

**ST MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF THE PRACTICE OF STRATEGIC  
MANAGEMENT PROCESS: IN THE CASE OF NYALA  
INSURANCE S.C. (NISCO)**

**By**

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**JUNE 2015**

**ADDIS ABABA, ETHIOPIA**

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INSURANCE S.C. (NISCO)**

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**BY**

**TIMOTEYOS YONAS HAILE**

**APPROVED BY BOARD OF EXAMINERS**

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## **Declaration**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of \_\_\_\_\_ . All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Signature

June, 2015

## Endorsement

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

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Advisor

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June, 2015

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*Thank you all!*

## List of Acronyms

NBE	National Bank of Ethiopia
CBE	Commercial Bank of Ethiopia
NISCO	Nyala Insurance Share Company
EIC	Ethiopian Insurance Corporation
SP	Strategic plan
SM	Strategic Management
SPM	Strategic Planning and Management
SWOT	Strength, Weakness, Opportunity and Threats
BOD	Board of Directors
CEO	Chief Executive Officer
BSC	Balanced Scorecard
ETBW	Easy To do Business With
CRM	Customer Relation Management
U/W	Underwriting
RM	Resource Management
ICT	Information Communication Technology
KM	Knowledge Management
IT	Information Technology

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## Abstract

Insurance Industry has been identified as one of the most significant institutions for all nations across the world. The insurance industry has grown rapidly in Ethiopia because the government has promulgated different laws and the rapid development of information communication technology and globalization. In this respect, insurance companies try to manage themselves according to the current situation and compete each other to holding superior position in industry. Strategy management is one of the most important management tools for the company resources and competencies to achieve competitive advantage over rivals. The research focused on assesses the practice of strategic management process in the case of Nyala Insurance. To accomplish the study, primary and secondary data were gathered. Furthermore, the study used stratified random sampling technique, and data were collected through open ended interview and questionnaire. Accordingly, 68 (sixty eight) non-managerial employees and 30 (thirty) management members were selected. Descriptive type of analysis was used to do the analysis of the data. The study may play a pivotal role in providing useful information about the practice of strategic planning and management process of NISCO. Finally recommendations were made based on the findings of the study.

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

Insurance has long history in Ethiopia and it has practiced over hundred years. The recent history showed that after the liberalization of the country, various private insurance companies have established. The government provides an opportunity for local investors to establish in companies. It is believed that the embarking of different insurance companies in the country may not only create favorable atmosphere to compete each other, but also allow consumers to get efficient services. This may make a substantial contribution to the economic growth of Ethiopia. Nevertheless, most insurance companies, after their establishment and entrance into the market, they fail to come up with new products, excel their services to their customers, and maintain and compete on the existing products and services. Although, they prioritize their profits a lot, it is imperative to consider the consumers' low demand and the current situation of the industry in the country.

Previously, most insurance companies' operational activities were led by annual plan, and evaluated their operations through financial performance and gained market share from the industry. Nevertheless, insurance companies, these days, decline their profit from the sector because of high competition among the existing products and services. On top of that, their failure was prevalent as they attempted to compete with superior position in the sector or gain competitive advantage in order to fulfill their needs. The preparation of the strategic plan is vital for achieving organizational objectives. In this respect, Nyala Insurance Share Company (NISCO) prepared strategic plan, started the implementation process in 2014 fiscal year, and will finish in 2018. NISCO has been in the insurance sector for twenty years with no strategic plan, operates in annual plan, and evaluates its performance through annual financial performance and gained market share from industry. According to different NISCO internal document; NISCO attempted to prepare strategic plan many times, but to no avail because of internal instability. Currently, the company has five years strategic plan and its implementation started in 2014 (The strategic implementation process takes place within one year period time). Strategic plan and management process is vital for creating and achieving competitive advantages and satisfaction

of all stakeholders' needs. The strategy management is comprehensive action plan and is crucial for sustaining in dynamic business environment.

According to John and Frank (2005, pp 25), strategic management has four key attributes and it is important for creating and achieving competitive advantage in the sector.

- First, strategic management is directed towards overall organizational goals and objectives. That is, effort must be directed at what is best for the total organization, not just a single functional area. Some authors have referred to this perspective as “organizational versus individual rationality”.
- Second, strategic management includes multiple stakeholders in decision making. Managers must incorporate the demands of many stakeholders when making decision.
- Third, strategic management requires incorporating both short-term and long-term perspectives. It has referred to this need as a “creative tension” that is, managers must maintain both a vision for the future of the organization as well as a focus on its present operating needs.
- Fourth, strategic management involves the recognition of trade-offs between effectiveness and efficiency. Closely related to the third point above, this recognition means bring aware of the need for organizations to strive to act effectively and efficiently. Some authors have referred to this as the difference between “doing the right thing” (effectiveness) and “doing things right” (efficiency).

Strategic plan and management process is considered as the best management tool because it helps to define long-term plan for organizational direction and process to maximize the impacts at grassroots level. Moreover, the existence of strategic plan was taken as indicators to organizational commitment for conscious decisions and actions in all organizational activities.

### **1.1.1. Insurance in Ethiopia**

According to various sources, the emergence of modern insurance in Ethiopia is traced to the Bank of Abyssinia which was established in 1905 as the first Ethiopian Bank. “According to Schaefer (1992:364- 368), the bank, which was established under a fifty-year concession, was granted by Emperor Menilek II (1889-1913) to the National Bank of Egypt in March 1905, which was inaugurated in February 1906”.(Hailu Zeleke, 2007. pp 41-42)

The first domestic insurance company was established in 1951, which was called Imperial Insurance Company of Ethiopia Ltd. “According to the publication of the Addis Ababa Chamber of Commerce, Ethiopian Trade Journal (1961:19), negotiation to establish an insurance company in Ethiopia commenced in 1950 with a leading insurance house in London (its name still to be ascertained) and based on the talks and subsequent discussion in London and Addis Ababa the State Bank of Ethiopia,” some Ethiopians and a British group formed the Imperial Insurance Company of Ethiopia Ltd which began its operations in 1951.(Hailu Zeleke, 2007. pp 44)

The 1960s witnessed the establishment of local insurance companies. Domestic private insurance companies started to increase in number during this period, though they were not fully owned by Ethiopians. Foreigners had ownership interest in those insurance companies and participated in the boards of management and company management positions.

The 1974 Revolutionary overthrew the Imperial Regime and the Provisional Military Administration Council (PMAC), which followed the path of command economy with a socialist credo, took over power in Ethiopia. “The Provisional Military Government passed a decision on January 1, 1975 to transfer the ownership of banks and insurance companies to the government.” (Hailu Zeleke, 2007. pp 73)

The country re-liberalized the insurance industry in 1994, with regard to the operators of the industry. “Currently there are 16 private and 1 government insurance companies of which 9 are composite (providing both life and non-life only) and 8 are general (providing non-life only), according to National Bank of Ethiopia (NBE), as of June 2014”(NISCO Newspaper, August, 2015)

### **1.1.2. Background of Nyala Insurance Share Company (NISCO)**

“Nyala Insurance S.C. (NISCO) was established in July 1995 with a vision of ‘we care and we protect’ and a mission of guaranteeing ‘Care and Protection’ to clients.”

NISCO is represented in all the 14 regions of the country and has 25 Service Centers (Branches) and 12 contact offices. While 16 branches are located in Addis Ababa, 9 branches and 12 contact offices are situated in Awassa, Bahir Dar, Dire Dawa, Dessie, Jimma, Mekele, Nazareth, Gondar, Jijiga ,Dilla, Woldya, Logia , Assosa , Nekempt , Shashemenie , Debreberhan,



DebreMarkos, WelaytaSodo , AsebeTeferi ,Gambela and Axum. This has made NISCO the only private company with such vast branch network and area coverage. It would in particular be advantageous to the company to efficiently and quickly handle claims of its clients where the accident takes place.

NISCO provides nationwide continuous service from 8.00 to 17:00 hrs and 24/7 emergency assistance service. NISCO issues Call for Assistance tag for each Motor policy holder to be placed at a visible place inside their vehicle to help them call the nearest branch/contact office.

NISCO demonstrates its Care and Protection commitment through its Advisory Service responsible for giving free training and risk management advice to its major existing and potential customers. Areas to be covered include safety, security, equipment management, risk management as well as areas where the customer may get benefit if indeed the option of self-insurance is preferred. (NISCO Company Profile, May, 2013)

Now, NISCO has prepared new strategic plan and changed the Vision statement, “To be the preferred provider of insurance solution in all market we serve” and Mission statement “To help our customers manage their risks, recover from the unexpected, and achieve peace of mind” and Values are, Protection with Care, Professionalism, Accountability, Integrity, Excellence, Team Work, and Innovation.

## **1.2. Statement of the Problem**

Strategic Management represents the management responsibility for defining the organization’s mission, formulating strategies, guiding long-term organizational activities consistent with internal and external conditions, and concerns with policy decisions affecting the entire organization.

Strategic planning and management processes are vital for sustainable competitive advantage and it helps to achieve strategic objectives of the organization. Nowadays, strategy management is the most important tool for managing internal and external environment, mobilizing the company resource, enhancing organizational performance and achieving overall objectives of the organization.

After re-liberalization of the Country in 1994, insurance in Ethiopia has grown remarkably. Currently 17 insurance companies operate in Ethiopia, which are snatched each other to get significant percentage of the market share in the local market. Also, there is a possibility for entrance of big foreign Insurance Company in the local insurance industry, as the government is under pressure from different partners and organs to open the financial market.

