St MARY’S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF STRATEGIC MANAGEMENT PRACTICES;

THE CASE OF ETHIOPIAN INSURANCE CORPORATION

By:

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ADDIS ABABA, ETHIOPIA
St. MARY’s UNIVERSITY

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Declaration of Originality

I hereby declare that this submission is my own work towards the Masters of Business Administration prepared under the guidance of Tiruneh Legesse (Assis. Prof) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due Acknowledgment has been made in the text.

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ENDORSEMENT

This thesis has been submitted to St. Mary’s University School of Graduate Studies for examination with my approval as university advisor.

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ACRONYMS

BDRM; Business Development and Risk Management

BOM; Board of Management

BPR; Business Process Re-engineering

BSC; Balanced Scorecard

CEO; Chief Executive Officer

DCEO; Deputy Chief Executive Officer

CRM; Customer Relationship Management

EIC; Ethiopian Insurance Corporation

GTP; Growth and Transformation Plan

IT; Information Technology

ICT; Information communication Technology

KPIs; Key Performance Indicators

MOFED; Ministry of Finance and Economic Development

MVV; Mission, Vision and Values

NBE; National Bank of Ethiopia

PFEA; Public Financial Enterprises Agency

SMP; Strategic Management process

SWOT; Strengths, Weaknesses, Opportunities and Threats

TOR; Terms of Reference

WTO; World Trade Organization
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ABSTRACT

The most critical challenge facing most organizations today is to cope and deal with a saturated market where there are many competitors and empowered and informed customers. Insurance companies besides the dynamism are highly vulnerable to challenges with high failure rate as they bear the risks inherent in their operation and the risks transferred to them by way of insurance. Strategic management emerged as an important management tool in or to cope up with the dynamism and retain competitive advantage. Strategic management is a series of decisions taken to determine long term objectives and includes the phases of environmental scanning, strategy formulation, strategy implementation and strategy monitoring and evaluation. The purpose of this study is to describe the strategic management practices of EIC. The study compares these practices with the widely accepted theoretical concepts in the field. The research utilized both qualitative and quantitative data. Qualitative data was collected via interview from two members of the organization intensively involved in the strategic management. Quantitative data was collected based on the questionnaires distributed to the management and employees. Secondary sources of data including strategic plans and budget preparation guidelines were also used. Under the section dealing with analysis and interpretation of data, the four phases of the strategic management process in EIC are assessed as per the review of literature under chapter two. The findings show the strong aspects of the strategic management process and also loopholes in the process. Based on the findings of the study recommendations are also forwarded. Future research could include an in-depth and wider study of the most appropriate strategy practices by showing the link between the four phases of the strategic management process.

Key words: EIC, strategic management, strategy formulation, strategy implementation, strategy monitoring and evaluation
CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Globalization, rapid changes in technology, increasing competition, changing workforce, changing market and economic conditions and resource shortages of the 21st century are increasing the complexity of modern management (Alkhafaji, 2003). The most critical challenge facing most organizations today is to cope and deal with a saturated market where there are many competitors and empowered and informed customers. Insurance companies besides the dynamism of the field are highly vulnerable to challenges with high failure rate as they bear the risks inherent in their operation and the risks transferred to them by way of insurance. Strategic management emerged as an important management tool in order to cope up with the dynamism and retain or gain a competitive advantage. Strategic management, a corner stone for corporate survival, is important to ensure better performance of an insurance company by facilitating effective decision making.

Strategic Management refers to the series of decisions taken by management to determine the long-term objectives of the organization and the means to achieve these objectives. As a set of managerial decisions and actions determining the long-run performance of an organization, it identifies what needs to change in an organization and how that will take place. It is concerned with complexity arising out of ambiguous and non-routine situations with organization wide rather than operation-specific implications (Johnson, Scholes & Whittington, 2008: 11). It consists of four basic elements namely environmental scanning, strategy formulation, strategy implementation and evaluation and control.

Environmental scanning also referred to as environmental analysis is the acquisition and use of information about events, trends and relationships in an organization’s environment, the knowledge of which would assist management in planning future courses of action. It is crucial to identifying the main issues affecting organizations by helping to detect SWOT. Strategy formulation consists of determining the organization’s mission, goals, and objectives, and selecting or crafting an appropriate strategy. Strategy implementation or strategy in action has to
do with making strategy happen or making sure that created and planned strategies actually work in practice (Johnson, Scholes & Whittington, 2008). It is done by way of transforming the chosen strategies into action. Evaluation and control which is the final step in the strategic management process is defined by Alkhafaji (2003) as the step which entails monitoring the organization’s performance to ensure that the chosen strategy achieves the desired objectives.

In this context the study intends to investigate to what extent strategic management is being adopted along with the aim of identifying the gaps between the theory and the practice. The output of this study will be beneficial to the corporation in providing by providing an insight on how to improve the current strategic management practice. The research will also add to the already existing pool of knowledge by narrowing the existing gap and jumpstarting future researches.

1.2. Overview of Organizational Background

EIC was established in 1976 by Proclamation No 68/1975 as part of the nationalization scheme of the Derge regime. The Corporation came into existence by taking over all the assets and liabilities of the thirteen nationalized private insurance companies that were operating in the market at the time. It was established with a total paid up capital of 11 million birr. The basic objectives of the corporation as per the establishment proclamation were engaging in all classes of insurance business in Ethiopia, ensuring that insurance services reach the broad mass of the people and promoting efficient utilization of both material and financial resources. EIC operated the business for about nineteen years under protected monopolistic system as state owned sole insurer. When EPRDF came into power, the licensing and supervision of insurance business proclamation, Proclamation No. 86/1994 which allowed domestic private insurance companies to flourish in the market was enacted. This proclamation vested the authority to controlling, licensing and formulating policies regulating the insurance business to NBE. EIC was reestablished as a public enterprise in 1994 by Regulation No. 201/1994. The basic objective of EIC as per the reestablishment regulation were engaging in the business of rendering insurance services and other related activities conducive to the attainment of its objectives. It was reestablished as public enterprise under proclamation number 201/94 with Birr 61 million birr paid up capital. (Source; http://www.eic.gov.et).
EIC’s mission is to provide its customers an efficient and reliable insurance service and engage in investment activities by deploying the right mix of expertise, the state of the art technology & cost effective strategy. In doing so, it contributes to the sustainable development of the national economy and will play a vital role in the industry. Its vision is to be a world class insurer by 2025. The core or organizational values driving EIC towards the mission and vision are team work, transparency and accountability, being customer focused, excellence, learning organization, professionalism, development partner and pro activeness. EIC’s corporate objectives are drawn based on BSC framework from the angle of the four scorecard perspectives namely Financial, Customer, Internal Business Process and Learning and Growth. The objectives are increasing owner’s value, increasing profitability, enhancing CRM, improving efficiency & effectiveness, improving risk management system, increasing employment opportunity, improving accessibility, increasing insurance awareness, improving product innovation, developing human capital, improving organizational development, ensuring strategic alignment and improving ICT.

EIC is administered by a BOM under the regulation of NBE and supervision of PFEA. The total number of employees in the corporation, as at March 2015 is 1236. The managerial staff comprises of 10 members of the top management, middle management comprising 61 members (19 directors and 42 team leaders) and 147 line managers (130 principal officers, 31 branch II managers and 17 branch I managers). The top management team also known as the process council comprises of the CEO, five DCEOs responsible for; Business Development & Risk Management, Finance & Investment, General Insurance, Long Term Insurance and Resource Management, and four Directors of Internal Audit, Legal Service, Change management and Information Technology Services Management. The rest employees of the corporation constitute 186 senior officers, 267 officers, 60 office assistants, 218 trainee officers and 226 employees performing janitorial, security and messenger services.

As a composite insurer, EIC renders both general and long term insurance services. The major types of insurance cover are around 50 including the recently issued Preneed funeral insurance policy. EIC had outward reinsurance agreements with leading international reinsurance companies such as Munich Re, Swiss Re, and Africa RE. It also used to give inward reinsurance cover to local insurance companies and insurers from other African countries though this system
is currently inactive. The corporation also engages in investment activities by way of bank deposits, government securities and buying stocks. EIC operates through its 66 distribution channels. Among these distribution channels six are A level main districts and eight are B level Districts. There are branches I and II under the A level and B level Districts. The branch grading is based on various factors such as average premium, private and public sector share of each outlet, number of clients, number of insurance policies sold out, claims and expense. EIC also works with around 400 agents and 60 brokers. EIC’s market share for the quarter ended December 31st 2014 is 40% (Source: NBE Insurance Supervision Directorate). The corporation’s total paid up capital is upgraded to 592 million since January 1st 2015.

As competitiveness of the insurance industry is increasing, EIC considers that it won’t be able to sustain its place as a leader without changing itself. With this intention, the corporation has undertaken BPR to bring about institutional transformation, implemented BSC as communication, performance management and strategic management tool and crafted a five years strategic plan for the period from 2010/11 to 2014/15. Upon implementation of BSC in 2012, the five years strategic plan was revised to make it fit with the BSC framework. Moreover, it implemented insurance and accounting software packages named INSIS and AGRESSO to move the service delivery level. As Ethiopia is soon to accede to the WTO, the competition won’t be only with domestic insurance companies. With giant international insurance companies also. This needs a considerable level of preparation on the side of the corporation in terms of improving its strategic management process.

1.3. Statement of the Problem

Effective strategic management requires an understanding of organizational resources and competencies as well as how each contributes to the formation of organizational strengths and ultimately to the development of a competitive advantage (Duncan, Gintei & Swayne, 2008). It undeniably helps an organization to achieve clarity of future direction. It also helps organizations to think strategically and develop effective strategies, establish priorities, deal effectively with changing circumstances, build teamwork and expertise, and solve major organizational problems and improve organizational performance. To ensure this, the overall strategic management process should be flawless with due concern being given for all components. Before the strategy formulation, a comprehensive environmental scanning should be undertaken. To achieve high
performance, top managers must provide a strong sense of strategic direction and organizational members must be active players in the strategy making process. Alkhafaji (2003) in solidifying his position on the criticality of strategy implementation argues that incorrect implementation would even make the best strategy worthless. Bryson (2004) argues that attention to stakeholders is important throughout the strategic management process because success and survival certainly depend on satisfying key stakeholders according to their definition of what is valuable. The mere crafting of mission and vision statements, mere identification of core competencies doesn’t suffice in order for a strategic management system to be effective.

EIC develops and implements a strategic plan every five years. Documents on strategy development and midterm strategic revision indicates that improvement of the strategic management system is necessary to enable the corporation maintain its competitive edge. Without improving the current strategic management practice, EIC won’t be able to maintain the existing market share and its leading position in general. Besides, from the preliminary interview with the strategic management team - team leader it was found out that there is no previous research targeted at overall assessment of the strategic management process in EIC.

This study is proposed to delineate the loopholes in the strategic management process as employed by EIC. Identifying areas of strategic management practice where there is deviation from the generally accepted theoretical framework is an issue that should be addressed with utmost urgency. This is a significant step in ensuring successful implementation of strategic management by the corporation and hence achievement of its strategic goals, mission and vision.

1.4. Research Questions

The research answers the following questions;

1. How does EIC conduct environment scanning?
2. How does EIC formulate strategies?
3. How do the strategy execution processes look at EIC?
4. What strategy monitoring and evaluation schemes are put in place and are they proper?
5. What are the major challenges or barriers to the strategic management process in EIC?
1.5. **Objectives of the Study**

1.5.1. **General Objective**

The main objective of the study is to assess the strategic management practices of EIC by exploring the extent to which it is adopted and comparing this with documented practices in theory or literature.

1.5.2. **Specific Objectives**

- To explore how EIC undertakes environmental scanning.
- To illustrate how EIC undertakes strategy formulation.
- Assessing strategy implementation practices at EIC.
- Assessing the strategy monitoring and evaluation schemes in EIC.
- To identify the major challenges or barriers to the strategic management process of EIC.

1.6. **Significance of the Study**

The research has both theoretical and empirical contributions to academics and management practices respectively.

- The findings of this research add to the knowledge of the subject of strategic management by deepening readers’ understanding of the subject of strategic management from the perspective of insurance companies. Besides contributing to the existing pool of knowledge, it will also contribute to the academia by jumpstarting future researches.
- The findings of this research will also help EIC in improving its strategic management practices. The study highlights the major areas where loopholes are noticed in the strategic management process so that they could further be investigated by the corporation to endure competitive advantage. It will also provide an evaluation framework for assessing the strategic management process that can be readily used by insurance companies.

1.7. **Delimitation/Scope of the Study**

This study is constrained by a number of boundaries.

- The study focuses only on EIC. It can’t be generalized to other organizations.
Subject wise, the research is concerned in explaining strategic management practices which includes environmental scanning, strategy formulation, strategy implementation and strategy monitoring and evaluation.

In relation to the geographical context, the study focuses on all branches and districts of EIC throughout the country.

The source of information for the research are organizational members involved directly in the strategic management process, managerial staff and also non managerial employees.

The research relies on both primary and secondary sources of data.

1.8. **Organization of the research report**

The research is structured into five chapters including this introductory chapter dealing with the general background, problem statement, research questions, objectives, significance and delimitations of the research.

Chapter two of the thesis deals with the review of related literature. A review of both theoretical and empirical literatures on the subject of strategic management has been included under the theoretical review and empirical review sections of the chapter respectively. The theoretical review consists of definitional aspects, components and challenges of the strategic management process not to mention balanced scorecard and strategic management as applicable to the insurance sector.

The research design and methodology followed to answer the research questions framed previously is covered under chapter three. Also covered under this chapter are the types of data to be collected and used, data collection instruments, population and sampling techniques and methods of data analysis.

The fourth chapter of the research is devoted to the data presentation and discussion. The data collected from the different data sources are presented under the first section of the chapter and discussed under the second one.

The last chapter of the study deals with the summary of findings, conclusions and recommendations. The limitations of the study are also incorporated under this chapter.
CHAPTER TWO

REVIEW OF RELATED LITERATURE

The intent of this literature review is to present a framework for this study on strategic management. It is not to reach consensus on definitional aspects, rather to enlighten the reader as to the research and literature that currently exists regarding strategic management. The review begins with an overview of strategic management process and then goes on and deals with Components of the strategic management process. The review then narrows the focus to BSC which is being used as a strategic management and performance management tool by EIC.

2.1. Theoretical review

Under this section, theoretical literatures on the subject of strategic management are explored.

2.1.1. Strategic Management

The most critical challenge facing most organizations today is coping up with today’s game of business, dynamism. For a past few decades, organizations have been facing fierce competition in their external environment in which they operate (Alkhafaji, 2003 & Ayub, Razzaq, Aslam & Iftekhar, 2013). Strategic approach to management has become modus operandi in most major organizations in the past several decades (Asghar, 2011). Strategic management as a concept is concerned with making decisions and taking corrective actions to achieve long term targets and goals of an organization. Strategic Management is one of the efforts of management to confront situations that arise in an organization’s daily routine while trying to achieve organizational goals and objectives (Alkhafaji, 2003). It is the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives (AbuBakar, Tufail & Yusof, 2011 and Kaplan & Norton, 1996). Strategic Management refers to the series of decisions taken by management to determine the long-term objectives of the organization and the means to achieve these objectives. Basically, it is concerned with the complexity arising out of ambiguous and non-routine situations with organization wide rather than operation-specific implications (Johnson, Scohles & Whittington, 2008: 11). It includes understanding the strategic position of an organization, making strategic choices for the future.
and managing strategy in action (Johnson, et.al., 2008: 12 & 2007:16). Strategic management entails specifying the organization's mission, vision and objectives, developing policies and plans in terms of projects and programs and then allocating resources to implement the policies and plans, projects and programs. In the Corporate sector, the emergence of strategic management started after the culmination of Second World War (Zafar, Babar & Abbas, 2013).

