

# Effective Management of Strategic Issues in the Insurance Industry, Kenya

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## Abstract

The purpose of this study is to examine how companies could prepare themselves to deal effectively with strategic issues affecting them with particular reference to the insurance industry in Kenya. This follows the turbulent environment in which the insurance industry in general and the Kenyan insurance industry in particular are currently operating in: international competition, the rapid technological changes, regional integration and globalization, change in customer needs and preference among others. These pressures have created the need to explore the current strategic issue management practices in the insurance companies in Kenya. In order to meet this objective, a census of all 38 insurance firms in Kenya was conducted by use of questionnaires. The findings led to the conclusions that, although most insurance companies in Kenya study strategic issues affecting their operations, none demonstrated the use of superior methods such as the European matrix method.

**Keywords:** Strategic Issue Management, Insurance Companies, European Matrix Method, Strategic Management

## 1. INTRODUCTION

There is a widespread agreement among academics and practitioners that business environments have become increasingly multidisciplinary and complex and that a major escalation of environmental turbulence has taken place and, according to Kipley and Lewis (2009), the environment in which organizations compete has become increasingly turbulent due to the internationalization and exponential advancements in technology as contributory industry drivers. Early indicators suggest that the 21st century may be at least as turbulent as its predecessor (Drucker, 2007). Consequently, it is imperative for organizations to formulate an effective strategic response to ensure having a clear posture of the future prospects of the firm. Strategic issue management (SIM) has recently been proposed and structured as a part of strategic management discipline by Ansoff (1980). SIM is one set of organizational procedures, routines, personnel, and processes devoted to perceiving, analyzing and responding to strategic issues (Heath & Palenchar, 2009). This management system enhances an organization's capacity to adapt and learn more effectively (Dutton & Jackson, 1987). While Environmental Scanning primarily deals with the identification of issues, the concept of Strategic Issues Management puts more emphasis on monitoring issues and reacting to them. According to Ansoff *et al.* (1991, 1990) and Kunnas (2009), a strategic issue is a forthcoming development, either inside or outside of the organization, which is likely to have an important impact on the ability of the firm to meet its objectives'. Ansoff (1980) proposed SIM as a product of evolution of strategic management. He points out that it does not replace the role of strategic management; rather, it is a management tool for effective and efficient employment of strategic management system.

The development of strategic issues is inherently a cyclical process, as strategic issues can only rarely be resolved in a single instance but typically require multiple, subsequent elaborations and decisions (Kunas, 2009). Strategic decision processes usually begin with little understanding of the decision situation or the route to its solution, and only a vague idea about the solution and its eventual evaluation (Mintzberg *et al.*, 1976). If the proper balance between process, interpretation and creativity is maintained, Strategic Issue Management Systems (SIMS) with their component tools can be used effectively to provide a more objective understanding of the issue and to shape a more effective strategic objective and tactical plan. Such tools include force field analysis, stakeholder assessment, scenario mapping, key player assessment and SWOT Analysis (Oliver and Donnelly, 2007).

Ansoff and McDonnell (1990) proposed four different SIM practices. First is the use of a simple environmental impact analysis, which analyses one event/trend at a time and does not concern itself with their

interdependence. Strengths/Weaknesses and Opportunities/Threats (SWOT) analysis, that is, continuous surveillance of external environment trends, internal capability trend and performance trends can then be performed. The continuous surveillance ensures identification of sudden, fast and potential surprise changes (Kipley, 2009). The second technique is a more complex one called cross-impact analysis. This can be added in order to estimate the likelihood of simultaneous occurrence of several events/trends. This analysis produces clusters of events/trends, which are likely to impact together on the firm, and facilitates identification and preparedness of probable future disaster scenarios or opportunity scenarios (Oliver and Donnelly, 2007).

The third technique is the more elaborate issue ranking approach. It involves a continuous environmental surveillance through trend analyses and SWOT identification. Impact and urgency of the trends are estimated and presented as key strategic issue to top management at frequent meetings and whenever a new major threat or opportunity is perceived (George et al., 2006). The fourth technique, first developed and used by Eurequip, a French consulting firm, is referred to as “adding the Eurequip Matrix” to the issue ranking approach above. In this case, the impact and urgency of issues are done after synergy analysis. Both positive and or negative synergy evaluation is done for the issue’s impact and issue’s urgency. A positive synergy occurs when strengths and or weaknesses are applicable to responding to threats and opportunities. A negative synergy occurs when neither strengths nor weaknesses help deal with threats and opportunities (Ansoff and McDonnell 1990).