The insurance service is one of areas that brought about rapid change in the industry. The development of information technology and the globalization of world economy are among the factors that contribute for the tremendous change. Therefore, insurance should realign itself to these changes.

NISCO's vision as indicated in new strategic plan is to become "preferred insurance solution in all market we serve". It requires a lot of effort and well-designed strategy for insurance company, like NISCO to become preferable insurance solution in all market.

NISCO has prepared the strategic plan and started its implementation process last year. The strategic plan has covered from 2014 up to 2018. But there is a gap in methods of formulation, implementation and controlling the plan. This implies that NISCO does not have well-developed strategic plan and management process. As a result NISCO doesn't prepare best strategies that can help to achieve its objectives. This research, therefore, aims to assessing and analyze the practice of the strategic management process in NISCO.

### **1.3. Research Question**

The paper will address the following research questions:

1. How does NISCO formulate its strategic plan?
2. What mechanisms does NISCO use in the implementation of strategic plan?
3. How does NISCO control the implementation of the strategic plan? (monitor and evaluate)
4. What are the major challenges of the strategic planning process?

#### 1.4. Objectives of the Study

**The General Objectives:** -The research intends to assess NISCO practice of formulation, implementation and controlling strategic plan, and provide academic and pragmatic fact to researchers, readers and management practitioners.

**The Specific Objectives:** - The study more specifically intends to achieve the following objectives

- ✓ To assess the practice of strategic plan development in NISCO, i.e. the process of defining the vision, mission, values and objectives of the company
- ✓ To assess the mechanisms used in the implementation of the strategic plan
- ✓ To assess the implementation responsibility of the strategic plan.
- ✓ To identify the major challenges of the strategic planning process in NISCO

#### 1.5. Definition of Terms

**Strategic Management:** -is a set of managerial decisions and actions that determines the long run performance of a corporation. It includes environmental scanning (both external and internal), strategy formulation (strategic or long-range planning), strategy implementation, and evaluation and control. (Thomas L. Wheelen J. David Hunger, 2012 pp. 5)

**Strategy Formulation:** -Strategy formulation is the development of long-range plans for the effective management of environmental opportunities and threats, in light of corporate strengths and weaknesses (SWOT). It includes defining the corporate mission, specifying achievable objectives, developing strategies, and setting policy guidelines.(Thomas L. Wheelen J. David Hunger, 2012 pp. 17)

**Strategy Implementation:** -it is a process by which strategies and policies are put into action through the development of programs, budgets, and procedures. This process might involve changes within the overall culture, structure, and/or management system of the entire organization. Except when such drastic corporate wide changes are needed, however, the implementation of strategy is typically conducted by middle- and lower-level managers, with review by top management. Sometimes referred to as operational planning, strategy

implementation often involves day-to-day decisions in resource allocation.(Thomas L. Wheelen J. David Hunger, 2012 pp. 21)

### **1.6. Significance of the Study**

This research is believed to contribute in the following manner:

- To find out the practice of strategic management process in NISCO
- To identify the opportunity of planning strategy in development, implementation and control in order to achieve the strategic objective of the organization.
- To identify input for capacity building of the company and gaining competitive advantage in industry
- To provide inputs for individuals who are interested in the subject matter to undertake similar research.

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

The scope of this research is limited to assessing the practices of strategic plan formulation, implementation and controlling in the case of NISCO. The research will be conducted in all NISCO branches located in Addis Ababa and head office.

In conducting this research, time constraint is one of the major problems the researcher faced, in addition to financial and resources limitation.

It depends on how the organization management and employees react to research and cooperation, as I could not obtain all the given responses, but substantial efforts were made to complete the work in the given time effectively and efficiently.

The study attempted to assess the activities of the staffs of Nyala Insurance S.C. head office and branch office, located in Addis Ababa. On top of that, it assessed the practice of strategy management process i.e. formulation, implementation and controlling strategy. The findings of the research addressed the gap and recommendations were made based on the findings. The study is believed to play a pivotal role in improving the practice of the planning process of organizations and may be used as a source of information for other business organizations.

## CHAPTER TWO

### REVIEW OF RELATED LITRATURE

This chapter focuses on the relevant facts about strategic management process by analyzing the strategic management and definitions, and discusses on the importance of strategy management process for profit making organization and assesses the practices of strategy management on the cases of Nyala Insurance S.C. In this respect, it looks first the definition of strategy management, five tasks of strategy management, nature of the organizational environment, advantage, risk and debate of strategy management. It discussed the vision mission and value of NISCO, and the strategy themes of NISCO. In doing so different literatures, books, research documents, journals, articles, NISCOs' strategic plan and others were reviewed.

There is reasonable agreement on the process of strategic management, and find the variation in the methods of strategy management and detail of the components.

#### **2.1. Strategic Management**

Strategic management is a management tools which is used for enhance organizational performance, achieve defined objective and accomplished organizational mission.

According to John Thompson (2005), “strategic management is complex and fascinating subject with straightforward underlying principles but no right answer”. Strategy is about issues and perspectives on problems there is no single, prescriptive doctrine which satisfies everyone's views.

Companies succeed if their strategies are appropriate for the circumstances they face, feasible in respect of their resources, skills and capabilities and desirable to their important stakeholders- those individuals and groups, both internal and external, who have a stake in and an influence over the business.” Simply, strategy is fundamentally about a fit between the organization's resources and the markets it targets plus, of course, the ability to sustain fit over time and in changing circumstance.

**There are a number of aspects to strategic management.**

1<sup>st</sup>, "the strategy itself," this is concerned with the establishment of a clear direction for the organization, for every business, product and service, and a means for getting there which requires the creation of strong competitive positions.

2<sup>nd</sup>, "requirement," is excellence in the implementation of strategies in order to yield effective performance.

3<sup>rd</sup>, "creativity and innovation," are needed to ensure that the organization is responsive to pressures for change and that strategies are improved and renewed.

4<sup>th</sup>, "is the ability to manage strategic change," both continuous, gradual, incremental changes and more dramatic, discontinuous changes. Innovation and change concern the strategy process in an organization.

"Sound implementation and innovation should enable an organization to thrive and prosper in a dynamic, global environment, but in turn they depend on competencies in strategic awareness and learning." Organizations must understand the strategic value of the resources that they employ and deploy, and how they can be used to satisfy the needs and expectations of customers and other stakeholders while out performing competitors. (John Thompson with Frank Martin, pp. 9 & 12)

According to Dess, Lumpkin and Eisner, (2007), "Strategic management consists of the analyses, decisions and actions and organization undertakes in order to create and sustain competitive advantage." This definition captures two main elements that go to the heart of the field of strategic management.

✚ *First*, the strategic management of an organization entails three ongoing processes: - "analyses, decisions, and actions". That is, strategic management is concerned with the analysis of strategic goals (vision, mission and strategic objectives) along with the analysis of the internal and external environment of the organization. Next, leaders must make strategic decision. These decisions, broadly speaking, address two basic questions; what industries should we compete in? How should we compete in those industries? These questions also often involve organizations domestic as well as its international operations and last are the actions that must be taken. Decisions are of little use, of

course, unless they are acted on. Firms must take the necessary actions to implement their strategies. This requires leaders to allocate the necessary resources and to design the organization to bring the intended strategies to reality.

✚ *Second*, “the essence of strategic management is the study of why some firms outperform others.” Thus, managers need to determine how a firm is to compete so that it can obtain advantages that are sustainable over a lengthy period of time. That means focusing on two fundamental questions: How should we compete in order to create competitive advantages in the market place? For example, managers need to determine if the firm should position itself as the low-cost producer, develop products and services that are unique and will enable the firm to charge premium prices, or some combination of both.

Managers must also ask how to make such advantages sustainable, instead of highly temporary, in the marketplace. That is: How can we create competitive advantages in the market place that are not only unique and valuable but also difficult for competitors to copy or substitute.

Michael Porter argues (2004), “that sustainable competitive advantage cannot be achieved through operational effectiveness alone.” Most of the popular management innovations of the last two decades- total quality, just-in-time, benchmarking, business process reengineering, and outsourcing- all are about operational effectiveness. Operational effectiveness means performing similar activities better than rivals. Each of these is important, but none led to sustainable competitive advantage for the simple reasons that everyone is doing them. Strategy is all about being different from everyone else. “Sustainable competitive advantage is possible only through performing different activities from rivals or performing similar activities in different ways.” A company with a good strategy must make clear choices about what it wants to accomplish. (Dess, Lumpkin and Eisner, 2007)

**Strategic Planning**, in all cases planning is part of an ongoing continuous activity, which addresses where the organization as a whole or individual part of it should be going.

“Strategic plans concern the number and variety of product markets and service markets in which the organization will compete, together with the development of the necessary resources (people, capacity, finance, research and so on) required to support the competitive strategies.” Strategic

plans, therefore relate to the whole organization, cover several years and are generally not highly detailed. They are concerned with future needs and how to obtain and develop the desired businesses products, services and resource. The actual time scale involved will be affected by the nature of the industry and the number of years ahead that investment must be planned if growth and change are to be brought about. (John Thompson with Frank Martine 2005, pp. 408)

According to previously research thesis, ask the question, “why does the organization do the strategic planning? (To be focused, to position the organization, for changing the vision, for improving performance, etc.)” This has to be clearly answered based on facts and with consultation with the stakeholders as this will help the organization to get the parameters for measuring whether the organization meet its objective then the strategic plan has to be designed as per the needs of the organization with serious consideration of the capability of the organization. This can help to solve the future challenge of implementing a strategic plan. (Tsehay Admasu, 2014).

