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# CHALLENGES OF STRATEGY IMPLEMENTATION BY INSURANCE COMPANIES IN KENYA

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**Abstract**

**Purpose**: The purpose of the study was to determine the challenges of strategy implementation by insurance companies in Kenya.

**Materials and methods:** The study made use of primary data that was collected using questionnaires. Since the study involved the use of questionnaires, descriptive survey study was employed. The study population used included all the 46 insurance companies operating in Kenya as at August 2014. A list of the insurance companies in Kenya was obtained from the Insurance Regulatory Authority (IRA). A census of the 46 insurance companies was used. Therefore, sampling was not applicable in this study. After data has been collected through questionnaires, it was prepared for readiness of analysis by editing, handling blank responses, coding, categorizing and keying into Statistical Package for Social Sciences (SPSS) computer software for analysis. SPSS was used to produce frequencies, descriptive statistics which were used to derive conclusions and generalizations regarding the population.

**Results:** The results from the study showed that among that the macroeconomic factors considered to affect strategy implementation were; strict guidelines for compliance with legal, regulatory and capital requirements, high technology advancement, and high inflation rates and low purchasing power of customer whereas the industry specific challenges that affected strategy implementation included; threat of price wars, stiff competition, rivalry among insurance companies and strong bargaining power from clients. Lack of staff involvement, bureaucratic structures and procedures in the company, poor communication of deliverables, and lack of clear guidelines in implementation, were among the internal factors that affected strategy implementation. The study also found out that strategy responses adopted by insurance companies in order to effectively implement their strategies included; rewards being linked to strategy implementation in order to enhance effective execution, lobbying through the Association of Kenya Insurers (AKI) to address regulatory, economic, political and environmental challenges, reliance on support from the Insurance Regulatory Authority (IRA) to address challenges in pricing and price wars.

**Recommendations:** The study recommended that in order to address the strategy implementation challenges companies must first, avoid resistance by employees towards strategy implementation

by ensuring employee involvement in the process, secondly, the companies should also work in lessening the bureaucratic structures and procedures, improving and ensuring effective communication of deliverables to ensure they are well understood by the employees, and also ensuring that clear guidelines in implementation process are laid down before the strategies are implemented.

**Key words**: *Strategy Implementation, insurance companies,*

## 1.0 INTRODUCTION

### 1.1 Background of the Study

Strategic plan implementation is an integral part of an organization whether private or public. According to Johnson and Scholes (2005) strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences, with the aim of fulfilling stakeholder expectations. Strategic management and implementation plays an essential role in ensuring that the company's resources are deployed to the most productive and efficient areas that would ensure long term performance of the organization under a competitive and continually changing environment. This therefore makes the implementation of competitive strategies crucial especially within the context of a dynamic environment as well as the ever increasing competition which together make the ability of the firm to take advantage of the opportunities that is open to them ( Bennet, 1999). As a result of the shrinking demand of non-compulsory insurance products coupled with the negative perception of the insurance sector by the general public the insurance sector has become very competitive. It is estimated that the penetration levels are at 3.44% which is very low compared to the developed countries. The overall insurance penetration increased to 3.44% in 2013 compared to 3.16% in 2012. The low penetration highlights the significant opportunities that exist in the Kenyan Insurance Market especially in commercial lines such as oil, real estate and infrastructure (AKI, 2013).

#### 1.1.1 Concept of strategy

According to Bowman and Helfat, (2001) corporate strategy is an essential management tool that is important in determining the firm's performance as well as achieving performance advantage through strategic initiatives. Porter (1980, 1985) argues that through the pursuit of a generic strategy a firm can achieve superior performance, which he defines as the development of an overall cost leadership, differentiation or focus approach to industry competitor.

Porter, (1996) also noted that strategy is about achieving competitive advantage through being different in delivering unique service or product. Strategic responses involve changes in a firm's strategic behavior to assure success in the transforming future environment. An organization's strategic position is often influenced by the external environment, internal strategic capabilities as well as the expectations and influence of the stakeholders. Strategic choices include the underlying bases for strategy at all levels of the organization. The Strategic management is pinned to understanding which choices are likely to succeed or fail and then eventually translating strategy into action which is more concerned with issues of structuring and resourcing to enable future strategies and to effectively manage inevitable change (Johnson & Scholes, 2005).

### 1.1.2 Concept of strategic responses

The 7-S framework strategy as formulated by Mckinsey (1982), provides an essentially important interrelationship and if well aligned can lead to successful strategy implementation. According to Mckinsey (1982), the seven factors critical for effective strategy execution identified are strategy, structure, systems, staff, skills, style/culture and shared values. In this case strategy is the positioning and actions that are taken by an organization, in response to or in anticipation of the changes in the external environment, intended to achieve competitive advantage. The 7-S model posits that organizations are successful when they achieve an integrated harmony of the three “hard” “S’s” of strategy, structure and systems and four “soft” “S’s” of skills, staff, style and super-ordinate goals (now referred to as shared values), (Kaplan,2005).

