STRATEGIC MANAGEMENT PRACTICES AT PAN AFRICA LIFE ASSURANCE LIMITED

BY

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DECLARATION

This Management Research Project is my original work and has not been submitted for a degree in any other university.

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To my Lord and saviour Jesus Christ, without whom this project would not have been a success.

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ABSTRACT

This research project examines the strategic management practices in Pan Africa Life. Strategic management is a broad activity that encompasses developing strategy, putting strategy into action and modifying strategy or its implementation to ensure that the desired results are achieved. The insurance industry in Kenya is currently experiencing fast growth which has brought about unprecedented competition in the industry.

The objective of the study was to determine the Strategic management practices adopted by Pan Africa Life Assurance Ltd and the challenges the organisation encountered in the strategic management process. The design of this study was a case study. The population of this study was seventeen senior managers in the company. This being a case study, no sampling procedure was required. Data was collected using semi-structured questionnaires and was analyzed using descriptive statistics. The data was coded and entered into a spreadsheet and analyzed using Statistical Package for Social Sciences and excel packages.

From the findings, the study found that Pan Africa Life Assurance practices Strategic Management Practices. It may be necessary to establish if education levels of senior managers affect strategic management practices in the company. A study could also be done to establish the extent to which the size of or level of operations of individual insurance companies affects strategic management practices in the industry. The researcher highly recommends strategic management practices as a process of specifying the organization's objectives, developing policies and plans and for the company to achieve this, strategic management practices should be highly implemented in the organization.

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CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Strategic Management Practices

The mission statement describes the company's business vision. The vision comprises values and purpose of the firm. Objectives are divided in financial objectives under where measures such as sales targets and earnings are involved and strategic objectives that relate to the firms business position such as reputation and market share. Environmental scanning includes the internal analysis of the firm to identify the firm's strengths and weaknesses and the external analysis identifies the firms' opportunities and threats. This profile is generated by means of a SWOT analysis. All firms have an external environment from which they operate. This environment needs to be scanned and this can be through PEST analysis. It is a scan of the external macro-environment in which a firm operates. PEST is an acronym for Political, Economic, Social and Technological. It is a framework for the analysis of macro environmental factors. To attain and sustain superior profitability over rivals, a firm should develop a competitive advantage over its rivals. This can be achieved by means of Michael Porters generic strategies that enable a firm sustain profits that exceed the industry average. This exists where the firm is able to deliver the same benefits as competitors but at a lower cost, or deliver benefits that exceed those of competing products. All this strategy that the firm has developed must be implemented. The implementation strategy determines the success. Communication and consistency is very vital at this stage. This implementation must be monitored and adjustments made as needed. This calls for evaluation and control.

1.1.2 Pan Africa Life Assurance Ltd

Pan Africa Life Assurance is an insurance company specializing in the life aspect of insurance. Pan Africa Life was the first of the only two insurance companies to be listed in the Nairobi Stock Exchange and was acquired by

Africa Life Assurance of South Africa. Prior to the acquisition, Pan Africa was underwriting losses and was a poor performer.

The company traces its rich history to the coastal town of Mombasa on March 1947 when it was incorporated by the late Ambalal Patel. The head quarters was located at Ambalal House and was then known as Indo Africa Insurance Company Ltd and was underwriting both long-term and short term business. In 1978, the company moved to Nairobi and the name was changed to Pan Africa Insurance Company Ltd and was listed in the Nairobi Stock Exchange. In 1999, Africa Life of South Africa (now wholly acquired by Sanlam of South Africa) acquired a 46% stake of the company. This was through buying of shares in the Nairobi Stock Exchange. Sanlam is the second largest insurance company in South Africa and is listed on the Johannesburg Stock Exchange. Sanlam Limited also has a presence in Namibia. Sanlam has assets equivalent to KShs 6.3 Trillion (December 2007) and offers a wide range of products in life insurance, asset management, health & general insurance. It is also the second largest Financial Services Group in Africa.

Today, Pan Africa Life's sixty one year heritage has stamped a significant footprint in the Kenyan market, with a branch presence in all the major towns throughout Kenya supported by a large agency force. Pan Africa Life pioneered the introduction of Individual and Group Life products without the HIV/AIDS exclusion and was the first Company to offer life insurance without the necessity of a medical test, which underpins Pan Africa Life's anti-discriminatory policy. Pan Africa Life remains the only life insurer in Kenya with an entire portfolio of individual life business that pays all claims, irrespective of the cause of death, where death falls outside the prescribed waiting period. The Company has a solid capital base, drawing experience and technical expertise from its strategic partnership with Sanlam Ltd, the second largest Financial Services Group in Africa. It was also the first company to actively market and distribute unit-linked life assurance products in the Kenyan market. True to tradition, Pan Africa Life continues to show fresh thinking, as is evident with the launch of new life insurance products.

Insurance is a contract between two parties - the insurer (the insurance company) and the insured (the person or entity seeking the cover) - wherein the insurer agrees to pay the insured for financial losses arising out of any unforeseen events in return for a regular payment of premium. These unforeseen events are defined as risk and that is why insurance is called a risk cover. Hence, insurance is essentially the means to financially compensate for losses that life throws at people - corporate and otherwise.

1.2 The Research Problem

Pan Africa Life Assurance Limited plays a very crucial role in society. Like all Insurance companies, it caters for the vagaries of life such as man-made and natural calamities and their aftermath. Its products are an attractive investment option in that they yield more compared to regular investments. Thus, insurance is a unique investment avenue that delivers sound returns in addition to protection. It also offers risk cover and financial protection to cushion against life's unpredictable losses. It also provides a safeguard in the case of accidents or a drop in income after retirement.