## **2.2. The Five Tasks of Strategic Management**

The tasks of creating, implementing, and executing company strategies are the heart and soul of managing a business enterprise. A company’s strategy is the game plan management is using to stake out a market position, conduct its operations, attract and please customers compete successfully, and achieve organizational objectives.

Arthur A. Thompson, Jr. and A.J. Strickland III, (2004) define the five managerial tasks of strategy-making/strategy-implementing process:

### **2.2.1. Developing a strategic Vision**

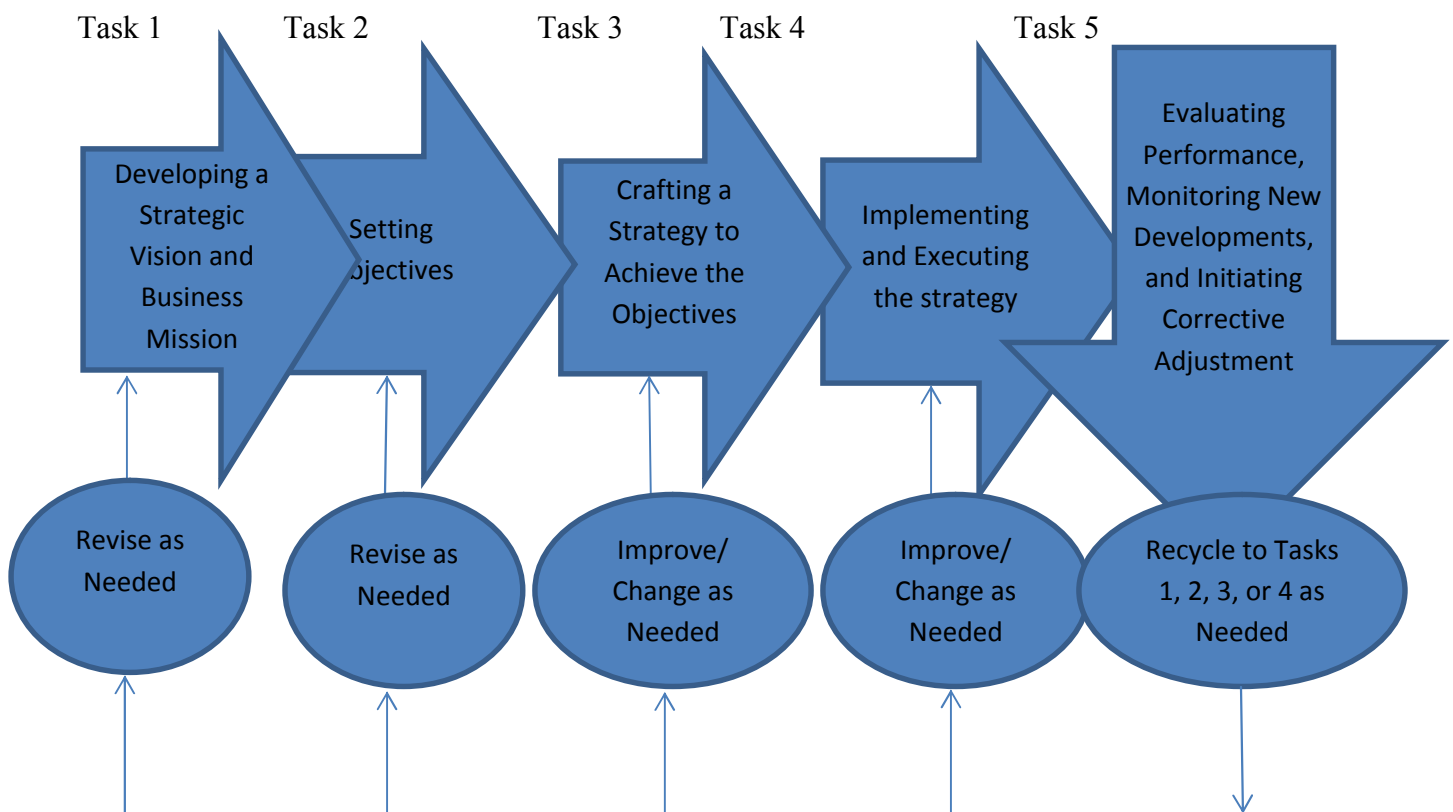
Very early in the strategy-making process, company managers need to pose a set of questions: “what is our vision for the company-where should the company be headed, what should its future technology-product-customer focus be, what kind of enterprise do we want to become, what industry standing do we want to achieve in five years?” Drawing a carefully reasoned conclusion about what the company’s long-term direction should be pushes mangers to take a hard look at the company’s external and internal environment and form a clearer sense of whether and how its present business needs will change over the next five years and beyond.



“Management’s views and conclusion about what the organization’s long-term direction should be, the technology-product-customer focus it intends to pursue, and its future business scope constitutes a strategic vision for the company.” A strategic vision thus reflects management’s aspirations for the organization and its business, providing a panoramic view of “where we are going” and giving specifics about its future business plans. It spells out long-term business purpose and molds organizational identity. A strategic vision points an organization in a particular direction and charts a strategic path for it to follow.

Whereas the chief concern of strategic vision is with “where we are going” the term mission statement, as it is commonly used, tends to deal with a company’s present business scope- “who we are and what we do”. (Arthur A. Thompson, Jr. and A.J. Strickland III, 2004 pp. 6-7)

The figure 2.1 displays the five tasks of process. Together, these five components define the term strategic management.



Source: Arthur A and Strickland III (2004)

Figure 2.1.the Five Tasks of Strategic Management

### **2.2.2. Setting Objectives**

The purpose of setting objectives is to convert managerial statements of strategic vision and business mission into specific performance targets-results and outcomes the organization wants to achieve. Setting objectives and then measuring whether they are achieved or not help managers track an organization's progress. Managers of the best performing companies tend to set objectives that require stretch and disciplined effort.

“From a companywide perspective, two very distinct types of performance yardsticks are required: those relating to financial performance and those relating to strategic performance.” Achieving acceptable financial results is crucial. Without adequate profitability, a company's pursuit of its vision, as well as its long-term health and ultimate survival, is jeopardized. Neither shareowners nor lenders will continue to sink additional funds into an enterprise that can't deliver satisfactory financial results. “Even so, the achievement of satisfactory financial performance, by itself, is not enough.” Managers must also pay attention to the company's strategic well-being-its competitiveness and overall long-term business position. Unless a company's performance reflects improving competitive strength and a stronger long-term market position, its progress is less than inspiring and its ability to continue delivering good financial performance is suspect.

The need for both good financial performance and good strategic performance calls for management to set financial objectives and strategic objectives.

“Both financial and strategic objectives ought to involve both near-term and longer-term performance targets.” Short-range objectives focus organizational attention on the need for immediate performance improvement and outcomes. Long-range objectives serve the valuable purpose of prompting managers to consider what to do now to put the company in position to perform well over the long term. “As a rule, when trade-offs have to be made between achieving long-run objectives and achieving short-run objectives, long-run objectives should take precedence.” A company rarely prospers from repeated management actions that put better short-term performance ahead of better long-run performance. (Arthur A. Thompson, Jr. and A.J. Strickland III, 2004 pp. 9)

### **2.2.3. Crafting a Strategy**

A company's strategy represents management's answers to such fundamental business questions as whether to concentrate on a single business or build a diversified group of business, whether to cater to a broad range of customers or focus on a particular market niche, whether to develop a wide or narrow product line, whether to pursue a competitive advantage based on low cost or product superiority or unique organizational capabilities, how to respond to changing buyer preferences, how big a geographic market to try to cover, how to react to newly emerging market and competitive conditions, and how to grow the enterprise over long term. A strategy thus reflects managerial choices among alternatives and signals organizational commitment to particular products, markets, competitive approaches, and ways of operating the enterprise.

Strategy making brings into play the critical managerial issue of how to achieve the targeted results in the light of the organization's situation and prospects. Objectives are the "ends" and strategy is the "means" of achieving them. (Arthur A. Thompson, Jr. and A.J. Strickland III, 2004 pp. 10)

### **2.2.4. Implementing and Executing the Strategy**

"The managerial task of implementing and executing the chosen strategy entails assessing what it will take to develop the needed organizational capabilities and to reach the targeted objectives on schedule." The managerial skill here is figuring out what must be done to put the strategy in place, carry it out proficiency, and produce good results.

Managing the strategy execution process is primarily a hands-on, close-to-the-scene administrative task that includes the following principal aspects:

- Building an organization capable of carrying out the strategy successfully.
- Allocating company resources so that organizational units charged with performing strategy-critical activities and implementing new strategic initiatives have sufficient people and funds to do their work successfully.
- Establishing strategy- supportive policies and operating procedures.
- Putting a freshly chosen strategy into place.

- Motivating people in ways that induce them to pursue the target objectives energetically and, if need be, modifying their duties and job behavior to better fit the strategy requirements of successful execution.
- Tying the reward structure to the achievement of targeted results.
- Creating a company culture and work climate conducive to successful strategy implementation and execution.
- Installing information, communication, and operating systems that enable company personnel to carry out their strategic roles effectively day in, day out.
- Instituting best practices and programs for continuous improvement.
- Exerting the internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed.