Roney (2010) asserts that the purpose of strategic management is to discover the nature and sources of competitive advantage. For Teecei, Pisan & Shuen (1997) and Njagi & Kombo (2014) also, the fundamental question in the field of strategic management is how firms achieve and sustain competitive advantage. The assertion by It provides overall direction to the enterprise (Kayale, 2012). It is a tool that has been successfully used by the ailing corporate organizations to prepare for the challenges of the future and improve their long term performance (Zafar, et.al., 2013).

The crucial element in strategic management is strategy. According to Higgins (2005), strategies are formulated to achieve an organization’s purpose. Strategy is a comprehensive, long-term plan indicating how the corporation will achieve its missions and objectives (Alkhafaji, 2003:8 & Kayale, 2012). It is the direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations (Johnson et al. 2008). Strategy sets direction, focuses effort, promotes coordination of activity and affects overall welfare of the organization (Ahlstrand and Lampel, 1998).

In order to facilitate the strategic management process, strategies are formulated and implemented at three levels; corporate, business and functional. This is helpful in achieving both the annual as well as long term objectives. Corporate strategy, the highest level of strategy, is concerned about the overall purpose and scope of the organization and provides direction for a firm on what type of business it should invest in (Johnson, et.al., 2007). It addresses questions of where the organization is today, where it wants to be and how it wants to get there. Business level strategies and operational strategies are concerned on how to compete successfully in particular markets and on how the component parts of an organization deliver effectively the corporate and business-level strategies respectively (Johnson, et.al., 2007). Functional level
strategies are the means or steps taken to effectively implement the higher level of strategies and deals with relatively restricted plan providing objectives for specific function. (Zafar, et.al., 2013).

Michael porter proposes cost leadership and differentiation as two generic strategies (Wheelen & Hunger, 2012). When these strategies are focused on the market niche, they are known as cost focus and differentiation focus. Cost leadership is a lower cost competitive strategy that aims at the broad mass market and requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like R&D, service, sales force, advertising, and so on (Wheelen & Hunger, 2012:186). The logic is, because of its lower costs, the cost leader is able to charge a lower price for its products than its competitors and still make a satisfactory profit. For the same authors, differentiation strategy involves the creation of a product or service that is perceived throughout its industry as unique justifying the imposition of a premium price for the product. The specialty can be associated with design or brand image, technology, features, a dealer network, or customer service. For them differentiation is a viable strategy for earning above average returns in a specific business. Wheelen & Hunger (2012) define cost focus as a low cost competitive strategy that focuses on a particular buyer group or geographic market and attempts to serve only this niche, to the exclusion of others. Differentiation focus, like cost focus, concentrates on a particular buyer group, product line segment, or geographic market. They further state that this strategy is valued by those who believe that a company or a unit that focuses its efforts is better able to serve the special needs of a narrow strategic target more effectively than can its competition. Porter argues that to be successful, a company or business unit must achieve one of the previously mentioned generic competitive strategies.

2.1.2. Components of the Strategic Management Process

Strategic management is the domain of top level management and involves four basic components; Environmental scanning, Strategy formulation, Strategy implementation and Monitoring and control (Alkhafaji, 2003 & Wheelen and Hunger 2008:14). Ahlstrand and Lampel (1998) and Zafar, et.al. (2013) also noted that strategy passes through four stages:
environmental scanning, strategy formulation, strategy implementation and evaluation or monitoring. All of these four components are crucial to successful business (Baroto, Arvand & Ahmad, 2014). The figure below shows the basic elements of the strategic management process and their interrelationship.

Figure 2.1. Basic Elements of the strategic management process

Source: Wheelen and Hunger (2008:15)

2.1.2.1. Environmental scanning

Effective strategic management requires an understanding of organizational resources and competencies as well as how each contributes to the formation of organizational strengths and ultimately to the development of a competitive advantage (Duncan, Gintei & Swayne, 1998). For Alkhafaji (2003) success of a strategy depends on its alignment with the company’s environment. This is done using environmental scanning. Environment scanning or situational analysis is the starting point of the whole strategic process (Azhar, et.al., 2013). It is also known as environmental assessment and includes analysis and forecasting of the firm's relevant economy, markets and industry structure (Roney, 2010). Environmental scanning is the acquisition and use of information about events, trends and relationships in an organization’s environment, the knowledge of which would assist management in planning future courses of action. It is crucial in identifying the main issues affecting organizations by helping to detect SWOT.

The corporate appraisal should be one of the first steps in the process of preparing strategic plans, and should provide both the platform based on which the corporate objectives are established and the baseline of the strategic plan (Hussey, 1998). Environmental scanning, also
referred to as environmental analysis, is the first step in the strategic planning process and is the way by which organizations identify the main issues affecting them (Johnson, et.al., 2007: 19). Ruocco and Proctor (1994) suggest that an environmental analysis is a critical step in the planning process that must be performed to gather all the information necessary to develop appropriate strategies. Simply stated, it is the process of analyzing internal and external factors affecting the organization and its ability to pursue a given course of action.

External environmental analysis involves examining the conditions and forces affecting the organization’s strategic options that are typically beyond the firm’s control. It is done by way of evaluating the environmental factors at macro and micro level in order to identify the organizational threats and opportunities (Zafar, et.al., 2013). The macro environment refers to the general layer of the environment and consists of broad environmental factors that impact almost all organizations (Johnson, et.al., 2007). These authors recommend external environmental analysis tools such as SLEPT Analysis (Analysis of Social, Legal, Economic, Political and Technological analysis) and PESTEL Analysis (Analysis of Political, Economic, Social, Technological, Environmental and Legal factors). Within the broad general environment the next layer is called an industry or a sector which consists of a group of competitors (Johnson, et.al., 2007). The five forces competitive model developed by Michael Porter can be used as an analytical tool for assessing competitiveness of the environment. The external environmental analysis is crucial in identifying opportunities and threats. Internal environmental analysis is crucial to understanding own capabilities and weaknesses. The resultant findings are classified as organizational Strengths and Weaknesses and Opportunities and Threats.

SWOT analysis summarizes the key issues from the business environment and the strategic capability of an organization that are most likely to impact on strategy development (Johnson, et.al., 2007: 102). SWOT helps in identifying an organization’s core competencies i.e. potential strengths and utilizing those in exploiting opportunities and counteracting threats and identifying weaknesses in order to diminish them (Ayub, et.al., 2013: 92). Asghar (2011) explains the essence of SWOT Analysis by stating that it is crucial in coming up with a good strategy that matches with the organization’s external and internal environment. Under SWOT approach the attempt is to establish what has to be done to maintain the satisfactory things and correct the faults by ensuring that opportunities are exploited and threats are avoided (Hussey, 1998: 167).
Identifying strengths and weaknesses is difficult because characteristics that appear as one or the other may, on closer examination, possess little or no significance for competitive advantage or disadvantage (Duncan, et.al., 1998:7). It requires introspection, self-examination and a more systematic analysis (Duncan, et.al., 1998). In order for a SWOT to be useful it should be undertaken in comparison with that of competitors.

One of the most important tasks during strategy making is management of the interface between the many, often competing, demands of an organization’s different stakeholders in relation to its strategic goals (Ackermann & Eden 2011: 180). Bryson (2007) also argues that attention to stakeholders is important throughout the whole strategic management process. Ackermann and Eden (2011) contend that top management while crafting an organization’s strategy needs also to attend to the strategic management of stakeholders if it wants to ensure the strategy’s robustness. This could be done by way of stakeholder analysis. A stakeholder analysis involves identifying the major internal and external stakeholders, their interests and concerns, and how these groups can be satisfied. Bryson (2007) argues that wise use of stakeholder analysis can help frame issues that are solvable in technically feasible and politically acceptable ways. A basic stakeholder analysis involves identification of criteria and decision on how each stakeholder influences the organization and what they need in return (Bryson, 2007). The result is ranking of each stakeholder according the level of importance to the organization. Steyn (2002) mentions the definition given by Harrison and St John (1998) that stakeholder analysis involves identifying and prioritizing key stakeholders, assessing their needs, collecting ideas from them, and integrating this knowledge into strategic management processes. Stakeholders can be classified based on their stake in the organization; ownership, economic or social stake or their influence; formal, economic or political power (Steyn, 2002). Stakeholders are those individuals or groups who; depend on an organization to fulfill their own goals and on whom, in turn, the organization depends (Johnson & et.al, 2007), have direct interests in the organization and without whose direct involvement the company would have difficulty surviving (Alkhafaji, 2003) and Freeman & Reed (1983) as cited by Ackermann and Eden (2011). Asghar (2011) uphold Dewhurst and Fitzpatrick’s (2005) definition of stakeholder as any individual or group that has the resources you need to deliver an initiative successfully or that has a stake in the initiative and stand to win or lose something from the plan. Simply stated, they are groups or individuals affected by the
organization as well as can affect it and could be stockholders, employees, management, major creditors, major consumers, major suppliers, etc. Stakeholder analysis should involve people with information that can’t be gained otherwise. Information may be garnered through the use of interviews, questionnaires, focus groups or other techniques. Ashgar (2011) noted that stakeholder analysis is necessary to craft strategies that helps to meet their interest.

The job of a strategist is basically to understand and cope up with competition. In order to create a strategy it is very important to have enough knowledge about the competitors. Porter (2008) identified five key forces that shape an industry. His basic contention is that, a thorough analysis of the five competitive forces could enable a firm in gaining a complete picture of what is influencing profitability. One of these five forces is rivalry among existing competitors. He argues that rivalry between existing competitors influences profitability of an industry. Bargaining power of buyers, one of such forces, according to Porter can create more value by forcing down prices, demanding better quality or more service and generally playing industry participants off against each other. Buyers being large, few in number and being able to switch easily to another supplier are identified by Porter (2008) as factors raising their bargaining power. Substitute products and services also pose a threat as they could limit the potential profit by defining a cap for the prices of existing products or services. Threat of new entrants is one component of the five forces which could bring new capacity and a desire to gain market share that puts pressure on prices, costs and the rate of investment necessary to compete. The power of customers is one of the factors affecting competition. Customers can force firms to down prices. An analysis of the five competitive forces is critical to contemplate retaliation actions by showing ways to redesign the forces in the firm’s favor. A careful five forces analysis could reveal important competitive threats. It indicates ways that can be used by the company to attain competitive advantage over rivals. It is also important to rate overall attractiveness of the industry.

Industry analysis also falls under environmental scanning. It is a sort of half-way house between SWOT analysis and strategy formulation (Hussey, 2006). Hussey (2006) further contends that it is another way of measuring the internal elements of the organization against what is going on in the wider world and is a way of looking at the relative power of all the players.
The environmental research has direct impact on the formulation of strategies (Zafar, et.al., 2013). Effective environmental scanning must be undertaken to successfully manage the external forces since environment influences organizational decision making. Roney (2010) upholds Drucker’s (1969) assertion that continuous assessments of present and potential business environments and re-planning are required for long term success in an age of discontinuity.

2.1.2.2. Strategy Formulation

Strategy formulation is the process of developing long term plans to deal effectively with environmental opportunities and threats. It starts when a leader tries to change the thinking of people (Azhar, et.al., 2013). It incorporates decision as to which business to pursue and how to allocate resources. It comprises the articulation of a mission, vision and a set of long term objectives to be achieved within the stated mission and selection of strategies (Kibicho, 2014 and Baroto, et.al., 2014: 51). Strategic planning is a systematic, formalized approach to strategy formulation (Grant 2003: 492). Scarf (1991) as cited by Alkhafaji (2003) defines strategic planning as a management tool to look at the future and see tomorrow’s opportunities or challenges to gain competitive position. Haycock, Cheadle & Bluestone (2012) define strategic planning as the systematic and logical identification of strategies. For Liedtka (2006), strategic planning is an analytical process aimed at programming already identified strategies and leads to a strategic plan. Salih & Doll (2013) argue that employee engagement encourages a sense of ownership of the strategy and further develops organizational capabilities. Mission and vision statements have been overwhelmingly accepted as an indispensable part of the strategic management process for organizations of all sectors (Phanuel and Darbi, 2012). The mission, vision and core values help describe why the organization exists and what values it holds as it progresses to its desired future state. An organization also identifies goals to fulfill the mission, uphold the core values, and achieve the vision.

A mission is a general expression of the overall purpose of the organization, which, ideally, is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organization (Johnson, et.al., 2007). Mission can be described as an organization’s raison d’être, or reason for being (Niven, 2006: 73). Alkhafaji (2003) defines mission as a clear definition of the organization’s business stating the overall strategy and the
strengths the company has. Mission tells the world who the organization is, what it does and why it is herewith (Neluheni, Pretorius & Ukpere, 2014). It describes the organization’s identity, product, market, and the particular methodology or technology of emphasis, size of the organization, what it hopes to achieve, the scope of endeavor and number and diversity of the organization’s businesses, markets, and customers (Alkhafaji, 2003).

Mission must include who the company is, what it wants to accomplish, the type of commitments it provides to customers and employees (Alkhafaji, 2003: 12). It must be, written in a positive tone, relevant, reliable and able to set the company apart from its competitors and energize all employees toward fulfilling the mission. Some of the important elements of the mission are the corporation’s goals and objectives, philosophy, and its basic values, ambitions, and beliefs. Mission must be carefully worded with the participation of all members of the organization to provide proper direction. It should also embody the values of the organization to which members should always comply with, describe the business domain and explain why it is attractive, include a clear, concise expression of the company’s purpose, philosophy and commitment, be easy to read and understand (Niven, 2006), identify key stakeholders and states the organizations commitment to meet these stakeholders needs (Mullane, 2002), illustrate overriding purpose or reason for being established (Mullane, 2002), reflect the basic beliefs, philosophies, tenets, principles, values and aspirations of the organization, define organizational customers (Raynor, 1998), show the organizations scope and boundaries in terms of products, markets and geography, long term (Niven, 2006), depict the organizations commitment to financial and economic objectives (pearce, 1982) & Kaplan & Norton (1996), show the organizations commitment to long term survival and growth, reflect the organization identity to distinctive capabilities and basis for competitive advantage and show how the organization aims to create value for stakeholders including shareholders, employees and customers.

Values are the timeless principles that represent the deeply held beliefs within the organization and are demonstrated through the day-to-day behaviors of all employees (Niven, 2006). BSC can be used as a tool to communicate your values, review them over time from top to bottom in the organization (Niven, 206). Core values define the guiding principles or tenets by which a company would like to operate and are intended to help shape attitudes, beliefs, and ultimately, the culture of the organization (Adams, 2005: 26).
Vision is a statement that defines where an organization wants to go in the future and is crafted based on the mission and values (Niven, 2006). Azhar, et.al. (2013:34) define vision as the hub of the organization and the heart of strategic management process. It is an expression of the longer term objectives and values of the organization, in a way that shows what the firm is trying to achieve (Hussey, 2006: 278). Vision is the bold and noble direction the organization is about to pursue (Neluheni, et.al., 2014). It includes a clear, compelling description of the organization as it carries out its mission at some point in the future (Adams, 2005: 26). Vision describes a picture of a relatively remote future. For Nutt (2006) vision can provide direction, create focus, create the enthusiasm, produce clarity about what is wanted, and direct human action. It helps to clarify the direction of the organization.