In the local scene, decline in the national economic output and high inflation has adversely affected many insurance firms. Insurance is about savings and with the high inflation, most Kenyans have become consumers rather than savers. Life insurance is becoming a luxury to most Kenyans rather than a necessity. This has put a major strain on most insurance companies and is evident by the number of companies that have closed down after being unable to meet basic financial and contractual obligations like paying claims and payment of staff salaries. Inability to settle claims has negatively affected people's confidence in insurance companies. Technological advancement has enhanced better communication making product and service delivery better and more appealing; it has also posed new challenges to the industry. High cost of technology has put a serious strain on resources and budgets.

The recent past has also seen dramatic growth of the insurance industry in terms of new companies and new products. This has caused serious competition for customers and experienced staff among the various companies. Given this challenges, it is apparent that strategic management practises must be taken more seriously. A major question therefore arises as to the management practices adopted to run these complex networks effectively and to attain and be effective in their mission. Previous local researchers on strategic management agree that the practice of strategic management helps organisations to adapt to situations of stress and crisis caused by changing environment (Kangoro; 1998). Wangari (2002) studied management practices in Safaricom Limited, while Kariuki (2003) studied strategic management practices in Barclays Bank. Studies on strategic management practices in insurance companies in Kenya are few and far between. Muthoni (2003) studied responses of Madison Insurance to changes in the external environment but not strategic management practices. Kiriro (2004) studied strategic responses of insurance companies to changes in external environment. His study was limited to insurance companies in Nairobi. He observed that a study to document the strategic management practices of an individual and well performing insurance company in Kenya was necessary given the sectors importance to society.

Owing to the above challenges, and the fact that it is not known how far insurance companies in Kenya have gone in embracing strategic management practices, a study on strategic management practices at Pan Africa Life is necessary. A knowledge gap exists given that studies on strategic management practices done on other sectors may not apply to the insurance industry and in particular, Pan Africa Life Assurance Ltd. The unspoken hypothesis behind the sectoral application of strategic management is that organisations are different (Bozeman, 1987). Every sector like every industry has unique elements.

The research aims to achieve the following questions

i. The extent to which Pan Africa Life Assurance' management applies strategic management in running the company.
ii. What strategic management practices have been adopted by the company and the constraints, if there are any, which hinder, or factors which enhance the effectiveness of such practices?
iii. Do strategic management practices yield competitive advantage?

1.3 The Research Objectives

The research has two major objectives:

i. To determine the Strategic management practices adopted by Pan Africa Life Assurance Ltd
ii. To establish the challenges encountered by Pan Africa Life in the strategic management process.

1.4 Importance of the study

The result of this study will help in

i. Management of insurance firms who will learn the factors influencing strategy implementation and what can be done to achieve success in the industry.
ii. Future scholars may also use the results as a source of reference
iii. Understanding the success factors in the insurance industry is critical for senior management in the insurance sector as it would potentially help them improve their strategic planning process.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concepts of Strategic Management

Johnson and Scholes (2002) defines strategy as the direction and scope of an organisation over the long term which is intended to achieve advantage for the organization through it's configuration of resources within a changing environment and to fulfil stakeholders expectation. Its purpose is not only to enable a firm beat its competitors over the long term but to satisfy it's customers. Pearce and Robinson (2002) define strategy as a firms 'game plan'. Strategy reflects a company's awareness of how to compete, against whom, when, where and for what. Certo and Peter (1998) define strategic management as a continuous iterative process aimed at keeping an organization as a whole, appropriately matched to it's environment. Strategic management is the way in which strategist determine objectives and make decisions with regard to the organizations mission, establishment of long and short range objectives to achieve the organizations mission, strategy formulation and implementation (Byers, 1991).

Pearce and Robinson (1992) define strategic planning as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. By strategy, managers mean their large scale, future-oriented plans for interacting with the competitive environment to achieve company objectives. According to Gary Hamel and CK Prahalad (1989), strategy is planned and emergent, dynamic and interactive. It involves a complex pattern of actions and reactions. Decision makers must monitor the extent to which the actions they are taking and their decisions are achieving the goals and objectives of the organization while meeting stakeholder's expectations. Johnson and Scholes (2000) distinguish three levels of strategy that exist in an organization. They are corporate strategy, business unit strategy and operational strategy. Corporate strategy is concerned with the overall purpose and scope of the organization while business unit strategy discusses how to compete successfully in a particular market. Operational strategy addresses how different parts of an organization work efficiently towards achieving the business level strategy.

Quinn (1980) identifies strategy as a plan that puts together organizations major goals, policies and action sequence. A well formulated strategy enables an organization allocate it's resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in environment and contingent actions by competitors. Strategy should be well defined as it would determine and communicate the direction in which an organization will move and the level of performance it will achieve. Strategic management is a process and not an event. It is not a new concept and began in the 1970's whereby a staff of strategic planners thought up strategic programs and tried to sell them to decision makers. This changed in the 1990's whereby management of an organization set it's strategic direction. Goodstein, Nolan and Pfeiffer (1992) define strategy as the process by which the guiding members of an organization envision its future and develop the necessary procedures and operations to achieve that future. It's a systems approach to identifying and making the necessary changes and measuring the organizations performance as it moves towards it's vision.

