion	4.6022	.50268
Choice of Staff	4.4946	.49777

The study further sought respondents' opinions on the extent to which management competence affect the overall success of firm. From the findings, 57% of the respondents indicated that to a very great extent management competence affect the overall success of firm while 43% of the respondents indicated that to a great extent management competence affect the overall strategy implementation.





**Figure 4. 5: Effect of management competence on overall success**

The findings established above reveal that managerial competence is a key determinant of strategy implementation success among insurance firms in the country. More specifically, among the areas in which managerial competence determine the success of strategy implementation in the insurance industry include the mainstreaming of efficient performance management; ease in evaluation of implemented strategies within the firm as well as efficiency in operating systems. Other critical areas competent managers mainstream includes effective resource management; enhanced communication as well as ease in evaluation of implemented strategies within the firm.

The study findings are in line with Danneels, 2002 who links the three types of competencies: first-order competencies, which comprise customer and technological competencies; integrative competencies, or the ability to combine first- and second-order competencies, or the ability to build first-order competencies to successful strategy implementation. The same is in tandem with Giroux (2007) who notes that there is also a tendency to categorize the management competence into functional areas. Such a categorization is supported by the intrinsic belief that businesses

increase their chances of success when managers are competent in core functional areas such as strategy planning, marketing, finance, operations and human resource management. Further, according to Variyam and Kraybill (2013), it is the owner-manager's lack of managerial competence that negatively impacts their ability to adequately address strategy business problems in the areas of finance, marketing, human resource management and the implementation of formal control systems.

According to Enders (2011), firm differences and strategies are the outcome of management competencies. A firm's management team is responsible for the most important decisions of corporate performance. A never-ending task has been gauging management practices in firm success. Despite the many success factor studies, it remains unclear what exactly distinguishes successful from unsuccessful companies. Opler and Titman (2010) assert that the efficient use of firm resources depends on the decisions of the management team. According to Amit and Schoemaker (2013), successful firm strategy implementation depends on market imperfections and managerial decisions about resources. A firm may achieve better rents not just because it has access to resources but because the core competencies of a firm better utilize these resources (Penrose, 2012; Enders, 2004). In other words, the quality of management is an important driver of strategy implementation. Enders (2011) reported that differences in firm performance result from management quality. He argues that management competence can therefore be used as a means to explain these differences. The many suggested characterizations of management competence generally refer to some key constituent elements of competence, such as knowledge, skills, organization, coordination, capabilities, learning, and professional relationships. Several qualitative methods have been used to measure management competence.

Boyatzis (2012) created a comprehensive management competency framework that addressed all levels of management. He examined 2000 managers to determine generic competencies that were relevant to performance at various levels of management using the Job Competence Assessment method. This method enabled managers to generate their own list of characteristics perceived to lead to effective performance at their managerial level. Ghiselli (2013) determined specific psychological traits considered important to managerial performance. Katz (2010) investigated management competencies and claimed that managers at all levels required technical, human, and conceptual skills. Verbeeten (2008) identified “leading-edge competencies” considered important for effective management these competencies include long term vision, ability to implement change, having customer and market orientation, willingness to empower, effective planning, entrepreneurial flair, ability to use teams and think laterally, and ability to enhanced communication and information systems in firm culture.

#### **4.3.2: Resource Strength by insurance companies in Kenya**

The study sought to link statements regarding resource base competencies to successful strategy implementation. From the findings, respondents linked to a great extent: Adequate resource base matching firm’s needs (4.4086); Firm always being able to meet its set resource department goals and objectives (4.3441); Access to cost efficient resources (4.3118); Operations never delayed or halted due to resource unavailability (4.2473); Efficient and reliable resource sourcing mechanisms (4.0538); Adequate and Efficient human resources (competent employees) (4.0215) and Efficient and fruitful resource allocation to successful strategy implementation (3.7634).

**Table 4.6: Resource base competencies and strategy implementation**

Indicators of Resource strength	Mean	Sdev
Adequate resource base matching firm's needs	4.4086	.76948
Efficient and fruitful resource allocation	3.7634	1.10727
Adequate and Efficient human resources (competent employees)	4.0215	1.17008
Efficient and reliable resource sourcing mechanisms	4.0538	1.04638
Access to cost efficient resources	4.3118	.75150
Operations never delayed or halted due to resource unavailability	4.2473	.73212
Firm is always able to meet its set resource department goals and objectives	4.3441	.63408

On the extent to which resource allocation strategies affect the strategy decisions of company in various areas, respondents indicated that to a great extent, choice of branch networks (4.6559) affects the strategy decisions of company while Choice of Staff (4.483); Choice of strategies on advertising and promotion (3.892) and product development (3.7634) affects the strategy decisions of company.

**Table 4.7: Effect of resource allocation strategies on strategy decisions**

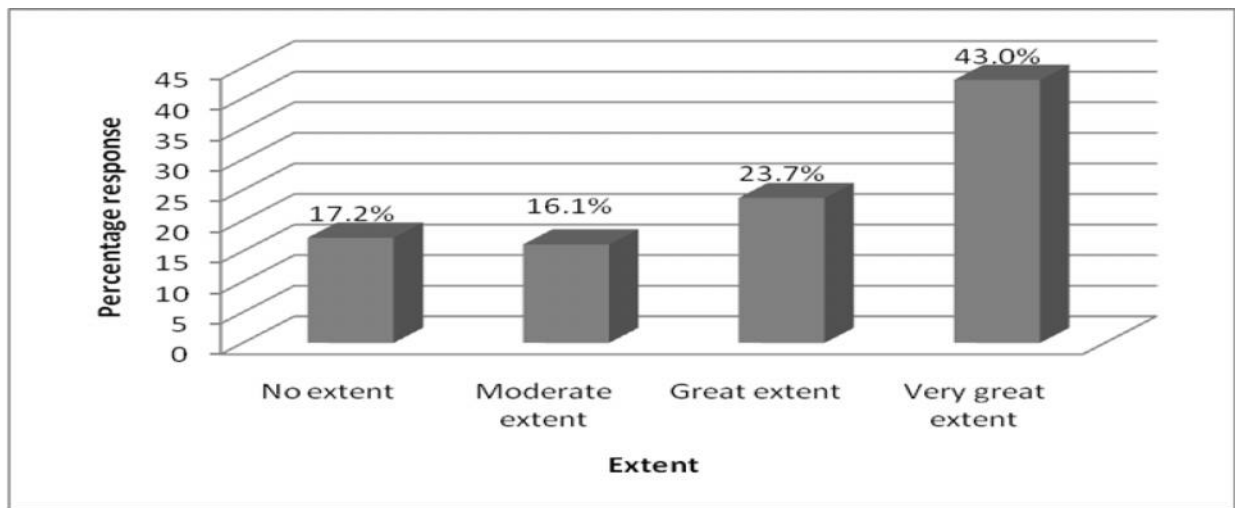
Strategy decisions	Mean	Sdev
Choice of branch networks	4.6559	.47764
Product development	3.7634	1.25454
Choice of strategies on advertising and promotion	3.8925	1.04738
Choice of Staff	4.4839	.65297

The study further sought to find out the extent to which organizational success is attributed in the following areas to competent resource allocation strategies. From the findings respondents indicated that to a very great extent organizational success is attributed in the Longevity of product lifespan to competent resource allocation (4.5806). Further respondents indicated that to a great extent organizational success is attributed in the new product introduction to competent resource allocation (4.4839). Respondents indicated that to a moderate extent organizational success is attributed in the Overall profitability of organization and Customer satisfaction and retention to competent resource allocation as indicated by means of 3.4839 and 3.2796 respectively. Overall brand image was rated to a less extent as indicated by a mean of 1.4194.