Schlesinger (2010) identifies four functions of a Strategic Issue Management system: Early detection of trends and issues in the environment, understanding the discontinuities which are imminent because of the trends and issues, assessment of the resulting strategic implications and taking measures. Senior insurance industry managers continuously survey their potential future external environment (technology, economic, political, social, competition) and intra-firm environment (strengths and weaknesses), from which the management will evaluate which issue will likely have a significant effect on the firm. The management then evaluates each discontinuity on the firm, its effect, level of urgency, and immediacy of response required (Ansoff, Antoniou, & Lewis, 2004). Those determined as high impact on the firm are labeled as strategic issues. Each of the discontinuities is assigned to one of two major responses (Immediate, Delayed) and one of four actionable responses as shown below:

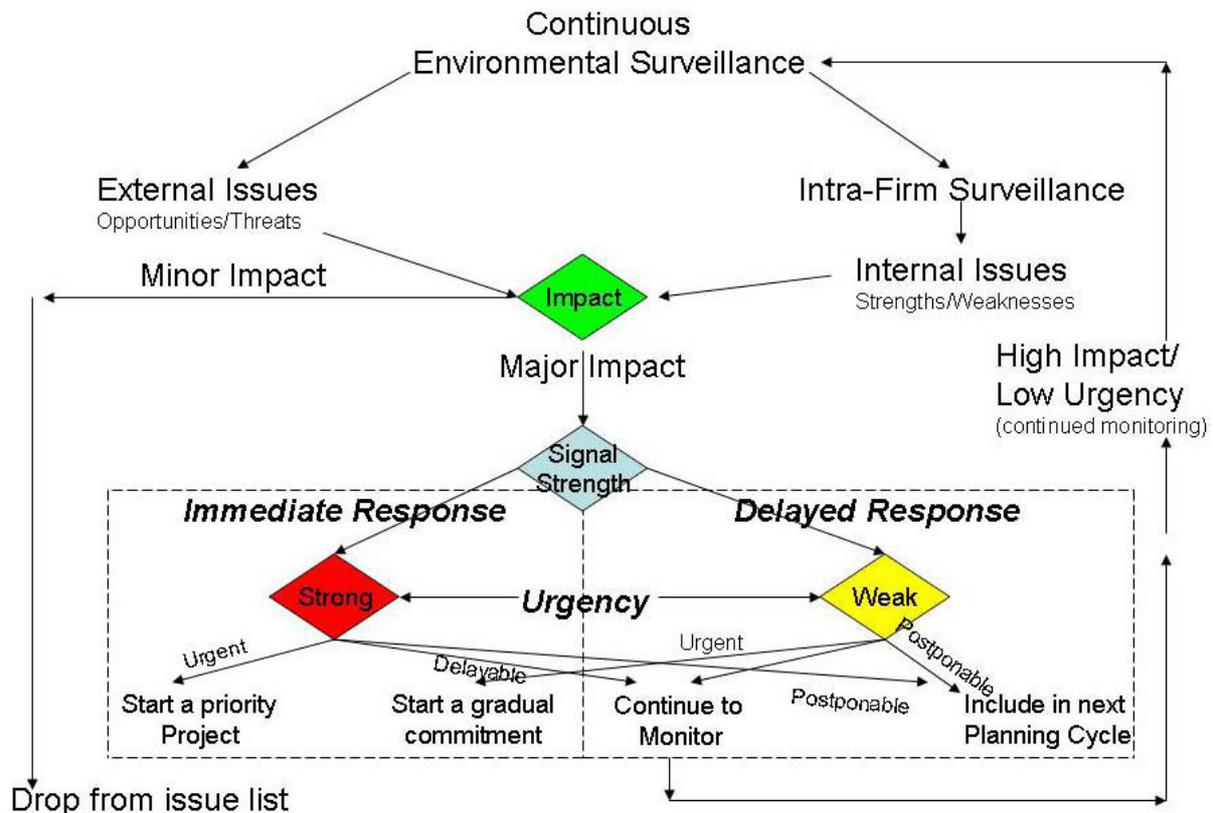


Figure 1. Strategic Issue Management (Adopted from Kipley, 2009)