Strategic management is thus a broad activity that encompasses developing strategy, putting strategy into action and modifying strategy or it's implementation to ensure that the desired results are achieved. Strategic management and planning also focuses on what competitors are doing and on where social, economic, technological and political trends are heading. It must focus on internal and external environment. Financial and strategic objectives are two types of performance yardsticks in strategic management. Strategic management is mainly concerned with successfully positioning of an organization in the market place. It addresses market position, competitive strategy, values (policies) and financial controls. Quinn Brian et al., (2002) states that one of the fundamental tenets of science is that a theory can never be proven to be absolutely true. A theory can, however, be declared absolutely false if it fails to stand up to testing. Similarly, it is impossible to demonstrate conclusively that a particular business strategy is optimal or even to guarantee that it will work. He further states that one can nevertheless guarantee that it will work. He further states that one can nevertheless, test it for critical flaws. Of the many tests which could be justifiably applied to a business strategy, most will fit within consistency, consonance, advantage and feasibility criteria.

2.2 The Strategic Management Process and Practices

The ever changing external environment continuously exerts pressure on an organization. To understand, cope and interpret the external environment, internal processes can be used. They include situational analysis, strategy formulation, strategy implementation and strategy control. Performance yardsticks include financial and strategic objectives.

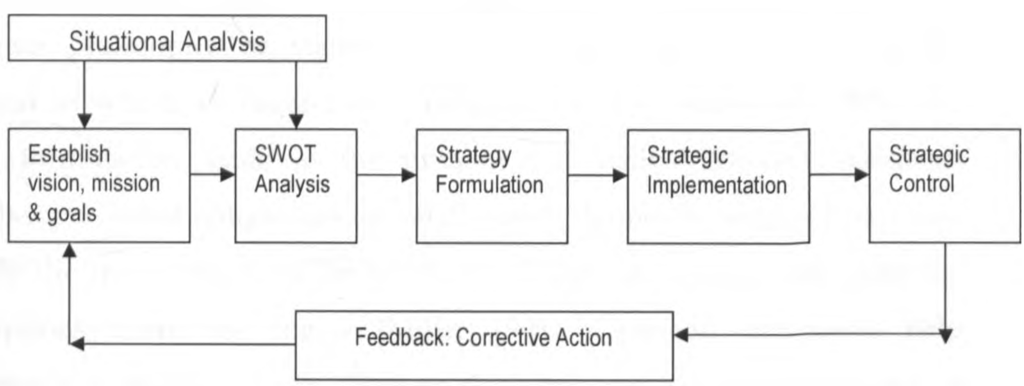

Figure 1: The Strategic Management Process
Source: Adapted from Hejase, et al; `Assessment of Strategic Management Practices

Strategic management is a process for developing and enacting plans to reach a long term goal that takes into account internal variables and external factors. It encompasses an integrated future oriented managerial perspective that is outwardly focused, forward thinking and performance based (Kiggundu 1996). Brinkerhoff (1996) characterizes strategic management as looking out, looking in and looking ahead. Looking out means exploring beyond the boundaries of your organization to set feasible objectives, identify key stakeholders and build constituencies for change. Looking in implies critically assessing and strengthening your systems and structures for managing personnel, finances and other essential resources. Looking ahead entails melding you're your strategy with structures and resources to reach your policy goals, while monitoring your progress and adjusting your approach as needed. Balancing strategic management outward, inward and forward looking helps an organization develop a vision and a strategy for where and how to move itself forward. Balancing these different perspectives in essence of managing strategically (Brinkerhoff 1999)

2.2.1 Developing of an Organizations Vision, Mission and goals

A vision is a view of the future. It is the blueprint of a desired state, a mental image, a picture of a preferred condition that organizations work to achieve in the future (Johnson 1994). Strategic vision is commonly referred to be the corporate philosophy or statement of basic principles that govern the direction in which an organization seeks to develop (Rathwell 1987). The vision formulation leads to the mission statement. Mission statement describes perceived obligations to stakeholders, define the scope of business, identify the most important forms of competitive advantage, and state the assumptions about the future (Miller 1998). Mission statements help managers set priorities, make strategic decisions and gauge performance. It describes the reason for the company's existence. This is normally expressed in the form of a mission statement which conveys a sense of purpose. It describes the company's business vision which can include values and purpose of the firm. The company vision describes where the company wants to be. A vision should not Vision too far to be blurred or too near to be close. A mid range vision is the best so as not to discourage or limit its attainability. A vision statement represents core ideals that provide guidance in the strategic decision process. A mission statement consists of core Values to which the firm is committed, core purpose of the firm and visionary goals the firm will pursue to fulfil its mission.

Objectives are goals that the company seeks to achieve. They should be Specific, Measurable, Attainable, Realistic and Time bound. The firm should be able to measure them, monitor and make amendments. Objectives are generally divided into two broad spectrum: financial and strategic. Financial objectives include sales targets and earnings growth. Strategic objectives include measures such as market share and reputation. Core values are values that are central to the firm and reflect the deeply held values of the organisation and are independent of the current industry environment. Core values do not change even if the industry in which it operates changes. Core purpose on the other hand is the reason for the firms' existence and is expressed in the mission statement. The core purpose sets the firm apart from others in its industry and sets the direction the firm will follow. Visionary goals are the objectives a firm's management decides to pursue.