Vision should; be simple so that everyone can easily understand (Nutt, 2006), be challenging but yet workable enough to evoke employees (Phanuel and Darbi, 2012), be inspirational so that it stirs people’s blood to an extent that they would not like to fall asleep when thinking about it (Neluheni, et.a.l., 2014), include core values and core ideologies that distinguish one organization from another (Hussey, 1998) & (Mintzberg and Quinn, 1996), create possibilities that are creative, unique, vibrant and offer a new order (Nutt, 2006), be value centered incorporating the interests of key stakeholders, contain a concrete picture of the desired state, provide the basis for formulating strategies and objectives, appeal to all stakeholders, show the desired scope of business activities, be concise, be verifiable, be feasible, be future casting and be purpose driven in a way employees will have sense of belongingness towards the organization.

Alkhafaji(2003) states that a company’s mission must be turned into objectives and goals. Johnson, et.al (2007) define goal as the general statement of aim or purpose and objectives as precise statements derived from the goals. Goals and objectives both point to a desired result (Nutt, 2006). Goals are the foundation for an effective plan that moves beyond paper to action. Goals are driven by mission statement (Alkhafaji, 2003: 41). An effective goal should; guide how the firm operates, indicate which opportunities to pursue, inform business exit decisions, tie measures to drivers of success, provide a verified path to the achievement of a firms strategy, track the past, the present and the future, take stakeholders into account, be simplified, be
changed when the organization’s strategy changes, support the mission, deal with just one issue, represent a desired result that can be achieved and encompass a relatively longer period. Objectives are the ends or the desired results depicting smaller targets necessary to achieve the long-term objectives and providing direction and motivation. Objectives must; relate directly to the goal (Mullane, 2002), be clear, concise, and understandable (Phanuel and Darbi, 2012), be measurable and stated in terms of results (Phanuel and Darbi, 2012) & (Kaplan & Norton, 1996), begin with an action verb, specify a date for accomplishment (Mullane, 2002), be cascaded from goals, fulfill the SMART criteria (Specific, Measurable, Attainable, Realistic and Timely), reflect the specific desired accomplishments, be aggressive and challenging (Kaplan & Norton, 1996), but yet realistic and achievable, specify a result rather than an activity and have a time frame.

2.1.2.3. Strategy Implementation

Strategic implementation or strategy in action has to do with making strategy happen or making sure that created and planned strategies actually work in practice (Johnson, et.al., 2008). Implementation involves transforming the chosen strategies into action and includes the methods and techniques used to execute strategy. Krassnig, James & Ribière (2011) define strategy implementation as all measures, activities and processes dedicated to integrate a newly developed strategy into an existing business organization. For them strategy implementation is a crucial process that aims to bring the strategy to life. Implementation includes the arrangement of tasks and responsibilities to the individuals or groups in the organization (Alkhafaji (2003). It involves transforming the chosen strategies into action and methods and techniques the organization adopts to execute management’s selected strategy. Zafar, et.al., 2013 define strategy implementation as the process of making the strategy work as intended or putting the chosen strategy into action. It includes designing the organization’s structure, distributing resources, developing decision making process, and managing human resources. As a process of putting the strategy into action, it involves getting individuals and organizational subunits to go all out in executing their part of the strategic plan successfully (Nedelea & Paun, 2009). For Azhar, et.al. (2013) the process in which planned strategies are converted into real actions constitutes implementation. Strategy implementation is the dynamic activity within strategic management
process in which strategies and policies are put into action (Sorooshian, Norzima, Yusof & Rosnah, 2010).

Strategy implementation includes the sum total of activities for putting the strategic plans into action and is a critical cornerstone and an ally in building a capable organization (Smith, 2011). Without effective implementation, no business strategy can succeed (Andersen & Lie, 2013). With the same notion Sterling (2003) states that effective implementation of an average strategy beats mediocre implementation of a great strategy every time. Njagi & Kombo (2014) argue that execution is critical to success; without a carefully and well planned approach to execution, strategic goals cannot be attained. Formulated strategies are nothing if they could not be implemented efficiently (Azhar, et.al., 2013). Waweru (2011) in explaining the essence of implementation upholds Argyris’s (1989) stance that success or failure of strategies is linked, to a great measure to how they are implemented. He further states that poor implementation can make even sound strategic decisions ineffective, while successful implementation can make a doubtful strategic choice successful. Ability to implement strategy is the deciding factor between success and failure of a strategy in any company (Kibicho, 2014). Without proper implementation, even the most superior and fine strategy would not make the grade as established (Kibicho, 2014). Well formulated strategies only produce superior performance for the firm when they are successfully implemented (Mbaka & Mugambi, 2014: 61). A strategy can only add value to the organization if it is successfully implemented (Smith, 2011: 23).

Strategy implementation or the action stage of strategic management, as per Kaplan and Norton (1996) requires a firm to establish annual objectives, develop a strategy supportive culture, create an effective organizational structure, prepare budgets that are strategy supportive, develop and utilize information system, devise policies to guide decision making, motivate employees and allocate resources so that formulated strategies can be executed. Organizational structure refers to communication processes, work flow, and authority and responsibility relationships (Alkhafaji, 2003). Kayale (2012) defines structure as all the people, positions, procedures, processes, culture, technology and related elements that comprise the organization and how all these work together. Kayale (2012) asserts that structure must be totally integrated with strategy for the organization to achieve its mission and goals. Alkhafaji (2003) defines organizational culture as the collection of beliefs, expectations and values shared by organizational members.
and transmitted from one generation to the next. The corporate culture must support the strategic plan. Effective strategy execution needs translating the vision, communicating and linking, business planning, feedback and learning and leadership. The success of strategy depends on components human capital that embrace competencies and capabilities, budget and accountability and rewards (Neluheni, et.al., 2014). Lower-level managers as active players in the implementation process must determine what is required to achieve successful strategy implementation and guide the implementation process in their individual areas of responsibility. Execution cannot succeed unless the strategy itself is designed to be executable (Kibicho, 2014: 8). This can be done by breaking long-term corporate objectives to operational short-term objectives and developing specific functional, unit or departmental strategies and drawing action plans to achieve the objectives. Successful strategy implementation depends on working through others, organizing, motivating, culture-building and creating strong fits between strategy and how the organization does things (Musyoka, 2011). Managers must determine what internal conditions are needed to execute the strategic plan successfully (Njagi & Kombo, 2014). It involves delicate and sensitive issues such as resource mobilization, restructuring, cultural changes, technological changes, process changes, policy and leadership changes (Lihalo, 2013). Support and commitment by the majority of employees and middle management is identified by Mbaka, et.al. (2014) and Niven (2006) as a necessary component of successful strategy implementation. Everyone should understand the need for change and should contribute their effort to efficiently implement the strategies (Azhar, et.al., 2013). Strategy implementation fully depends upon efficient decision making (Azhar, et.al., 2013). Cooperation of all stakeholders, collaboration of different departments and coordination of implementation activities independently and in conjunction with each other are instrumental in making the goals of strategic plan happen (Asghar, 2011: 1127). Effective communication that explains the new responsibilities, duties and tasks plays a vital role in implementation (Mbaka & Mugambi, 2014: 61). Management should ensure that every staff member understands the strategic vision, the strategic themes and what their role will be in delivering the strategic vision.
2.1.2.4. Monitoring and evaluation of strategies

Alkhafaji (2003) defines evaluation and control as the step succeeding implementation and entails monitoring the organization’s performance to ensure that the chosen strategy achieves the desired objectives. This final step of the strategic management process includes analysis of the effect of internal and external factors on present strategies, measuring performance, and taking remedial or corrective steps. It is a tool to ensure effective implementation of the process (Zafar, et.al., 2013). Strategic control involves monitoring the extent to which the strategy is achieving the objectives and suggesting corrective action or a reconsideration of the objectives (Johnson, et.al., 2007: 15). Johnson, et.al. further assert that control is the monitoring of action steps to assess effectiveness of strategies and actions. It is an essential function for validating the success or failure of a strategy. It is undertaken with the aim of ensuring the achievement of organizational objectives. Evaluation is undertaken by evaluating performance in light of strategic plan. The aim is to determine if the selected strategies are implemented successfully, the resources are used and widely set objectives are achieved. Monitoring is the internal management process, by which systematic information about plan implementation is gathered and analyzed, with a view to identifying strengths and weaknesses and formulating practical proposals for taking the necessary action (correction of problems or reinforcement of successes) in order to reach the planned results (IIEP, 2010: 17).

Kaplan & Norton (1996) in trying to show how crucial measurement is argue that if something can’t be measured it can’t be managed. Strategy evaluation is the primary means for obtaining information on whether or not strategies are working well (Kaplan & Norton, 1996). Control can enhance the chances of success. A strategy control system is also necessary to measure and track the execution of the strategy and take corrective actions.

To ensure effective control system, management should identify the areas that need monitoring. The processes must be designed for all areas in a way that can be measured periodically and in a consistent manner (Alkhafaji, 2003).

There are several methods of control such as strategic, financial, management, operational and performance. Budget is one of the most commonly used means of controlling strategy implementation. It refers to the process of identifying, gathering, summarizing, and
communicating financial and nonfinancial information about the organization’s future activities. It provides managers with the opportunity to carefully match the goals of the organization with the resources necessary to accomplish those goals. In such cases actual performance will be compared to the standards. It can also be performed by comparing the amount of money actually spent to the amount that is budgeted for it (Alkhafaji, 2003). Balanced Scorecard, developed by Kaplan and Norton in 1997 (Krassnig, et.al., 2011), is also one of the most frequently applied performance measurement systems. Management should put in place proper tools for monitoring the implementation of strategies and the standards in light of which performance is evaluated are also clear.

2.1.3. Balanced Scorecard

As mentioned in the introductory chapter EIC has recently started to implement BSC. This justifies the allotment of a section that deals with the same. Balanced scorecard is a new approach to strategic management which was developed in the early 1990s by Robert Kaplan & David Norton. Lawson, Hatch & Desroches (2008) cited Horngren, Datar & Foster’s (2005) definition of BSC as a framework for implementing strategy that translates an organization’s mission and strategy into a set of performance measures. Cobbold & Lawri (2002) also propose BSC as a basis for strategic management system. BSC can also be associated with communication and articulation of strategy at operational levels (Shulver & Antarkar). It is also a management system that enables organizations to clarify their vision & strategy and translate them into action. As a performance management system it enables an organization to translate its vision and strategy into objectives and measurements (Lawson, et.al., 2008). Generally speaking, BSC is a communication tool, measurement system and strategic management system.

According to Niven (2006) BSC provides the framework for an organization to move from deciding to live its strategy to doing it since it is crucial in translating mission into concrete objectives that align all employees. BSC as a strategic management tool helps to measure, monitor, and communicate strategic plans and goals throughout the organization in a way that is understood by everyone (Lawson, et.al., 2008). It enables the monitoring of current performance and attempts to capture information about how well the organization will perform in the future. BSC can be applied to monitor and report strategy execution. The overall strategy is articulated,
appropriate KPIs are selected, and targets are set before results can be measured and scores used for control purposes (Lawson, et.al., 2008).

BSC measures organizational performance in terms of four balanced perspectives: financial, customer, internal business process, and learning and growth (Kaplan & Norton, 1996). BSC is ideally created through a shared understanding and translation of the organization’s strategy into objectives, measures, targets, and initiatives in each of the four Scorecard perspectives. Under customer perspective the focal point is identifying target customers and their expectations. It includes measures with direct impact on customers. In the Internal Process perspective of the Scorecard, key processes the firm must excel at are identified to continue adding value for customers and shareholders. It includes measures reflecting the key business processes. Learning and Growth perspective refers to the foundation upon which BSC is built. Employee skills, employee satisfaction, availability of information, and alignment could all have a place in this perspective. (Niven, 2006). Financial perspective includes measures reflecting financial performance.

The main goals of BSC are to align business activities with the vision and strategy of the organization, improve internal and external communications, and monitor organizational performance against strategic goals (Ak & Öztayşi). BSC provides executives with a comprehensive framework that translates a company vision and strategy into a coherent set of performance measures (Norton & Kaplan, 1996). The success of BSC besides other factors depends on a supportive organizational environment. This is reflected by buy-in from the top-level management, articulation and communication of the organization’s strategy and the reasons for implementing the scorecard, alignment of human capital to the strategy, the existence of employees that accept and use the system, use of feedback to understand the progress and make changes where required, suitable automation. An eventual link to compensation and reward systems, use of consultants appropriately, provision of adequate time to implement and realize the benefits and having in place a system that is pervasive. Operational control and strategy management are the two main reasons for implementing BSC.
2.1.4. Challenges in Strategic Management

Hussey (1998) and Abdulwahid, Muhamad & Sehar (2013) identified problems in strategic management as lack of acceptance by the management, confusion about corporate planning and its meaning, failure to use the plan, over sophistication of the plans, conflicting goals and priorities, non-convergence, lack of competent people, lack of team management, ineffective operational arrangement, lack of support from the top level, unclear target of success, non-acceptor organizational culture, divergent organizational structure, lack of commitment of decision makers and ambiguous strategy. These factors hinder successful implementation of strategies. Inaccurate and poorly stated information about change is also one of the challenges (Salih & Doll, 2013). Strategies fail due to unanticipated market changes, lack of senior management (CEO) support, lack of effective monitoring and application of insufficient resources, insufficient buy in to or understanding of the strategy among those who need to implement it (Sterling, 2003). Strategic drift which refers to the situation where strategies progressively fail to address the strategic position of the organization is one of the challenges in strategic management and leads to deterioration of performance (Johnson, et.al., 2007). Adams (2005) identified out of date organizational strategies and the probability that organizational strategies mayn’t be detailed as problems. Failure to frequently update the strategic plan irrespective of changes in the internal and external environment has the power of making the plan irrelevant (Adams, 2005). The same goes to failure to adequately consider external events affecting the organization’s strategy.

Lihalo (2013) undertook a study to examine the three categories of barriers to strategy implementation faced by mid-sized companies in Kenya. He identified internal challenges in strategy implementation as behavior resistance to change, inappropriate systems (structure, culture, leadership), inadequate human physical and financial resources, poor communication of the organization strategy and lack of proper training and instruction to employees. The external barriers were found to be business macro factors in the operating environment including factors such as stiff competition and un-anticipated new substitute or competing products.

The problems that cause strategic plans to fail are categorized by literature into the strategy planning process, a quality strategy, implementation of the strategy as well as the organization
structure and climate (Neluheni, et.al., 2014). Sihab, Ridwan & Marti (2012) uphold Rudd, Greenley & Beatson (2008) contention that strategic management often fails due to problems or barriers encountered at the implementation stage.

Strategy implementation failures may be as a result of unfeasibility of the strategy, weak management, unworthiness or a misunderstanding of strategy, unaligned organization systems and resources, poor coordination, uncontrolled environment factors, linking performance and pay to strategies and resistance to change within the organization (Kibicho, 2014).

2.1.5. Strategic Management in the insurance sector

Success of an insurance company depends on identification of markets, assessment of risks of the insured and the insurance corporation and estimation of losses, penetration into and exploitation of markets and Control over investment and operating costs (Kasturi. 2006). Strategic management is one of the tools that can be used to ensure attainment of competitive advantage. As mentioned previously strategy formulation is one of the steps in the strategic management process performed after efficient identification of markets. Several factors including internal and external ones influence strategy formulation of insurance companies Kasturi (2006). Front line management of insurance companies should constantly update their knowledge on environmental factors. This is crucial to ensure alignment of the strategy with the environment. Internal efficiencies of the insurance company should also be considered while formulating strategy. Once the strategy is formulated, each division and branch is required to prepare necessary strategic plans and programs to implement the strategies. Kasturi in his journal article entitled performance measurement of insurance companies using BSC concludes that every insurance company that flourishes over long run implements BSC and constantly improves the measures and results of the corporation. Assigning weights to various measures in a balanced scorecard is case sensitive in consideration with several environmental and internal factors of a corporation.
2.2. Empirical Review

A thesis entitled ‘A study of strategic planning and environmental scanning in the multiunit Portuguese hotel sector’ by Costa (1997) addresses the strategic planning and environmental scanning activities of the hotel chains operating in Portugal. The researcher employed exploratory and descriptive design based on a qualitative and inductive approach. The findings reveal lack of formal continuous environmental scanning by both formal and informal planning chains and a significant number of similarities in terms of the scanning methods and sources used by the case study organizations.