Employee involvement is required in both formulation and implementation stages so that they own the strategies selected and are enthusiastic to implement and see positive results. Thompson and Strickland (2007), observed that recruiting and training personnel with the required experience, skills and intellectual capital is a sure way of successful strategy implementation.

### 1.1.3 Strategy Implementation

Strategy implementation is the putting into action a formulated strategy. It involves organization of the firm's resources and motivation of the staff to achieve objectives (Ramesh, 2011). Although formulating a consistent strategy is a difficult task for any management team, making that strategy work, that is, implementing it throughout the organization is even more difficult (Hrebiniak, 2006). A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action. The task of implementing challenging strategic initiatives must be assigned to executives who have the skills and talent to handle and can be counted on to turn decisions and actions into results to meet established targets. Without a smart, capable result-oriented management team, the implementation process ends up being hampered by missed deadlines, misdirected or wasteful efforts. Building a capable organization is thus a priority in strategy execution.

Strategy implementation involves the organization of resources and motivation of staff in order to achieve the objectives and key performance indicators set out in the strategic plan. Strategy implementation may be faced by a set of challenges which may emanate from the leadership and the management, the resources, the organization structure and culture, the organization politics, the motivation of staff, the involvement and participation of staff, the perception and resistance emanating from staff and other stakeholders (Okumus, 2003). In addition, lack of fit of strategy may also challenge its successful implementation (Porter, 2004, Machuki & Aosa, 2011).

### 1.1.4 Insurance Industry in Kenya

The key players in the Kenyan insurance industry are the insurance companies which compared to other players have the highest registered numbers. The movement in the number of licensed industry players has increased; as of 2014 there were 49 registered insurance and reinsurance companies, 22 medical insurance providers and 84 insurance brokers (IRA report, 2014).

Insurance is an economic activity, whereby individuals substitute a small certain cost (the premium) for a large uncertain financial loss (contingency insured against) that would exist in future. Insurance companies require proper planning and successful strategies for entry into untapped market. The insurance sector in Kenya is regulated under The Insurance Act CAP 487 laws of Kenya by the Insurance Regulatory Authority (IRA) a State Corporation established under the Insurance Act (Amendment) 2006, CAP 487 Laws of Kenya. The Authority's mandate is to regulate, supervise and develop the insurance industry in Kenya, and ensure that the interests of policyholders and insurance beneficiaries are protected. (Insurance Act, 2013)

### 1.2 Research Problem

Successful strategy implementation is a puzzle in many companies. The problem was illustrated by the unsatisfying low success rate (only 10 to 30 percent) of intended strategies (Raps and Kauffman, 2005). Generic strategy implementation challenges emanate from the leadership and management of the organization (Awino, 2001), from the employees through resistance to change and negative perceptions and from resources (Awino et al, 2012). Still other challenges emanate from the competitive and macro environment (Aosa, 1992). On a global scale, studies on challenges of strategy implementation included Sial, Usman and Zufiqar (2013) who studied the reason why the Public Sector Organizations failed in implementation of strategic plan in Pakistan. The result showed that resources limitation, incompetent management and staff, poor planning for execution and lack of integration were the most important reason for the failure of the strategic plan implementation in public sectors organization in Pakistan. Al-Ghamdi (2005) studied the Obstacles to Successful Implementation of Strategic Decisions: The Saudi Case. The findings indicate that there was need for effective management support systems for staff employees, strategy-structure alignment, effective compensation systems, and top management involvement in order to facilitate the process of implementation. However the studies failed to studies did not focus on challenges of strategy implementation in insurance companies.

Local studies on strategy implementation include challenges of implementing competitive strategies in the insurance industry in Kenya (Akello, 2010). Musyoka (2011) investigated challenges facing Kenya medical research institute in the implementation of the automation strategy. Gichuru, (2010) investigated challenges faced by life insurance companies in implementation of marketing strategies to gain competitive advantage in Kenya. Wangari (2011) conducted a study on Strategy implementation challenges faced by National Hospital Insurance Fund in Kenya. Gituma (2012) conducted a study on Critical success factors adopted by CIC insurance Group Limited in Kenya. Kiarie (2012) investigated Strategy implementation at Co-operative Insurance Company Limited, Kenya.

However, none of the studies concentrated on challenges of strategy implementation by insurance companies in Kenya. The insurance industry is a unique sector in that it is sustained by a complex system of risk analysis. Generally, this analysis involves anticipating the likelihood of a particular loss and charging enough in premiums to guarantee that insured losses can be paid. Insurance companies collect the premiums for a certain type of insurance policy and use them to pay the customers who suffer losses that are insured by that type of policy. This therefore implies that the players in the industry must put in place well thought out and workable strategies that will reduce their risks of exposure to probable losses. The study will address the questions: "what are the challenges faced by insurance companies when implementing strategies? How do they respond to these challenges?

### 1.3 Research Objective

The main objective is to determine the challenges of strategy implementation by insurance companies in Kenya.