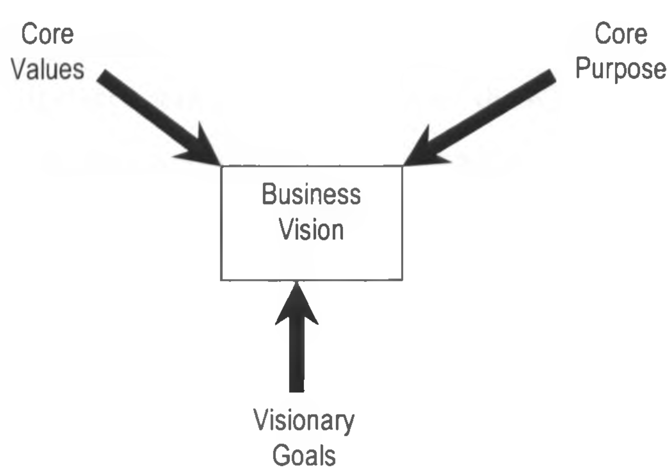

Figure 2: Components of the business vision
Source: Handbook of Strategic Planning (Gardner, J.R)

2.2.2 Strategy Analysis

According to Johnson and Scholes (1993), strategic analysis includes the environment, the resources, the culture and the stakeholders' expectations. Environmental scanning according to Pashiardis (1996) is extremely essential for effective planning. It is the examination of the environment and helps in the identification of the organizations current position. An environmental analysis is done to identify the available opportunities. In order to select opportunities it can pursue successfully, an environmental scan must be done to identify the opportunities. The environmental scan has the following components: Internal Analysis, which identifies the firms' strengths, weaknesses, opportunities and threats. This is achieved by a SWOT analysis. Industry Analysis is a component which can be performed by using Michael Porters five force model that evaluates entry barriers, suppliers, customers, substitute products and industry rivalry. External Macro environment, this are factors that affect all firms and the firm has no control over them. They include political, economic, social and technological thus referred to as PEST analysis. PEST analysis is a very useful framework that allows gathering and analyzing information. The political influences cover both political and legal environment, while the economic influences involve the economic climate in which the organization operates. Sociological influences involve demographic issues, income distribution, lifestyles changes, and attitude towards work and leisure. The technological influences bear in mind the technological changes. Organisations perform better if they have the ability to sense changes in their environment since they have the opportunity to modify their strategy in time.

An organisations culture should also be analysed. According to Johnson and Scholes (1993), this investigation can be done by a cultural web which examines the organisational structures, power structures, symbols, routines and rituals. According to Byars (1991), an organisational culture is how things are done in an organisation. Organisations should constantly review and analyse the quantity and quality of their resources which include human, financial, physical and intangible resources. Resource analysis will provide a way for assessing the organisations strategic capability (Johnson and Scholes, 1993). Dobson and Starkey (1994) suggest that a resource audit can be undertaken through a SWOT analysis. SWOT stands for Strengths, Weaknesses, Opportunities and Threats. Strengths and weaknesses involve internal environment, whereas opportunities and threats involve the external of the organisation. Holmes and Davis (1994) claim that if planning is successful, then it will help the organisation build on its strength, overcome their weaknesses, take advantage of their opportunities, and minimise the effects of their threats.

2.2.3 Strategy Formulation

Based on the output of the environmental scan, the firm should match its strengths to the opportunities and addressing its weaknesses and threats. Michael Porter identified three generic strategies that can be applied across the board. This strategies are cost leadership, differentiation and focus. Strategy formulation involves making decisions on the information generated in the first two steps of the strategic management process. Strategy choice involves generating option, calculating the options and making a choice (Fiddler, 1996). Generating options means the courses of action that are available to the organisation and which derive from strategic analysis. Strategic options that management face are numerous and should be evaluated. For evaluation of the options, (Dobson and Starkey 1994) recommends suitability (the ability of the strategic option to overcome the difficulties identified in the strategic analysis), feasibility (an assessment of how this option might work in practise), and acceptability (consequences of the risk to interested parties by selecting this option). Dobson and Starkey (1994) state that three different strategies can be used: competitive strategies, development strategies and portfolio strategies.

2.2.4 Strategy Implementation

Strategy implementation is concerned with moving strategy from the realms of ideas and plans into actions. Implementation is the physical activation of the strategies that have been formulated. Migliore (1994) points out those strategies that have been formulated and developed now require that operational plans are set in action to meet the goals and objectives through specified strategies. Aosa (1992) has observed that once strategies have been developed, they need to be implemented. They are of no value unless translated into action. Kiruthi (2001) has also indicated that poor implementation of an appropriate strategy may result in failure. David (2001, pointed out that it is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation). Strategy implementation faces various challenges of which management needs to be aware of and to plan how to handle them. Johnson and Scholes (1993) states that the main ones are planning, allocating resources, organization structure and design, and managing strategic change.

Knight (1993) states that to achieve strategy, resources are required and need to be allocated. Therefore, organizations need to consider ways of acquiring resources and deploying them in the best possible way to support the strategies. How allocations should be allocated between the competing departments needs to be considered. In situations where the organization cannot raise enough resources, difficulties are expected and the whole strategy might fail. David (2003) argues that allocating resources to particular divisions and departments does not necessarily mean that strategies will be successfully implemented. These resources must be adequate and be in line with expected performance targets. Aosa (1992) observed that strategy implementation is likely to be successful when congruence is achieved between several elements, particularly organization structure, culture, resource allocation, systems and leadership. Without this congruence, major challenges are bound to arise in the process of strategy implementation.

Strategy implementation involves structuring an organisation, budgeting, motivating, creating reward structures and work environment and information and reporting systems.