Mosiah (2008) explored the strategic management practices of small firms operating in the emerging economies with emphasis on the health biochemistry industry. He compares these practices with the context of the practices documented in history. The research used qualitative data from a non-probability sample of two firms in the industry. Case study methodology using in-depth interviews was employed to collect data from the senior executives of these two firms. The research recommended that the emerging industries should engage in formal strategic management practices.

Local studies on strategic management include an assessment of strategic management practices of Action for Development by Addisie (2015). The purpose of the research was assessing the strategic plan formulation and implementation in the case of Action for Development. Both primary and secondary sources of data were used for the research. Out of the total 91 employees, the researcher used 46 employees as a sample using simple random sampling. Data was collected using structured close ended and also open ended questions. The quantitative data analysis was done using descriptive statistics while the qualitative data was analyzed using narrative form. The results indicated that action for development has major drawbacks in the areas of effectively communicating the strategic plan to concerned stakeholders. The researcher recommended that Action for development should effectively communicate the strategic plan to concerned stakeholders to ensure the same level of understanding, find sustainable sources of finance to support the implementation of strategies and should work on capacity development of its employees.
The research by Addisie (2015), unlike its topic, focuses on some aspects of the strategic management process namely the level of stakeholder participation, the level of communication and the contribution of performance evaluation to the implementation of strategies at Action for Development. The topic however encompasses all aspects of the strategic management process. Most of the literatures including senior theses and journal articles usually focus on one of the phases of strategic management process. This research will contribute a lot to the literature as it is an assessment of the overall strategic management process.

2.3. Conceptual or theoretical framework of the Study

A conceptual model shows how the researcher theorizes the relationships among several factors identified as being important to the research questions. With this in purview, a conceptual model has been developed based on the reviews of previous knowledge to discuss the interrelationships among the variables deemed integral parts of the strategic management process.

The overall strategic management process and variables falling under each component are depicted in Figure 2.2. below.
Figure 2.2. Conceptual framework of the study

Environmental scanning
- Comprehensive analysis of external (macro & micro) and internal forces
- Stakeholder Analysis; ranking
- Industry Analysis
- Competitor analysis; overall attractiveness of the market will be rated

Strategy formulation
Involvement of stakeholders
Strategic plan
Mission, Vision, Goals & objectives

Strategy implementation
Communication of the corporate strategy
Communication of individual roles & the role of work units
Alignment of business plans with corporate strategy

Strategy monitoring & evaluation
Application of Proper tools
Clarity of the standards based on which performance is evaluated

Challenges of Strategic management

Environmental Scanning
Strategy formulation
Strategy implementation
Strategy monitoring & evaluation

Internal
External
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

This chapter describes the approach to organizing the research and the methods for gathering and analyzing data to answer the research questions proposed in the introductory chapter.

3.1. Research Design

The primary purpose of this study is to describe strategic management practices of EIC in light of the theoretical framework and hence it can be said that it has a descriptive nature. The major purpose of descriptive research is to describe characteristics of a certain phenomenon. This research also aims to describe the strategic management process in EIC. Descriptive research designs describe the characteristics of objects, people, or organizations (Zikmund, Babin, Carr & Griffin, 2012:15). Descriptive research paints a picture of the specific details of a situation, social setting, or relationship. By giving answers to who, what, when, where, and how questions. For Kohtari (2006), descriptive research aims at describing a situation in terms of its characteristics. This research will also try to give details on the strategic management process in EIC by portraying all of the four components of the process ranging from environmental scanning to strategy monitoring and evaluation and also the challenges of the strategic management process.

Descriptive research design is chosen for this research as it is suitable to accurately portray components of a given process, strategic management in this case. Punch (2006) argues that descriptive research design basically gives answer to the question of ‘what is the case or situation here?’ So does this research as far the strategic management process in EIC is concerned. Descriptive research is opted for since it helps in drawing a clear picture of a phenomenon and acquisition of a lot of information. Descriptive research’s purpose of describing how reality is perfectly aligns with the general objective of this research which is describing the strategic management practices of EIC.

3.2. Population and Sampling Design

Population refers to the full set of cases from which a sample is taken (Saunders, 2009:21). It refers to the larger group from which individuals are selected to participate in a study. In the case
at hand, the population constitutes all employees of EIC (1,236 as at March 31st 2014). Target Population refers to the set of all elements belonging to a certain defined group to be studied or to which research results are going to be generalized to. The target population in the case at hand comprises 701 employees of the corporation. This constitutes managerial staff and non-managerial employees above the position of officer. It was not found necessary to include the remaining segment of the population. The trainee officers aren’t included under the sample as they have served the organization for less than a year and won’t be able to see at least one cycle of the strategic management process. Employees undertaking janitorial, messenger and security services and office assistants are excluded since they didn’t perform professional services and aren’t considered as part of a team and the corporate scorecard is cascaded up to the level of teams.

A concurrent sampling in which quantitative probability and qualitative purposeful sampling are combined in this research. Purposive or judgmental sampling is used to extract qualitative data and stratified sampling is used to draw samples for the quantitative data. A purposive sampling method enables the researcher to use personal judgment in selecting cases that will best enable him/her answer research question(s) and meet objectives (Saunders, 2009). Denscombe (2007) states that sample, in case of purposive sampling, is hand-picked. It is important when the researcher wishes to select cases that are particularly informative.

One member of the process council - DCEO of BDRM Office and one member of the strategic management team – Team leader of Strategic Management team are handpicked based on purposive sampling and interviewed to gain a comprehensive reflection on the strategic management process of EIC. A purposive non probability sampling technique is employed to select this sample because of the huge level of impact the selected persons play in the strategic management process. These two members of the organization are most likely able to render valuable data. The strategic management team leader is chosen since strategies are formulated and implemented at the level of the strategic management team. The strategic management team leader champions the strategic management process. The team leader leads the overall strategic management process including approval of business plans of different work units and also evaluation of strategy implementation. This enables the team leader to give a comprehensive reflection on the overall process. The DCEO of BDRM is also believed to render valuable
information on the subject. Because, strategic plan in EIC is approved by the top management dubbed as Process Council and the DCEO is member of this council. The DCEO’s position in the process council gives him/her the opportunity to reflect on how the top management approves strategic plans. Losing even one of these persons will have great repercussions on the data to be collected as they are intensively involved in the strategic management process.

A stratified sampling technique is applied to identify sample from the remaining target population. A stratified sample can be defined as one in which every member of the population has an equal chance of being selected in relation to their proportion within the total population (Denscombe, 2007:14). A stratified sampling is chosen as the target population comprises of two strata, managerial staff and non-managerial staff. If the population from which a sample is to be drawn doesn’t constitute a homogeneous group, then stratified sampling technique is applied so as to obtain a representative sample (Kohtari, 2004). In this technique, the population is stratified into a number of non-overlapping subpopulations or strata and sample items are selected from each stratum. Proportional stratified sampling specifically is the one in which the number of sampling units drawn from each stratum is in proportion to the relative population size of that stratum. This sampling technique is advantageous since it assures representation of all groups in sample population needed.

The desired sample size is 254. This is calculated using the following sample size determination formula suggested by http://www.webcitation.org.

\[ n = \frac{N}{1 + Ne^2} \]

Where

\( N = \) Target population\n\( n = \) sample size\n\( e = \) level of precision=0.05

Given confidence level of 95% and precision rate of ±5 percent

\[ n = \frac{701}{1+701(0.05)^2} = 254 \]

Non managerial employees are however 463. The above sample size, 254, is proportionately distributed into these two strata to guarantee
appropriate and equal representation. Strata one consists of the managerial staff and strata two consists of the non-managerial employees.

The applicable formula to identify the respective sample size for each strata is

\[
N_s = \left( \frac{D_1}{N} \right) \times n
\]

Where;

- \(N_s\) = sample size for each strata
- \(N\) = Total Number of population
- \(D_1\) = Population size of the strata
- \(n\) = sample size

The total number of sample from managerial staff, Strata one is 86.

\[
N_{s1} = \left( \frac{238}{700} \right) \times 254 = 86
\]

The total number of sample from the employees, Strata two is 168.

\[
N_{s1} = \left( \frac{463}{700} \right) \times 254 = 168
\]

### 3.3. Types of Data to be Collected and Used

In this study both primary and secondary data are collected. Primary data are those which are collected afresh and for the first time, and happen to be original in character (Kohtati, 2004:95). Secondary sources are those which are made available or have been collected for other research purposes. It refers to data that are already available i.e. data which have already been collected and analyzed by someone else (Kohtari, 2004).

As sources of primary data, interviews were conducted and questionnaires were distributed. Interview was used to collect data from the sample drawn based on purposive sampling (the strategic management team leader and the BDRM Office DCEO). The interview method of collecting data involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses (Kohtari, 2004:97). Interview is opted for since its potential as a data collection method can be best exploited when used for the exploration of more complex and subtle phenomena (Denscombe, 2007). This plus its ability to enable the researcher gain insights into
the respondents’ opinions, feelings, emotions and experiences makes the interview method appropriate in this case. Among the various forms of interview, the semi structured one was used. Such interview was used since it was believed that it allows the researcher to know specific information which can be compared and contrasted with information gained in other interviews at the same time maintaining flexibility. This is helpful in gaining a fuller understanding of the various components of strategic management. The interview was conducted in the office of the respondents and followed the framework provided under the interview guide which is attached under Appendix No.1.

Questionnaires were used to collect data from the 254 employees drawn based on stratified sampling. Saunders (2009) affirmed de Vaus’s (2002) definition of questionnaire as a general term which includes all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order. Questionnaires were used in this case since they can be administered to a large number of people at less cost and reach respondents who are not easily approachable. Questionnaires also give respondents adequate time to give well thought out answers (Kohtari, 2004).

Dencombe (2007) defines close ended questionnaires as those which structure the answers by allowing only answers which fit into categories that have been established in advance by the researcher. Since most of the questions demand the level of agreement of the employees, a Likert scale was used. A five scale format namely strongly agree, agree, moderately agree, disagree, and strongly disagree. Close ended format is chosen as it is easier and quicker for respondents to answer, easier to compare the answers of different respondents easier to code and statistically analyze. The questionnaires distributed to the management and other employees are different as both have different roles in strategic management.

As far as the secondary sources of data are concerned, the study made intensive use of EIC’s strategic plan for the period from 2010/2011 to 2014/20115 and the corporate scorecard for the period 2012/2013 to 2014/2015. Also reviewed are BPR documents of EIC and business plan and budget preparation guideline of the organization. Documents as sources of secondary data are chosen since they are vital in gaining a comprehensive view of the strategic management process at a less cost.
3.4. Data Collection Methods

As far as the mode of inquiry is concerned, this research followed a mixed approach. Mixed methods approach is a procedure for collecting, analyzing and mixing both quantitative and qualitative data (Creswell, 2009). Mixed research design is opted for since it allows gaining a fuller understanding of the strategic management process at EIC. Neither qualitative nor quantitative research methods are sufficient to have a full understanding of the situation. The quantitative and qualitative data, when used in tandem, complement each other and allow more complete analysis (Creswell, 2009). Quantitative data can reveal generalizable information for the larger portion of the sample. Qualitative data collected from the two respondents via interview has provided an in-depth understanding on the subject matter. Qualitative research techniques are particularly appropriate to research strategic planning because organizational processes are being studied and these processes vary according the type of organization, the experience of people, and people’s perceptions and judgments about that experience (Miles & Huberman, 1994).

3.5. Data Analysis Methods

Zikmund & et.al define data analysis as the application of reasoning to understand the data that have been gathered by determining consistent patterns and summarizing the relevant details revealed in the investigation. It is done with the aim of making sense out of data collected using various methodologies. All questionnaires were deposited in one place and completeness and accuracy of each was checked. The invalid ones were excluded. The results of the questionnaire were encoded into SPSS (Statistical Package for Social Sciences) version 20. Simplistic descriptive statistic techniques including percentages are applied. This is illustrated using frequency tables that indicate the frequency counts and percentages for each of the variables. The audio recorded format of the interview was transcribed into a word processed format. The qualitative data obtained from the interview and documents was described using qualitative analysis.
CHAPTER FOUR

RESULTS & DISCUSSION

In this chapter, the demographic nature of the respondents and reliability and validity of the measuring instrument is dealt with. The data collected from the different sources are also presented, analyzed and interpreted.

4.1. Demographic Information of the Respondents

The first part of the questionnaires distributed to both the management staff and employees consist of demographic information of the respondents. Limited information pertaining to position held, total number of years of experience and number of years served in the current position was posed to respondents and is summarized in the following table.

Table 4.1. Demographic characteristics of the respondents

<table>
<thead>
<tr>
<th>Job position of the respondents</th>
<th>Years of Experience in EIC</th>
<th>Years of Experience in current position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Percent</td>
</tr>
<tr>
<td>Top management</td>
<td>8</td>
<td>3.9</td>
</tr>
<tr>
<td>Middle management</td>
<td>20</td>
<td>9.7</td>
</tr>
<tr>
<td>First line managers</td>
<td>49</td>
<td>23.7</td>
</tr>
<tr>
<td>Senior officers</td>
<td>56</td>
<td>27.1</td>
</tr>
<tr>
<td>Officers</td>
<td>73</td>
<td>35.3</td>
</tr>
</tbody>
</table>

Source: Questionnaire May 2015

As can be seen from the first two columns of the above table, the respondents addressed are from the different strata. This segregation of the respondents is important to obtain valid results from employees of the organization at different positions. The other issue depicted in the above table is the overall years of experience in EIC. Based on the findings, the number of employees who served EIC for less than a year are only 9 or 4.3% of the total while the total number of employees who served in the corporation for more than eight years is 76 or 36.7 % of the total. As it is possible to see in from the same table, around 70% of the respondents have been serving
in their current position from a year to six years. From the data presented above, it is plausible to conclude the workforce composition of the respondents are qualified to explain about the strategic management practice in EIC. The majority’s, 70% of the respondents, stay in the organization for more than four years gives them the opportunity to reflect on the current strategic plan which was put in place four years back.

4.2. Questionnaire Collection Status

Table 4.2. Questionnaire collection status

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Management</td>
<td>Employees</td>
</tr>
<tr>
<td>Returned</td>
<td>77</td>
<td>130</td>
</tr>
<tr>
<td>Not Returned</td>
<td>9</td>
<td>38</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>168</td>
</tr>
</tbody>
</table>

Source: Questionnaire May 2015

As depicted in Table 4.2, 89% of the questionnaires distributed to the management staff and 77.4% of the questionnaires distributed to the employees are collected. This implies that the sample addressed is representative of the targeted population.

4.3. Reliability Test

Reliability refers to the consistency and dependability of a measuring instrument. One of the internal consistency methods of assessing reliability, cronbach alpha coefficient, was applied to check if it is proper to rely on the outcome of the questionnaires. This coefficient measures the extent to which an instrument yields consistent results. It measures how well items in a set are related to one another. Coefficient of 0.6 or above are nearly always acceptable. In this case the result of the reliability test are for the questionnaires to non managerial employees and to the management staff are 0.689 and 0.793 respectively.