#### 1.3.1 Specific Research Objectives

The specific objectives will be;-

1. To determine the challenges of strategy implementation by insurance companies in Kenya.

2. To determine the strategic responses adopted by insurance companies in addressing these challenges.

## 2.0 LITERATURE REVIEW

### 2.1 Theoretical Foundation of the study

#### 2.1.1 Game Theory

Game theory is the branch of decision theory concerned with interdependent decisions. The problems of interest involve multiple participants, each of whom has individual objectives related to a common system or shared resources (Ross, 2008). Because game theory arose from the analysis of competitive scenarios, the problems are called *games* and the participants are called *players*. But these techniques apply to more than just sport, and are not even limited to competitive situations. In short, game theory deals with any problem in which each player's strategy depends on what the other players do (Hendricks & Hansen, 2007). The theory is relevant to the study as the insurance firms are competitive and participate in optimal strategic games that will enable them to improve their performance. The theory will not inform the study as it specifically support marketing strategies and discusses how and why strategies are formulated. However, the theory does not explain why implementation of strategies fails.

#### 2.1.2 Resource Based View Theory

The resource-based view theory posits that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are vulnerable and costly-to-copy (Mills, Platts & Bourne, 2003; Peteraf & Bergen, 2003).The key concept in the RBV framework is the

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identification of the properties of resources that are necessary to create a competitive advantage that is sustainable to ensure effective strategy implementation, growth, sustainability and earn above average profits. According to Peteraf, (1993), the firm's strategic resources must be heterogeneously distributed and that these differences are stable over time.

Resource-based view theory focuses on the firm's distinctive competencies, whether current or potential, which enable it to provide superior value in its offerings, whether across markets, industries, or multiple types of customers. The ""resource view"", contends that a firm's internal resources and capabilities are the best source of competitive advantage over other firms. An approach to strategy with this view then seeks to find or develop distinctive competencies and resources, applying them to produce superior value. To the extent that these competencies can be kept unique to the firm, they can be used to develop a competitive advantage. The Resource Based View is not comprehensive enough since it does not take into consideration the norms, cultures and the external environment as important determinants of strategy implementation.

### 2.1.3 Institutional Theory

Institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behavior. It inquires into how these elements are created, diffused, adopted and adapted over space and time; and how they fall into decline and disuse. Although the ostensible subject is stability and order in social life, students of institutions must attend not just to consensus and conformity but to conflict and change in social structures.

The basic concepts and premises of the institutional theory approach provide useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations, norms, and values as the sources of pressure on organizations. This theory is built on the concept of legitimacy rather than efficiency or effectiveness as the primary organizational goal (Doug & Scott, 2004). The environment is conceptualized as the organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values. Institutional theory assumes that an organization conforms to its environment.

Researchers such as Meyer and Rowan (1991), DiMaggio and Powell (1983) are some of the institutional theorists who assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. The theory that best informs strategic management challenges is the Institutional Theory since it explains the internal challenges that inhibit strategy implementation. The theory explains why institutions behave the way they do and this can be a starting point of understanding the challenges of strategy implementation. Not only does it emphasize on resources and capabilities, it also explains the role of norms and cultures on strategy implementation failure.

## 2.2 Strategy Implementation

Organizations successful at strategy implementation effectively manage six key supporting factors; Action Planning, Organization Structure, Human Resources, The Annual Business Plan, Monitoring and Control and Linkage. First, organizations successful at implementing strategy develop detailed action plans, chronological lists of action steps (tactics) which add the necessary detail to their strategies and assign responsibility to a specific individual for accomplishing each of those action steps. Also, they set a due date and estimate the resources required to accomplish each of the action steps. Thus, they translate their broad strategy statement into a number of specific work assignments (Birnbaum, 2009). Organization structure is a crucial factor influencing strategy implementation. Those organizations that are successful at implementing strategy give thought to their organizational structure. They ask if their intended strategy fits their current structure, and they ask a deeper question as well, that is, whether the organization's current structure is appropriate to the intended strategy (Okumus, 2001). Human resource is important in strategy implementation. Organizations successful at strategy implementation consider the human resource factor in making strategies happen.

Second, managers successful at implementation are aware of the effects each new strategy will have on their human resource needs. They ask themselves questions as to how much change the strategy calls for. In addition, they also ask questions about how quickly the organization must provide for that change. Furthermore, they ask about the human resource implications of the answers to aforementioned questions. In answering these questions, management will decide whether to allow time for employees to grow through experience, to introduce training, or to hire new employees (Peng & Littleton, 2001).

The annual business plan informs strategy implementation. Organizations successful at implementation are aware of their need to fund their intended strategies. And they begin to think about that necessary financial commitment early in the planning process. First, they "ballpark" the financial requirements when they first develop their strategy. Later when developing their action plans, they "firm up" that commitment. Finally, they "dollarize" their strategy. That way, they link their strategic plan to their annual business plan (and their budget). And they eliminate the "surprises" they might otherwise receive at budgeting time (Rapert, Velliquette, & Garretson, 2002). Another important factor in strategy implementation is monitoring and control. Monitoring and controlling the plan includes a periodic look to see if you're on course. It also includes consideration of options to get a strategy once derailed back on track.

Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science, and its research history has previously been described as fragmented and eclectic (Noble, 1999). It is thus not surprising that, after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent implementation process.