2.2.5 Strategy Evaluation and Control

Evaluation of strategy involves if necessary, process review, adjusting mission, adjusting objectives, adjusting strategies and taking corrective measures. The implementation of the strategy must be monitored and adjustments made as needed. According to Boovee et al., (1993), strategic control is a regulatory process that ensures successful implementation of long term strategic plans, specifically emphasizing the impact of broad environmental effects and internal strategic directions. Evaluation and control involves defining parameters to be measured, defining target values for those parameters, performing measurements, comparing measured results to the pre-defined standard and making necessary changes. Strategic control is a delicate balancing ac t that has a proper process of juggling between methods, and timing of feedback, evaluation and corrective action. Performance measurement is done to ensure the strategic plan is been well implemented. Monitoring of the process is done to ensure the action plan is progressing towards its objectives. Managers should understand the causes of failing or exceeding expected standards and take corrective action. According to Bovee et al (1993), revision of plans is as important part of the process as is the development of the plan. If targets are not constantly met or exceeded or if the information base changes, then revision is necessary.

Strategic management deals with change management. Management should have mechanisms to detect when the current strategy is not adequate and when change is necessary. Fullan (1992) considers change as a process of learning new ideas. Change is bound to generate resistance and this resistance though natural should be pre-empted. Resistance can be overcome by involving people so that they are part of the process and own it. Kotter and Schlesinger (1991) state that change will always bring some form of human resistance. Lynch (2000) says that in situations where personnel resist change, then it becomes difficult for proposed strategies to be implemented. This resistance may be due to resulting anxiety from fear of economic loss, inconvenience, uncertainty and break in normal social patterns (David, 2003). It is important to overcome resistance from powerful groups in organisations who regard change as a threat to their power. In most organisations, communication is the form of a top-down nature rather than a two way approach. According to Wang (2000), communication should be a two way process so that it can provide information to improve understanding and responsibility, and to motivate staff. Communication is a process rather than an event.

2.3 Challenges of Strategic Management

Strategic management and its implementation face many challenges. Some of the challenges experienced include society forces. These are forces external to the organisation. Society is the environment in which we operate and plays a very crucial role in the success or failure of strategy. If the strategy a firm wants to implement does not positively affect the society in which the firm operates, then the strategy may not work well. Political and regulatory forces are also a major challenge in the successful implementation of strategy. An organisation cannot implement strategies that interfere with the political equilibrium of the country or society in which it operates. Also internal politics plays a major role in strategy implementation. Hill and Jones (1999) found out that organisational politics has the effect of creating obstacles to implementation of strategies that have been formulated and in the end stifle all efforts to institute a strategic turnaround of the organisation. Each industry or society has rules and regulations that govern it and this rules must be adhered to strictly. Some of these rules and regulations do affect the way we do or intend to do business. A case in point in the insurance industry is where Pan Africa Insurance wanted to form strategic partnerships with banks so those banks can sell insurance products for them. The product was to be called bancassurance. This license was flatly refused by the Ministry of Finance and the Commissioner of Insurance. This is a typical example of strategies nipped in the bud by existing regulations. Opportunities and threats are external to the firm.

Ethics is a highly considered concept in management. Ethical considerations are a great challenge to strategic management and general management in particular. A company cannot do unethical behaviour just to meet its objectives. Company culture also plays a very important part in the success or failure of strategy. According to Byars (1991), an organisational culture is how things are done in an organisation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

This was a case study design. A case study was chosen because it enabled the researcher to have an in-depth understanding of the behaviour pattern of Pan Africa Life. A case study design is most appropriate where a detailed analysis of a single unit of study is desired as it provides focused and detailed insight to phenomenon that may otherwise be unclear. The importance of a case study is emphasized by Young (1960) and also by Kothari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study.

3.2 Data collection

The study used primary data. Primary data was collected using questionnaire. The self administered questionnaire was semi-structured with both closed and open ended questions. The questionnaires was administered using the drop and pick later method. The respondents for this study were General Managers and Divisional Heads. The closed ended questionnaire enabled the researcher to collect qualitative data based on the frequency, while open-ended question gave respondent complete freedom of response. Previous Research on the strategic management practices in companies indicates that the respondent chosen are mainly Chief Executive Officer (CEO) [Gekonge, 1999]. However General Managers and Divisional heads were used. The major parts of the questionnaire are company data, the environment, practices of strategic management, factors impacting on strategic management

3.3 Data analysis

The data analysis was statistical. The result of the study, (editing, coding and entry into the computer) was analyzed by the use of descriptive statistics.

Descriptive statistical methods that were used to analyze the data include frequency percentages, mean scores and standard deviation. For qualitative responses, content analysis will used. The Statistical Packages for Social Sciences (SPSS) was used to carry out the analysis.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1. Introduction

The objective of this study was: to determine the strategic management practices adopted by Pan Africa Life Assurance; the challenges encountered by Pan Africa Life in the strategic management process. This chapter presents the analysis and findings from the data collected from the field based on the specific objectives. The study used cross sectional primary data collected from employees of different grades at Pan Africa Life. Data was collected by means of a questionnaire from respondents who were senior managers, middle level managers or junior staff.

4.2 Company Data

Pan Africa Life was established in 26th October 1946 in the coastal town of Mombasa and is a publicly listed company in the Nairobi Stock Exchange. It started underwriting life business in 1947. It falls under the ministry of Finance and is regulated by Association of Kenya Insurers (AKI), Association of Insurance Brokers of Kenya (AIBK), Commissioner of Insurance, Re-insurers and the Insurance Institute of Kenya (IIK).

The findings show that the business/operating environment within the last eight years prior to the post election violence was relatively stable. It is also clear that Pan Africa Life studies external environment, internal environment and also performance trend.

4.3 Strategic Analysis

The main reason for this information is to gain an understanding of the environment, the existing needs and problems. This helps the process of strategy formulation. According to the study, other reasons for gathering information include: acting as an aid to making positive responses and to change to meet world trends, to obtain an insight into the needs of society so as to better serve it, to help the company identify the threats and try to counter them, and to finally understand if the technology has significant effect on the organisation and to prepare all stakeholders within the company to become flexible to changes in the environment.