Table 4.3. Reliability Test Statistics

<table>
<thead>
<tr>
<th>Questionnaires to the management</th>
<th>Questionnaires to non-managerial employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
<td>No of items</td>
</tr>
<tr>
<td>0.689</td>
<td>40</td>
</tr>
</tbody>
</table>
4.4. Validity

Validity is the most critical criterion that indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). Among the various forms of measuring validity, the content validity one is established in this case. Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study (Kothari, 2004). It can also be taken as the extent to which a measuring instrument provides adequate coverage of the topic under study. As per the same author, content validity is good if an instrument contains a representative sample. To ensure content validity, sample represented were those of the organizational employees who know better about the issue to be represented.

4.5. Results or findings of the Study

The basic findings of the study based on the data from the questionnaires, interview and document review are presented for the four phases of the strategic management process.

4.5.1. Environmental Scanning

The findings from the document review, interview and questionnaires concerning environmental scanning are presented under this section.

Responses from the interviewees indicated that the strategic management process in EIC commences with evaluation of the previous period strategic plan. The DCEO of BDRM specifically notes that evaluation of the previous period strategic plan is crucial in assessing if the previously crafted strategies are appropriate to the prevailing situations in the corporation. It also adds to the identification of challenges of the overall process. The strategic management team undertakes this review based on evaluation of the business plans implementation for the years falling within the strategic period. This assessment will be submitted to the strategic plan formulation team and upon approval will be sent to the process council for final approval. Evaluation of the previous period strategic plan as per the team leader and the DCEO serves as a baseline for the new strategic plan to be formulated.
Environmental scanning, as per the strategic management team leader, is undertaken prior to strategy formulation. As to the baseline for the analysis, he said the analysis for the 2010/2011-2014/15 strategic plan was done based on relevant data from the GTP. Mega projects planned under the GTP were taken as opportunities for the corporation. As far as economic factors are concerned, the assumptions provided under the GTP are taken as opportunities for EIC. The team leader goes on saying ‘an environmental scanning will also be undertaken every year even after the strategic plan is prepared to check if the assumptions are working out.’ This as to the team leaders’ belief is important to identify factors that might force the strategic plan to change.

As to the source of data for the environmental scanning, the team leader said industry data is taken from the NBE and national data on investment & growth is taken from MOFED. Transport Authority also serves as one source of data concerning road projects that are on board. Data on public enterprises and government institutions on the virtue of privatization is taken from Privatization Agency. Data on import and export which indicates projects falling within the scope of insurable pool is taken from the Ethiopian Revenues and Customs Authority. Ethiopian Investment Commission is also among the sources of information specifically pertaining to the amount of Foreign Direct Investment and employment opportunities they create. Ethiopian Electric Power Office and Ethiopian Electric Services Office also fall within the purview of the corporation as far as information regarding power generation plant and similar projects underway is concerned as Ethio-Telecom is for infrastructural developments regarding telecommunication. Competitor analysis is undertaken based on factors such as branch expansion, number of clients and others.

Three questions were posed to the managerial staff to evaluate comprehensiveness of environmental scanning activities. The findings are summarized in Table 4.4 below.
Table 4.4. Management’s opinion on comprehensiveness of EIC’s Environmental Scanning

<table>
<thead>
<tr>
<th>Scale</th>
<th>EIC comprehensively analyzed the internal and External factors</th>
<th>EIC undertook proper stakeholder analysis before the strategic plan formulation</th>
<th>comprehensive competitor Analysis is done during the strategy formulation process</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Percentage</td>
<td>Count</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>7</td>
<td>9.1</td>
<td>6</td>
</tr>
<tr>
<td>Agree</td>
<td>28</td>
<td>36.4</td>
<td>27</td>
</tr>
<tr>
<td>Moderately agree</td>
<td>29</td>
<td>37.7</td>
<td>25</td>
</tr>
<tr>
<td>Disagree</td>
<td>13</td>
<td>16.9</td>
<td>17</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100</td>
<td>77</td>
</tr>
</tbody>
</table>

Source: Questionnaire May 2015

73%, 75% and 74% of the respondents respectively believe that EIC has comprehensively analyzed the internal and external factors within the environment, undertook proper stakeholder analysis and comprehensive competitor analysis. This implies that the internal and external factors are analyzed well besides comprehensive analysis of stakeholders and competitors.

**Findings on environmental scanning from the document review**

Under the corporate assessment section of the strategic plan for the period 2010/2011 to 2014/2015, EIC’s strengths and weaknesses and the opportunities and threats it faces from the external environment are incorporated. Also included are industry analysis, stakeholder analysis and competitor analysis.

**a. SWOT Analysis**

The financial strengths of EIC as per the document are liquidity ratio and solvency ratio which are within the range accepted internationally and by the NBE. A return on equity which is high beyond the industry standard and a claims ratio which is within the acceptable standard are also identified as strengths while weak credit control system, an above the average net trade debtors to statutory equity ratio, a low return on investment and low paid up capital are however identified as weaknesses.
The strength of the corporation in terms of ICT as per the corporate assessment is implementation of accounting and insurance software packages. Technological weaknesses as per the same corporate assessment are the data center being located in a place with high physical security risk and in a condition with less safety measures. The fact that there are only few certified IT professionals to minimize the dependence on outside suppliers is also identified as a weakness. One issue mentioned under the section dealing with technological weaknesses is ‘Since the Corporation is becoming highly dependent on IT, it should have data recovery center or recovery site and a contingency plan so as to shift towards that in case of failure of the technology’.

Wide distribution channel is identified as a strength of EIC in terms of Marketing, Research and Development. The same goes to a leading market share. Good will acquired through long term service, known brand, reliability, huge claims settlement capacity, its contribution in fulfilling its corporate social responsibility, its membership & key role in different regional organizations and relationship with internationally accepted reinsurers & brokers is identified as a marketing strength. Promotional, public relation and awareness creation activities being below the desired level and weak retirement follow up and retention of agents are identified as marketing weaknesses.

Equal employment opportunity and fair retirement and selection of new employees, the existence of physical assets such as buildings and garages are identified as resource management strengths putting EIC ahead of its competitors while weak performance measurement & management systems, poor reward and motivation scheme, poor employee satisfaction, absence of database to maintain personnel record, turnover, absence of a well-developed job evaluation system and succession plan are isolated as resource management weaknesses.

The law which allows the financial industry only to domestic investors, the no premium no cover law of the country, capacity building and good governance policies of the government are taken as politico legal opportunities of EIC. Privatization of public enterprises which if not privatized will automatically be clients of EIC, government’s policy on compulsory health insurance policy, NBE’s law that limits the investment ventures insurers could participate in and the compulsory third party liability law are taken as politico legal threats of EIC.
The education sector development program crafted by the government for the GTP period to create effective, knowledgeable and effective citizens, a strategic direction on health care system that aims at prevention, increasing per capita income and compulsory third party liability insurance are taken as social opportunities for EIC. The threats in this regard however comprise the prevailing pension schemes that will decrease demand for life insurance policies, self-insurance and high traffic accident. Ethiopia’s accession to the WTO is identified as a threat under the strategic plan as the corporation might face fierce competition from foreign companies entering into the market.

b. Stakeholder Analysis

The strategic plan incorporates a stakeholder analysis that was undertaken based on the need versus impact model of stakeholder analysis. The BOM, the process council and employees of EIC are identified as internal stakeholders while customers, reinsurers, PFEA, NBE and Intermediaries of the corporation are identified as external ones. PFEA is identified as one of the external stakeholders of EIC. Brokers, both local and international are taken as external stakeholders of the corporation separate from that of customers.

c. Competitor and Industry Analysis

Analysis of the insurance industry was performed using Porter’s five forces model which is based on an analysis of a company's competitive position within its environment in respect of the relative strength of buyers or customers, relative strength of suppliers, the relative ease with which potential competitors can enter the market, availability of substitutes and rivalry between competing firms.

Price cut competition among insurers, consistent industry growth, chronic shortage of manpower in the industry, consistent increase in the number of insurance companies, the use of identical insurance products, stagnation of the long term insurance business, increasing number of financial institutions established as sister companies and the existence of exit barriers in the insurance industry are supposed to increase the competition. A comparatively low capital requirement and initiative on the part of the government to establish stock market are identified as factors increasing the threat of new entrants. The law that limits the insurance industry only to local investors is identified as a barrier to entry at least as far as foreign insurers are concerned.
The power of suppliers analysis rests on such institutions as the use of limited number of reinsurers and international brokers, high switching cost to move from one supplier to another, the existence of few firms providing actuarial services and weak co-insurance arrangements with local insurance companies. An analysis of buyers’ strength however relies on such factors as increasing negotiation capacity of clients, little switching costs for clients and increasing will to accept buyers on their terms. Self-insurance, MFIs and community based associations such as Idir are identified as substitutes to the services the corporation provides.

4.5.2. **Strategy Formulation**

A question was posed to the interviewees to have a full-fledged picture on the strategy formulation process in EIC. The team leader said the strategy formulation process begins with formation of a strategy preparat. As can be seen from the above table, majority of the respondents, 56.7%, believe that the strategy formulation process is participatory. This starts when the BDRM office sends a letter to the different work units to send a member for the team to be formed. As to the team leader, since the involvement of all employees is basically unrealistic, they have opted for this option. This is also provided in the BPR Organizing Report of November 2009 for the Strategic Management Directorate (SMD). According the same document, the team comprises of the SMD director, Strategic management team leader, other members of the strategic management team and employees from various directorates and consultants if needed. The DCEO believes such team composition has the purpose of ensuring the involvement of all organizational members as team members are believed to communicate back and forth within the team and employees within their unit. However the organization didn’t put in place a mechanism to check the two way communication. After the strategic plan is prepared following a thorough discussion at the level of the strategy formulation team, it will be presented to the top management or the Process Council for discussion and approval. The team leader said unlike what is presented in the SMP manual, wider forum discussion on strategic plan has never been held.

A question was posed to the employees to see the level of participation in the strategy formulation process. As can be seen from Table 4.5 below majority of the respondents, 56.7%, believe that the strategy formulation process is participatory. From this, at this stage, it can fairly be concluded that the strategy formulation process in EIC is participatory.
Six questions were posed to the managerial staff respondents to uncover their opinion on the strategy formulation process in EIC.

Table 4.5. Employees’ opinion on participation in the strategy formulation process

<table>
<thead>
<tr>
<th>The strategic plan preparation in EIC is participatory</th>
<th>Count</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>11</td>
<td>8.5</td>
</tr>
<tr>
<td>Agree</td>
<td>35</td>
<td>26.9</td>
</tr>
<tr>
<td>Moderately agree</td>
<td>29</td>
<td>22.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>28</td>
<td>21.5</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>27</td>
<td>20.8</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Questionnaire May 2015

Among the respondents 80% believe that the strategy formulation process participates concerned stakeholders. The majority, 64% of the respondents believe that EIC’s vision is achievable,
simple and easy to understand. From the interview it was found out that the DCEO thinks EIC’s vision is achievable. She said being a world class insurer doesn’t mean being equal with the giant international insurance companies in all aspects. The basic thing is ensuring that EIC has the expertise, technology and financial strength. She further noted that being a world class insurer is all about giving the services expected of world class insurance companies. This as to her won’t take long as the corporation is growing in terms of its paid up capital and computerization in all aspects.

The statement that EIC’s mission reflects its basic undertaking or activity is supported by 74% of the total. With the support of the majority, 77% and 92%, it can be concluded that the goals and objectives of the corporation are attainable and appropriate respectively. Around 80% of the respondents also believe that EIC’s generic strategies are appropriate to achieve its vision and mission.

4.5.3. Strategy Implementation

During the active period of the strategic plan document, the strategic management team undertakes environmental scanning every year to see if there are changed circumstances in the environment. This is provided under the strategic management process manual and guideline issued in the year 2009. The team prepares business plan and budget preparation guideline based on the environmental scanning it undertakes every year. As mentioned in the business plan and budget preparation guideline for the year 2014/2015, the strategic management team identifies summary of perspectives and corporate objectives applicable for each business unit. Every work unit will then prepare a business plan for the year. Setting of targets for branches and identification of potential businesses will however be made by the team. This marks the launching of the implementation of corporate strategies. The strategic management team, after discussion with one representative from every work unit, will approve the business plans. Such discussions as per the manual are vital to see if work units have overestimated or underestimated their plans. Preparation of business plans for the different work units marks the launching of the strategy implementation phase of the process.

One of the basic factors in strategy implementation is communication of the strategy to concerned stakeholders including performers. The team leader believes communication of the strategic plan by the strategic management team is not enough. The same notion is shared by the
DCEO of BDRM. The interviewees said attempts of the corporation in communicating the strategy aren’t enough and all encompassing.

EIC’s employees’ and the managerial staff’s opinion was collected through questionnaires to see the level of strategy communication and the level of alignment of business plans with the corporate strategy. The responses to the four questions on strategy implementation posed to the managerial staff are summarized as follows.

Table 4.7. Management staffs’ response on communication and strategy alignment

<table>
<thead>
<tr>
<th>Description</th>
<th>EIC's Corporate Strategy has been effectively communicated</th>
<th>Role of each work unit and individual in achieving the strategic plan is communicated well</th>
<th>Necessary guidance on preparation of business plans has been given</th>
<th>The business plan of your work unit is integrated with the corporate strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>Percent</td>
<td>Count</td>
<td>Percent</td>
<td>Count</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>3</td>
<td>3.9</td>
<td>4</td>
<td>5.2</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
<td>16.9</td>
<td>8</td>
<td>10.4</td>
</tr>
<tr>
<td>Moderately agree</td>
<td>15</td>
<td>19.8</td>
<td>25</td>
<td>32.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>29</td>
<td>37.7</td>
<td>30</td>
<td>39</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>17</td>
<td>22.07</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100</td>
<td>77</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Questionnaire May 2015

As around 64% of the managerial staff respondents disagree with the statement that EIC’s vision have been effectively communicated, it can be concluded that the vision statement hasn’t been effectively communicated to the performers. As per 65 of the respondents, the mission of the corporation has been effectively communicated. As the majority of the respondents constituting 60% believe that the core values have been effectively communicated, a conclusion as to effective communication of the core values can be made. The support of 62% of the respondents leads to the conclusion that the corporate goals and objectives have been effectively communicated. From the findings in the above table concerning the level of participation in business plan preparation, the majority believe the business plan preparation at the level of work units is participatory.
Six questions were posed to the employees with special emphasis to uncover the level of communication of strategy and its components. The findings from the questionnaires collected from 130 officers and senior officers are briefly summarized under the following table.