Good strategy execution involves creating “fit” between the way things are done internally and what it will take for the strategy to succeed. The stronger the methods of implementation fit the strategy’s requirements, the better the odds that performance targets will be achieved. “The most important fits are between strategy and organizational capabilities, between strategy and the reward structure, between strategy and internal support systems, and between strategy and the organization’s culture.” Fitting the organization’s internal practices to what is needed for strategic success helps unite the organization behind the accomplishment of strategy.

“The strategy-implementing/strategy-executing task is easily the most complicated and time-consuming part of strategic management.” (Arthur A. Thompson, Jr. and A.J. Strickland III, 2004 pp. 18)

According to C. L. VELE (2013). Evaluating the Strategy Implementation Process. “Using financial measures in evaluating the strategic implementation process is vital from financial perspective the new strategy can be evaluated by using a series of key financial measures closely related to profit, cash flow, and return on investment.” Profit and cash flow are good indicators of the investments and the value of money on long term, while return on investment (ROI) shows the efficiency in which the capital is used by the company. Also, ROI has the advantage of providing, in a very objective manner, an image of how the production capabilities are used and also aiding in the purchase of new assets. Companies have a wide range of financial measures

that can be used in evaluating the strategic implementation process, like earnings per share, return on equity, market share, and sales growth rate, one of the main advantages of using such measures is the ease in which a comprehensive and detailed image of the current financial status can be built.

The other type of evaluation methods of strategy implementation process is Audit. “Audit, as a strategic implementation evaluation method, audit can be defined as a systematic and objective way of collecting and analyzing specific information and data related to different actions undertaken by the company, with the purpose of comparing them with standards previously established (David, 2009:343).” In evaluating their implementation process companies have a wide variety of audits to choose from; an independent audit, led by specialist outside the company may provide valuable information regarding the financial record, while checking the accuracy of these records in comparison with the legal requirements. At the same time, employees can undertake an internal audit which verifies if the company’s procedures are in sync with the main goals set by the strategy. “Due to the fact that the company’s management team plays a vital role in the success of the strategy, internal and external consultants can perform a management audit set to examine, analyze and evaluate the performance of this team, while making recommendations destined to increase the overall level of performance and efficiency (Alkhafaji, 2003:233).”

### **2.2.5. Evaluating Performance, Monitoring new Developments and Initiating Corrective Adjustments**

It is always incumbent on management to evaluate the organization’s performance and progress. “It is management’s duty to stay on top of the company’s situation, deciding whether things are going well internally, and monitoring outside developments closely. Subpar performance or too little progress, as well as important new external circumstances, will require corrective actions and adjustments in a company’s long-term direction, objectives, business model, and/or strategy.”

Likewise, one or more aspects of executing the strategy may not be going as well as intended. Revising budgets, changing policies, reorganizing, making personnel changes, building new competencies and capabilities, revamping activities and work processes, making efforts to

change the culture, and revising compensation practices are typical managerial actions that may have to be taken to hasten implementation or improve strategy execution. “Proficient strategy execution is always the product of much organizational learning.” It is achieved unevenly—coming quickly in some areas and proving mettlesome in others. Progress review, ongoing searches for ways to continuously improve, and corrective adjustments are thus normal. (Arthur A. Thompson, Jr. and A.J. Strickland III, 2004 pp. 19-20).

## **2.3. The Nature of the Organizational Environment**

Strategic planning and management process are undertaken on understanding and scanning the nature of organization. The external environment is everything outside an organization that might affect the operation of organization. The internal environment consists of conditions and forces within the organization.

### **2.3.1. External Environment**

The General Environment is the nonspecific dimensions and forces in its surroundings that might affect its activities.

The Task Environment consists of specific organizations or groups that are likely to influence an organization.

#### **I. General Environment**

According to Arthur A. Thompson, Jr. and A.J. Strickland III (2004), “the general environment is composed of factors that can have dramatic effects on firm strategy.” Typically, a firm has little ability to predict trends and events in the general environment and even less ability to control them.

The general environments consist of the following components these are: - *Demographic, Socio-cultural, Political/Legal, Technological, Economic and Global*

#### **II. The Task / Competitive Environment**

In addition to the general environment, managers must also consider the competitive environment (sometimes referred to as the task or industry environment). The nature of

competition in an industry, as well as the profitability of a firm, is often more directly influenced by development in the competitive environment.

“The competitive environment consists of many factors that are particularly relevant to a firm’s strategy. These include competitors (existing or potential), customers, and suppliers. Potential competitors may include a supplier considering forward integration, such as a firm in an entirely new industry introducing a similar product that uses a more efficient technology.”(Arthur A. Thompson, Jr. and A.J. Strickland III, 2004)

### **2.3.2. Internal Environment**

The Internal Environment of the organization,

- Consists of the factors close to the company that affect its ability to serve its customers,
- Exist within the organization and over which the organization has more direct control and
- Key internal factors include the functional areas of Human Resource, Research & Development, Production, and Marketing, Finance, and Organizational culture.

Internal environments consists of the following components

- ✓ *Board of Directors*
- ✓ *Employees*
- ✓ *Culture*
- ✓ *Shareholders*

### **2.3.3. Analysis of Internal and External Environment**

To understand the business environment of particular firm, it needs to analyze both the general environment and the firm’s industry and competitive environment. Generally, firms competes each other in the same industry. An industry is composed of a set of firms that produce similar products or services, sell to similar customers, and use similar methods of production. Gathering industry information and understanding competitive dynamics among the different companies in the industry is, key to successful strategic management process.

## **I. SWOT Analysis**

One of the most basic techniques for analyzing firm and industry conditions is SWOT analysis. SWOT stands for strengths, weaknesses, opportunities, and threats. The strengths and weaknesses portion of SWOT refers to internal conditions of a firm-where your firm excels (strengths) and where it may be lacking relative to competitors (weaknesses). The opportunities and threats portion of SWOT refers to external conditions of a firm.

According to John A. Pearce II and Richard B. Robinson (2011), “SWOT analysis has limitation,” these are,

- ✚ A SWOT analysis can overemphasize internal strength and downplay external threats,
- ✚ A SWOT analysis can be static and can risk ignoring changing circumstances.
- ✚ A SWOT analysis can overemphasize a single strength or element of strategy
- ✚ A strength is not necessarily a source of competitive advantage

## **II. Industry Analysis**

“Analysis of the industry environment is focused on the factors & conditions influencing the firm’s profitability in the industry.” Compared to the general environment, the industry environments have a more direct effect on the firm’s strategic competitiveness & capability of earning above-average returns

“For industry analysis to be valuable, a company must collect and evaluate a wide variety of information from many sources.” As the trend toward globalization accelerates, information on foreign markets as well as on a wider variety of competitors, suppliers, customers, substitutes, and potential new entrants becomes more critical. (Hill. C., Jones. R., Galvin. P. and Haidar. A. 2007)

Industry Analysis refers to the analysis of:

- Industry trends as a whole;
- Competition within the industry;
- Technologies employed;
- What it takes to succeed – the key success factors (KSF);



- Comparing the firm, its products, its systems, its technology etc., with other firms in the industry.

### **III. Porter's Five-Forces Model of Industry Competition**

“The “five-force” model developed by Michael E. Porter has been the most commonly used analytical tool for examining the competitive environment,” it describes the competitive environment in term of five basic competitive forces.

1. The threat of new entrants
2. he bargaining power of buyers
3. The bargaining power of suppliers
4. The threat of substitute products and services
5. The intensity of rivalry among competitors in an industry.

According to Michael E. Porter, (Competitive Strategy, 1980, pp.35), “in coping with the five competitive forces, there are three potentially successful generic strategic approaches” used to outperforming other firms in industry; it's the source of competitive advantage

- ✓ Overall cost leadership: producing standardized products at very low per unit cost for consumers who are price sensitive
- ✓ Differentiation: producing products and service considered unique industry and directed at consumers who are relatively price-in-sensitive
- ✓ Focus: producing products and services that fulfill the needs of small groups of consumers.

### **IV. Competitor Analysis**

Competitor analysis focuses on each company against which a firm directly competes and predicting the dynamics of competitors' actions, responses & intentions.

Competing firms are keenly interested in understanding each other's objectives, strategies, assumptions and capabilities. Furthermore, intense rivalry creates a strong need to understand competitors.

In a competitor analysis, the firm seeks to understand:

- What drives the competitor, as shown by **its future objectives**.
- What the competitor is doing and can do, as revealed by **its current strategy**.
- What the competitor believes about its own firm and the industry, as shown by **its assumptions**.
- What the competitor's capabilities are, as shown by **its strengths and weaknesses**

### **Creating Competitive Advantage**

Creating competitive advantage is expected results from strategic planning and management process, because; the main goal of strategic plan is creating competitive advantage for the company.