When responding to the question of which industry Pan Africa Life is in, the respondents stated that it is in Financial and services sector and specifically in the insurance industry. Its competitors as per the respondents include other insurance firms and banks. The company differentiates itself from competitors by offering low cost and high value products and services. It is a leader in the insurance industry and as per AKI analysis for 2008; it currently insures 26 % of all lives insured. Pan Africa's core competencies include a wide branch network, life products without HIV/AIDS exclusion.

Customers insured by Pan Africa Life derive a lot of benefits such as innovative client solutions that improve quality of life, superior returns to investors, product and services with the HIV/AIDS exclusion. Major factors that affected Pan Africa since 2001 include, the post election violence, government regulation, political uncertainty, inflation and a depressed economy. The ever changing needs of our customers have greatly impacted on how we do business. Customers are increasingly becoming more aware of their needs and wants. They want products with high returns prompting the company to start a product development team that will adequately address these needs. Resources and competences have been developed to deliver and sustain these needs.

All respondents answered to the affirmative that the company gathers information from the external environment. This information is used to identify who the competitors are and what value they offer, identify who the customer is and what they value.

Respondents also stated that the government regulation had greatly affected how business operates and mostly in the strategy making process. The company recently launched a bancassurance strategy whereby insurance products would be actively sold by selected strategic banking partners. This was nipped in the bud by the commissioner of insurance. The company also wanted to adopt a strategy successfully used by their South African sister company Sanlam, where insurance companies are sold in supermarkets. This was also flatly rejected by the commissioner of insurance. Another respondent quoted the recent amendments to the labour laws that require all salaried employees to take home 1/3 of their salary. This has impacted negatively on business since most employers do not remit premiums for employees who have not met that minimum benchmark.

4.4 Strategic Choice

All respondents stated that the company has a vision, mission statement and a strategic written plan. The vision and mission statements are communicated to stakeholders in writing and verbally. In all cases, the mission statement is static. Where the mission statement changed in the course of time, the most important reason included: desire to reflect the changing community in which the firm operates; desire to make the mission statement more applicable to the changed environment. The respondents also stated that the company is in the insurance industry and only underwrites life insurance only. Pan Africa has individual life and corporate life businesses and stated that our competitors were mainly other life insurances whose core competencies were number of products and financial muscle.

Some respondents when asked the strength of the company stated that it is its affordable and diversified products, IT infrastructure, and financial muscle, a very large and well trained sales force that is able to penetrate the market. The respondents also replied that Pan Africa's competitive strategy is product and market development, protect and build, and market penetration. Other respondents answered to the same question saying the company used a low price and high value strategy which appealed to the masses.

According to the respondents, Pan Africa is viewed as a market leader since it holds a significant market share of the life business estimated at about 35%. It is a trend setter and has seen most if not all its competitors duplicate it's products. The phenomenal growth in its gross premium income from 400 million in the year 2003 to 2 billion in 2007 is a testimony to that. Policy holder benefits paid during the same period rose from 100 million to 1.4 billion. Long term funds and total assets over the same period rose from 1.1 billion to 3 billion and 2.4 billion to 6 billion respectively.

4.5 Strategic Implementation

Pan Africa Life has a vertical organisation structure. The study found that Pan Africa Life has a policy manual. The importance of policies and operating procedures can be seen in their ability to provide a top down guidance regarding how Pan Africa Life needs to conduct certain operations. Policies help limit independent behaviour and channel individual and group efforts along a path in tune with the strategy that has been decided upon. They also help counteract tendencies for institutional resistance to change requiring that stakeholders refrain from violating policy and procedures. Policies also help to enforce needed consistency in how certain strategy-critical activities are to be performed. They also help promote the creation of a work climate that facilitates good strategy implementation. Policies must not, however, be rigidly observed. They can be revised when conditions show it is desirable to do so. When policies cease to be strategy-supportive, they can become barriers to strategy implementation. Respondents also reported that the organisational structure has changed to embrace strategic management, that there are systems and procedures to support implementation of strategies, that reference is always made to the master plan when implementing strategies and that there is continuous monitoring and evaluation to identify shortcomings in strategy implementation.

One of the challenges of implementation is that of communicating strategy to various stakeholders. The study found that employees were more or less kept out of touch with the unfolding strategy. Necessarily therefore, their support for implementation was quite limited. Senior managers must find ways of involving ordinary members both in the strategic plan as well as in the strategy implementation process. This can be greatly helped communicating what is going on to staff that would be expected to play an important role in translating principle into practise. If staff do not buy into the thinking about the direction their managers want to take in their organisation, they are likely to wholeheartedly commit themselves to making the vision a reality.

The process of setting objectives is to convert the strategic vision into specific performance targets. These results and outcomes that the company wants to achieve and which can be used as measures to track progress and performance. It has been stated that good objectives must be quantifiable, and contain a deadline for achievement. Most of the strategic planning takes place at the senior level. Junior staff are ranked at the bottom of the strategic planning process. The following table shows the level of importance in the development of strategic plans.

Table 1: Involvement of Stakeholders in Strategic Planning

Stakeholders	**Mean Score**
Chief Executive	1.10
General Manager	1.47
Divisional Manager	1.70
Unit Leader	2.16
Staff	2.60

(1= Very Involved; 5 = Not at all involved)

4.6 Strategic Management Challenges at Pan Africa

The insurance industry is currently facing a number of challenges. To best meet these, Pan Africa Life has undertaken a process of implementing strategic management practices.