Table 4.8. Summary of employees’ opinion on strategy implementation

<table>
<thead>
<tr>
<th></th>
<th>Count</th>
<th>Percentage</th>
<th>Count</th>
<th>Percentage</th>
<th>Count</th>
<th>Percentage</th>
<th>Count</th>
<th>Percentage</th>
<th>Count</th>
<th>Percentage</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIC’s vision has been effectively communicated</td>
<td>9</td>
<td>6.9</td>
<td>13</td>
<td>10.0</td>
<td>12</td>
<td>9.2</td>
<td>7</td>
<td>5.4</td>
<td>8</td>
<td>6.2</td>
<td>15</td>
<td>11.5</td>
</tr>
<tr>
<td>EIC’s mission has been effectively communicated</td>
<td>18</td>
<td>13.8</td>
<td>32</td>
<td>24.6</td>
<td>37</td>
<td>28.5</td>
<td>31</td>
<td>23.8</td>
<td>40</td>
<td>30.8</td>
<td>36</td>
<td>27.7</td>
</tr>
<tr>
<td>EIC’s core values have been effectively communicated</td>
<td>19</td>
<td>14.6</td>
<td>40</td>
<td>30.8</td>
<td>42</td>
<td>32.3</td>
<td>29</td>
<td>22.3</td>
<td>37</td>
<td>28.5</td>
<td>27</td>
<td>20.8</td>
</tr>
<tr>
<td>EIC’s corporate goals and objectives have been effectively communicated</td>
<td>50</td>
<td>38.4</td>
<td>30</td>
<td>23.1</td>
<td>24</td>
<td>18.5</td>
<td>49</td>
<td>37.7</td>
<td>30</td>
<td>23.1</td>
<td>35</td>
<td>26.9</td>
</tr>
<tr>
<td>The business plan preparation is participatory</td>
<td>50</td>
<td>38.4</td>
<td>30</td>
<td>23.1</td>
<td>24</td>
<td>18.5</td>
<td>49</td>
<td>37.7</td>
<td>30</td>
<td>23.1</td>
<td>35</td>
<td>26.9</td>
</tr>
<tr>
<td>Individual roles in achieving the strategic plan are communicated well</td>
<td>130</td>
<td>100</td>
<td>130</td>
<td>100</td>
<td>130</td>
<td>100</td>
<td>130</td>
<td>100</td>
<td>130</td>
<td>100</td>
<td>130</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Questionnaire May 2015, NB: S.D= Standard deviation

From the above table, it is clear that EIC’s vision hasn’t been effectively communicated to the performers as per 64% of the respondents. Effective communication of the mission statement is supported by the majority, 70% of the respondents. Sixty percent of the respondents from the employees’ strata believe that the core values have been effectively communicated. Around 62% of the respondents believe that corporate goals and objectives have been effectively communicated. Participatory nature of the business plan preparation at the level of different work units has been supported by the majority. Around 52% of the respondents don’t believe that individual roles are effectively communicated. This leads to the conclusion that individuals don’t know their role in ensuring accomplishment of the strategic plan.
Four questions were posed to the employees and the management staff to examine the extent to which the core values of EIC are implanted in the day to day undertakings of the organization. The findings are summarized in Table 4.9 below.

Table 4.9. Management’s and employees assessment of core values implementation

<table>
<thead>
<tr>
<th>Description</th>
<th>Activities in EIC are aimed at primarily meeting the interest of customers</th>
<th>EIC always strives to deliver better than what it did last time</th>
<th>EIC gives professional advice on loss prevention and control to its clients</th>
<th>Activities of EIC in ensuring continuous learning are enough</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level</strong></td>
<td><strong>Scale</strong></td>
<td><strong>Count</strong></td>
<td><strong>Percent</strong></td>
<td><strong>Count</strong></td>
</tr>
<tr>
<td>Management</td>
<td>Strongly agree</td>
<td>5</td>
<td>6.5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>14</td>
<td>18.2</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Moderately agree</td>
<td>34</td>
<td>44.2</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>22</td>
<td>28.6</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Strongly disagree</td>
<td>2</td>
<td>2.6</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>77</td>
<td>100</td>
<td>77</td>
</tr>
<tr>
<td>Employees</td>
<td>Strongly agree</td>
<td>14</td>
<td>10.1</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>44</td>
<td>34.6</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Moderately agree</td>
<td>33</td>
<td>28.5</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>25</td>
<td>13.5</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Strongly disagree</td>
<td>14</td>
<td>10.8</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>130</td>
<td>100</td>
<td>130</td>
</tr>
</tbody>
</table>

Source: Questionnaire May 2015

Sixty nine percent of respondents from the management staff and 74% of employee respondents believe that activities of EIC are aimed primarily at meeting the interest of customers. Among the respondents from the managerial staff and employees, 62% and 60% believe that EIC always strives to deliver better than what it did last time. 56% and 67% of the management and the employees agree with the contention that EIC gives professional advice to its clients on loss prevention and control. From these, it can be deduced that the CoE values of excellence, pro-activeness and customer focused are implanted in the activities of the corporation. While employees of the corporation believe that the core value of being a learning organization is implanted in activities of the corporation, the management thinks otherwise.
4.5.4. Strategy Monitoring and Evaluation

As indicated under the business plan and budget preparation guideline for the year 2014/2015, EIC has started to link performance measurement to strategy. This was applied since it was believed that traditional performance measures are insufficient to gauge performance and guide EIC in today’s rapidly changing and multipart environment. As indicated in the same document, every work unit will perform activities as per the cascaded business plans or operational plans to be prepared every year for each business unit. Every work unit including branches, districts, directorates and teams will send reports on a quarterly and annual basis on their performance. This will be evaluated by the strategic management team. Key performance indicators for each of the corporate objectives indicated under the strategic plan and operational plans will serve as a baseline for the evaluation. Corporate targets for each year also serve as a benchmark to evaluate implementation of strategies or business plans.

Two questions were raised to the management and employees to evaluate standards and tools for evaluating performance. The findings are summarized as follows.

Table 4.10. Employees’ and Management’s opinion on Strategy monitoring and evaluation

<table>
<thead>
<tr>
<th>Description</th>
<th>Summary of management’s opinion on strategy monitoring and evaluation</th>
<th>Summary of employees opinion on strategy monitoring and evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EIC uses proper tools for monitoring the implementation of strategies</td>
<td>The standards based on which strategy implementation is evaluated are clear</td>
</tr>
<tr>
<td>Count</td>
<td>Percent</td>
<td>Count</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Agree</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Moderately agree</td>
<td>34</td>
<td>29</td>
</tr>
<tr>
<td>Disagree</td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100</td>
</tr>
</tbody>
</table>

Source; Questionnaire 2015

The tools based on which performance is evaluated are proper as per 62% and 66% of the respondents from the management and employees. The standards are also clear according to 60% and 62% of respondents from the management and employees respectively.
4.5.5. Challenges of Strategic Management

The team leader and the DCEO said the basic challenge in undertaking environmental scanning is the absence of well consolidated data concerning the industry. To substantiate this he said ‘In foreign countries, even associations of insurers have data on the industry while even the regulator in our case, the NBE doesn’t have such data’.

A list of possible challenges were identified so that respondents can rate the level of their agreement. The results are summarized under Table 4.11 below.

Table 4.11. Challenges of environmental scanning and strategy formulation

<table>
<thead>
<tr>
<th>Challenges of Environmental scanning</th>
<th>Lack of Proper Knowledge and skills</th>
<th>Absence of well consolidated data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Percent</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>21</td>
<td>10.1</td>
</tr>
<tr>
<td>Agree</td>
<td>85</td>
<td>41.1</td>
</tr>
<tr>
<td>Moderately agree</td>
<td>22</td>
<td>10.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>62</td>
<td>30</td>
</tr>
<tr>
<td>Moderately disagree</td>
<td>17</td>
<td>8.2</td>
</tr>
<tr>
<td>Total</td>
<td>207</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Challenges of Strategy Formulation</th>
<th>Lack of Proper Knowledge and skills</th>
<th>Incompatible strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Percent</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>21</td>
<td>10.1</td>
</tr>
<tr>
<td>Agree</td>
<td>86</td>
<td>41.5</td>
</tr>
<tr>
<td>Moderately agree</td>
<td>17</td>
<td>8.2</td>
</tr>
<tr>
<td>Disagree</td>
<td>69</td>
<td>33.3</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>14</td>
<td>6.8</td>
</tr>
<tr>
<td>Total</td>
<td>207</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Questionnaires May 2015

One of the challenges in strategy implementation, as per the interview with the team leader, is the denial by some work units of the works assigned to them at the time of cascading the strategic plan. New undertakings arising due to government initiative or otherwise while the strategic plan is active poses a threat to the successful implementation of strategies. Non realization of government projects assumed at the time of preparation of the strategic plan has
impacted EIC not to achieve its targets. The DCEO specifically mentions that lack of commitment on the side of employees is a major hurdle to the achievement of corporate strategies.

Concerning the challenges of strategy monitoring and evaluation the team leader said some activities under the strategic plan aren’t assigned a specific target. They are simply stated as ‘To be assigned’ making evaluation difficult. The same challenge prevails over activities the target of which is placed qualitatively making the process prone to subjective evaluation. While some business units send progress report to the strategic management team, they report that some activities are on progress. For the strategic management team, this is one of the main challenges in rating performance. Such works can’t be taken as accomplished and at the same time can’t be taken as if not performed. Absence of consistency or the use of different formats while sending performance reports to the strategic management team is identified as one challenge in monitoring or evaluating implementation of strategies. A reluctance on the side of different work units in timely sending quarterly and annual performance reports is also identified by the team leader as a big challenge.

A list of possible challenges of the strategy implementation and strategy monitoring and evaluation process were included under the questionnaires distributed to the employees and the management. They have rated their extent of agreement with each of these challenges. The findings are summarized in Table 4.12 below.
Table 4.12. Employees and management’s opinion on the challenges of strategy implementation

<table>
<thead>
<tr>
<th>Description</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Moderately agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of acceptance by &amp; support from the top management</td>
<td>Count</td>
<td>43</td>
<td>64</td>
<td>35</td>
<td>58</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>20.8</td>
<td>30.9</td>
<td>16.9</td>
<td>28</td>
<td>3.4</td>
</tr>
<tr>
<td>Resource shortage</td>
<td>Count</td>
<td>17</td>
<td>35</td>
<td>28</td>
<td>96</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>8.2</td>
<td>16.9</td>
<td>13.5</td>
<td>46.4</td>
<td>15</td>
</tr>
<tr>
<td>Inappropriate organizational structure</td>
<td>Count</td>
<td>27</td>
<td>71</td>
<td>28</td>
<td>65</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>13</td>
<td>34.3</td>
<td>13.5</td>
<td>31.4</td>
<td>7.7</td>
</tr>
<tr>
<td>Poor communication strategy</td>
<td>Count</td>
<td>34</td>
<td>89</td>
<td>33</td>
<td>37</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>16.4</td>
<td>43</td>
<td>15.9</td>
<td>17.9</td>
<td>6.3</td>
</tr>
<tr>
<td>Lack of proper knowledge and skills</td>
<td>Count</td>
<td>25</td>
<td>86</td>
<td>28</td>
<td>51</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>12.1</td>
<td>41.5</td>
<td>13.5</td>
<td>24.6</td>
<td>7.7</td>
</tr>
<tr>
<td>Political turbulences</td>
<td>Count</td>
<td>34</td>
<td>58</td>
<td>30</td>
<td>69</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>16.4</td>
<td>28</td>
<td>14.5</td>
<td>33.3</td>
<td>7.7</td>
</tr>
<tr>
<td>Key personnel leaving the organization</td>
<td>Count</td>
<td>54</td>
<td>82</td>
<td>31</td>
<td>35</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>26.1</td>
<td>39.6</td>
<td>15</td>
<td>16.9</td>
<td>2.4</td>
</tr>
<tr>
<td>Overall goals aren’t understood by employees</td>
<td>Count</td>
<td>42</td>
<td>93</td>
<td>22</td>
<td>36</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>22.7</td>
<td>44.9</td>
<td>10.6</td>
<td>17.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Poor coordination</td>
<td>Count</td>
<td>67</td>
<td>87</td>
<td>21</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>32.4</td>
<td>42</td>
<td>10.1</td>
<td>9.7</td>
<td>5.8</td>
</tr>
<tr>
<td>Misunderstanding of the strategy or people being unaware</td>
<td>Count</td>
<td>37</td>
<td>86</td>
<td>33</td>
<td>38</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>17.9</td>
<td>41.5</td>
<td>15.9</td>
<td>18.4</td>
<td>6.3</td>
</tr>
<tr>
<td>Absence of reward systems</td>
<td>Count</td>
<td>54</td>
<td>88</td>
<td>25</td>
<td>27</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>26.1</td>
<td>42.5</td>
<td>12.1</td>
<td>13</td>
<td>6.3</td>
</tr>
<tr>
<td>Uncontrollable environmental factors</td>
<td>Count</td>
<td>21</td>
<td>72</td>
<td>30</td>
<td>67</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>10.1</td>
<td>34.8</td>
<td>14.5</td>
<td>32.4</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Source: questionnaires May 2015
As can be deduced from Table 4.12, lack of acceptance by and support from the top management, poor strategy communication, absence of proper knowledge and skills, misunderstanding of the strategy or people being unaware of the strategy, poor coordination and absence of reward systems are major challenges of strategy monitoring and evaluation.

The responses of the managerial respondents and the employees to the list of probable challenges or problems of the strategy monitoring and evaluation are summarized under Table 4.10.

Table 4.10. Challenges of Strategy Monitoring and evaluation
Source: Questionnaires May 2015

<table>
<thead>
<tr>
<th>Description</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Moderately agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absence of effective monitoring system</td>
<td>Count</td>
<td>43</td>
<td>103</td>
<td>20</td>
<td>34</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>20.8</td>
<td>49.8</td>
<td>9.7</td>
<td>16.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Lack of proper knowledge and skills</td>
<td>Count</td>
<td>31</td>
<td>81</td>
<td>28</td>
<td>53</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>15</td>
<td>39.1</td>
<td>13.5</td>
<td>25.6</td>
<td>6.8</td>
</tr>
<tr>
<td>Absence of timely feedback</td>
<td>Count</td>
<td>48</td>
<td>110</td>
<td>23</td>
<td>19</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>23.2</td>
<td>53.1</td>
<td>11.1</td>
<td>9.2</td>
<td>3.4</td>
</tr>
<tr>
<td>False report on progress</td>
<td>Count</td>
<td>48</td>
<td>65</td>
<td>22</td>
<td>51</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Percent</td>
<td>23.2</td>
<td>31.4</td>
<td>10.6</td>
<td>24.6</td>
<td>10.1</td>
</tr>
</tbody>
</table>

Absence of effective monitoring system, lack of proper knowledge and skills, absence of timely feedback and false report on progress are challenges of strategy monitoring and evaluation process in EIC as these are supported by the 80%, 67%, 87% and 65% of the respondents.

4.5.6. **Further Challenges of the Strategic Management process**

An open ended question was forwarded to the employees and the management, to uncover further challenges of the strategic management process other than the aforementioned ones.

Responses from non-managerial employees to the open ended questions concerning the challenges of strategic management indicated that absence of commitment on the side of employees and the management, a SWOT analysis that is not based on examined and organized data and systematic ways, absence of effective communication, absence of team spirit and belongingness, non-participatory process, ‘I know everything attitude among the management and strategic management team, absence of proper integration, absence of information
concerning the path the organization opted for and absence of integration between the performance indicators and evaluation criteria are some of the problems in strategic management. Some further stated that the strategic plan is not fully cascaded to all business units. One of the respondents mentioned that EIC crafted the strategic plan for the mere purpose of creating the document. There are also respondents who said the process doesn’t integrate branches and is imposed to branches and districts from the head office. The fact that employees don’t know and understand the strategic plan is identified as a big hurdle to the process. Some also blame the management for politicizing issues and setting aside strategic issues.