Oomens&Bosco (1999) using a different strategic perspective suggest three ways of organizing for strategic issues: Corporate Level, Functional level, and Process-Oriented. The three forms differ on a number of characteristics. For example, the analysis in the first form is at the corporate level, while in the process-oriented organization, the business level and the local operating level play a key role. The

Figure 1. Priority Assignment Using Weak Signal SIM Based on Kipley and Lewis (2009)

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

**Table 1: Organizing for SIM,**

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

Source: Based on Lenz and Engledow (1986)

As soon as an important strategic issue has been identified, it should be ‘allocated’ to a particular person in staff or in line management, who will be responsible for monitoring and managing it (Heath & Palenchar, 2009). There is general consensus in the literature that senior managers should be made responsible for important strategic issues and that staff members should play a supporting, advising and coordinating role (Kunnas, 2009). There is also consensus that Issue Management should be part of strategic decision-making processes, that is, formal planning and appraisal session, and that top management commitment to Issue management is crucial (Heath & Palenchar, 2008). Moreover, a firm can use proactive or reactive strategies in their response to issues. When a reactive attitude is adopted the level of organizational and managerial involvement in a strategic issue is low. In a proactive setting the line managers are involved from the Gap-stage of an issue. They can make a choice between being proactive now (e.g. anticipating and acting before something has happened, taking the initiative by changing policies, releasing information, or cooperating with stakeholders) or doing nothing and waiting, and implementing a reactive strategy if something happens, defending and adjusting if necessary. Considering all the complex and interacting factors, the line management can decide what to do, depending on the nature of the issue, its estimated impact and probability of occurrence, whether the issue touches on core activities or entails competitive advantages, top management’s preference and attitude, the company’s culture and the dominant logic (Preble, 1992). This paper investigates the current strategic issue management (SIM) practices in Kenyan insurance companies.

The genesis of Kenya’s insurance industry can be traced back to colonial rule at the beginning of the 20th century. The industry operated in a stable environment until the introduction of the Insurance Act Cap 487 of the laws of Kenya in 1987 that heightened government supervision. The volatile socio-political and economic conditions prevailing in the 1990s shook the industry leading to major loss of market share, drastic increase in the cost of doing business, or a ground floor entry into a new business (Wanjohi, 2002; Koima, 2003). First to wind up was the Kenya National Assurance Company limited, ironically a monopoly at the time, going under with government investments and policyholders’ funds (Kimura, 2002). The second was Access insurance, then Stallion Assurance and Lakestar that was put under liquidation. Even when the companies have not gone under, a majority are forced to lay off large numbers of employees (Koima, 2003).

According to the Association of Kenya Insurers (2011), the number of insurance companies, though, has continued to increase steadily since 1978. Many entrants feature in Health Management Organization (HMOs), pension administrative schemes and mortgages. The 1999 Finance Act, however, made it mandatory for insurance companies to invest 20 per cent of their asset in long-term government securities, restricted their participation in the stock market and limited their investments options (Government of Kenya, 2010). In a nutshell, the Association of Kenya Insurers 2011-2015 Strategic Plan pinpoint the challenges facing the industry to include issues such as new, more financially powerful international entrants, increased regulation in the industry, traditional modes of operation (no integration of IT processes), difficulty in premium collection, fraud, losses especially in the area of the transport, meeting demands of sophisticated consumers, too many players and Lack of trained manpower (AKI, 2011). According to the AKI (2010), there were 46 licensed insurance companies at the end of 2010.

Insurance plays a significant role in the country's economic development, thus continued success and survival of the insurance companies in this changed environment is vital. Studies carried out elsewhere in the world indicate that many firms which have been faced with similar challenges have started organizing for 'Issue Management' that is, developing a systematic process by which the company can identify, evaluate, and respond to strategic issues affecting the company (Oomens & Bosco 1999). Little attention, however, has been paid on strategic issue management in the insurance companies in Kenya. Therefore a knowledge gap exists in this area, which the study aims at bridging. From a managerial point of view, the key question is: "What are the current strategic issue management practices in the insurance companies in Kenya?"