## 2.3 Challenges of Strategy Implementation

Strategy is all about managing change. Resistance to change is one of the greatest threats to strategy implementation. Strategic change is the movement of an organization from its present state toward some desired future state to increase its competitive advantage (Hill and Jones, 1999). The behaviour of individuals ultimately determines the success or failure of organizational endeavors and top management concerned with strategy and its implementation must realize this (McCarthy, 1986). Change may also result to conflict and resistance. People working in organizations sometimes resist such projects and make strategy difficult to implement (Lynch, 2000). This may be due to anxiety or fear of economic loss, inconvenience, uncertainty and break in normal social patterns.

Studies by Okumus (2003) found that the main barriers to the implementation of strategies include lack of coordination and support from other levels of management and resistance from lower levels and lack of or poor planning activities. Freedman (2003) lists out a number of implementation pitfalls such as isolation, lack of stakeholder commitment, strategic drift, strategic dilution, strategic isolation, failure to understand progress, initiative fatigue, impatience, and not celebrating success. Sterling (2003), identified reasons why strategies fail as unanticipated market changes; lack of senior management support; ineffective competitor responses to strategy application of insufficient resources; failure of buy in, understanding, and/or communication; timeliness and distinctiveness; lack of focus; and bad strategy poorly conceived business models. Sometimes strategies fail because they are simply ill conceived. For example business models are flawed because of a misunderstanding of how demand would be met in the market.

### 2.4 Strategic Responses to address challenges of Strategy Implementation

One of the measures that should be taken to deal with challenges of strategy implementation is using a logical approach to execution. Managers need and benefit from a logical model to guide execution decisions and actions. Without guidelines, execution becomes a problem. Without guidance, individuals do the things they think are important, often resulting in uncoordinated, divergent, even conflicting decisions and actions. Without the benefit of a logical approach, execution suffers or fails because managers don‘t know what steps to take and when to take them. Having a model or roadmap is crucial to positively affect execution success; not having one leads to execution failure and frustration (Hrebiniak, 2008).

Managing change is another way of dealing with challenges in strategy implementation. Making the necessary changes in the process of execution and overcoming resistance to them is the last step on the road to strategic success. This step requires unerring attention to detail, a focus on objectives, measurement of performance, and a strong commitment to the execution task at hand. Managing change is difficult, but successful execution depends on it (Freedman, 2003). Clarifying responsibility and accountability is vital to making strategy work. Managers cannot create coordination mechanisms or integrate strategic and short-term operating objectives if job responsibilities and accountability are unclear. The problem is that job-related responsibilities are not always clear, and even authority is not always unambiguous. The problem is that job-related responsibilities are not always clear, and even authority is not always unambiguous.

## 3.0 RESEARCH METHODOLOGY

To achieve the objective of this study, survey method was utilized. The population included all the 46 insurance companies operating in Kenya as at August 2014. Primary qualitative data was

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used in this study. It was collected from all the forty six insurance companies using a structured questionnaire. After data has been collected through questionnaires, it was prepared for readiness of analysis by editing, handling blank responses, coding, categorizing and keying into Statistical Package for Social Sciences (SPSS) computer software for analysis. SPSS was used to produce frequencies, descriptive statistics which were used to derive conclusions and generalizations regarding the population.

To achieve the objective of the study, comparisons of data collected were done across the companies and the results comprised of frequencies, percentages and means. Standard deviations were also used to check for the level of unanimity between respondents. The higher the standard deviation the lower the level of unanimity. Results were presented in tables.

## 4.0 DATA ANALYSIS, RESULTS AND DISCUSSION

### 4.1 Demographic Characteristics

This section displays the results of the demographic characteristics. Specifically, this captured the position in the company, years worked in the Industry, whether the company had a strategy, the strategy in place, whether the strategy has been implemented and the level of implementation of the strategy.

#### 4.1.1 Position held in the company

The table below presents the demographics on the position held in the company by the respondents. Among the respondents 87.5 percent held middle management positions where as 12.5 percent of the respondents were senior management.

**Table 1 Position Held in the Company**

| | Frequency | Percent |
|---|---|---|
| Senior Management | 5 | 12.5 |
| Middle Management | 35 | 87.5 |

#### 4.1.2 Level of Experience

The results presented in the table below shows the level of experience of respondents within the insurance industry. The results indicate that 27.5 percent of the respondents had worked for less than three years in the industry, while majority of the respondents accounting for 30 percent had between 4 to 5 years of experience. 15 percent of the respondents had 6 to10 years of experience and 27.5 percent of the respondents had worked in the industry for over 10 year.

**Table 2 Level of Experience**

| | Frequency | Percent |
|---|---|---|
| Less than 3 years | 11 | 27.5 |
| 4 to 5 years | 12 | 30.0 |
| 6 to 10 years | 6 | 15.0 |
| More than 10 years | 11 | 27.5 |
| Total | 40 | 100.0 |

### 4.1.3 Strategy Implemented

The respondents asserted that the companies had implemented strategies and thus were required to state the type of strategy that had been implemented. The table 3 below shows the various strategies that had been implemented by the survey companies. The results indicated that 15.0 percent of the companies had implemented restructuring strategy while 27.5 percent had implemented a re-branding strategy. Majority of the companies had implemented an expansion strategy as this accounted for 57.5 percent of the survey insurance companies.