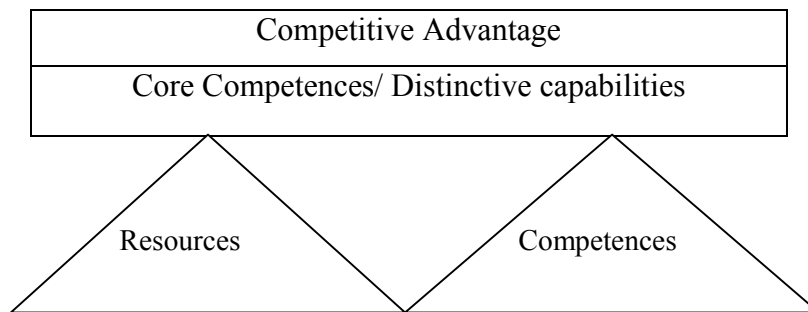
According to Campbell, Stonehouse, and Houston (2004), “the firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals.” The goal of much of business strategy is to achieve a sustainable competitive advantage. The important components are:

**Competences:** - A competence is an attribute or collection of attributes possessed by all or most of the companies in an industry, without such attribute a business cannot enter or survive in the industry. Competences develop from resources and embody skills, technology or “know how”

**Core competence or distinctive capability-** is an attribute, or collection of attributes, specific to a particular organization which enables it to produce above industry average performance. It arises from the way in which the organization has employed its competences and resources more effectively than its competitors. The result of a distinctive capability is an output that customers value more highly than those of competitors. It is based upon one or more of superior organizational knowledge, information, skills, technology, structure, relationships, networks and reputation.

**Resource-** is an input employed in the activities of the business. Success rests in large part upon the efficiency by which the business converts its resources into outputs. Resources fall into four broad categories: human, financial, physical (building, equipment, stock etc.) and intangible (e.g., “know how”, patents, legal right, brand name, registered designs, etc.)

**Competitive Advantage-** is often seen as the overall purpose of business strategy some texts use the phrase superior performance to mean the same thing. Essentially, a business can be said to possess competitive advantage if it is able to return higher profits than its competitors. The higher profits means, that it will be able to commit more retained profit to reinvestment in its strategy, thus maintaining its lead over its competitors in an industry. When this superiority is maintained successfully overtime, we refer to it as a sustainable competitive advantage. Competitive advantage can be lost when management fails to reinvest the superior profits in such a way that the advantage is not maintained.



The twin source of core competences

Core Competence /distinctive capability= Superior acquisition and employment of resources + Superior development of general competences. (Campbell, Stonehouse, and Houston. 2004. pp. 34-36)

### **The Importance of knowledge management**

In this contemporary world companies understand and use their intellectual capital as valuable and non-renewable asset for achieving their goals and objectives of strategic plan. Organization must manage their knowledge to gain competitive advantage, smoothly run in industry, and achieve superior performance over rivals. It uses and create organizational knowledge for competitiveness

According to Harvard Business Review on Knowledge Management, “Knowledge-creating Company is as much about ideas as it is about ideas. And that fact fuels innovation.” The essence of innovation is to recreate the world according to a particular vision or ideal. To create new knowledge means quite literally to recreate the company and everyone in it in a nonstop process

of personal and organizational self-renewal. In the knowledge-creating company, inventing new knowledge is not a specialized activity- the province of the R&D department or marketing or strategic planning. It is a way of behaving, indeed a way of being, in which everyone is a knowledge worker-that is to say, an entrepreneur. (Harvard Business Review 1998 pp. 25).

Building a learning organization is key activity in developing knowledge; a learning organization is an organization skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights. (Harvard Business Review 1998 pp. 51)

### Components of Knowledge Management Process

Intellectual Capital: - it comprises of the following

- Technological capital: - it consists of techniques, copyrights, patents and other technological innovations developed over time.
- Human capital: - it is the capabilities of the individuals required to provide solutions to customers.
- Customer capital: - it is the depth and width, the attachments and the profitability of customers.
- Structural capital:-it is the sources, infrastructure and capability of organization to meet market needs to pre-empt innovations and societal change processes.

There are two levels of knowledge held within these areas- “explicit and tacit knowledge. Explicit knowledge is articulated knowledge.” The words we speak the books we read the reports we write the data we compile. The greater level of knowledge in an organization however is tacit-unarticulated. Tacit knowledge includes the intuition, perspectives, beliefs, values that people form as a result of their experiences, out of the beliefs and assumptions in our individual mindsets. (Harvard Business Review, 1998. pp.55).

### **2.4. Benefits of Strategy Management**

According to John A. Pearce II & Richard B. Robinson (2011), using the strategic management approach, managers at all levels of the firm interact in planning and implementing. As a result, the behavioral consequences of strategic management are similar to those of participative decision making. “Therefore, an accurate assessment of the impact of strategy formulation on

organizational performance requires not only financial evaluation criteria but also nonfinancial evaluation criteria measures of behavior-based effects.” In fact, promoting positive behavioral consequences also enables the firm to achieve its financial goals. However, regardless of the profitability of strategic plans, “several behavioral effects of strategic management improve the firm’s welfare.”

- Strategy formulation activities enhance the firm’s ability to prevent problems managers who encourage subordinates’ attention to planning are aided in their monitoring and forecasting responsibilities by subordinates who aware of the needs of strategic planning.
- Group based strategic decisions are likely to be drawn from the best available alternatives. The strategic management process results in better decisions because group interaction generate a greater variety of strategies and because forecasts based on the specialized perspectives of group members improve the screening of options.
- The involvement of employees in strategy formulation improves their understanding of the productivity reward relationship in every strategic plan and thus, heightens their motivation.
- Gaps and overlaps in activities among individuals and groups are reduced as participation in strategy formulation clarifies differences in roles.
- Resistance to change is reduced. Though the participants in strategy formulation may be more pleased with their own decisions than they would be with authoritarian decisions, their greater awareness of the parameters that limit the available options makes them more likely to accept those decisions.

Generally, the benefits of strategic management for profit making organization, such as NISCOs’ are:

- ✚ Enhancing performance of the organizations
- ✚ Gaining competitive advantage in industry
- ✚ Achieving growth objectives of the organizations.
- ✚ Enable resource mobilization
- ✚ Building team-work and expertise

## **2.5. Risks of Strategic Management**

According to John A. Pearce II & Richard B. Robinson, (2011), “Managers must be trained to guard against three types of unintended negative consequences of involvement in strategy formulation.”

“*First*, the time that managers spend on the strategic management process may have a negative impact on operational responsibilities.” Managers must be trained to minimize that impact by scheduling their duties to allow the necessary time for strategic activities.

“*Second*, if the formulators of the strategy are not intimately involved in its implementation, they may shirk their individual responsibility for the decisions reached.” Thus, strategic managers must be trained to limit their promises to performance that the decision makers and their subordinates can deliver.

“*Third*, strategic managers must be trained to anticipate and respond to the disappointment of participating subordinates over unattained expectations.” Subordinates may expect their involvement in even minor phases of total strategy formulation to result in both acceptance of their proposals and an increase in their rewards, or they may expect a solicitation of their input on selected issues to extend to other areas of decision making.

Sensitizing managers to these possible negative consequences and preparing them with effective means of minimizing such consequences will greatly enhance the potential of strategic planning.

### **Debate about the Source of Strategy**

D. Campbell, G. Stonehouse & B. Houston (2004) “Strategic management is a relatively young discipline and its immaturity is reflected in both the ambiguity of some of its terminology and in the fact that there is no single agreed approach to the subject.” Five distinct but often interrelated strands to strategy theory can be identified:

- ✚ Planned strategy (also called deliberate or prescriptive);
- ✚ Competitive positioning strategy;
- ✚ Core competence-based strategy (or resource-based or distinctive capability);
- ✚ Emergent strategy (or learning);
- ✚ Knowledge-based strategy.

Although the literature of strategy management sometimes presents these approaches as discrete and even as in conflict with each other. It is more useful to view them as interdependent and, in many ways, complementary and mutually enriching. Each approach represents a different perspective and provides analytical frameworks through which managers can gain greater understanding of the strategic capabilities of their organizations. (David Campbell, George Stonehouse & Bill Houston 2004, pp.14)

## **2.6. Vision, Mission, Values and Strategic Objectives of NISCO**

According to new strategic plan of Nyala Insurance S.C. (2014/2015-2018/2019), the vision, mission, and value statements and strategic objectives are define the future plan of the company, and its purpose & capable of illuminating the direction to the future, it describes as follow,

NISCO established and revisited the vision, mission, and value statements in order to make sure that it will truly define NISCO and its purpose & capable of illuminating the direction to the future. NISCO new strategic plan has revised vision, mission and values and it described the important components of strategic plan as follow

**Vision** “To be the preferred provider of insurance solutions in all markets we serve”

**Mission** “To help our customers manage their risks, recover from the unexpected, and achieve peace of mind”

**Values:** - the new strategic plan contains seven important value terms and describes the company values, as follow

- I. ***Protection with Care:*** -NISCO add care to its main duty of providing protection. NISCO gives due emphasis to care in its relationship with customers and fellow employees. NISCO does that by keeping itself close to its customers, analyzing their business risks, and proposing its solutions. NISCO will also give due attention to care for its community by actively participating in noble causes that enhance the living condition of the society at large.
- II. ***Professionalism:*** -NISCO commit itself to courtesy, honesty, and responsibility in its dealings with customers and fellow employees. NISCO engage itself at all times, in a

professional manner paying due attention to the code of ethics required in professional insurance service.