## 2. METHODOLOGY

A descriptive survey was conducted to collect a considerable amount of information required for generalization. The population of interest was the 38 registered insurance companies in Kenya according to the Association of Kenya Insurers (2004) List. A census study was carried out due the small number of insurance companies operating in Kenya. The study used primary data collected using a structured questionnaire administered through the 'drop and pick later' method- a modification of mail questionnaire. Each insurance company was issued with one questionnaire addressed to Chief Executive Officer.

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

## 3. DISCUSSION

### 3.1 Company Profile

The study sought to establish the duration in which the companies had been in operation. **Table 2** below shows the number of years the responding companies/business had been in existence. A majority of the firms existed before the 1980s offering a rich history for analysis. Some seven firms did not however indicate date of establishment, but upon scrutiny of their company records, the above statement is upheld. The size of the companies studied was classified according to the number of employees. This is because the total equity and number of shares were not readily available. Six companies declined to respond to this question citing that it is sensitive to their operations. Insurance industry being a "hard sell business" the number of employees especially, sales forces, is critical for its optimal performance levels in developing economies.

The study also sought to find out the type of own ownership of the responding companies. A majority of studied firms were locally owned. Four firms were run under a joint venture. Two companies, however, declined to respond to the ownership question. Table 2 further shows that 48% of the companies that responded had 4-5 directors, 44% had 6-7 directors while those with 7 and more directors were 8%. This implies that majority of these companies (48%) had between 4-5 directors. The study also intended to establish the type of business underwriting under which the companies operated. In the same table we indicate that a majority of the respondents (50%) were operating both general and life insurance. Those operating general insurance only were 40% while 10% offered life assurance.

**Table 2: Profiles of responding companies**

<b>A: Date established</b>	<b>Frequency</b>	<b>Percentage</b>
Before 1940	6	26.1%
Between 1940 and 1980	8	34.8%
Between 1980 and 2000	8	34.8%
After 2000	1	4.3%
<i>Total</i>	23	100%
<b>B: Size: Number of employees</b>	<b>Frequency</b>	<b>Percentage</b>
1-100	15	62.5%
100-200	6	25%
Above 200	3	12.5%
<i>Total</i>	24	100
<b>C: Ownership</b>	<b>Frequency</b>	<b>Percentage</b>
Local	23	82.1%
Foreign	1	3.6%
Joint venture	4	14.3%
<i>Total</i>	28	100% <i>Source: Response Data</i>
<b>D: Number of directors</b>	<b>Frequency</b>	<b>Percentage</b>
4-5	12	48%
6-7	11	44%
7 and more	2	8%
<i>Total</i>	25	100%
<b>E: Business underwritten</b>	<b>Frequency</b>	<b>Percentage</b>
General	12	40%
Life	3	10%
Both	15	50%
<i>Total</i>	30	100%

### 3.2 The Business Environment

#### 3.2.1 Environmental turbulence perception

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

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

#### 3.2.2 External environment trends affecting business growth

The study sought to establish the external environmental trends affecting the growth of business. The respondents were thus asked to rank (in terms of major, minor and no effect at all) the government legislative changes, changes in interest rates, increased competition, infrastructure, insecurity and perceived impacts on their business. The responses are shown in **Table 3** below. The results show that the changes in interest had the most impact (75.9%) on the companies studied, followed by insecurity (66.7%), increased competition was the third (63%) government policy ranked fourth overall (53.3%) while infrastructure had the least impact (37.9%).