**Table 3 Type of Strategy Implemented**

| | Frequency | Percent |
|---|---|---|
| Expansion Strategy | 23 | 57.5 |
| Re-branding Strategy | 11 | 27.5 |
| Restructuring Strategy | 6 | 15.0 |
| Total | 40 | 100.0 |

### 4.1.4 Level of Implementation

Since the surveyed companies had implemented strategies as shown in table 3 they were also required to indicate the level or stage of implementation of those strategies. The table 4 below indicates that insurance companies who had implemented up to 50.0 percent of the strategies account for 40 percent while the companies who had implemented the strategies above 50 percent account for 60 percent of the total insurance companies.

**Table 4 Level of Implementation**

| | Frequency | Percent |
|---|---|---|
| Upto 50% | 16 | 40.0 |
| 51 to 100% | 24 | 60.0 |
| Total | 40 | 100.0 |

### 4.2 Strategy Implementation Success

The means of the strategy implementation success were ranked in order to establish their order of importance. The highest rank (for instance Rank 8) in the table 5 below implies that respondents were neutral in the assertion that the strategy implementation had been a success while the lowest of the ranks (for instance Rank 1) implied that the respondents agreed that strategy implementation had been a success. Specifically, the results indicate that the most important strategy implementation success were; improvement in the image of the company (mean = 4.48), increase in market share (mean = 4.33), improved underwriting process with regard to risk analysis (mean = 4.30), and lastly enhanced the use of technology and improved processes and procedures (mean = 4.30), while the implementation of the strategies had least led to improvement in employee motivation (mean = 3.45), improvement in customer satisfaction and governance (mean = 3.90) as indicated by the rank results in table 4.5, but despite being ranked least these factors were still rated highly by the respondents as indicated by the means of above 3.5

**Table 5 Strategy Implementation Success**

| **Strategy Implementation Success** | **N** | **Mean** | **Std. Dev** | **Rank** |
|---|---|---|---|---|
| Implementation of the strategy has led to improvement in the image of the company | 40 | 4.48 | 0.716 | 1 |
| Implementation of the strategy has led to increase in market share | 40 | 4.33 | 0.694 | 2 |
| Implementation of the strategy has improved the underwriting process with regard to risk analysis | 40 | 4.3 | 0.464 | 3 |
| Implementation of the strategy has enhanced the use of technology and improved processes and procedures | 40 | 4.3 | 0.464 | 3 |
| Implementation of the strategy has led to increase in profitability | 40 | 4.17 | 0.636 | 5 |
| Implementation of the strategy has improved the claims handling process and reduced customer complaints | 40 | 4.15 | 0.362 | 6 |
| Implementation of the strategy has led to improvement in governance | 40 | 3.9 | 0.632 | 7 |
| Implementation of the strategy has led to improvement in customer satisfaction | 40 | 3.9 | 0.632 | 7 |
| Implementation of the strategy has led to improvement in employee motivation | 40 | 3.45 | 0.504 | 8 |

The table 6 below shows whether the means of the companies that had implemented their strategies up to 50 percent and those that had implemented their strategies between 50 up to 100 percent were statistically different. In order to test whether differences existed in their means the study used the t-test statistic. The results in the table shows that the mean for the two groups were statistically different (t= -8.385) from each other given that the p-values were less than the critical 5 % (p-value=0.000). This implies that the strategic implementation success for these groups of companies were varied based on the extent to which they had implemented their strategies.

**Table 6 Strategy implementation Success t-test**

| | Implementation | N | Mean | Std. Dev | t | p-value |
|---|---|---|---|---|---|---|
| Strategy implementation success | Up to 50% | 16 | 3.6458 | 0.23733 | -8.385 | 0.000 |
| | 51 to 100% | 24 | 4.4167 | 0.34403 | | |

## 4.3 Challenges of Strategy Implementation

### 4.3.1 Macroeconomic Factors affecting Strategy Implementation

The results indicate that the highly ranked macroeconomic factors affecting strategy implementation were; strict guidelines for compliance with legal, regulatory and capital requirements (mean = 4.10), high technology advancement (mean = 3.95), and high inflation rates and low purchasing power of customers (mean = 3.80). The implementation of the strategies were least considered to be affected by the frequent floods, drought and environmental challenges (mean = 2.53), political turbulence and related factors (mean = 2.80) and high tax regimes (mean = 3.10), as indicate by the results in table 7.