**Table 4.8: Contribution of Resource strength contributes to overall organizational success**

Indicators of organizational strength	Mean	Sdev
New product introduction	4.4839	.50245
Longevity of product lifespan	4.5806	.49613
Your overall brand image	1.74194	.49613
Customer satisfaction and retention	3.2796	1.46232
Overall profitability of your organization	3.4839	.87988

On the extent to which resource strength contributes to the overall organizational 43% indicated that to a very great extent resource strength contributes to the overall organizational success; 23.7% indicated to a great extent;16.1% indicated to a moderate extent while 17.2% indicated that resource strength contributes to the overall organizational success to no extent .



**Figure 4.6: Effect of resource strength on overall organizational success**

From the foregoing, resource strength was also found to significantly determine strategy implementation success among insurance firms in the country. Most notably, resource strength in the study areas impact strategy implementation through adequate resource base matching firm's needs; firm always being able to meet its set resource department goals and objectives; access to cost efficient resources; operations never delayed or halted due to resource unavailability; efficient and reliable resource sourcing mechanisms and adequate and efficient human resources (competent employees).

The findings agree with Jain (2008), who argues that a key determinant of resource strength is resource planning, which provides an opportunity to develop planning tools for material-based, service-only, and service-plus-material strategy plans. Frame (2005) adds that a crucial consideration in strategy management is the availability of an efficient and sufficient quantity of qualified craft workers, supervisors, managers, and staff. To attract key qualified staff, a number of strategies can be adopted: Offer competitive wages and benefits; Provide job security; provide a safe and healthy work environment; treat workers fairly and with respect and provide good working conditions. According to Mankins and Steele (2005), resources deployment has to be discussed as early as possible in the whole implementation planning process, and these resources – financial, personal and time – have to be included in the company's budget from the beginning.

The importance of resource strength to a firm's competitive growth was firstly recognized by Penrose (2010). She contended that a firm consists of a collection of productive resources and its growth depends on the manner in which its resources are deployed. Following the early work in the emergence of firm resource strength (Teece 2012; Wernerfelt 2014), Barney (2012) formalized a comprehensive theoretical framework from the resources based perspective.

According to Barney (2012), firms can be conceptualised as resource strengths that are heterogeneously distributed among firms and are imperfectly mobile. The differences in resource endowments across firms over time, thereby allows for a resource-based successful strategy implementation.

The fundamental suggestion for insurance firm actions from the resource strength view is that firms select strategies to generate rents based upon their resource, capabilities and a fit with environment opportunities (Grant 2011; Hunt and Morgan 2010; Mahoney 1995). 'For the firm, resources and products are two sides of the same coin' indicates that firms can earn above normal returns by identifying and acquiring resources that are critical to develop market-demanded products (Wernerfelt 2014, p. 171). Therefore, firms seek to acquire and develop unique sets of resources and capabilities as a means to gain better strategy execution.

#### **4.3.3 Innovation within the firm**

The study sought to link innovation statements to successful strategy implementation. Respondents linked to a great extent Increased customer retention (4.4839); Efficient distribution channels (4.1505); Perfect understanding of our consumer needs (4.0000); Frequent development of new product to meet the consumer and market demand (3.9570); Perfect understanding of the market (3.8602); Constant improvement on existing product to meet the market demand and the consumer needs (3.6022); and amplified reliability on the brand to successful strategy implementation (3.6344).



**Table 4.9: Link between Innovation to Strategy Implementation**

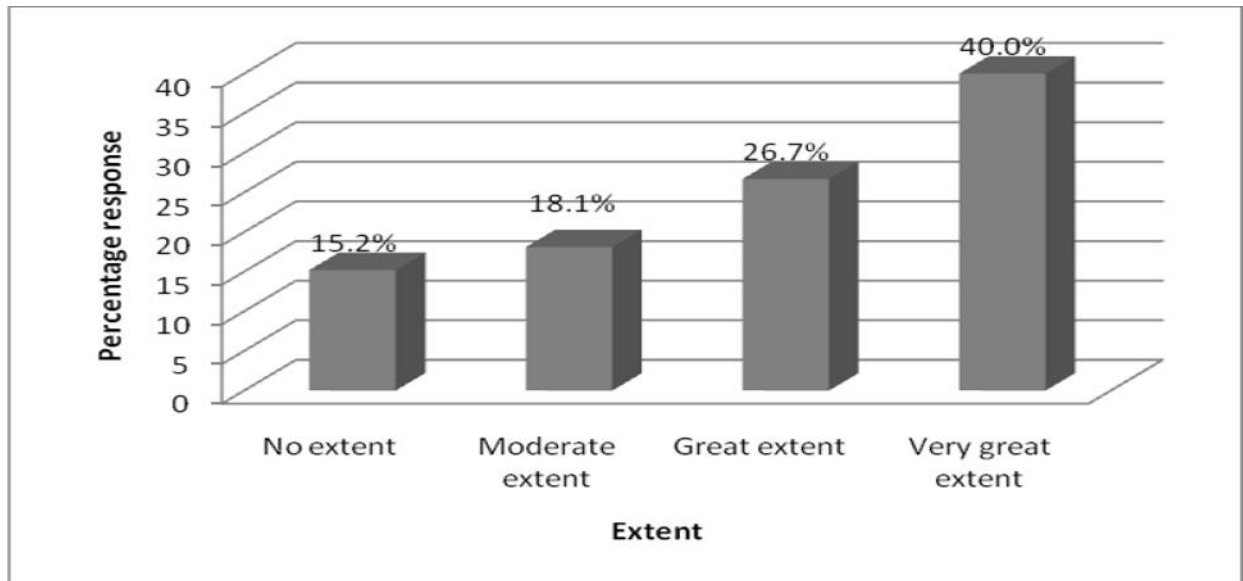
Innovation strategies	Mean	Sdev
Perfect understanding of our consumer needs	4.0000	1.44956
Perfect understanding of the market	3.8602	1.25109
Constant improvement on existing product to meet the market demand and the consumer needs	3.6344	1.52224
Frequent development of new product to meet the consumer and market demand	3.9570	1.31699
amplified reliability on the brand	3.6022	1.17874
Efficient distribution channels	4.1505	1.38423
Increased customer retention	4.4839	1.26788

On the findings on the extent to which innovation strategy affects the strategy decisions of company, respondents indicated that to a great extent Product development (3.8172); Choice of branch networks (3.7204) and Choice of strategies on advertising and promotion affects the strategy decisions of company (3.6559). Further respondents indicated that to a moderate extent Choice of Staff (3.3978) and Day to day operations (2.6129) affects the strategy decisions of company.