**Table3: External environments**

EXTERNAL VARIABLE	MAJOR		MINOR		NO IMPACT	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Government legislation	16	53.3%	14	46.7%	0	00.0%
Changes in interest rates	22	75.9%	5	17.2%	2	06.9%
Increased competition	19	63.3%	9	30.0%	2	06.9%
Infrastructure	11	37.9%	15	51.7%	3	10.3%
Insecurity	20	66.7%	9	30.0%	1	03.3%

### 3.3 Practices of Strategic Issue Management

#### 3.3.1 Study of strategic issues

The respondents were asked to state whether they usually study strategic issues which affected their operations. They were therefore required to highlight whether or not external environmental trends, internal business and capability issues and performance trends were categorical strategic issues worthy their concern. **Table 4** below shows their response

**Table 4: Study of strategic issues**

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

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

#### 3.3.2 Commitment to strategic issues

The analysis of strategic issues affecting a business enterprise is not “a one-time stop affair”. It is supposed to be unremitting, dynamic and enhanced. The study therefore sought to establish from the respondents whether they remain preoccupied throughout the year with checking strategic issues affecting their daily operations. A huge percentage (86.7%) asserted that they do while 13% said they do not. These results are very positive because the experts in business suggest that SIM is “real time”, which require continuous preoccupation with strategic issues throughout the year. Further, from those who answered in affirmative (86.7%), the study sought to establish the frequency at which they reviewed those strategic issues. Table 5 below shows their response.

**Table 5: Frequency of review of strategic issues**

Frequency of review of strategic issues	Frequency	Percentage %
Monthly	9	37
Quarterly	10	40
Semi annually	4	15
Annually	3	8
Total	26	100

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

Closely related to the review of strategic issue mentioned above, the study also sought to establish whether the respondents do prepare a list of key strategic issues for each year in order to facilitate implementation and subsequent review of the same. A huge proportion (93.1%) was affirmative while 6.9% said they did not prepare any list. For those who did, they did so (prepare) in the pattern (frequency) shown in **Table 6** below. Results above show that half (50%) of the respondents prepared the list of key strategic issues quarterly while 33.3% did so monthly and 16.7% semiannually.

**Table 6: Frequency of list preparation**

Frequency of list preparation	Frequency	Percent
Monthly	8	33.3%
Quarterly	12	50.0%
Semi annually	4	16.7%
<b>Total</b>	<b>24</b>	<b>100.0%</b>

#### 3.3.3 Technique used to analyse strategic issues

In this study, the terms SIM practices, techniques and methods were used interchangeably to denote the same thing i.e. the way strategic issues are analyzed. Thus the respondents were requested to indicate the method/technique/practices they used to analyze strategic issues. Table 11 below shows the techniques used.

**Table 11: The SIM techniques used**

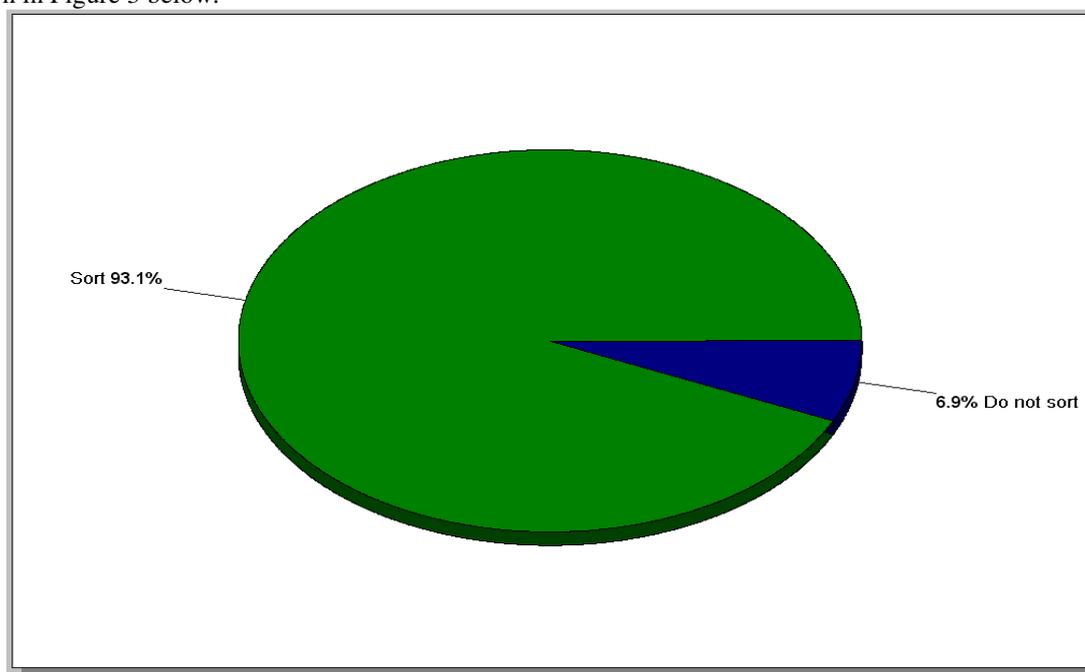
<i>Technique used to analyze strategic issues</i>	<i>Frequency</i>	<i>Percent</i>
SWOT based on current information only	7	24.1%
Simple environmental impact analysis	4	13.8%
Cross impact analysis based on SWOT	13	44.8%
Issue impact and ranking method	5	17.2%
Euro quip matrix method based on SWOT	0	0
<b>Total</b>	<b>29</b>	<b>100.0%</b>