- III. **Accountability:** - NISCO is always accountable for what it say and do, and:
- a) Customer: - NISCO provide to its customers peace of mind, full confidence and assurance
  - b) Shareholders: - NISCO protect its shareholders' investment and work for profitable growth of their company.
  - c) Employees: - NISCO treat all employees fairly and impartially by applying transparent procedures in promotion, conflict resolution, and assignments. NISCO also encourage and make use of good talent and recognize performance achievements and reward merits.
  - d) Competitors: - NISCO will compete in the market fairly and ethically and will not prevent others from competing freely.
  - e) Society at large: - NISCO carry out its business in due observance and fulfillment of all applicable laws, giving due regard to, and, in participation of safety, health, environmental standards, and societal values.
- IV. **Integrity:** - NISCO commit itself to conduct its business honestly, ethically and consistently. NISCO trust its employees and empower them to take actions and make decisions within the area of their professions and responsibilities.
- V. **Excellence:** - NISCO set and strive to achieve ambitious goals, work constantly to improve, and deliver what it promise and beyond whenever possible. All its endeavors are geared to achieve excellence through innovation, learning, and agility.
- VI. **Team work:** - NISCO believes that the best solutions come from working together with our colleagues and customers. Effective teamwork requires relationships, respect and the willpower to help each other.
- VII. **Innovation & creativity:** - NISCO promote innovation and creativity. NISCO will be a learning organization by embracing change. NISCO will continuously improve its process and product features to meet and exceed its customers' expectation. NISCO work to build a high performance corporate culture.



## Strategic Objectives

- ✚ Increase operational result, investment income, profit, market share, and reduce cost
- ✚ Penetrating new markets and customers segment, improve Brand image, expand/ deepen and its relationship with existing customers, develop and maintain an effective customer relation management, provide best in-industry service in U/W, RM, and Customer service,
- ✚ Effective utilization of asset and resource capacity, Develop new products and services, enhance existing, develop NISCO's financial, physical and intellectual resources, development and utilization of cutting edge ICT, upgrade staff competence and professionalism and Motivate and empower employees to implement strategy.

## 2.7. The Strategy Themes of NISCO

### Theme 1: Achieve Profitable growth

This is one of a major shift from NISCO's long standing business philosophy of bottom line (profit) focus. Profitability is always desirable. However, it doesn't mean much unless it is well matched with the proportion of the market NISCO is able to capture. With implementation of the new strategy, NISCO's performance relative to competitors will also be measured by the proportion of market share it will gain.

Hence, with profitable growth, NISCO aims to focus and balance both top line (market share) and bottom line (profit) performance.

### Theme 2: -Build the Business

NISCO will expand its insurance services both in New and Existing markets. Building the businesses entails two major initiatives: penetrating new markets and increasing market share. NISCO's desire to service all segments, including the lower end of the market, requires its full presence in all major regions and key markets through its branch networks and sales agents. NISCO must build its internal capacity by recruiting and training highly skilled officers and agents in order to satisfy new and existing customer demand in rural and urban areas.

### Theme 3: -Increase customer value

By increasing customers' value, NISCO will be committed to provide a complete insurance solution ensuring its customers an exciting buying experience through its friendly and caring employees. NISCO's decision to differentiate itself on customer intimacy strategy means it will continuously monitor customer needs and come up with a solution. Specifically NISCO will commit itself to:

- Be a company with employees referred as "Easy To do Business With (ETBW) "
- Provide a solution to the customers' problem rather than selling a mere product from the shelf
- Develop and effectively execute Customer Relation Management (CRM)
- Make periodic follow up to increase customer partnership
- Deliver specialized services
- Increase customer value in terms of time, cost, and quality

#### **Theme 4: -Achieve operational excellence**

In line with the development of the strategic plan, NISCO conducted an internal business process improvement audit to identify which internal business processes must operate with excellence in order to satisfy each customer segment. Underwriting, claim, and risk management were selected as key areas NISCO want to excel at in order to achieve operational excellence. NISCO must improve its financial, human, and physical asset management in order to reach its goal of implementing an effective internal process.

#### **Theme 5: -Build Organizational Capabilities**

In order to achieve the vision of NISCO, the company should expand into a new market, invests on modern infrastructures, develops innovative products and services and retain professional talents. In addition, it is very important for NISCO to invest in Research & Development, Training, technologies, and its physical facilities. In addition, NISCO need to build its capacity in areas of corporate governance and leadership.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This chapter presents a description of research design and methodology applied in the study. The research method, the sources and type of data, methods of data analysis are presented in detail.

#### **3.1. Research Design**

Research Design is the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing hypotheses and their operational implications to the final analysis of data. (Emory William C., and Cooper Donald R., 1991. pp.138)

In order to accomplish this study, mixed type research methods were employed with special emphasis on the assessment of the strategic management practices, i.e. formulation, implementation and monitoring and evaluation of the strategic plan of the NISCO. The qualitative research approach is used to insight of the respondents on the very ideas of the strategic planning in NISCO. This has given a chance for the respondents to express their views and opinions beyond ticking the structured questionnaire. Thus, interview was used to capture and summarize the respondents' opinions on the use, benefit and challenge of strategic planning in their own experiences. On the other hand, questionnaire was also used for generating quantitative data which can be measurable to formulate facts which is helpful for generalize findings of the study.

#### **3.2. Population and Sampling Techniques**

There are two types of sampling techniques; these are probability sampling and non-probability sampling. Probability sampling having a suitable sampling frame and established the actual sample size required, it need to select the most appropriate sampling techniques to obtain a representative sample. Five main techniques can be used to select a probability sample; simple random, systematic, stratified random, cluster and multi-stage. (M. Saunders, P. Lewis and A. Thornhill, 2009. pp. 222).

The researcher used simple random sampling methods, which were used to participated sample population; these are included all top level managers, all management members and randomly selected senior staff of Nyala Insurance S.C.

The population sample was clearly defined using the following selection criteria

- The respondents must have a minimum of first degree in any field.
- The respondents must have at least three years of working experience in NISCO.

Accordingly, a list of employee qualifying the above criteria is obtained from NISCO human resource record office. There are 150 employees which fulfill the criteria, which comprise the target population.

According to M. Saunders, P. Lewis and A. Thornhill, (2009 pp.218), Researchers normally work to a 95 per cent level of certainty. This means that if the sample was selected 100 times, at least 95 of these samples would be certain to represent the characteristics of the population. Based on the simple random sampling method, the researcher used 108 sample respondents out of 150 selected respondents, which covers all the 16 branches and head office staffs located in Addis Ababa.

Data gathering process focused more on the formulation, implementation and control of new strategic plan, and the researcher conducted semi-structured interview to Executives and Service managers and distributed questionnaires to all level managers, and senior level staffs, based up on the job description. The researcher used all top level managers and management members of the company, because they are more involved in the strategic plan and management process of NISCO. In this regard, all eight top level managers (Executives and Service Managers), all thirty two management members (middle level managers and branch managers) and sixty eight were randomly selected. Sample respondents from non-managerial staff (Senior-level staffs), and total samples size were 108. The researcher attempted to make the findings of this research realistic.

### **3.3. Types of Data and Tools/ Instruments of Data Collection**

The primary data's were collected through interviews and questionnaires. They were supplemented the secondary data for analysis of the qualitative part of the research. The

company top level managers and all staffs were given supportive information about the study and they were important information providers for such research.

The secondary data's were gathered from desk review of NISCO, new strategic plan documents, different type of related books, journals, articles, searching from internet web-site and other relevant sources.

### **3.4. Procedures of Data Collection**

The researcher prepared open-ended questions in the form of interview and questionnaire, and according to the level of managers, the questions focused directly on the strategic issues. The questionnaires were distributed for all level of managers and senior employees of NISCO, in 16 branches and head office located in Addis Ababa and the interview conducts eight (8) top level managers (4 Executive officers, i.e. Executive Officer of Marketing and Business Development, Executive Officer of Finance and Investment, Executive Officers of Resource Management and Executive Officer of Customer Claim Service and 4 service managers included, Corporate Planning Head, Information Technology Management Head, Risk Management Head, and Chief Audit Head).

The researcher first secured an appointment for the interview with executives and service managers of the company, and later distributed the questionnaire for all, after briefly explained the aim of the study.

### **3.5. Methods of Data Analysis**

The method of data analysis appears to be one of the strongest parts of the study. Descriptive type of analysis was the main focus of the research to look at the practice of strategic management process, i.e. the benefits and challenges of strategic management for profit making organizations. Descriptive research is also known as statistical research, which describes the characteristics of data about the population being studied. It enables to answer questions like who, what, how, where and when. Description method is used for frequency distribution, averages and other statistical calculations.

The questionnaire and interview guide were adopted from previously research theses, which are entitled “the benefits and challenge of formulating, implementing and control of strategic

planning in selected NGOs” studies by Tsehay Admasu in Indira Gandhi National Open University and “Strategic Orientation of the Commercial Bank of Ethiopia” studied by Worku Lemma in Addis Ababa University. The first research paper discussed the challenge and benefits of strategic planning in selected NGOs, and the second research paper focused on the strategic orientation of Commercial Bank of Ethiopia.

The researcher used and adopted the questionnaire and interview guide from combination of the two research theses and then adjust according to the objective of the study.

The collected data were subject to edition, classifying, coding and encoding to computer and an appropriate analysis was generated in tabular and or graphic form.

The data were entered, cleaned and analyzed using SPSS, which stands for Statistical Product and Service Solution, software and use other important and supporting tools for analyzing the data. Finally, the analyzed data were enhanced using the logical link between the research problems, theoretical background and the results.

The study contains theoretical and practical importance of strategic management process, and the researcher summarizes the findings and conclusions and recommendations were adopted to suggest possible ways of improving the weakness of strategic management process, but the good trend on planning process in NISCO was appreciated.

## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

This chapter deliberated the findings of the study and interpretation of the findings on the assessment of strategic management practices, in the case of Nyala Insurance S.C. was made. The current research was conducted by gathering primary and secondary data. The questionnaire was distributed to all 108 samples respondents but only 98 questionnaires were returned, which means 90.74% of the questionnaires were collected. Moreover, an interviewed was conducted with the top level managers of NISCO i.e. four (4) Executive Officers and four (4) Service Managers of NISCO using interview guide for additional and deep understanding of the assessment of the study.

#### FINDINGS AND DISCUSSIONS

##### 4.1.Respondents' Profile

##### 4.1.1. Respondent Service year

No	Respondent Service year in NISCO	Percent
1	3-5 years	47.5
2	5-10 years	41.4
3	11-15 years	7.1
4	above 16	4

Table 4.1 year of experience of respondents

In order to assess the respondent experience in NISCO, the researcher assessed the number of service year in NISCO, and the result indicates that 47.5% of respondents are below 5 years work experience in NISCO, and 48.5 % of the employees are between 5 to 15 years' work experience, and 4% of employees have above 16 years of work experience. The result indicated that, the researcher tried to involve all respondents with regards to experience, so, the study included all groups of employee above three years work experience in NISCO.

#### 4.1.2. Age range of Respondents

No	Age range of Respondents	Percent
1	below 30	44.4
2	31-40	37.4
3	above 41,	18.2

Table 4.2 respondent age range

In order to assess the respondents' age in NISCO, age range of the respondents was considered. The result indicated that 81.8 percent of the respondents are below 40 years old and 18.2% of respondents above 41 years. The finding shows that, the study was participated all workers with regards to age.

#### 4.1.3. Gender/sex

No		Percent
1	Male	40.4
2	Female	59.6

Table 4.3 respondent sex

In order to know the respondents' gender rate, 59.6% of the workforces were female and 40.4% were male. This shows that the researcher tried to include the combination of male and female in the process of data gathering. All workforces, regardless of their sex, took part in the study



#### 4.1.4. Academic status the respondents

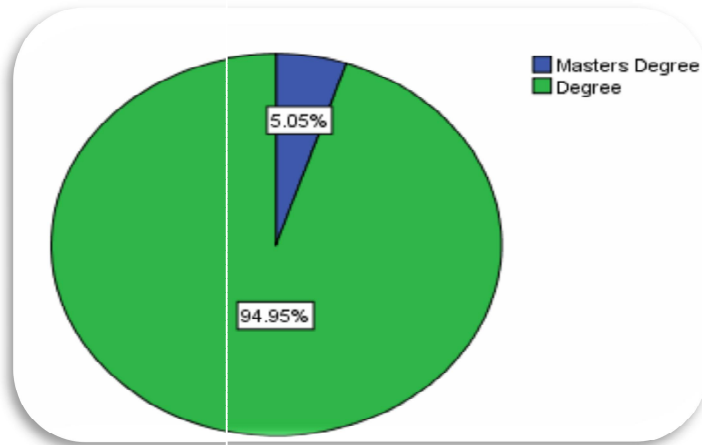


Figure 4.1 respondent academic status

In order to know the respondents' workforce in education, the academic status of the respondents was assessed. The finding of the study showed that 94.95% of respondents had first degree and 5.05% had Master's Degree, which indicates that, in the sampling design of the research, the researcher set criteria for selecting sample respondents. One of the set criteria is for the respondents to have 1<sup>st</sup> degree and above. In this regard, the requirements are met.

#### 4.1.5. Respondents position in NISCO.

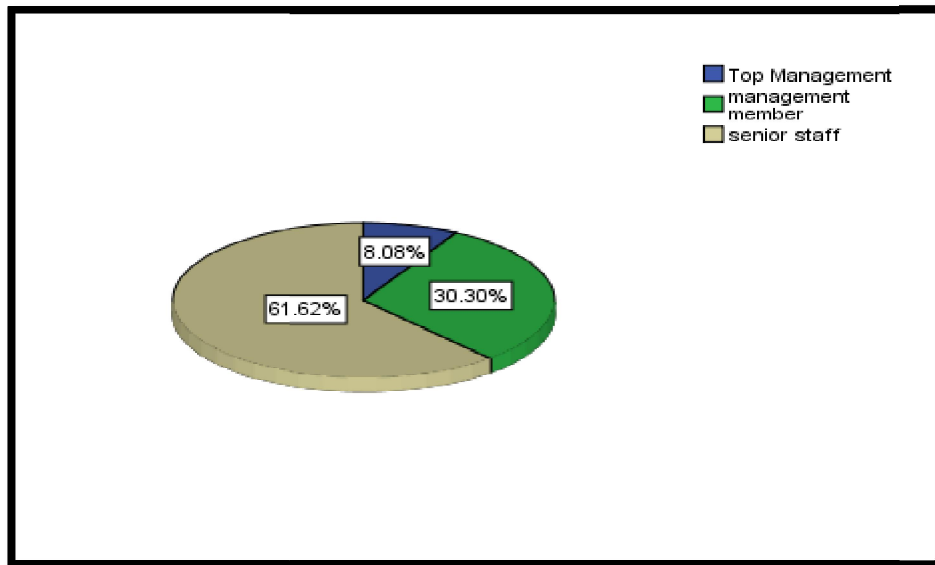


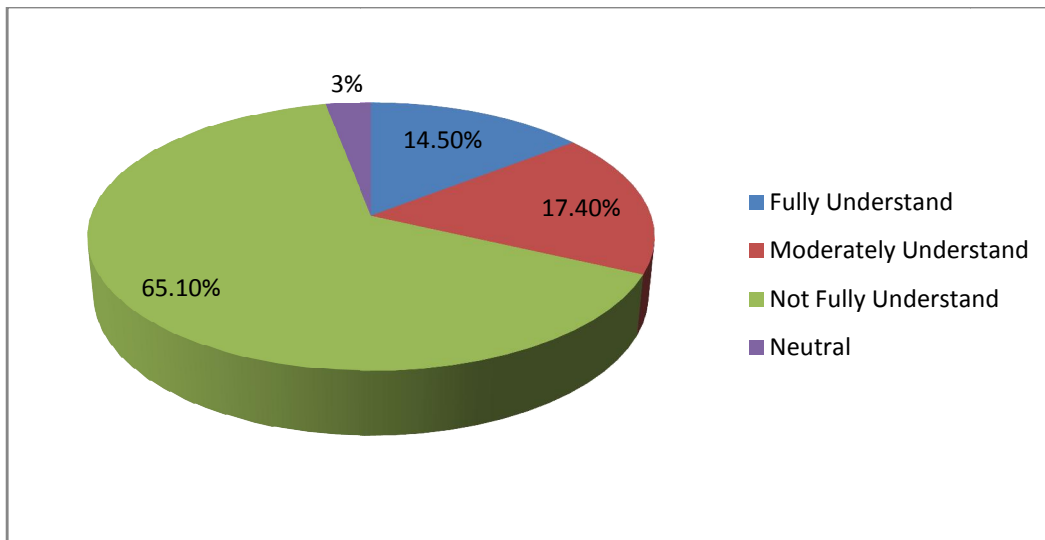
Figure 4.2 respondent position

In order to know, the respondents' position in NISCO and who participated in the study, the respondent's position was assessed in the company. The result indicated that 8.08% of the

respondents were top level managers, 30.30% of the respondents were management members of NISCO and 61.62% of respondents were senior staffs. Also, the findings indicated that, all management members and selected senior staff participated in the study for assessing the strategic management practices in NISCO, and the strategic planning and management process is primarily managers' responsibility. Thus, the student researcher tried to include all management members of the NISCO.

## 4.2. Strategic Planning and Management Practice of NISCO

### 4.2.1. NISCO Employees Fully Understands their Company Strategy



**Figure 4.4, the respondents understand their strategy**

An assessment was conducted to detect if NISCO employees fully understand the strategy of their company. The result showed that, 14.5% top level and some management members of respondents fully understood, 17.4% management members of respondents moderately understood, and 65.1% senior staffs of respondents do not fully understand, while 3% of them were neutral.

The result indicated that, 31.9% top level and management members of respondents fully understand and moderately understand, but 65.1% most of senior staffs and some management members of respondents don't fully understand the company strategy, this indicated that, most

senior staffs and some management members don't know about their strategy fully what it says, so, it is a big challenge for implementing strategy in NISCO.