**Table 4.10: Effect of innovation strategy on strategy decisions**

Areas of strategy decisions	Mean	Sdev
Choice of branch networks	3.7204	1.21015
Day to day operations	2.6129	.79444
Product development	3.8172	1.16046
Choice of strategies on advertising and promotion	3.6559	.75893
Choice of Staff	3.3978	.87402

On the extent to which resource strength contributes to the overall organizational success 40% indicated that to a very great extent resource strength contributes to the overall organizational success; 26.7% indicated to a great extent; 18.1% indicated to a moderate extent while 15.2% indicated that resource strength contributes to the overall organizational success to no extent at all.



**Figure 4.7: Effect of innovation on overall organizational success**

It can thus be deduced, from the moderate to high levels of agreement noted in the findings, that innovation determine strategy implementation success through among other aspects, increased customer retention; efficient distribution channels; perfect understanding of our consumer needs; frequent development of new product to meet the consumer as well as market demand. Innovation are further found to affects the strategy decisions of insurance firms in key areas including product development; choice of branch networks and choice of strategies on advertising and promotion.

The study findings are in line with Hindle (1997) who argues that “Innovation requires three basic components: the infrastructure; the capital; and the entrepreneurial capacity needed to make the first two components work”. Innovation is the specific tool of entrepreneurship by which entrepreneurs exploit change as an opportunity for a different business or service. This in turn leads to successful strategy implementation. The finding is further in agreement with Dunning and Dunham (2010) who argue that created innovation leads to the lower production

cost of the organization, new beneficial knowledge, new products, new production process, new working technique and new working procedure which in turn would generate competitive advantage in the long run. Zhao (2001) further supports that innovation factor generates value added to the organization through strategy, behaviour, support and motivating activities under 5 principles, i.e. (1) customer satisfaction (internal and external), (2) best practices (3) teamwork (4) challenging spirit and (5) the effective communication in integrating derives to achieve objective goals.

An entrepreneurial innovative attitude can be defined in different ways but has frequently been linked to two indicators (Brouwer, 2012): Risk Aversion and Opportunity Recognition. Risk takers are more likely to implement a new strategy (Knight, 2011), and risk attitude affects the selection of individuals for entrepreneurial positions (Cramer et al., 2010). Opportunity recognition is linked to Schumpeter (2011) who argues that some people are able to see and realize new business strategies whereas others are not. An insurance firm has a higher level of strategy implementation compared to an average firm (Jennings and Lumpkin, 2011), and successful corporate strategy implementation is the sum of an enterprise's innovation, renewal, and venturing efforts (Zahra, 2011).

There have been many studies on how an entrepreneurial innovation affects strategy implementation (Wiklund and Shepherd, 2010). Some empirical studies find that those enterprises that have adopted an entrepreneurial innovation have exhibited superior strategy implementation (e.g., Wiklund, 1999; Zahra, 2011). However, researchers who have found this link between entrepreneurial innovation and strategy implementation also note the paucity of empirical documentation. Other researchers have not found a significant relationship (Wiklund and Shepherd, 2010), indicating that the relationship is inconsistent. A shorter product life cycle

is a general tendency in today's insurance business environment (Hamel, 2014), which makes existing operations more uncertain and causes businesses to seek new. Consequently, operations can benefit from being entrepreneurially oriented by taking risks, being innovative, and changing products, processes, markets and firms (Wiklund and Shepherd, 2010).

#### 4.3.4 Corporate Culture and Leadership

Respondents were further asked to rate the levels at which various corporate culture conditions are affected by successful strategy implementation within firm. From the findings, Effective management of Social responsibility (4.0000); enhanced organization image (3.9892) and clear and harmonized organization growth plan development (3.9247) is affected to a great extent by successful strategy implementation within firm. Further respondents indicated that to a moderate extent and less extent respectively, efficient management structures (3.2366) and Consistent and capable performance management framework (1.5484) are affected by successful strategy implementation within firm. Harrison, (1972) links various types of cultures (e.g. "strong vs. weak") to certain outcome variables such as performance and internal integration.

**Table 4.11: Effect of successful strategy implementation on corporate culture conditions**

<b>• Corporate culture and leadership</b>	Mean	Sdev
Effective management of Social responsibility	4.0000	1.25109
Enhanced organization image	3.9892	1.44082
Clear and harmonized organization growth plan development	3.9247	1.19997
Consistent and capable performance management framework	1.5484	.61708
Efficient management structures	3.2366	1.09741

On the extent to which corporate culture strategy affects the strategy decisions of company in the following areas, respondents indicated that Choice of Staff and Choice of strategies on advertising and promotion are affected by corporate culture strategy as indicated by 3.9355 and 3.688 respectively while Product development and Choice of branch networks are affected to a moderate extent by corporate culture strategy as indicated by a mean of 3.4301 and 3.4194 respectively.

**Table 4.12: Effect of culture strategy on strategy decisions**

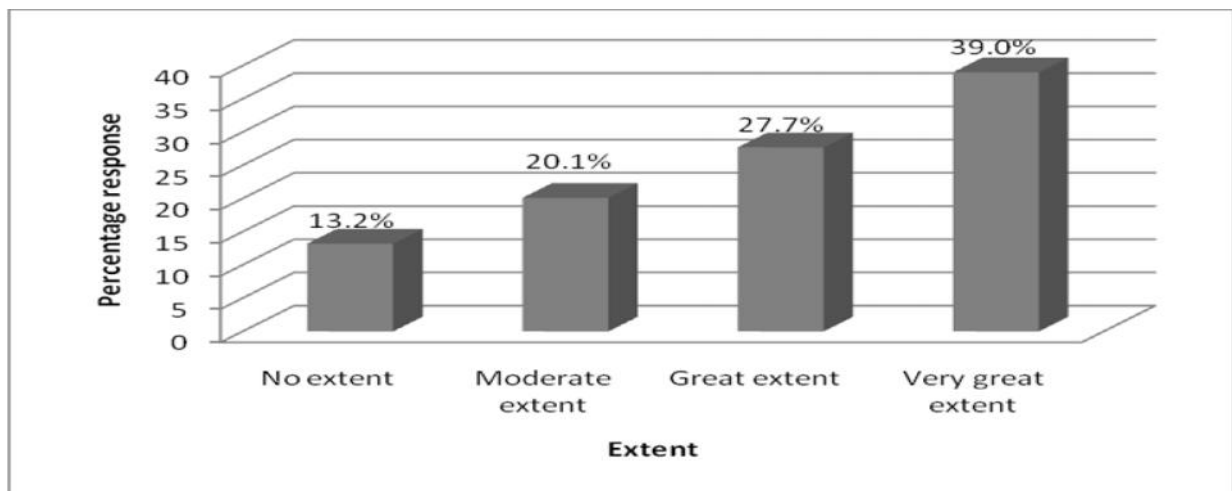
Strategy decisions	Mean	Sdev
Choice of branch networks	3.4301	.77175
Product development	3.4194	.77069
Choice of strategies on advertising and promotion	3.6882	1.45944
Choice of Staff	3.9355	1.27524

On the extent to which respondents attribute organizational success in various areas to competent corporate culture and leadership strategy within firm, respondents attributed to a great extent organizational success in New product introduction (3.9247) and Longevity of product lifespan (3.6022) to competent corporate culture and leadership strategy within firm as indicated by a mean of and respectively. They further attributed to a moderate extent organizational success in Customer satisfaction and retention (3.4839); overall brand image (3.4301) and overall profitability of organization (3.3978) to corporate culture and leadership strategy within firm.