Congruent with the findings by Ng'ang'a (2001), this study established that though a majority of Kenyan firms (more than 95%) practice real time Strategic Issue Management, none demonstrate the use of European matrix as prescribed by Ansoff (1990).

The results presented above show that most of the respondents (44.8%) practiced the cross impact and ranking method, 24.1% used the SWOT based on current information only, 17.2% used issue impact and ranking method based on SWOT and lastly, 13.8% used the simple environmental impact analysis method based on SWOT.

### 3.3.4 Proactiveness of SIM actions taken

The study sought to establish the exactness at which the respondents did estimate the urgency of strategic issues. They were asked to answer whether they sort the identified issues according to their urgency. Their responses are shown in Figure 3 below.



**Figure 3: Sorting of issue according to their urgency**

The results above indicate that majority of the companies (93.1%) do sort the identified issues according to their urgency as opposed to 6.9% that do not. Related to this, the study wanted to establish the timing of the actions regarded as urgent as mentioned above. A total of 16.7% said they did so when performance results are unknown, the available information is vague and its course is unclear, 56.7% started to act when performance results are unknown, but information was available about the issue's impact and its timing and occurrence were well established and 26.7% acted when performance results were known, and it showed that something was clearly wrong.

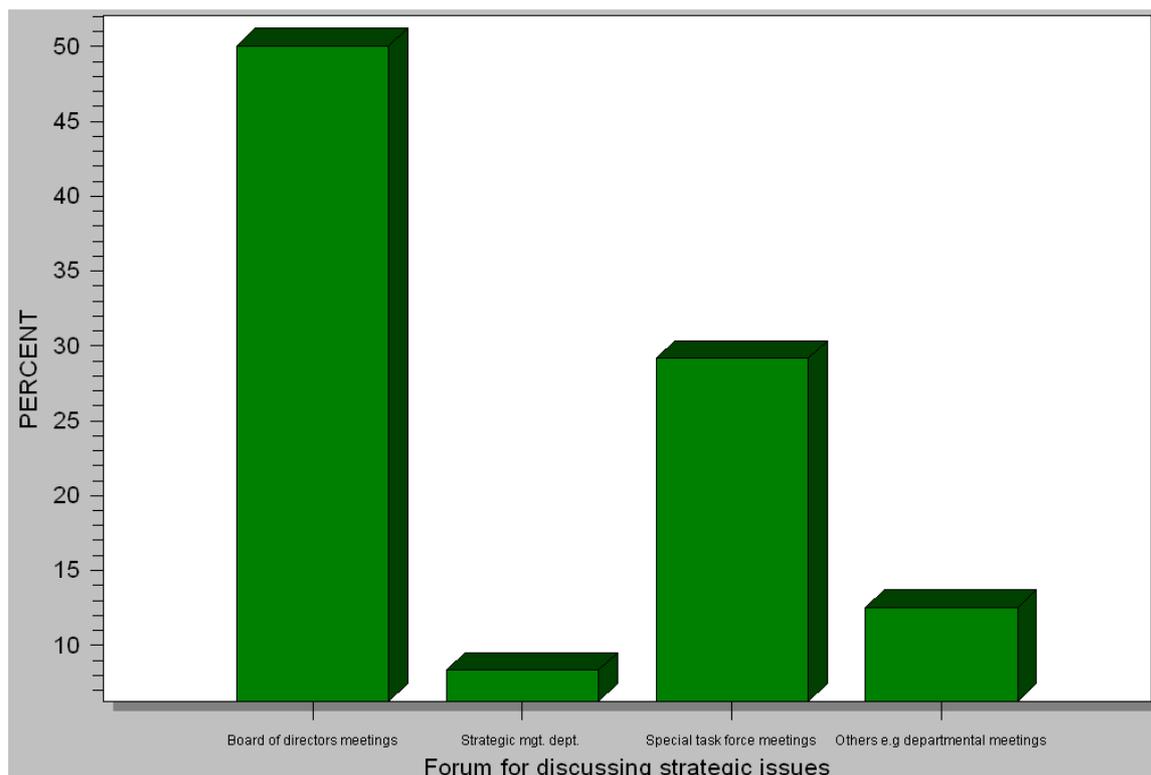
Similarly, the study sought to find out the companies'/management's responses to timely action to cut costs and or improve profits when certain factors were discovered to have been making the companies make losses. A large proportion (79.3%) said they always discussed, analyzed the problem and made quick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