**Table 7 Macroeconomic Factors**

| Macroeconomic Factors | N | Mean | Std. Dev | Rank |
|---|---|---|---|---|
| Strict guidelines for compliance with legal, regulatory and capital requirements | 40 | 4.1 | 1.008 | 1 |
| High technology advancement | 40 | 3.95 | 0.932 | 2 |
| High inflation rates and low purchasing power of customers | 40 | 3.8 | 0.823 | 3 |
| Environmental regulations and requirements affecting investment choices | 40 | 3.68 | 0.888 | 4 |
| High poverty level of customers | 40 | 3.55 | 0.504 | 5 |
| Low Education and awareness levels of the communities | 40 | 3.53 | 0.905 | 6 |
| Competition from global markets | 40 | 3.53 | 0.905 | 6 |
| Unsupportive demographic factors such as ageing and unhealthy population | 40 | 3.25 | 0.707 | 8 |
| Inappropriate cultures, norms and traditions of communities | 40 | 3.25 | 0.439 | 8 |
| A high tax regime | 40 | 3.1 | 0.632 | 10 |
| Political turbulence and related factors | 40 | 2.8 | 0.992 | 11 |
| Frequent floods, drought and environmental challenges | 40 | 2.53 | 0.905 | 12 |

The table 8 below shows the means of the macroeconomic factors affecting strategy implementation for companies that had implemented their strategies up to 50 percent and those that had implemented their strategies between 50 up to 100 percent. The results indicated that the difference in means of the macroeconomic factors for these two groups were statistically different as indicated by the t-test (t=7.461) given that the p-values were less than the critical 5 % (p-value=0.000). This implies that the extent to which macroeconomic factors affected strategy implementation among the two groups differed with companies that had only implemented up to 50 percent of their strategies being affected to a great extent (mean= 4.1146) by these macroeconomic factors

**Table 8 Macroeconomic factors and level of strategy Implementation**

| | Implementation | N | Mean | Std. Dev | t | p-value |
|---|---|---|---|---|---|---|
| Macroeconomic factors | Up to 50% | 16 | 4.1146 | 0.32185 | 7.461 | 0.000 |
| | 51 to 100% | 24 | 2.9583 | 0.55983 | | |

### 4.3.2 Industry Specific Challenges affecting Strategy Implementation

The results indicate that the prevalent industry specific factors affecting strategy implementation were; the threat of price wars amongst the players in the industry (mean = 1.38), stiff competition and rivalry among insurance companies (mean = 1.93), and strong bargaining power from clients (mean =1.55), while the implementation of the strategies were moderately affected by the threat of new entrants (mean 2.78) among insurance companies as indicate by the results in table 9

**Table 9 Industry Specific Challenges**

| Industry Specific Challenges | N | Mean | Std. Dev | Rank |
|---|---|---|---|---|
| Threat of price wars amongst the players in the industry | 40 | 1.38 | 0.705 | 1 |
| Strong bargaining power from clients | 40 | 1.55 | 0.504 | 2 |
| Stiff competition and rivalry among insurance companies | 40 | 1.93 | 1.047 | 3 |
| Strong bargaining power of suppliers | 40 | 2.08 | 1.118 | 4 |
| Threat of substitutes products and services in the market | 40 | 2.2 | 1.244 | 5 |
| Threat of new entrants among insurance companies | 40 | 2.78 | 1.349 | 6 |

The table 10 below shows whether the means of the industry specific factors affecting strategy implementation for companies that had implemented their strategies up to 50 percent and those that had implemented their strategies between 50 up to 100 percent. The results indicated that the difference in means of the industry specific factors for these two groups were statistically different as indicated by the t-test (t=7.686) given that the p-values were less than the critical 5 % (p-value=0.000). This implies that the extent to which industry specific factors affected strategy implementation among the two groups differed with companies that had only implemented up to 50 percent of their strategies being affected to a great extent (mean= 2.8958) by these industry specific factors.

**Table 10 Industry Challenges and Level Implementation**

| | Level of Implementation | N | Mean | Std. Dev | t | p-value |
|---|---|---|---|---|---|---|
| Industry challenges | Up to 50% | 16 | 2.8958 | 0.712 | 7.686 | 0.000 |
| | 51 to 100% | 24 | 1.375 | 0.42349 | | |

### 4.3.3 Internal Challenges affecting Strategy Implementation

Besides the macroeconomic and industry related factors, strategy implementation is also affected by a set of internal factors at the company level. In order to ascertain which internal factors greatly affected strategy implementation respondents were asked to rate the factors on a 5 point likert scale where the following classification of the 5 point likert scale was adopted, 1; very low extent , 2; low extent, 3; moderate extent, 4; great extent, 5; very great extent. The highest rank ( for instance Rank 9) implied that internal factors identified affected strategy implementation to a moderate extent while the least rank (for instance Rank 1) indicated that the internal factors affected strategy implementation to a great extent. The results in table 4.11 indicate that strategy implementation was most affected by the following factors; Lack of staff involvement (mean =

3.80), bureaucratic structures and procedures in the company (mean = 3.65), poor communication of deliverables (mean = 3.50), and lack of clear guidelines in implementation (mean = 3.50), and financial resources limitation (mean = 3.50), while the implementation of the strategies was moderately affected by poor governance in implementing strategy (mean = 3.08), and Incompetent human resources (mean = 3.25), and lack of managerial support (mean = 3.25), as indicated in table 11 below.