**Table 4.13: Influence of competent corporate culture and organizational success**

Organizational success measures	Mean	Sdev
New product introduction	3.9247	1.46136
Longevity of product lifespan	3.6022	1.13386
Your overall brand image	3.4301	.50245
Customer satisfaction and retention	3.4839	1.18320
Overall profitability of your organization	3.3978	.65297

On the extent to which corporate culture and leadership strategy implementation contribute to overall organizational success 39.0% indicated that to a very great extent resource strength contributes to the overall organizational success; 27.7% indicated to a great extent; 20.1% indicated to a moderate extent while 13.2% indicated that resource strength contributes to the overall organizational success to no extent at all.



**Figure 4.8: Effect of corporate culture on strategy implementation**

It can thus be deduced that corporate culture only moderately determines strategy implementation success in the Kenya insurance industry. Most notable areas which corporate culture highly impact strategy implementation success include the effectiveness in management of Social responsibility; enhanced organization image and clear and harmonized organization growth plan development. Among areas in which corporate culture exhibits little influence in strategy implementation success include efficiency in management structures as well as consistency and capability of performance management framework.

The findings conform to (Thompson *et al.* (2007) who observe that corporate culture is considered one of the success factors for strategy implementations because it influences the organization's actions, approaches to conducting business and the way of executing strategies). Beaudan (2007) supports that a company's culture can promote strategy execution, when its values are strategy-supportive and its practices and behavioural norms add to the company's strategy execution efforts. Further, Omung'ala (2006) offers a company's culture should encourage strategy thinking and dialogue, which helps to develop a strategically more aware workforce which is also more open to necessary strategy changes.

The claim that corporate culture is linked to strategy implementation is founded on the perceived role that culture can play in generating competitive advantage (Scholz, 2010). Krefting and Frost (1985) suggest that the way in which organizational culture may create successful strategy execution is by defining the boundaries of the firm in a manner which facilitates individual interaction and/or by limiting the scope of information processing to appropriate levels. Similarly, it is argued that widely shared and strongly held values enable leadership to predict employee reactions to certain strategy options thereby minimizing the scope for undesired consequences (Ogbonna, 2013). Theorists also argue that sustainable strategy implementation



advantage arises from the creation of organizational competencies which are both superior and imperfectly imitable by competitors (Reed and DeFillippi, 2010). To this end, it is argued that the ‘uniqueness quality’ of organizational culture makes it a potentially powerful source of generating advantage over competitors. Indeed, many commentators have advised firms and researchers to exploit the multiple advantages which could be offered by cooperate culture and leadership rather than focusing on the more tangible side of the organization (for example, Johnson, 2001; Prahalad and Bettis, 1990).

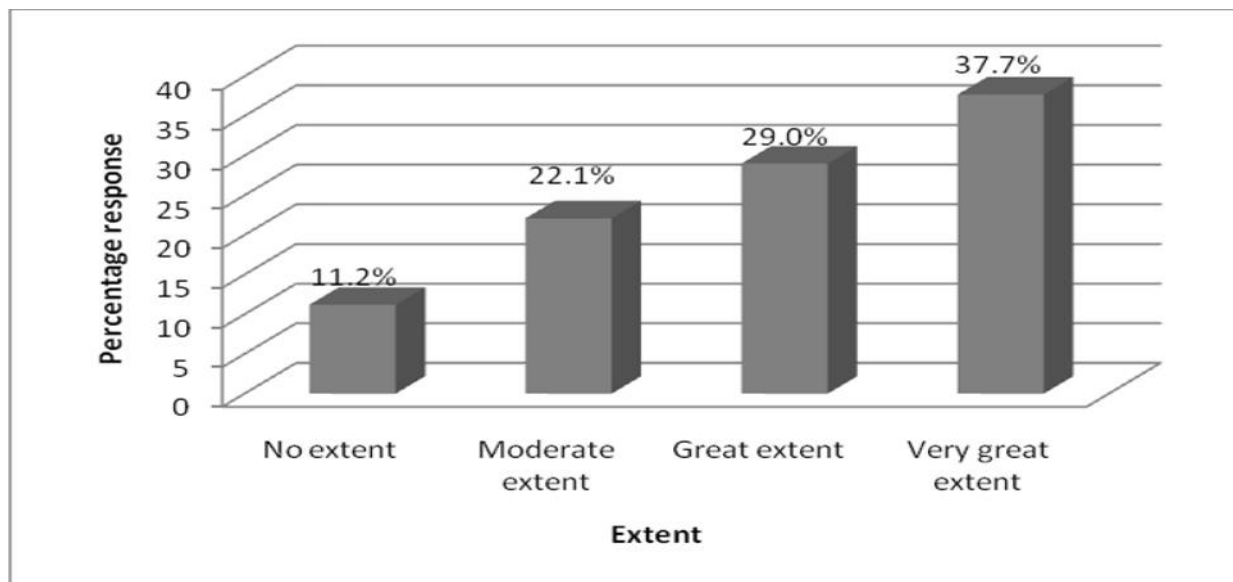
#### **4.3.5 Strategy Implementation Process**

The study sought to establish the extent to which strategy implementation process affects various strategy implementation factors. From the findings managerial competence (4.1613), resource mobilization (4.1505), innovation (4.0538) and corporate culture (4.0000) are affected to a great extent by strategy implementation process.

**Table 4.14: Effect of strategy implementation factors**

Strategy implementation factors	Mean	Sdev
Managerial Competence	4.1613	1.44956
Resource mobilization	4.1505	1.25109
Innovation and entrepreneurship	4.0538	1.16367
Corporate culture	4.0000	1.20114

On the extent to which strategy implementation process affects organization operations and hence the performance of the organization 37.7% indicated that to a very great extent resource strength contributes to the overall organizational success; 29.7% indicated to a great extent; 20.1% indicated to a moderate extent while 13.2% indicated that resource strength contributes to the overall organizational success to no extent at all.



**Figure 4.9: Effect of strategy implementation performance of the firm**

It is thus evident from the findings that the key determinants of successful strategy implementation among insurance firms in the country include, in order, managerial competence, resource mobilization, innovation and corporate culture (4.0000). The findings re in tandem with (Schaap, 2006) who concedes that researchers have realized the need to develop a sound strategy and then reorganize the structure, systems, leadership behaviour, human resource policies, culture, values, and management procedures of the company in order to ensure successful strategy implementation. Barnat (2005) further supports that particularly, strategy

implementation includes designing the organization's structure, allocating resources, developing information and decision process, and managing human resources, including such areas as the reward system, approaches to leadership, and staffing. According to Kaplan and Norton (2008), strategy implementation failures may be as a result of unfeasibility of the strategy, weak management, unworthiness or a misunderstanding of strategy, unaligned organization systems and resources, poor coordination, uncontrolled environment factors, linking performance and pay to strategies and resistance to change within the organization.