For the managerial staff, lack of team spirit among employees, problems related to BPR implementation, a strategy formulation process without having reliable information on the subject, taking strategic management as a political impassion or government issue, a mild level of misunderstanding of cultural, traditional accustoms such as norms of the company, non-participation of employees in the process and failure on the part of the management to create incentivized work force are challenges of the strategic management process other than those in the preceding section. One of the respondents in explaining non-integration of business unit goals with the corporate strategies said ‘It almost seems as if different work units are different entities working independently on their own’. Lack of commitment on the side of top executives and the BOM in ensuring effective strategy implementation, overestimation and underestimation of SWOT based on personal interests, poor communication strategy, poor leadership capacity, non-willingness of the top management for change are also identified by the managerial staff as bottlenecks of strategic management. A focus on the side of the strategic management team on output rather than quality also falls in the same category. There are also respondents who said the strategic management process in EIC tilts towards one aspect of the core process namely general insurance with little emphasis on the life insurance aspect. The contention that attainment of organizational goals doesn’t have sense of urgency is also identified as one problem. Failure to ensure alignment of day to day operation with organizational goals and align performance with reward systems is also raised as one challenge. Some also said the organization’s environmental scanning is not proper. The issue of good will and organizational structure which are considered by the strategic plan as strengths of EIC are mentioned as an illustration. According the same group of respondents, a look at the corporations’ prevailing situations suggests otherwise. One issue raised as a problem in the process by branch managers and other managerial staffs is the
fact that they are called to discuss on the strategic plan after it has already been ratified by the Process Council.

4.5.7. Measures for overcoming the Challenges

Responses from the employees on the ways of overcoming the hurdles in strategic management suggested that EIC should implement merit based compensation and reward system, timely feedback, effective strategy communication system, periodic monitoring of strategy implementation and a strategy formulation system that participates all employees. The responses also indicated that better cooperation and coordination among employees and the management is vital to put in place an effective strategic management system. Adequate training to all employees was also among the suggestions. They also said the management should be able to convince the employees on the strategic direction of the organization before rushing to implementation and should put in place a strategic management system that incorporates the interest of all stakeholders based on past experience and future prediction. Having strategies that focus on the employees and a versatile and learning management are also among the recommendations. They also said there should be a wider discussion forum on strategy before strategies are crafted then after they are already ratified by the management.

Recommendations from the management to the open ended questions on ways of overcoming the challenges indicated that the corporation should put in place effective monitoring and implementation systems, address the knowledge gap, attach reward and innovation schemes to strategy implementation, adopt a bottom up approach to strategy formulation and implement a timely feedback system. They also said effective communication of the corporate strategy to all employees of EIC will improve the process, not to mention proper environmental scanning. Also suggested are thorough discussion with all employees before strategy formulation and making the system open to knowledgeable employees and other concerned stakeholders. There are also respondents who said EIC should revise its ambitious and unrealistic vision to make it motivational and realistic. The responses further indicated that EIC should ensure alignment of business plans of different work units with the corporate strategy. An ongoing communication between managerial and non-managerial employees is also suggested as one solution.
4.6. Discussion of Findings

The aim of this section is to critically reflect on the key findings of the study established under the preceding section. The interpretation is made for the four phases of strategic management.

4.6.1. Environmental Scanning

To gain all of the benefits believed to emanate from strategic management, an organization needs to craft and put in place appropriate strategies which in turn needs appropriate understanding of the environment. This can be ensured through a process dubbed as environmental scanning or environmental research. The findings show that EIC, after a brief review of the previous period strategic plan, has gone through environmental scanning before the strategic plan is formulated. As per the literatures, mere undertaking of environmental scanning doesn’t suffice unless it incorporates comprehensive analysis of stakeholders, the environment, competitors and the industry.

A strategy’s robustness, as per Bryson (2004), among other things depends on the attention given to stakeholders which in turn depends on comprehensiveness of stakeholder analysis. As shown under Table No. 4.4, majority of the respondents agree with the statement that EIC undertook proper stakeholder analysis before the strategic plan preparation. A look at the classification of stakeholders indicates that brokers are identified as one of the external stakeholders of EIC in addition to that of customers or clients. As per directives No. SBB/31/2010, brokers are persons licensed by the NBE and act on behalf of clients. Brokers basically come to the corporation to handle cases on behalf of clients. There is no merit in seeing them as separate stakeholders of EIC. Though EIC’s stakeholders are classified based on their stake in the organization, they aren’t ranked based on their level of importance to the corporation, against what Bryson, 2007 suggests. As the proceeds of the interview uncovered, there is no prior experience of involving stakeholders in the process by way of collecting their ideas or otherwise. This is against the stakeholders should be involved principle of the process as proposed by Steyn (2002) and Ashagr (2011). Stakeholder analysis, as per Bryson (2007) should clearly delineate the internal and external stakeholders. From the findings under the previous section, the BOM is taken as an internal stakeholder while PFEA is taken as an external one. From the interview with the team leader it was found that EIC sends reports and also budgets to the PFEA and the Board. These
two entities are almost on equal footing. The PFEA assigns the board. As the agency and the board are in a chain, the stakeholder identification should have involved either of the two or both should have fallen in the same category.

The fact that there are only few certified IT professionals is taken as one of technological weaknesses of EIC. This is in contradiction with Johnson & et.al (2008) description of technological forces as innovations including the internet, nano-technology or the rise of new composite materials. This should have been an issue of human resource. Ethiopia’s accession into the WTO is taken as one of the economic threats of the corporation. The assessment overlooked the situations in which Ethiopia’s accession to the WTO could be an opportunity. As the foreign giants come to the Ethiopian market EIC doesn’t have to go to foreign countries to benchmark new projects. NBE’s law which limits the investment ventures insurers could involve in is taken as one of the politico legal threats of EIC. Directive No. SBB/25/004 on investment of insurance funds issued by the NBE shows that insurance companies can invest some percentile of general and long term insurance funds in treasury bills and bank deposits, company shares, real estate and any other venture of the insurance company’s choice. As can be seen from the progress report for the last three consecutive years, EIC has never invested in real estate and also company shares. It seems that the NBE’s law on investment is far from being a threat to EIC as it hasn’t used the ventures currently available.

In some cases the SWOT Analysis is combined with the ways of exploiting the strengths and opportunities and changing the weaknesses into strengths and threats into opportunities. The following statement can be taken as an illustration. ‘Since the Corporation is becoming highly dependent on IT, it should have data recovery center or recovery site and a contingency plan so as to shift towards that in case of failure of the technology’. This is an issue of strategy rather than SWOT. SWOT for Johnson & et.al summarizes the key issues from the business environment and the strategic capability of an organization that are most likely to impact on strategy development. It is not a strategy on its own rather, a basis for the strategy.

As porter (2008) asserts, a strategy is needed to understand and cope up with competition which needs enough knowledge about the competitors. This could be achieved through competitor analysis. As the findings under the previous section indicate, the statement that EIC undertook comprehensive competitor analysis before the strategy formulation process is agreed upon by
majority of the respondents. As can be seen from the strategic plan, EIC undertook competitor analysis based on the five forces competition model of Porter. However, overall attractiveness of the industry is not rated and combating strategies aren’t put in place as suggested by Porter (2008).

A brief overview of the SWOT analysis under the previous period strategic plan for the period from 2005/2006 to 2009/2010 depicts that the SWOT Analysis under the current strategic plan is almost identical to the previous one. A SWOT Analysis is basically undertaken so that the organization can come up with a strategy to change the threats into opportunities and weaknesses into strengths. The fact that similar issues have been taken as SWOT for the organization poses a question as to the appropriateness of the strategies crafted. Duncan, et.al, 1998 in order for a SWOT Analysis to be effective it must be undertaken in comparison with that of competitors. The SWOT Analysis in the case of EIC is not undertaken in such format.

4.6.2. Strategy Formulation

Environmental scanning is undertaken to come up with a strategy that helps an organization attain competitive advantage over its rivals. Simply, it is a means to the end of coming up with a strategy. No matter how comprehensive or all inclusive an environmental scanning is, the ends contemplated by application of strategic management won’t be realized unless the strategy formulation process is participatory. The information obtained from the interview and document review showed that EIC formulates a strategic plan every five years. As per the document review and interview findings, strategy formulation in EIC begins with the formation of a strategic plan formulation team. The team members will be assigned by the different work units based on the request from the strategic management team. A strategy formulation team to prepare a strategic plan for the period from 2015/16 2019/2020 has been formed and is in the virtue of prearing strategic plan for the next five years period. The findings from the questionnaires indicate that simple majority of respondents from the employees’ strata, 58%, believe that strategy formulation in EIC is participatory. The team leader and the DCEO believe involvement of all employees in the process is unrealistic. Unlike what is provided under the SPM manual that a wider forum discussion should be held with all employees during the strategic plan preparation, the interview depicted that such discussions have never been held. Salih & Doll (2013) argue that
engagement of all employees encourages a sense of ownership of the strategy and further develops organizational capabilities. The fact that all employees have never been involved in the process has implication on their commitment towards achievement of the strategy. Around 80% of the respondents from the management wing believe that the process involves concerned stakeholders. The strategy formulation process, as can be inferred from the responses to the open ended questions forwarded to the management and employees, doesn’t involve outlying branches.

Participation is not the only yardstick to measure the quality of a strategy formulation process. The strategies to be formulated and the components included thereby should align with an organization’s prevailing circumstances. The vision fulfills the criteria of being future casting as suggested by Adams (2005). The vision doesn’t make mention of at least some of EIC’s stakeholders unlike what is suggested by Nutt (2006). Around 74% of the respondents and one of the interviewees believe that EIC’s vision of being a world class insurer by 2025 is in line with what Nutt (2006) and Phanuel & Darbi (2012) suggest that it should simple, realistic and easy to understand. Though the majority believe in being realistic of EIC’s vision, it is hard to say the vision is workable enough. Being a world class insurer needs strong qualities in some parameters. One of the prevalent methods used by insurance companies to measure their strength is the use of ratings. According to a report issued by Swiss Reinsurance Company (Sigma No 4, 2003) on insurance company ratings, four among the 140 insurance rating firms namely Standard and Poor (S&P), A.M Best, Fitch Ratings and Moody’s Investors Service control more than 98% of the rating market. Based on various qualitative and quantitative parameters, these firms categorize the rating of insurance firms into two broad categories. The first one is the Secure Category which ranges from Extremely Strong to Good (AAA to BBB) rating scales and the other is the Vulnerable Category ranging from Marginal to Regulatory Action (BB to R) rating scales. As per the same report, an insurer to be world class need to be under the first category. As mentioned in the Corporate Scorecard for the period from 2012/2013 to 2014/2015, EIC throughout its history has been rated once and the assessment was done by African Insurance Organization in collaboration with Standard & Poor. This rating was done back in 2003 and the corporation standing in the year 2012 is predicting where it wants to be by the year 2025 based on a rating made a decade ago. By the time EIC was rated as BB. The vision would have a more
realistic tone if the corporation knows where it currently stands before predicting where it wants to be in the future.

Around 93.5% of the respondents believe that EIC’s mission reflects its basic purpose or activity as suggested by Mullane (2002) and Niven (2006). The interview findings also depict the same. One flaw observed in the mission statement is however its failure to make mention of the organization’s major stakeholders, products and services it renders unlike what Mullane (2002) and Alkhafaji (2003) recommend. The then mission was to provide customers an efficient and reliable insurance services which cover property, life and liability risks.

EIC’s goals and objectives are rated as attainable by the majority of the respondents. The goals and objectives as per 90% of the respondents and also both interviewees are appropriate. An overview of some of the goals and objectives shows they aren’t measurable. The objective of increasing insurance density and insurance penetration can be raised as an illustration. As per the strategic plan, the objective of increasing owner’s value is to be achieved through increasing insurance penetration and insurance density. Insurance density and insurance penetration are basically industry concepts. The first refers to the ratio of the percentage of total insurance premiums to the Gross Domestic Product while the later refers to the ratio of total insurance premiums to total population. An industry concept can’t be put as an objective of one of the industry participants since it can’t be measured at a company level. Insurance density can’t be measured at a company level thereby failing to meet measurability criteria proposed by Phanuel and Darbi (2012) and Kaplan and Norton (1996). As a business organization, it is not feasible to put increasing employment opportunity as an objective. Employment opportunity should come in the way for as long as it is necessary to achieve a competitive edge.

4.6.3. Strategy Implementation

To establish and implement an effective strategic management system, it is imperative to consider the need to effectively acquaint employees with the strategy and its various components. Without support of employees, the strategy can’t be put into practice and without communication of the strategy employees can’t lend support towards its achievement. The starting point of successful strategy implementation as proposed by Neluheni, et.al. (2014) is effective communication of strategy. The communication must be at all levels of personnel and
must remain active throughout the whole process. From table 4.7, it can be seen that the majority or 59% of the respondents believe that the corporation’s strategy has been effectively communicated.

Effective implementation of strategies is the sum of individual efforts of organizational members. To ensure this, individuals should know their respective roles towards the end of an effective strategy in action. As per Mbaka & Mugambi (2014), the role of each individual and work unit in ensuring implementation of the strategy should be communicated. Only 48% of the respondents from the managerial staff believe that the role of each individual and work unit is communicated well. Among respondents from the employees, the majority 65% believe that the vision hasn’t been effectively communicated. The statement that the mission statement has been effectively communicated has secured the agreement of 65% of the same. The core values as to 60% of the respondents from the employees have been effectively communicated. Effective communication of the core values and objectives however secured the support of 62% of the respondents. From this it can be concluded that the corporation’s strategy communication system is not effective.

As provided under the business plan and budget preparation guideline of the corporation for the year 2014/2015, is that different work units prepare their business plan based on the guidance from the strategic management team. As the majority, 65% believe in the rendition of such guidance it can be concluded as such. One of the main goals of BSC as per Ak & Oztayşi are aligning business activities with the vision and strategy of the organization, improve internal and external communications, and monitor organizational performance against strategic goals. The majority of respondents from the managerial staff believe that operational plans are aligned with the corporate strategy.

The business plan and budget preparation guideline for the year 2014/15, shows that all employees of the respective units should participate in business plan preparation. The guideline also says a minute shall be held at the time of discussion for the preparation of the business or operational plan. Though participation in operational plan preparation is supported by the majority or 66% of the respondents as can be inferred from table 4.8 of organizational members, the process can’t be taken as participatory as this issue doesn’t leave a room for doubt. As clearly put in the business plan preparation manual, all employees should be part of this process.
One of the important issues to be raised at the level of strategy implementation is the extent to which the day to day activities are geared towards its core values. Core values are the guiding principles or tenets based on which a company operates (Adams, 2005). As timeless principles representing the deeply held believes of an organization, they are demonstrated through the day to day behavior of employees. Some of the core values are intertwined. As EIC ensures the fulfillment of the core value of professionalism, it can at the same time ensure implementation of the value of being a learning organization. The core value of being customer focused and pro-activeness are also interlinked as both of them are aimed at understanding and meeting the interest of customers. The findings from the questionnaires distributed to both the management and the employees show that the core values of excellence, being customer focused and are implanted in the activities of the organization. Concerning the core value of being a learning organization, there is no agreement among the managerial and non-managerial employees. Had this core value been included in the day to day activities of EIC, the management and the employees should have the same level of understanding as to its existence.

4.6.4. Strategy Monitoring and Evaluation

Johnson, et.al (2007) assert that strategy monitoring or evaluation is undertaken to assess effectiveness of strategies and actions. For these authors, strategy monitoring and evaluation in EIC begins with collection of information from the different work units on their performance. In a similar fashion to what the authors recommend strategy monitoring and evaluation process in EIC begins when different work units send quarterly and annual report on performance of cascaded business plans to the strategic management team. The system implemented by the corporation for the purpose of monitoring and evaluating the implementation of strategies is the BSC which is developed by Kaplan and Norton. Findings from the questionnaires distributed to the management staff and the employees show that the tools EIC uses for measuring strategies and respective standards are clear. This is aligned with what Krassnig, et.al. (2011) suggested that management should put in place proper tools for monitoring the implementation of strategies and the standards in light of which performance is evaluated should also be clear.
4.6.5. Challenges of the Strategic Management process

To enjoy all the fruits of successful strategic management, an organization should in the first place be able to identify the challenges or problems thereof. A list of challenges supposed to affect effectiveness of each of the phases of the strategic management process was forwarded to all employees and the management staff so that they can indicate their level of agreement with each of them.