### 3.3.5 Management's/personnel attention to SIM

To establish the management's commitment and the attention they give to strategic issues affecting the company, the respondents were asked to state whether their planning and management team treated such issues (strategic)

between the planning cycles. About 93.1% of the respondents answered in the affirmative as compared to 6.9% who posted nays. These results reveal that the management teams give due and conscious attention to strategic issues affecting their companies.

Closely related to investigation into conscious treatment of strategic issues by the management, the study also sought to investigate the availability of SIM departments within the companies under the study. However, contrary to the findings above, only 20% of the respondents alluded to the availability of an issue management department in their organization while 80% did not have. These results expose the likelihood of poor organizational structures within the companies that are designed to deal with strategic issue. Similarly, the study sought to establish with certainty, the exact forums through which the companies that alluded to the absence of a strategic issue department discuss and record strategic issues. The findings are shown in the figure 4 below.



**Figure 4: Forum for discussing strategic issue**

The results show that only 8.3% of the companies under study had a strategic issue management department. 50% discussed their “strategic” issues in the planning meetings or board of directors meetings, 29.2% at the assigned special task force meetings and (12.5%) in departmental meetings.

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

Lastly, the study sought to establish the delegation and authority of the top management in the companies studied to carry out certain SIM functions e.g. review of strategic issue accept/reject strategic issue resolutions and offer advisory role in the strategic issue management processes. The results are shown in Table 12 below.

**Table 12: Delegation/Authority in SIM**

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

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

**3.3.6 Analysis of the factors influencing real time strategic issue practices**

The study intended to establish the impact of infrastructure, company size, organization structure, shareholders, top management, competition, employees’ reaction to change, technology/production process, technology, changing environment and profitability indices on strategic issue management decisions. The respondents were asked to rank the impact of the indices in terms of “not applicable, to a less extend, to a moderate extend, to a great extent and to a very great extend” Their responses are shown in Table 13 below

**Table 13: Factors influencing real time strategic issue practices**

<i>Statement</i>		<i>Not applicable (%)</i>	<i>To a less extend (%)</i>	<i>To a moderate extend (%)</i>	<i>To a great extend (%)</i>	<i>To a very great extend (%)</i>
Infrastructure (roads, electricity, telephone etc)		3.3	20	30	26.7	20
Company size (no. of employees)		3.4	27.6	24.1	41.4	3.4
Organizational structure (layers of managers)		-	16.7	40	33.3	10
Majority shareholders		13.3	13.3	20	33.3	30
Top management (CEO, MD, GM)		-	6.9	3.4	20.7	69.0
Industry competition		-	-	17.9	28.6	53.6
Employees attitude towards change		-	6.7	30	33.3	30
Technology/production process		3.3	13.3	23.3	30	30
Innovation/technology advancement		-	10	20	36.7	33.3
Changing environment		3.3	67	26.7	33.3	30
Profitability results		3.4	3.4	10.3	27.6	55.2

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

The study also sought to establish the attitude and response from the respondents on several key strategic concerns. The respondents were required to rank the key issues as “not applicable, to a less extend, to a moderate extend, to a great extend and to a very great extend”. Their response is shown in Table 14 below here below.