The relationship between strategy and performance has been convincingly established in literature. The prescriptive school views improved performance as an explicit goal of strategy. Lenz (2010) identifies six distinct research streams, two of which explicitly consider strategy as a critical component. The first considers the strategy-structure-performance model of Chandler (2011). The second describes an environment-strategy- performance model consistent with contingency and industrial organization models. Empirical evidence generally supports the relationship between strategy and performance. For example, Miller and Friesen (2011) identified ten different strategy types. Six of these strategies were generally successful (Adaptive Firm under Moderate Challenge, Adaptive Firm in Very Challenging Environment, Dominant Firm, Giant Under Fire, Entrepreneurial Conglomerate, and Innovator). The remaining four strategies were unsuccessful (Impulsive - Running Blind, Stagnant Bureaucracy, Headless Giant, Swimming Upstream). Using the Miles and Snow (2013) strategy typology, Hambrick (2014) found significant performance differences between prospectors and defenders. Using Porter's (1980) generic strategy typology, Dess and Davis (2005) found some evidence of performance differences among strategy clusters (representing Porter's generic strategies) in the insurance industry.

#### 4.4 Pearson Correlation Analysis

As presented in Table 4.13 below, the study performed Pearson correlations for the relationships between the various determinants and strategy implementation success among insurance firms studied. From the findings, a positive correlation is seen between the each determinant and strategy implementation success. The strongest correlation was obtained between Managerial Competence and strategy implementation success ( $r = 0.7723$ ), and the weaker relationship found between Corporate culture and strategy implementation success ( $r = 0.6933$ ). Resource strength and Innovation are also strongly and positively correlated with strategy implementation success at correlation coefficient of 0.7318 and 0.7134 respectively. All the independent variables were found to have a statistically significant association with the dependent variable at 0.05 level of confidence. Stigler (2002) offers that the Pearson product-moment correlation coefficient measure linear correlation (dependence) between two variables  $X$  and  $Y$ , giving a value between +1 and -1 inclusive, where 1 is total positive correlation, 0 is no correlation, and -1 is total negative correlation. He further demonstrates that P values less than 0.05 level of confidence can be considered statistically significant.

**Table 4.15 Pearson correlation matrix**

	strategy implementation	Managerial Competence	Resource strength	Corporate culture	Innovation
strategy implementation	1				
Managerial Competence	0.7723 (0.013)	1			
Resource strength	0.7318 (0.027)	0.547 (.000)	1		
Corporate culture	0.6933 (0.002)	0.684 (.076)	0.539 (.032)	1	
Innovation	0.7134 (0.011)	0.682 (0.003)	0.629 (0.061)	0.572 (0.214)	1

**\*Correlation is significant at the 0.05 level (2-tailed)**

*Source; Survey data, 2014*

#### 4.5 Regression analysis

**Table 4.16: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.954 <sup>a</sup>	.910	.906	1.65308

a. Predictors: (Constant), Managerial Competence, Resource strength, Corporate culture, Innovation

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Strategy implementation) that is explained by all the four independent variables (Managerial Competence, Resource strength, Corporate culture, Innovation).

The four independent variables that were studied, explain 91.0% of variance in strategy implementation success as represented by the  $R^2$ . This therefore means that other factors not studied in this research contribute 9.0 % of variance in the dependent variable.

**Table 4.17: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2421.223	4	605.306	221.506	.000 <sup>b</sup>
	Residual	240.476	88	2.733		
	Total	2661.699	92			

a. Dependent Variable: Strategy implementation

b. Predictors: (Constant), Managerial Competence, Resource strength, Corporate culture, Innovation

The P-value of 0.000 implies that strategy implementation among insurance firms in Kenya has a significant joint relationship with Management competence, Resource strength, Corporate culture and Innovation which is significant at 0.05 confidence level. This implies that the regression model is significant and can thus be used to assess the association between the dependent and independent variables. According to Gelman (2006), ANOVA statistics analyzes the differences between group means and their associated procedures (such as "variation" among and between groups).

**Table 4.18: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.246	3.367		.964	.338
	Managerial Competence	.238	.095	.192	2.508	.014
	Resource strength	.236	.053	.375	4.459	.000
	Corporate culture	.123	.054	.254	2.258	.026
	Innovation	.586	.054	1.346	10.842	.000

a. Dependent Variable: Strategy implementation

From the regression findings, the substitution of the equation ( $Y = a_0 + a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + e$ ) becomes:

$$Y = 3.246 + .238 X_1 + .236 X_2 + .123 X_3 + .586 X_4$$

Where Y is the dependent variable (Strategy implementation),  $X_1$  is Managerial Competence,  $X_2$  is Resource strength,  $X_3$  is corporate culture and  $X_4$  is Innovation. According to the equation, taking all factors (Innovation, Managerial Competence, Resource strength, corporate culture) constant at zero, impact of Strategy implementation will be 3.246. The data findings also show

that a unit increase in Managerial Competence variable will lead to a 0.238 increase in Strategy implementation; a unit increase in Resource strength will lead to a 0.236 increase in Strategy implementation; a unit increase in Corporate culture will lead to a 0.123 increase in Strategy implementation while a unit increase in Innovation will lead to a 0.586 increase Strategy implementation.

## **CHAPTER FIVE**

### **SUMMARY ,CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This section summarizes the findings and provides the conclusion and recommendations in line with the topic of study that is to evaluate the determinants of strategy implementation in insurance companies in Kenya.

#### **5.2 Summary of Findings**

##### **5.2.1 Effect of management competence on strategy implementation**

The study sought to establish the contribution of management competence on strategy implementation in insurance companies in Kenya. A majority of respondents were found to agree that among other factors, efficiency in performance management (4.7419); ease in evaluation of implemented strategies within the firm (4.6774) efficient operating systems (4.5914); effectiveness in resource management (4.4839); enhanced communication (4.4086); and ease in evaluation of implemented strategies within the firm (4.279) can be linked to successful strategy implementation to a very great extent.

On the extent to which competence strategies affect the strategy decisions of company, a majority of respondents agreed that choice of strategies on advertising and promotion (4.6022); choice of staff (4.4946); product development (4.4839) and choice of branch networks (4.3118) affect the strategy decisions of a company to a great extent. Further, a majority, (57%) of the respondents indicated that to a very great extent management competence affects the overall success of firm while 43% of the respondents indicated that to a great extent management competence affect the overall success of firm.



The study findings are in line with Danneels (2002) who links the three types of competencies: first-order competencies, which comprise customer and technological competencies; integrative competencies, or the ability to combine first- and second-order competencies, or the ability to build first-order competencies to successful strategy implementation. The findings are also in tandem with Giroux (2007) who notes that there is also a tendency to categorize the management competence into functional areas. Such a categorization is supported by the intrinsic belief that businesses increase their chances of success when managers are competent in core functional areas such as strategy planning, marketing, finance, operations and human resource management. Variyam and Kraybill (2013) argue in the same line that it is the owner-manager's lack of managerial competence that negatively impacts their ability to adequately address strategy business problems in the areas of finance, marketing, human resource management and the implementation of formal control systems.