**Table 11 Internal Factors**

| **Internal Challenges** | **N** | **Mean** | **Std. Dev** | **Rank** |
|---|---|---|---|---|
| Lack of staff involvement | 40 | 3.8 | 0.992 | 1 |
| Bureaucratic structures and procedures in the company | 40 | 3.65 | 1.027 | 2 |
| Financial resources limitation | 40 | 3.5 | 1.414 | 3 |
| Lack of urgency/low speed of implementation | 40 | 3.5 | 1.414 | 3 |
| Lack of clear guidelines in implementation | 40 | 3.5 | 1.177 | 3 |
| Poor communication of deliverables | 40 | 3.5 | 1.301 | 3 |
| Misdirection of funds meant for strategy implementation | 40 | 3.37 | 1.192 | 6 |
| Lack of managerial support | 40 | 3.37 | 1.192 | 6 |
| Incompetent human resources | 40 | 3.25 | 1.193 | 8 |
| Poor governance in implementing strategy | 40 | 3.08 | 1.248 | 9 |

The table 12 below shows whether the means of the internal factors affecting strategy implementation for companies that had implemented their strategies up to 50 percent and those that had implemented their strategies between 50 up to 100 percent. The results indicated that the difference in means of the internal factors for these two groups were statistically different as indicated by the t-test (t=7.413) given that the p-values were less than the critical 5 % (p-value=0.000). This implies that the extent to which internal factors affected strategy implementation among the two groups differed with companies that had only implemented up to 50 percent of their strategies being affected to a great extent (mean= 4.4688) by the set of internal factors identified in table 11 above.

**Table 12 Internal Factors and level of Implementation**

| | Level of Implementation | N | Mean | Std. Dev | t | p-value |
|---|---|---|---|---|---|---|
| Internal challenges | Up to 50% | 16 | 4.4688 | 0.39449 | 7.413 | 0.000 |
| | 51 to 100% | 24 | 2.775 | 1.00963 | | |

### 4.4 Strategic Responses to Strategy Implementation Challenges

Given the strategy implementation challenges encountered by companies they are various ways the companies can use to mitigate these challenges. In order to ascertain the strategy responses pursued by companies respondents were asked to rate the factors on a 5 point likert scale where; (1; frequently, 2; frequently, 3; moderate frequency, 4; low frequency, 5; very low frequency). These factors were then ranked where the highest rank (for instance Rank 10) represented less frequent strategic response by the companies while the least rank (for instance Rank 1) implied that the frequency of strategic response was high. The results in table 4.13 indicate that the most preferred strategy responses used by companies included; companies' rewards being linked to strategy implementation in order to enhance effective execution (mean = 1.70), lobbying through the Association of Kenya Insurers (AKI) to address regulatory, economic, political and environmental challenges (mean = 1.83), reliance on support from the Insurance Regulatory Authority (IRA) to address challenges in pricing and price wars (mean = 1.85, and companies carrying out market analysis on latest trends of technology (mean = 1.85) as this would help in addressing technological challenges involved in strategy implementation while the least pursued strategic responses by companies included; companies creating awareness to the community through education on insurance (mean = 2.68), and companies carrying out an impact analysis on the environment as a way of addressing environmental challenges of strategy implementation (mean = 2.25), as indicated in table 13 below.

**Table 13 Strategic Implementation Responses**

| Strategic Responses | N | Mean | Std. Dev | Rank |
|---|---|---|---|---|
| Company rewards have been linked to strategy implementation to enhance effective execution | 40 | 1.7 | 0.464 | 1 |
| Company lobbies through the Association of Kenya Insurers (AKI) to address regulatory, economic, political and environmental challenges | 40 | 1.83 | 0.636 | 2 |
| Company relies on support from the Insurance Regulatory Authority (IRA) to address challenges in pricing and price wars | 40 | 1.85 | 0.362 | 3 |
| Company carries out a market analysis on latest trends of technology and this addresses technological challenges of strategy implementation | 40 | 1.85 | 0.362 | 3 |
| Company understands the cultures of the communities and aligns the products to suit the market thus enhance strategy implementation | 40 | 2.1 | 0.841 | 5 |
| Employee participation has been encouraged thus reducing resistance to change as a challenge of strategy implementation | 40 | 2.1 | 0.632 | 5 |
| Company accountability has been enhanced to make strategy work | 40 | 2.25 | 0.707 | 7 |
| Company carries out an impact analysis on the environment as a way of addressing environmental challenges of strategy implementation | 40 | 2.25 | 0.439 | 7 |
| Company responsibilities are clarified to make strategy work | 40 | 2.1 | 0.632 | 7 |
| Company creates awareness to the community through education on insurance | 40 | 2.68 | 0.888 | 10 |

The table 14 below shows the means of strategy implementation responses for companies that had implemented their strategies up to 50 percent and those that had implemented their strategies between 50 upto 100 percent. The results indicated that the difference in means of the strategy implementation responses for these two groups were statistically different as indicated by the t-test (t=7.921) given that the p-values were less than the critical 5 % (p-value=0.000). This implies that the strategy implementation responses among the two groups differed with companies that had only implemented up to 50 percent of their strategies responding to these challenges more frequently (mean= 1.75).