Managing strategic change posed a major challenge due to resistance from various stakeholders who were used to routine operations. Implementing a shift in strategy was a very big challenge since most managers were used to operations management which is routine, specific and short term as opposed to strategic management which is ambiguous, complex, organisation wide and long term. Another challenge as answered by respondents in the questionnaire is developing an organisation that is both able to meet stakeholder expectations while building capabilities and competences which provide bases of internal efficiency, as well as meeting the needs of demanding customers better than competitors.

Some respondents said that the scope of strategic management was another major challenge. This is due to the fact that strategic management is concerned with complexity arising from ambiguous and non routine situations with organisation wide rather than operation specific implications. This posed a major challenge to managers who control resources on a day to day basis. These managers had to go for strategic planning sessions and seminars. Most managers have been trained to undertake operational tasks and take operational responsibility. A manager who aspires to manage, or influence strategy needs to develop a capability to take an overview, to conceive of the whole rather than just the parts of the situation facing an organisation. Due to complexity of strategic management, it is necessary to make decisions and judgements based on the conceptualisation of difficult issues. Training on analytical approaches to strategy is necessary.

An analysis of human resources should examine the different skills possessed by various stakeholders, their adaptability and innovative capabilities. Financial resources include all the sources and use of money, such as the ability of the company to obtain funds, management of cash, the control of expenditures and so on. Intangibles relate to the insurers intangible resources such as reputation, contacts, public image, the perceived quality of it's products and management. Carrying out a resource audit also involves a consideration of all resources which the company can access to support its strategies, and it is not confined to only such resources it owns legally. Some strategically important resources can be found outside the organisation. A grasp of what the insurers overall resources are is a very important step in addressing economic and resource constraints. This analysis will help the company position itself to take advantage of all opportunities while mitigating possible environmental threats and weaknesses.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This chapter summarizes the major finding of this study and provides a direction for further research and recommendation for policy. It maps the state of strategic management practices of Pan Africa Life and shows the challenges the insurer faces in their effort to implement strategic management in the organization.

5.1 Summary, Discussions and Conclusions

This study was designed to determine the strategic management practices practiced at Pan Africa Life. Application of strategic management practices is an integral management process for any organization that desires to survive in modern environment. Organizations that fail to adapt to the changing realities would become weaker with time and would eventually cease to exist. Those organizations that resist change for long periods, either deliberately or because they do not want to confront the brutal realities, or because they did not see the change in the environment can only survive for a short time before they eventually come face to face with death and decay. The role of strategic management practices in organizations is to inculcate a culture of being responsive to changes taking place in the environment. Strategic planning, implementation and management is a tool to help an organization cope with changing environmental conditions without compromising the ideals for which it was created.

Pan Africa Life Assurance has generally made effort to appreciate and embrace strategic management practices. The most important aspect of strategic management undertaken by the company is in strategic planning, namely: development of the vision, mission and objective statements. The study also found out that senior management and their assistants play a very important role in developing and implementing strategy. Ordinary staff members were the least involved in development, implementation and evaluation of strategic management practices. This kind of situation does not augur well for the implementation of the programs which have been developed since members are likely to feel a sense of alienation, having not participated in the process. The study also found that Pan Africa Life Assurance proactively ensures that performance is in line with targets. This is done by comparing actual results to the expected results and taking corrective action where necessary. Management has also taken the lead in promoting a culture of results.

Successful strategic implementation must begin with having a correct strategy. Pan Africa Life has set plans that are consistent with its Vision and Mission. A proper strategy is the foundation of upon which planning and implementation is built. The company structures are designed in such a way as to make the organization compatible with the environment, consistent with the processes undertaken to realize strategy, and also compatible with leadership styles.

Pan Africa Life Assurance has also developed a culture that ensures results are in tune with strategic objectives. This has been done by developing systems that ensure a faster and higher quality of resolving pitfalls involving human, operational and strategic issues. The company has also reduced the complexity of its structures, systems and programs. A simple organization is best placed to craft, implement and evaluate strategic processes. Strategic management is all about leadership. It is therefore necessary that organizations provide an environment where high level leadership can be developed and exercised. Such leadership would help establish a proper vision, set standards for performance and create a focus and direction for measuring and managing performance.

5.2 Limitations of the Research

The time period covered by the study did not allow the researcher to collect enough data for comprehensive analysis. Some respondents did not feel comfortable giving company information which they deem classified and confidential. The self administered questionnaire leaves no room for clarification of issues as in the case of face to face interviews.

5.3 Recommendations for further Research

It may be necessary to establish if education levels of senior managers affect strategic management practices in the company. A study could also be done to establish the extent to which the size of or level of operations of individual insurance companies affects strategic management practices in the industry. It may also be of importance for the company to establish the factors which enhance the adoption of strategic management practices by companies.

5.4 Recommendations for Policy and Practice

The study has shown that most of the responsibility for strategy formulation lies on the shoulder of senior and middle level managers while the role of junior staff is limited. This situation is not optimal. If staff is not involved, they are not likely to participate in strategy implementation. It is recommended that managers share the vision with staff. By doing so, staff will actively participate in crafting strategies for the company and in the process will be more committed to the process. They will also own the process.

Managers must also be trained in formal strategic management. It is a necessity given their very important role in developing strategy for the company. The training will equip them with skills to craft, develop, and implement strategies for their organisations while successfully negotiating the pitfalls that confront managers in their quest to create great institutions.

1. From the summary of the findings and the conclusions in this chapter, the researcher can highly recommend strategic management practices as a process of specifying the organization's objectives, developing policies and plans and for the company to achieve this, strategic

management practices should be highly implemented in the organization.