### **5.2.2 Effect of resource strength on strategy implementation**

The study also sought to analyze the effect of resource strength on strategy implementation in insurance companies in Kenya. From the findings, respondents linked to a great extent: Adequate resource base matching firm's needs (4.4086); Firm always being able to meet its set resource department goals and objectives (4.3441); Access to cost efficient resources (4.3118); Operations never delayed or halted due to resource unavailability (4.2473); Efficient and reliable resource sourcing mechanisms (4.0538); Adequate and Efficient human resources (competent employees) (4.0215) and Efficient and fruitful resource allocation to successful strategy implementation (3.7634).

Resource allocation strategies were further found to affect the strategy decisions of company in various areas, respondents indicated that to a great extent, choice of branch networks (4.6559) affects the strategy decisions of company while Choice of Staff (4.483); Choice of strategies on advertising and promotion (3.892) and product development (3.7634) affects the strategy decisions of company. On the extent to which resource strength contributes to the overall organizational majority, 43%, indicated that to a very great extent resource strength contributes to the overall organizational success; 23.7% indicated to a great extent; 16.1% indicated to a moderate extent while 17.2% indicated that resource strength contributes to the overall organizational success to no extent

The findings are in agreement with Jain (2008) who argues that a key determinant of resource strength is resource planning, which provides an opportunity to develop planning tools for material-based, service-only, and service-plus-material strategy plans. Frame (2005) adds that a crucial consideration in strategy management is the availability of an efficient and sufficient quantity of qualified craft workers, supervisors, managers, and staff. To attract key qualified staff, a number of strategies can be adopted: Offer competitive wages and benefits; Provide job security; provide a safe and healthy work environment; treat workers fairly and with respect and provide good working conditions. According to Mankins and Steele (2005), resources deployment has to be discussed as early as possible in the whole implementation planning process, and these resources – financial, personal and time – have to be included in the company's budget from the beginning.

### **5.2.3 Effect of Innovation on strategy implementation**

The study further ascertained the effects of innovation on strategy implementation in the insurance firms in Kenya. Respondents were further asked to rate the levels to which various corporate culture conditions are affected by successful strategy implementation within firm. From the findings, Effective management of Social responsibility (4.0000); enhanced

organization image (3.9892) and clear and harmonized organization growth plan development (3.9247) is affected to a great extent by successful strategy implementation within firm.

On the extent to which innovation strategy affects the strategy decisions of company, respondents indicated that to a great extent Product development (3.8172); Choice of branch networks (3.7204) and Choice of strategies on advertising and promotion affects the strategy decisions of company (3.6559). Further respondents indicated that to a moderate extent Choice of Staff (3.3978) and Day to day operations (2.6129) affects the strategy decisions of company. The finding is supported by Hindle (1997) who argues that “Innovation requires three basic components: the infrastructure; the capital; and the entrepreneurial capacity needed to make the first two components work”. Innovation is the specific tool of entrepreneurship by which entrepreneurs exploit change as an opportunity for a different business or service. This in turn leads to successful strategy implementation. The finding is further in agreement with Dunning and Dunham (2010) who argue that created innovation leads to the lower production cost of the organization, new beneficial knowledge, new products, new production process, new working technique and new working procedure which in turn would generate competitive advantage in the long run. Zhao (2001) further supports that innovation factor generates value added to the organization through strategy, behaviour, support and motivating activities under 5 principles, i.e. (1) customer satisfaction (internal and external), (2) best practices (3) teamwork (4) challenging spirit and (5) the effective communication in integrating derives to achieve objective goals.

#### **5.2.4 Effect of Corporate Culture on strategy implementation**

The study further determined how corporate culture influences strategy implementation in insurance companies in Kenya. A majority of respondents linked to a great extent Increased

customer retention (4.4839); Efficient distribution channels (4.1505); Perfect understanding of our consumer needs (4.0000); Frequent development of new product to meet the consumer and market demand (3.9570); and Perfect understanding of the market (3.8602).

On the extent to which corporate culture strategy affects the strategy decisions of company in the following areas, respondents indicated that Choice of Staff and Choice of strategies on advertising and promotion are affected by corporate culture strategy as indicated by 3.9355 and 3.688 respectively while Product development and Choice of branch networks are affected to a moderate extent by corporate culture strategy as indicated by a mean of 3.4301 and 3.4194 respectively.

The findings were found to be conformity with Thompson *et al.* (2007) who observe that corporate culture is considered one of the success factors for strategy implementations because it influences the organization's actions, approach to conducting business and the way of executing strategies). Beaudan (2007) supports that a company's culture can promote strategy execution, when its values are strategy-supportive and its practices and behavioural norms add to the company's strategy execution efforts. Further, Omung'ala (2006) offers a company's culture should encourage strategy thinking and dialogue, which helps to develop a strategically more aware workforce which is also more open to necessary strategy changes.

Inferential statistics further revealed a positive correlation between each determinant and strategy implementation success. The strongest correlation was obtained between Managerial Competence and strategy implementation success ( $r = 0.7723$ ), and the weaker relationship found between Corporate culture and strategy implementation success ( $r = 0.6933$ ). Resource strength and Innovation are also strongly and positively correlated with strategy implementation success at correlation coefficient of 0.7318 and 0.7134 respectively. Upon conducting regression

analysis, the four independent variables that were studied were found to explain 91.0% of variance in strategy implementation success as represented by the  $R^2$ .

### **5.3 Conclusion**

On the contribution of management competence on strategy implementation in insurance companies in Kenya, the study hereby concludes that that managerial competence is a key determinant of strategy implementation success among insurance firms in the country. More specifically, among the areas in which managerial competence determine the success of strategy implementation in the insurance industry include the mainstreaming of efficient performance management; ease in evaluation of implemented strategies within the firm as well as efficiency in operating systems. Other critical areas competent managers mainstream includes effective resource management; enhanced communication as well as ease in evaluation of implemented strategies within the firm.

On the effect of resource strength on strategy implementation in insurance companies in Kenya, the study further deduces that resource strength significantly determines strategy implementation success among insurance firms in the country. Most notably, resource strength in the study areas impact strategy implementation through adequate resource base matching firm's needs; firm always being able to meet its set resource department goals and objectives; access to cost efficient resources; operations never delayed or halted due to resource unavailability; efficient and reliable resource sourcing mechanisms and adequate and efficient human resources (competent employees).

On how corporate culture influences strategy implementation in insurance companies in Kenya, it is deduced from the moderate to high levels of agreement noted in the findings, that innovation determine strategy implementation success through among other aspects, increased customer

retention; efficient distribution channels; perfect understanding of our consumer needs; frequent development of new product to meet the consumer as well as market demand. Innovation are further found to affects the strategy decisions of insurance firms in key areas including product development; choice of branch networks and choice of strategies on advertising and promotion.