**Table 14: Attitude towards SIM**

Statement	Not applicable (%)	To a less extent (%)	To a Moderate extent (%)	To a Great extent (%)	To a Very great extent (%)
SIM process is pleasant & motivating activity to undertake	00.0	06.7	06.7	40.0	36.7
Resources required for strategic issue handling are adequate in the organization	00.0	13.8	51.7	27.6	06.9
Failure to address Strategic issues can adversely affect organizations performance	00.0	06.9	13.8	17.2	62.1
SIM process is time consuming activity	16.7	36.7	33.3	10.0	03.3
Importance of SIM is clear to everyone in our organization	10.0	30.0	26.7	33.3	10.0
Top management takes active interest in the output and recommendations of SIM dept.	00.0	13.3	16.7	36.7	33.3
SIM gets great deal of resistance from finance people in the organization	30.0	33.3	20.0	10.0	06.7
There is a feeling of teamwork in SIM dept.	14.8	11.1	18.5	33.3	22.2
SIM dept. is highly respected and held in high esteem	25.9	03.7	14.8	25.9	29.6
SIM still holds a place in our organization	13.8	00.0	17.2	31.0	37.9
Top managers monitor resolution of issue for strategic & tactical implications in our organization	06.7	03.3	10.0	36.7	43.3

A major proportion of the companies (62.1) rated their agreement as “to a very great extent” the assertion that failure to address strategic issues could adversely affect their organization’s performance, followed by top managers monitoring of the resolution of issue for strategic and tactical implications in their organizations (43.3%), SIM still holds a place in their organizations (37.9%), SIM was a pleasant and motivating activity to undertake. These results reveal the great esteem and value that the respondents attached to SIM in their organizations.

#### 4. CONCLUSIONS

The purpose of this study was to establish the current strategic issue management practices in the 38 insurance companies in Kenya. Company profile, response to business environment, current practices of SIM and the factors influencing strategic issue management practices were all considered as categorical variables. A larger proportion of the studied firms had a long experience in the industry, were locally owned, and operated both general and life insurance.

The results show that nearly all companies understudied had flexible plans to accommodate environmental impact/changes on their businesses. This study therefore concludes that companies that have flexible plans vis-a viz recurrent changes in the business environment are likely to be dynamic and thus respond positively hence remain competitive as opposed to those with rigid plans. Management therefore requires creativity, novelty, flexible and entrepreneurial approach to be able to cope with the unpredictable and surprising environmental challenges.

The results reveal that most insurance companies in Kenya do study strategic issues affecting their operations. The results are similar to Ng’ang’a (2001) findings and confirms that though a majority of Kenyan firms (more than 95%) practiced real time Strategic Issue Management, none demonstrated the use of European matrix as prescribed by Ansoff (1990).

#### 5. RECOMMENDATIONS

The business environmental changes have become more complex and novel. Therefore, as future becomes more complex, novel and less flexible, systems should become more sophisticated. The study thus recommends to the management of insurance companies to adapt a creative, novel, flexible and entrepreneurial approach to be able to cope with the unpredictable and surprising environmental challenges. The companies that do not continuously monitor strategic issues throughout the year are advised to take deliberate steps to do so in order to be able to realize the full potential of investing in SIM.

The managers in the insurance industry are advised to use the European matrix, which may help them discover real time positive synergy (where both strengths and weaknesses may turn out to be useful for pursuing future opportunities or minimizing the impact of the threats). This study further recommends that for the respondents to be able to properly address strategic issues, they should form an autonomous but highly networked department to specifically deal with strategic issues. The formation of a functional SIM department is

proactive and not reactive as it will allow the companies to intersect problems at an early stage, and will require application of substantial empirical and qualitative analysis of issues to solve corporate planning problems.

## 6. FUTURE RESEARCH

Further research should be undertaken to establish the practice of SIM in public institutions and parastatals, corporations, family businesses and Non-Governmental Organizations in Kenya. Such a study should determine whether these organizations use European matrix and document their experiences.

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