Interview and questionnaire findings show that environmental scanning activities of the corporation are affected by lack of well consolidated industry data. Majority of respondents also agree that lack of proper knowledge and skills on the side of those who undertake environmental research also affects effectiveness of environmental scanning.

An environmental scanning is undertaken to craft a strategy that fits with the prevailing situations in the organization. If the strategy doesn’t fit with the circumstances in the organization it can’t be effective. Salih & Doll (2013) argue that a strategy should be aligned with an organization’s prevailing circumstances. A strategy that is incompatible with the prevailing circumstances in the organization is identified as problem of the strategy formulation process in EIC.

As mentioned under the section dealing with organizational background, EIC has adopted BSC as a strategic management tool. The success of BSC besides other factors depends on a supportive organizational environment including buy-in and support from the top-level management (Kaplan and Norton, 1996). The findings under the previous section show that lack of acceptance by and support from the top management is a challenge to the execution of strategies.

Poor communication strategy poses a challenge to the strategy implementation undertakings of the corporation. This is in line with what Lihalo (2013) identified as challenges. Kibicho (2014) identified poor coordination as one of the challenges of strategy implementation. This works in the case of EIC also as the findings suggest. Poor reward system, as Lihalo (2013) suggested is among the challenges of strategy implementation in EIC. Absence of an eventual link between compensation and reward systems is one of the challenges in strategy execution as the findings from the questionnaires indicate. Absence of reward systems or people being not rewarded for
achieving targets is one challenge of strategy implementation. The findings that misunderstanding of the strategy could be a threat to the effective implementation of strategies is in line with what Lihalo (2013) has identified.

Inappropriate organizational structure and uncontrollable environmental factors are among the challenges of strategy implementation as identified by Kibicho (2014). Zafar, et.al. (2013) contend that shortage of resources is among the challenges of strategy implementation. The findings in EIC however indicate that these factors are far from being a challenge to the execution of strategies.

Absence of effective monitoring system, lack of proper knowledge and skills, absence of timely feedback and false report on progress are challenges of strategy monitoring and evaluation as identified by the interviewees and majority of respondents to the questionnaires. Responses to the open ended questions on the further challenges of strategic management showed that the management blames the employees for lack of commitment, while the employees argue that the major problem in the overall process is weak management support. The contention that the strategic plan tilts towards one aspect of the core process, namely the general insurance business was discovered from the questionnaires and from the document review.

As far as the challenges of the overall strategic management process is concerned, almost all of the challenges are internal to the environment. The organization has control over these factors. External factors like uncontrollable environmental factors have little role in influencing the process.
CHAPTER FIVE

CONCLUSIONS & RECOMMENDATIONS

The aim of this chapter is to critically reflect on the key findings of the study established under the preceding chapter. This chapter has three sections. The results are collated together as summary of findings under the first section. Conclusions are drawn based on these findings under the next section. Under the section, recommendations are made based on the conclusions and under the last section the limitations of the study are identified.

5.1. Summary of findings

The major findings from the research are summarized as follows.

- Majority of the respondents believe with the assertion that the corporation has adequately analyzed factors within the internal and the external environment besides a comprehensive analysis of stakeholders and competitors.

- The competitor analysis is not substantiated by the rating of overall attractiveness of the market.

- Stakeholders such as customers, reinsurers, intermediaries (sales agents, brokers), garages and medical service providers aren’t involved in the stakeholder analysis proceedings.

- The SWOT Analysis is almost identical to the one under the previous period.

- The SWOT Analysis in some cases is mixed with the ways of exploiting the SWOT or the strategy.

- The findings from the questionnaires and the interview indicate that the strategy formulation process in EIC doesn’t participate all employees on a bottom up approach. Outlining branches and districts aren’t also involved in the process. The process gives less emphasis to the long term insurance aspect of the core process.

- A strategy formulation team to prepare strategic plan for the period from 2015/2016 to 2019/2020 has been recently formed and is in the virtue of preparing strategic plan for the next period.
EIC’s mission statement clearly describes the purpose or main activity though it fails to make mention of the main stakeholders & the main services it provides.

The vision is simple and easy to understand though it is not realistic. The vision is framed based on the vision of the country & that of similar institutions.

The core values are proper as per the responses from non-managerial employees and management staff.

Some of the corporate objectives aren’t measurable.

Findings from the interview and questionnaire findings indicate that there is failure in effectively communicating the strategic plan.

As per the questionnaire findings, the vision is not effectively communicated to members of the organization.

The role of individuals and work units in accomplishing the strategic plan is not communicated well.

Necessary guidance on preparation of business plans is given.

Majority of business plans of the different work units are aligned with the corporate strategy.

Business plan preparation process at the level of different work units is not participatory.

The tolls used for monitoring the evaluation of strategies and the standards in light of which evaluation of strategies is evaluated are clear.

Absence of well consolidated industry data and absence of proper knowledge and skills are among the challenges of environmental scanning.

Strategy implementation in the corporation is affected by many challenges such as lack of acceptance by and support from the top management, poor communication of the strategy, absence of proper knowledge and skills, key personnel leaving the organization, unawareness about the strategy specially about the goals and objectives, poor coordination and absence of reward systems.
Strategy monitoring and evaluation in EIC is affected by absence of effective monitoring and evaluation system, lack of proper knowledge and skills, absence of timely feedback and false report on progress.

5.2. Conclusions

From the summary of findings, it can be concluded that environmental scanning activities of the corporation are commendable enough though there are some grey areas that need improvement. The organization comprehensively assessed both the external and internal environment though it failed to involve some stakeholders such as customers, garages, intermediaries such as brokers and sales agents in the stakeholder analysis process.

The strategy formulation process is not participatory. Some of the goals and objectives aren’t also measurable being a hurdle to the process of evaluating the progress of their implementation. The vision of the corporation is not also realistic besides the mission’s failure to reflect the major products and services and also stakeholders of the corporation.

The works done in regard of ensuring effective implementation of strategies don’t suffice to ensure effective strategy implementation. Failure to effectively communicate the strategy has impact on the level of understanding of the strategy and commitment to ensure its achievement.

The Strategy monitoring and evaluation scheme in the corporation is appropriate as the standards and tools based on which implementation of strategies are evaluated are clear.

The factors or barriers affecting the implementation of strategies are mainly internal and under the corporation’s control. The influence of external factors outside the corporation’s control in terms of affecting the strategic management process is minimal.
5.3. Recommendations

Based on the findings of the research, the following recommendations are proposed.

➢ EIC should make sure that stakeholders such as customers, intermediaries (brokers and sales agents), garages and others are involved in the stakeholders’ analysis process. In such a way the interest of and impact of stakeholders can be analyzed thoroughly.

➢ As employee engagement in strategy formulation encourages a sense of ownership of the strategy and further develops organizational capabilities, EIC should make sure that all employees have a say in the process. The strategy formulation which has been recently formed to prepare a strategic plan for the period from 2015/2016 to 2019/2020 should make sure that its members from the different work units are communicating back and forth with the remaining members of their respective work units.

➢ The top management or the process council and the strategic management team shall make sure that the strategy formulation process involves districts and branches outside Addis.

➢ The strategy formulation team should exert the necessary effort to make sure that the strategy gives due concern to the long term insurance wing of the core process.

➢ EIC should review its mission statement in a way it could reflect at least some of its products or services it renders and also its basic stakeholders.

➢ The vision should be revised in a way it could have a more realistic tone. To ensure this, it should be crafted in a way it aligns with its situation though alignment with the country’s vision and that of similar institutions is also commendable.

➢ It is recommended that the corporation need to make all of its objectives measurable.

➢ The strategic management team should be able to effectively communicate the strategic plan to all employees so that they will have the same understanding and a sense of ownership.

➢ The strategic management team should be able to render professional advice to the different work units on how to prepare business plans.
The strategic management team should also put into place a system to ensure that business plan preparation at the different work units is participatory. This could for example be ensured by asking different work units to send minutes held at the time of business plan preparation.

5.4. Limitations of the Study

There were some limitations in the process of data collection. Though most respondents were kind enough to fill and return questionnaires on time, there was a mild level of noncooperation on behalf of some to return questionnaires on time.

Connection problems were also hindrances in promptly having access to questionnaire sent via Microsoft Office Outlook.

There were difficulties in having access to sensitive documents like sample business plans and their respective evaluation by the strategic management.

Regarding the research context the research is undertaken on Ethiopian Insurance Corporation. Therefore, caution about generalizing the results of this thesis should be taken.
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Appendices

Appendix 1. Interview Guide

Environmental Scanning

1. Is appropriate environmental analysis of the Macro environmental factors (political, economic, legal, social and technological) undertaken before the strategy formulation?
2. Is analysis of the Micro and Internal environmental factors undertaken before the strategy formulation?
3. How is stakeholder analysis undertaken and how are they classified?
4. How do you undertake an industry analysis?
5. How do you undertake competitors’ analysis to ensure its comprehensiveness?

Strategy formulation

1. Describe the strategy formulation process of your firm in terms of time framework, participants and their role.
2. How is the involvement of stakeholders in the strategy formulation process?
3. How do you explain EIC’s basic strategy?
   
   *Cost Leadership, Differentiation, Hybrid*

4. How do you see appropriateness of the corporation’s mission, values and vision?

Strategy implementation

1. Describe the strategy implementation process of the corporation?

   *Organizational structure, culture, distribution of resources, managing of human resources,*

2. Do you think you have exerted the necessary effort to ensure that all staff understands the MVV, goals and objectives? *How?*

Monitoring and evaluation

1. How do you monitor and evaluate implementation of strategies in the corporation?
2. How do you use BSC in the corporation?

   *A communication tool, performance management system or strategic management system*

Concluding Questions

1. What are the common challenges EIC faces in the strategic management process?

   *Describe this in light of each component of the strategic management process*

2. What measures do you recommend to improve the strategic management system?
Appendix 2. Questionnaire for the managerial staff

Questionnaire to be filled by CEO, DCEOs, other members of the Process Council, Directors, Team Leaders, Principal Officers and Branch I and II Managers

Dear Respondent,

I am a final year MBA student at St Mary’s University, School of Graduate Studies. As part of the requirements in completion of the MBA program, I am undertaking a research on Strategic Management practices of Ethiopian Insurance Corporation. To this end, I am collecting data from people working in the corporation. You have been selected as a valuable participant for this research. In order for the research to yield valid results, it is important that you answer all questions as honestly and truthfully as possible. It is solely for an MBA Thesis and responses will remain anonymous and confidential. Leave those non applicable. For more information, you can contact at any time needed through my address; Tel + 251911 881799, E-mail amealmek@gmail.com and outlook address, Amelework Mekonnen.

Thank you for your willingness to participate in this study. It is highly appreciated.

I. Demographic Information

1. What is your current Job position? ____________________________

2. How many years have you served in EIC?

   □ Less than a year
   □ 1 – 4 years
   □ 4 – 6 years
   □ 6 – 8 years
   □ above 8 years

3. Number of years in the current position.

   □ Less than a year
   □ 1 – 3 years
   □ 3 – 5 years
   □ 5 – 7 years
   □ above 7 years

Indicate the extent of your agreement with respect to each of the following statements by marking ‘X’ in the box of your choice. You can leave those non applicable.

1=Strongly agree, 2=agree, 3=Moderately agree, 4=Disagree, and 5=strongly disagree

II. Environmental Scanning

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<td>EIC comprehensively analyzed internal and external factors</td>
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<td>EIC undertook proper stakeholder analysis before the corporate strategy is formulated</td>
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<td>A comprehensive competitor analysis is done during strategy formulation</td>
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### III. Strategy formulation

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<td>The strategy formulation process in EIC involves concerned stakeholders</td>
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<td>The vision statement is achievable, inspiring and easy to understand</td>
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<td>corporation and whom it serves</td>
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<td>The goals and objectives of EIC are attainable</td>
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<td>The goals and objectives of EIC are relevant or proper</td>
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<td>EIC’s corporate strategy is appropriate to the attainment of Mission,</td>
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<td>vision, values, goals &amp; objectives</td>
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### IV. Strategy implementation

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<td>The corporate strategy has been effectively communicated</td>
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<td>The role of each work unit and every individual in ensuring achievement</td>
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<td>of the strategic plan is communicated well</td>
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<td>Activities of the corporation are aimed, primarily, at meeting the</td>
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<td>interest of customers</td>
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<td>EIC always strives to deliver better than what it delivers last time</td>
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### V. Strategy Monitoring and evaluation

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### VI. Challenges

Which of the following do you think are challenges in the strategic management process? Answer by marking ‘X’ in the box of your choice.

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<td>4. Strategy Monitoring and Evaluation</td>
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VII. Concluding Questions

1. What further problems (other than those mentioned above) have you noticed in the strategic management process (environmental scanning, strategic plan preparation, strategy implementation and monitoring and evaluation of strategy implementation) ?
2. What are your recommendations to improve the environmental scanning, strategy formulation, implementation and monitoring and review processes of the corporation?
Appendix 3. Questionnaire to Non managerial employees

Questionnaire to be filled by senior officers and officers

Dear Respondent,

I am a final year MBA student at St Mary’s University, School of Graduate Studies. As part of the requirements in completion of the MBA program, I am undertaking a research on Strategic Management practices of Ethiopian Insurance Corporation. To this end, I am collecting data from people working in the corporation. You have been selected as a valuable participant for this research. In order for the research to yield valid results, it is important that you answer all questions as honestly and truthfully as possible. It is solely for an MBA Thesis and responses will remain anonymous and confidential. Leave those non applicable. For more information, you can contact at any time needed through my address; Tel + 251911 881799, E-mail amelemek@gmail.com and outlook address, Amelework Mekonnen.

Thank you for your willingness to participate in this study. It is highly appreciated.

I. Demographic Information

4. What is your current Job position? ______________________________

5. How many years have you served in EIC?

☐ Less than a year ☐ 4 – 6 years ☐ above 8 years
☐ 1 – 4 years ☐ 6 – 8 years

6. Number of years in the current position.

☐ Less than a year ☐ 3 – 5 years ☐ above 7 years
☐ 1 – 3 years ☐ 5 – 7 years

II. Strategic Management Process

Indicate the level of your agreement with each of the following statements by marking ‘X’ in the box of your choice.

1=Strongly agree, 2=agree, 3=Moderately agree, 4=Disagree, and 5=strongly disagree

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<td>Strategy formulation</td>
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<td>Strategy implementation</td>
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<td>EIC’s core values have been effectively communicated</td>
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<td>EIC’s corporate goals and objectives are effectively communicated</td>
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<td>The business or operational plan preparation in your respective work unit is participatory</td>
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<td>Individual roles in achieving the strategic plan are communicated well</td>
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<td>Activities of the corporation are aimed, primarily, at meeting the interest of customers</td>
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<td>EIC always strives to deliver better than what it delivers last time</td>
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**Strategy monitoring and evaluation**

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**III. Challenges**

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#### 8. Strategy Monitoring and Evaluation

- Absence of effective monitoring
- Lack of proper knowledge and skills
- Lack of timely feedback
- False report on progress

### IV. Concluding Questions

1. What further problems (other than those mentioned above) have you noticed in the strategic management process (environmental scanning, strategic plan preparation, strategy implementation and monitoring and evaluation of strategy implementation)?

2. What are your recommendations to improve the environmental scanning, strategic plan preparation, implementation and monitoring and review processes of the corporation?