Finally, on the effects of innovation on strategy implementation in the insurance firms in Kenya, the study concludes that corporate culture only moderately determines strategy implementation success in the Kenya insurance industry. Most notable areas which corporate culture highly impact strategy implementation success include the effectiveness in management of Social responsibility; enhanced organization image and clear and harmonized organization growth plan development. Among areas in which corporate culture exhibits little influence in strategy implementation success include efficiency in management structures as well as consistency and capability of performance management framework

The findings are of significant implications to operations in the insurance industry as knowledge on adopted strategies in Kenyan insurance companies and effect of appropriate strategy implementation process on their success are revealed. Managers of firms in the insurance industry may leverage the study findings as a basis of formulation and implementation in strategy management that can enhance their performance, more so as regards their competencies, and commitment through adequate resource allocation to strategy plans as well as embracing technological innovations and in instilling objective and goal oriented corporate cultures.

The findings are further significantly resourceful to policy makers in the insurance industry as they will be better informed, by the study findings, in their policy making in an effort to create a conducive policy environment for the industry and the creation of fair competition and improve this sub-sector of insurance with a general aim of promoting development of the economy. The

findings further put the general public at a vantage point to enable them in their decision making when choosing the firms to insure their anticipated risks based on the suitability and the credibility of the firms.

The study has contributed to the limited body of local literature with respect to the determinants of successful strategy implementation in the insurance industry. More specifically, the study has espoused on how among other factors, management competence, resource strength, corporate culture and innovation influence strategy implementation success among insurance firms in Kenya. The study findings can also be used by scholars and academicians to explore and conduct further studies in this sector so as to further extrapolate the issues contained herein. The findings will greatly contribute to the existing body of knowledge on strategy management which future scholars and academicians will use as a reference in their studies.

#### **5.4 Recommendations**

This study makes immense contribution to knowledge, theory and practice. Knowledge wise, the study has contributed to the limited body of local literature with respect to the determinants of successful strategy implementation in the insurance industry. More specifically, the study has espoused on how among other factors, management competence, resource strength, corporate culture and innovation influence strategy implementation success among insurance firms in Kenya. The study findings can also be used by scholars and academicians to explore and conduct further studies in this sector so as to further extrapolate the issues contained herein. The findings will greatly contribute to the existing body of knowledge on strategy management which future scholars and academicians will use as a reference in their studies.

Theoretically, the study advances the three pertinent theories grounding the present study, that is, Higgin's Eight S Model, Noble's Strategy Implementation Model and The resource-based view. The study shows how the four established determinants of successful strategy implementation, that is, management competence, resource strength, corporate culture and innovation and entrepreneurship, can be leveraged and integrated into insurance firms' cross functional organizational factors with a view to gain competitive advantage and thrive in the highly competitive market. The study further shows how not all organizations face similar strategy implementation challenges, that organizations differ in their form and complexity hence different ways of leveraging the determinants to counter the in the insurance sector can lead to successful strategy implementation based on the Noble's Strategy Implementation Model. The study also advances the RBV by showing how in view of the highly dynamic and competitive industry, for successful strategy implementation, with a view to an earn competitive advantage and flourish in the market, insurance firms have to mobilize their pertinent resources key among which managerial competencies, resources strength, innovation as well as corporate culture.

On the practice front, the study recommends that managerial competence, identified as a having the most role in determining strategy implementation success in the insurance industry. As such, there is need for managers in insurance firms and like entities to posses and exhibit adequate understanding of company strategies and future outlook, as well as adequate attention and support of junior employees toward the implementing of business strategies. The managing staff of companies, with better leadership and management of staff and motivating the staff, must lead the staff in better performance of their jobs in line with strategies. This will allow them to relate the daily activities of personnel with business priorities in high levels. The top managers of



company must further develop adequate commitment in middle managers and operational levels for successful strategy implementation.

The study findings further reveal the importance of many strategy implementation facilitating factors related to resource strength. Financial as well as knowledge resources from the disseminating organization are very important in the insurance industry and should thus be mainstreamed. Flexibility in budgetary allocation should be observed as well as transmission of knowledge through accessible routes, such as intensive training, consultation about key implementation processes, instructional manuals, and feedback through monitoring.

There is need to align corporate culture with business strategy. The findings have revealed that successful insurance firms have a culture aligned with the company strategies. The corporate culture must thus be aligned with the business strategy. Certainly, a culture which has been pre-defined related to the business strategy is very important for successful implementation of business strategy. Therefore, in the insurance industry, after developing business strategies, and based on result information, the kind of corporate culture required for that company must be defined too and in line with its development and the more consistency with company strategies , more efforts and actions must be done.

Several features of innovation are also found to be of utmost importance in strategy implementation among insurance firms important. These findings suggest that the dissemination of innovations should be carefully planned. Attention should be paid to the adequacy of a range of financial, knowledge, human and technical resources available to insurance firms as well as to establishing a functional delivery structure and developing senior management commitment to the same. Strategies should then be developed to enhance assets and manage potential barriers. It

is the author's belief that if all these recommendations are properly adopted, they will help the public schools examined realize successful strategy implementation.

### **5.5 Areas for Further Research**

The study was done to evaluate the determinants of strategy implementation in insurance companies in Kenya. Whereas the study confined itself to only four conceptualized determinants, namely management Competence, Resource Strength, Corporate Culture and Innovation, findings have revealed the importance of top management commitment, resource planning and communication emerging as also significantly influencing the success of strategy implementation among insurance firms in Kenya. Further study on the determinants of strategy implementation in insurance companies in Kenya may thus be carried out. Also, the study narrowed down its scope only to the study of insurance firms in Kenya. This presents a room to replicate the study in other industries in the country and beyond.

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## APPENDICES

### Appendix I: Questionnaire

#### PART A: Demographic Information

1. Name of the insurance company .....(Optional)

2. How long have you been providing your services in the insurance sector?

Less than 1 year [ ]

2-5 years [ ]

6- 10 years [ ]

More than 11 years [ ]

3. For how long have your organization been operating in Kenya?

Below 5 Years [ ]

5-10 years [ ]

10-15 Years [ ]

Above 15 years [ ]

4. What is your organization's area of operation in the insurance industry? .....

.....

.....

5. What is the size of your client base? .....

6. What is the size of your workforce? (Please indicate the number in each area)

High level managers.....

Middle level Managers.....

Supervisors.....

Support staff.....

7. Do you practice strategy management? YES [ ], NO [ ]

8. Do you interact with the following strategies in your day to day activities within the firm?

Corporate strategies YES [ ], NO [ ]

Business strategies YES [ ], NO [ ]

Functional strategies YES [ ], NO [ ]

Operational strategies YES [ ], NO [ ]

**Part B:**

**Section 1 Management Competences in insurance companies in Kenya**

9. How would you link the following management competencies to successful strategy implementation? Rate your response on a five point Likert scale on which 1= no extent 2= less extent, 3= moderate extent, 4= great extent and 5= very great extent.

Management competencies	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
Competent management team					
Proficient management system of the firm					
Efficient decision making and implementation					
Ease in evaluation of implemented strategies within the firm					
Effective planning and enforcing change					
Effective resource management					
Perfect organization image					
Efficient performance management					
Competent policy frameworks and procedures					
Enhanced communication and Information systems					
Efficient operating systems					

10. To what extent has management competence strategies affected the strategy decisions of your company in the following areas?