2. Organizations need to embrace strategic management processes in order to enhance their competitiveness and ultimately their profitability and attractiveness to customers and other stakeholders.

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APPENDICES

Appendix 1: Questionnaire

This questionnaire seeks to find information on the strategic management practices carried out by Pan Africa Life Assurance Ltd. The information required is for academic purposes and would not be used for any other reason.

You are kindly requested to complete all sections of this questionnaire as all the questions are very important to the research being undertaken. If you should require a report of these findings, the researcher would be happy to oblige.

Section 1: Company Data

1. What is the name of your company?

   ____

   ____

2. Please indicate your job title

   ____

   ____

3. When was the company started?

   ____

   ____

4. Kindly indicate the appropriate management and ownership of the Company

   ____

   ____

   ____

   ____

   ____

Section 2: Strategic Analysis

5. What industry is Pan Africa Life Assurance?

   ____

   ____

   ____

   ____

6. Who are your competitors in that industry?

7. How do you differentiate yourselves from competitors?

8. How do you compare to your competition?

9. What is the customer base of Pan Africa Life Assurance?

10. What are Pan Africa Life's Core competencies?

11. What unique benefits do our customers derive from doing business with us?

12. What major external factors have affected your business since 2001?

13. How can the ever changing needs of your customers affect your business?

14. Does your organisation gather information from the external environment?

15. How does the information obtained from scanning the environment affect planning and strategy formulation

16. How has Government regulation influenced and affected your organisation

Section 3: Strategic Choice

17. Explain the ownership structure of the organization

18. Does your company have a mission

19. If yes, is the mission written

20. What is the scope of the organisation

21. What business are you in

22. What are your competitors competences and their cost structures

23. What are your customers needs

24. Does your organisation have a strategic business unit

25. Which strategic competitive advantage does Pan Africa use

26. What do you consider to be the strength of your organisation

27. How do other insurance companies view Pan Africa Life

28. Indicate the importance your organisation attaches to the following aspects of insurance in Kenya (Key: 1 = Very Important; 2 = Important; 3 = Can't tell; 4 = Less Important; 5 = Not Important at all)

	1	2	3	4	5
i) Goals of other insurance companies	[ ]	[ ]	[ ]	[ ]	[ ]
ii) Activities of other insurer	[ ]	[ ]	[ ]	[ ]	[ ]
iii) Financial Strength of other insurers	[ ]	[ ]	[ ]	[ ]	[ ]
iv) Technological levels of other insurers	[ ]	[ ]	[ ]	[ ]	[ ]

Section 4: Strategic Implementation

29. Describe the organisational structure of your company

30. Has the structure changed at any time

31. If yes, explain the changes

32. What kind of leadership does your organisation have

33. How has this kind of leadership influenced the implementation of strategy in your organisation

34. Does your organisation practice succession planning for leadership

35. Are there systems and procedures to support the implementation of strategy

36. Is reference always made to the master plan when implementing strategy

37. Is continuous monitoring and evaluation done to identify shortcoming in strategy implementation

38. Rate the support to formal policy implementation given the following. (Use the key 1 = Very Supportive; 2 = Supportive; 3 = Can't tell; 4 = Less Supportive; 5 = Not at all)

		1	2	3	4	5
i)	Organisation Board	[ ]	[ ]	[ ]	[ ]	[ ]
ii)	Chief Executive Officer	[ ]	[ ]	[ ]	[ ]	[ ]
iii)	Staff	[ ]	[ ]	[ ]	[ ]	[ ]

39. Indicate the importance your organisation attaches to the following aspects of insurance in Kenya (Key: 1 = Very Important; 2 = Important; 3 = Can't tell; 4 = Less Important; 5 = Not Important at all)

	1	2	3	4	5
i) Goals of other insurance companies	[ ]	[ ]	[ ]	[ ]	[ ]
ii) Activities of other insurer	[ ]	[ ]	[ ]	[ ]	[ ]
iii) Financial Strength of other insurers	[ ]	[ ]	[ ]	[ ]	[ ]
iv) Technological levels of other insurers	[ ]	[ ]	[ ]	[ ]	[ ]

40. Did management identify strategies for growth, organisational capabilities and embed strategic thinking throughout the organisation

____

____

____

____

____

Section 5: Strategic Management Challenges

41. Please explain some of challenges experienced by Pan Africa Insurance in the implementation of strategy

____

____

____

____

____

____

42. How did the company address this challenges

____

____

____

____

____

____

____

____

43. Strategic management is characterised by its complexities. Did the firm have the necessary tools, skills and finances and competencies to implement strategic management?

44. How is the company equipped to handle changes that will be brought about by strategic management practices

45. What other challenges other than the above are you expecting to experience in future and how do you expect to handle them

Thank you very much

Appendix 2: List of Insurance companies in Kenya

Africa Merchant

AIG

APA Insurance

Apollo Life

BlueShield Insurance Company

British American Insurance

Cannon Insurance

Concord Insurance Ltd

Co-operative Insurance Company

Corporate Insurance

CFC Life

Directline

Fidelity Assurance

First Assurance

Gateway Insurance Ltd

Geminia Insurance Ltd

General Accident

Heritage

Insurance Company of East Africa

Intra

Invesco Assurance

Kenya Orient

Kenya Alliance

Jubilee Insurance

Lion of Kenya

Madison Insurance

Mayfair

Mercantile Assurance Ltd

Monarch

Occidental

Old Mutual

Pacis

Pan Africa Life

Pioneer

Phoenix

Real

Standard Assurance

Tausi

Trinity

UAP Provincial