**Table 14 strategy response and level of implementation**

| | Level of Implementation | N | Mean | Std. Dev | t | p-value |
|---|---|---|---|---|---|---|
| Strategy responses | Up to 50% | 16 | 2.55 | 0.21602 | 7.921 | 0.000 |
| | 51 to 100% | 24 | 1.75 | 0.41807 | | |

## 5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Summary of findings.

#### 5.1.1 Macroeconomic Challenges affecting strategy implementation.

The study examined the extent to which the macroeconomic factors affected strategy implementation among the insurance companies in Kenya. From the results, the study finds that macroeconomic factors considered to affect strategic implementation were; strict guidelines for compliance with legal, regulatory and capital requirements (mean = 4.10), high technology advancement (mean = 3.95), and high inflation rates and low purchasing power of customers (mean = 3.80). While frequent floods, drought and environmental challenges (mean = 2.53), political turbulence and related factors (mean = 2.80) and high tax regimes (mean = 3.10) least affected strategy implementation among the insurance companies in Kenya.

#### 5.1.2 Industry specific challenges affecting strategy implementation.

The study also analyzed the industry specific challenges that affected strategy implementation and the results indicated that; the threat of price wars amongst the players in the industry (mean = 1.38), stiff competition and rivalry among insurance companies (mean = 1.93), and strong bargaining power from clients (mean =1.55), whereas the implementation of the strategies were moderately affected by the threat of new entrants (mean 2.78) among insurance companies was considered the least influential factor that affected strategy implementation among Kenyan insurance companies.

#### 5.1.3 Internal challenges affecting strategy Implementation.

The study findings further showed that, strategy implementation was most affected by the following factors; Lack of staff involvement (mean = 3.80), bureaucratic structures and procedures in the company (mean = 3.65), poor communication of deliverables (mean = 3.50), and lack of clear guidelines in implementation (mean = 3.50), and financial resources limitation (mean = 3.50), while the implementation of the strategies was moderately affected by poor governance in implementing strategy (mean = 3.08), and Incompetent human resources (mean = 3.25), and lack of managerial support (mean = 3.25). This findings are consistent with those of Allio (2005) who also noted that among the lead causes of failure in strategy implementation were lack of rewards and lack of clear cut lines of responsibility and accountability which leads to inaction due to lack of accountability.

### 5.1.4 Strategic Responses to Implementation Challenges.

The second objective of the study was to determine the strategic responses adopted by insurance companies in addressing the above strategy implementation challenges. The findings indicated that among the strategic responses adopted by insurance companies in order to effectively implement the strategies included the following measures; companies rewards being linked to strategy implementation in order to enhance effective execution (mean = 1.70), lobbying through the Association of Kenya Insurers (AKI) to address regulatory, economic, political and environmental challenges (mean = 1.83), reliance on support from the Insurance Regulatory Authority (IRA) to address challenges in pricing and price wars (mean = 1.85), and companies carrying out market analysis on latest trends of technology (mean = 1.85) as this would help in addressing technological challenges involved in strategy implementation.

## 5.2 Conclusions.

In line with the above findings the study concluded that macroeconomic factors play a very crucial role in strategy implementation and more specifically, it was concluded that among the macroeconomic factors that affected strategy implementation were strict guidelines for compliance with legal, regulatory and capital requirements and high technology advancement customers. Secondly, the study concluded that strategy implementation is also affected to a great extent by several industry specific factors such as the threat of price wars amongst the players in the industry stiff competition and rivalry among insurance companies and strong bargaining power from clients. These factors as evidenced in the study are therefore a hindrance to effective strategy implementation process among insurance companies.

The study also concludes, bureaucratic structures and procedures in the company, poor communication of deliverables, lack of clear guidelines in implementation, and financial resources limitation are the key internal challenges that affected strategy implementation. In addition, the study also concluded that the companies pursed the following strategy responses; rewards being linked to strategy implementation in order to enhance effective execution, lobbying through the Association of Kenya Insurers (AKI) to address regulatory, economic, political and environmental challenges, reliance on support from the Insurance Regulatory Authority (IRA) to address challenges in pricing and price wars.

## 5.3 Recommendations

Based on the above findings the study recommends that in order to tackle the challenges involved in strategy implementation then the following strategies should be pursued by the players in the sector to address internal factors impeding strategy implementation. First, to avoid resistance by employees towards strategy implementation the management should always ensure that there is involvement of the employees in the process, the companies should also work on streamlining the bureaucratic structures and procedures, improving and ensuring effective communication of deliverables to ensure they are well understood by the employees, and also ensuring that clear guidelines in implementation process are laid down before the strategies are implemented.

### 5.4 Areas of Further Study

Future studies should address the potential relationships between type of insurance (life, general and composite) and strategy implementation challenges as well as strategic responses. In addition, it may be important to investigate the strategic responses in line with the typology advocated for DiMaggio and Powell (1983).

Studies on strategic implementation should also be conducted for brokerage firms and insurance agents as well as the medical providers. The study can still be extended to other non insurance sectors.

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