Strategy decisions	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
Choice of branch networks					
Product development					
Choice of strategies on advertising and promotion					
Choice of Staff					

11. To what extent does management competence affect the overall success of your firm?

Very great extent [ ]

Great extent [ ]

- Moderate extent [ ]
- Less extent [ ]
- No extent at all [ ]

**Section 2: Resource Strength by insurance companies in Kenya.**

12. To what extent would you link the following statements regarding your resource base competencies to successful strategy implementation? Rate your response on a five point Likert scale on which 1= no extent 2= less extent, 3= moderate extent, 4= great extent and 5= very great extent.

<b>Indicators of Resource strength</b>	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
Adequate resource base matching firm's needs					
Efficient and fruitful resource allocation					
Adequate and Efficient human resources (competent employees)					
Efficient and reliable resource sourcing mechanisms					
Access to cost efficient resources					
Operations never delayed or halted due to resource unavailability					
Firm is always able to meet its set resource department goals and objectives					

13. To what extent has resource allocation strategies affected the strategy decisions of your company in the following areas?

Strategy decisions	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
Choice of branch networks					
Product development					
Choice of strategies on advertising and promotion					
Choice of Staff					

14. To what extent would you attribute your organizational success in the following areas to competent resource allocation strategies?

Indicators of organizational strength	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
New product introduction					
Longevity of product lifespan					
Your overall brand image					
Customer satisfaction and retention					
Overall profitability of your organization					

15. To what extent have resource strength contributed to the overall organizational success?

Very great extent                    [   ]

Great extent                            [   ]

Moderate extent [ ]

Less extent [ ]

No extent at all [ ]

**Section 3: Innovation within the firm**

16. To what extent would you link the following innovation statements to successful strategy implementation? Tick appropriately using a Likert scale of 5 where 5= Very great extent, 4= Great extent 3= Moderate extent and 2= Less extent and 1= No extent at all.

	Innovation strategies	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
a.	Perfect understanding of our consumer needs					
b.	Perfect understanding of the market					
c.	Constant improvement on existing product to meet the market demand and the consumer needs					
d.	Frequent development of new product to meet the consumer and market demand					
d.	amplified reliability on the brand					
e.	Efficient distribution channels					
f.	Increased customer retention					

17. To what extent has Innovation strategy affected the strategy decisions of your company in the following areas?



Areas of strategy decisions	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
Choice of branch networks					
Day to day operations					
Product development					
Choice of strategies on advertising and promotion					
Choice of Staff					

18. To what extent does Innovation strategy implementation contribute to overall organizational success?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Less extent [ ]

No extent at all [ ]

#### SECTION 4: Corporate Culture and Leadership

19. To what extent would you rate the level to which the following corporate culture conditions are affected by successful strategy implementation within your firm? Tick appropriately using a Likert scale of 5 where 5= Very great extent, 4= Great extent 3= Moderate extent and 2= Less extent and 1= No extent at all.

<b>Corporate culture and leadership</b>	Very great extent	Great extent	Moderate extent	Less extent	No extent at all
Effective management of Social responsibility					
Enhanced organization image					
Clear and harmonized organization growth plan development					
Consistent and capable performance management framework					
Efficient management structures					

20. To what extent has your corporate culture strategy affected the strategy decisions of your company in the following areas?

Strategy decisions	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
Choice of branch networks					
Product development					
Choice of strategies on advertising and promotion					
Choice of Staff					

21. To what extent would you attribute your organizational success in the following areas to competent corporate culture and leadership strategy within your firm?

Organizational success measures	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
New product introduction					
Longevity of product lifespan					
Your overall brand image					
Customer satisfaction and retention					
Overall profitability of your organization					

22. . To what extent does your corporate culture and leadership strategy implementation contribute to overall organizational success?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Less extent [ ]

No extent at all [ ]

**Section 5: Strategy Implementation Process**

23. Please briefly describe goodness of the strategy implementation process that relates to your organization

.....

.....

.....

.....

24. To what extent does strategy implementation process affect the following strategy implementation factors?

Strategy implementation factors	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
Managerial Competence					
Resource mobilization					
Innovation and entrepreneurship					
Corporate culture					

25. To what extent has strategy implementation process affected your organization operations and hence the performance of the organization?

- Very great extent [ ]
- Great extent [ ]
- Moderate extent [ ]

Less extent [ ]

No extent at all [ ]

**THANK YOU FOR YOUR COOPERATION**

**Appendix II: Insurance Companies in Kenya (Source; Association of Kenya Insurers, 2014)**

<b>No.</b>	<b>Company</b>	<b>Line of Business</b>
1.	British-American Insurance Company (Kenya) Limited	Composite
2.	Cannon Assurance Limited	Composite
3.	Continental Reinsurance Limited	Composite
4.	Corporate Insurance Company Limited	Composite
5.	East Africa Reinsurance Company Limited	Composite
6.	First Assurance Company Limited	Composite
7.	Geminia Insurance Company Limited	Composite
8.	Kenindia Assurance Company Limited	Composite
9.	Kenya Reinsurance Corporation Limited	Composite
10.	Madison Insurance Company Kenya Limited	Composite
11.	Mercantile Insurance Company Limited	Composite
12.	The Jubilee Insurance Company of Kenya Limited	Composite
13.	The Kenyan Alliance Insurance Company Limited	Composite
14.	The Monarch Insurance Company Limited	Composite
15.	AAR Insurance Kenya Limited	General
16.	A P A Insurance Limited	General
17.	Africa Merchant Assurance Company Limited	General
18.	AIG Kenya Insurance Company Limited	General
19.	CIC General Insurance Limited	General
20.	Directline Assurance Company Limited	General
21.	Fidelity Shield Insurance Company Limited	General
22.	G A Insurance Limited	General
23.	Gateway Insurance Company Limited	General
24.	ICEA LION General Insurance Company Limited	General
25.	Intra Africa Assurance Company Limited	General
26.	Invesco Assurance Company Limited	General
27.	Kenya Orient Insurance Limited	General
28.	Mayfair Insurance Company Limited	General
29.	Occidental Insurance Company Limited	General
30.	Pacis Insurance Company Limited	General
31.	Phoenix of East Africa Assurance Company Limited	General

32.	Real Insurance Company Limited	General
33.	Resolution Insurance Company Limited	General
34.	Takaful Insurance of Africa Limited	General
35.	Tausi Assurance Company Limited	General
36.	The Heritage Insurance Company Limited	General
37.	Trident Insurance Company Limited	General
38.	UAP Insurance Company Limited	General
39.	Xplico Insurance Company Limited	General
40.	Apollo Life Assurance Limited	Life
41.	Capex Life Assurance Company Limited	Life
42.	CFC Life Assurance Limited	Life
43.	CIC Life Assurance Limited	Life
44.	G A Life Assurance Limited	Life
45.	ICEA LION Life Assurance Company Limited	Life
46.	Metropolitan Life Insurance Kenya Limited	Life
47.	Old Mutual Life Assurance Company Limited	Life
48.	Pan Africa Life Assurance Limited	Life
49.	Pioneer Assurance Company Limited	Life
50.	Shield Assurance Company Limited	Life
51.	UAP Life Assurance Limited	Life