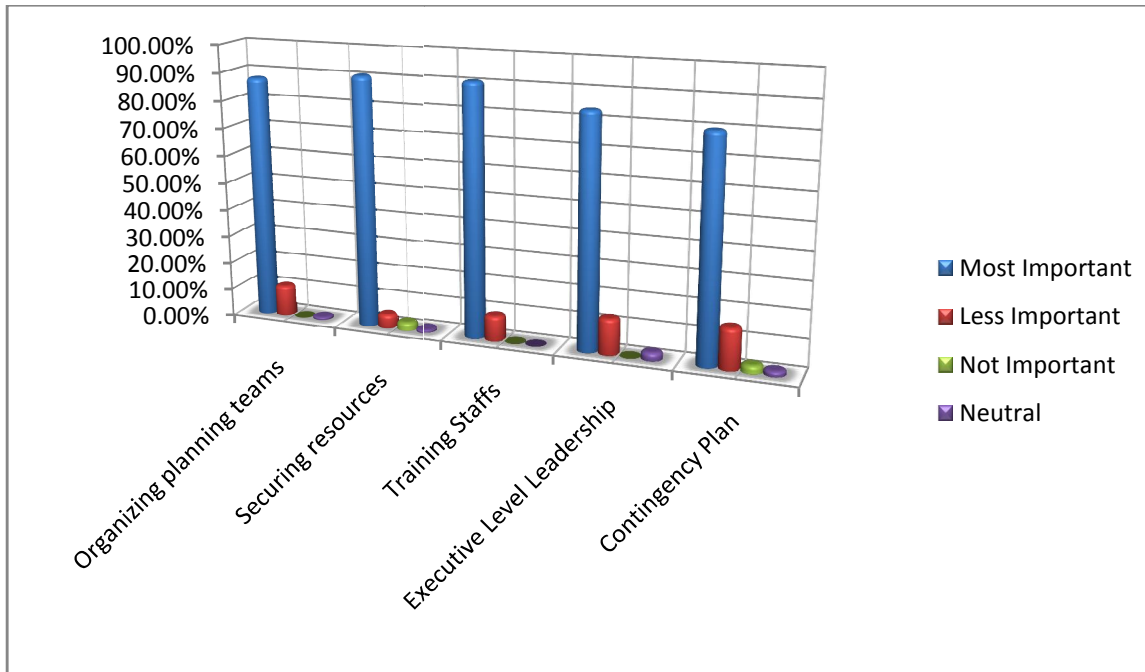
### **4.3. Preparation Phases of Strategic Plan**

#### **4.3.1. The Important Actions on the Preparation Stage of Strategic Plan**

The following figure 4.4 describes the important actions taken at the preparation stage on strategic plan. The preparation stages of the strategic plans are the most important parts of its development. The company performs different actions on the preparation stage. In this respect, to know the important action taken on the preparation stage of strategic plan, different important actions were taken. The respondents viewed on the important actions as follow;

In organizing planning teams, 87.9% of respondents responded most important, 11.1% respondents said less important and 1% neutral. In securing resource (finance and human) of the company, 90.9% of respondents chose most important, while 5.1% of respondents less important, and 3% and 1% of them not important, and neutral respectively. In training staffs, while 90.9% of the respondents chose most important, 9.1% of them less important. With regards to Executive level leadership, the respondents indicated that, 83.9% of respondents chose most important, 13.1% and 3% of them chose less important and neutral respectively. In preparation of detail contingency plan for new formulated strategic plan, 80% of respondents said most important, 15% of respondents less important and 3% of respondents not important and 2% of respondents neutral.

The findings indicate that, the above actions are crucial for preparing the strategic plan. 86.72% of the respondents' agreed on the issue. As see the actual strategic plan, some actions were not considered and properly analyzed. For example; all staffs didn't of take training on the plan. The other most important actions considered on the preparation of the strategic plan is preparing detail contingency plan, in this respect, NISCO hadn't prepared detail contingency plan. Contingency plan is significant for strategic plan because internal and external factors affect the implementation process of strategic plan, and the environments are dynamic and volatile. Thus, there should be a plan to manage such change.



**Figure 4.4 the important action taken on preparation step**

#### **4.3.2. The Involvement of Stakeholders on the Strategic Planning Process**

The participation of stakeholders in the strategic planning process is vital for successfully preparation, implementation and control the strategic planning and management processes of the company. There are two types of stakeholders; these are internal and external stakeholders. The respondent views on the participation of internal and external stakeholders, in figure 4.5 indicate that;

- ❖ Participation of Internal stakeholders is the most important actions on the preparation of strategic plan. Internal stakeholders, such that, shareholders, board of directors, executive officers and all employees. The respondents view on shareholders participation on the developing the strategic plans are; 5% of the respondents score very active, 15% of respondents moderately actives, 51% of respondent less active, 25% of respondents not involved and 4% of respondents neutral. In the case of the Board of directors, the findings shown that; 24% of respondents very active, 52% of respondents moderately active, 19% of respondents less active, 2% of respondents not involved and 3% of respondents neutral. The respondents view on the involvement of Executive officers of NISCO, 74% of respondents score very active and 26% of respondents moderately active. The respondent view on the participation of service managers 56% of the respondents said very active, 35% of respondents moderately active and 9% of the respondents less active. In the case of the branch

managers, 47% of the respondents score very active participation, 39% of respondents moderately active and 14% of the respondents not involved. The respondent views on chief engineers involvement 30% of the respondent very active, 37% of the respondent moderately active, 30% of the respondents view not involved and 3% of the respondent neutral. Views on the participants of senior staffs 8% of respondents very active, 28% of the respondent moderately active, 48% of the respondents less active, 15% of the respondent not involved and 1% of the respondents neutral.

The findings indicated that participation of internal stakeholders is significant. The result indicated that, board of directors, executive officers, service managers and branch managers should be very active participant on the preparation of strategic plan and score average 84.17% respondents very active and moderately active. On the other hand, senior staffs of the company not very active on the preparation of strategic plan. 48% of the respondents' response indicated that, the involvement of the senior staffs on the preparation of strategic plan was less active and 15% of respondents score not involved on the developing of strategic plan at all. The study shows that; shareholders participation on the developing strategic plan is very low, 51% of respondents score less active and 25% of respondents not involved on the preparation stage of strategic plan. This shown that, the formulated strategic plan not involved all internal stakeholders.

- ❖ External stakeholders are suppliers, customers, government bodies and others. The participation of external stakeholders on the developing of company strategic planning process is vital, because every organization's activities influenced by external stakeholders, so, the participation of external stakeholders on the preparation of strategic plan is important. To know the participation of external stakeholders on the developing of strategic plan in NISCO assessed the participations of external stakeholders. The respondents view on corporate customers, 4% of respondents very active, 18% of the respondents moderately active 44% of respondents less active, 33% of the respondents not involved and 1% of the respondents score neutral. The other important part consider on the participations of external stakeholder was government offices. The respondents view on the government offices were as follows, 1% of the respondents very active on the preparation of strategic plan, 1% of the respondents moderately active, 35% of the respondents less active, 53% of the respondents not involved and 10% of the respondents neutral.

The finding indicated that, the external stakeholders' participation on the preparation of strategic plan of NISCO was very low, the result shown on figure 4.5 below, 39.5% average of respondents score on the participation of external stakeholders less active and 43% average respondents scored not involves at all. Generally, active participation of all internal and external stakeholders on the formulation of strategic plan is significant for achieving strategic objectives of the company, but NISCO didn't involve all important internal and external stakeholders on the strategic planning process of the company.

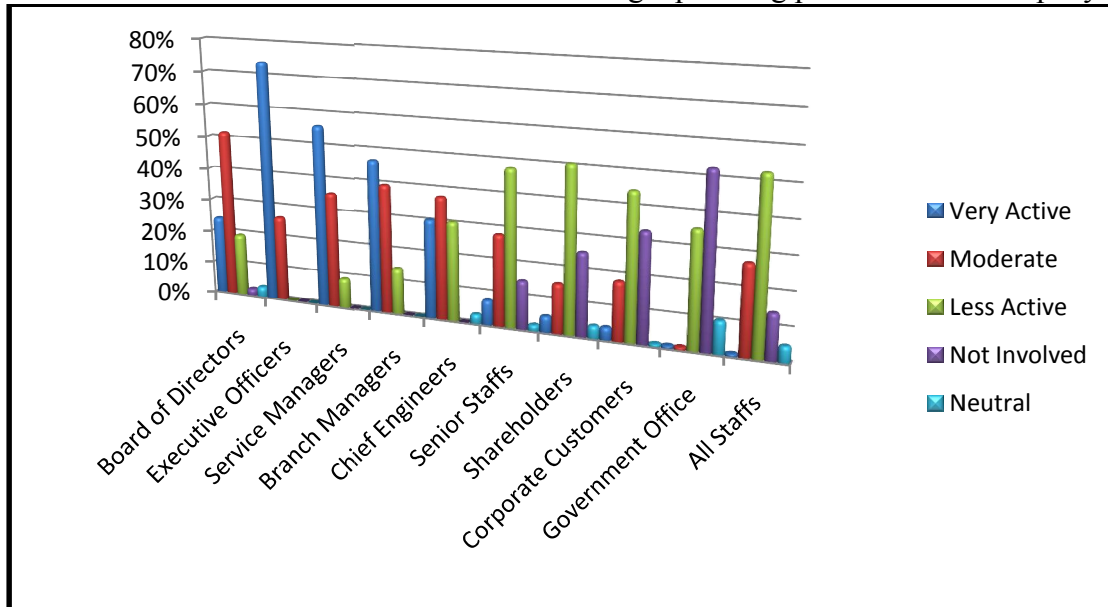


Figure 4.5 the involvement of stakeholders in strategic planning

### 4.3.3. Activities Performed on the Preparation of Strategic Plan

The following table 4.4, shown that, the researcher tried to look and ask, could the company performed different activities on the preparation of strategic plan?, and these activities are the most important parts on the preparation of strategic planning and management process. These are, Information system provide for decision making activities, 69.7% of the respondent agree and above, preparation of long term and short term plan, 78.5% of respondents agree and above. Use of cost control system for monitoring performance of the company, 66.7% of respondents agreed and above, the company often emphasizes on service quality through the use of quality circles, 60.6% of respondents agreed and above and 33.3% of the respondents neutral.

Criteria for resource allocation generally reflect long term consideration of the company plan, 64.6% of respondents agreed and above and 24.2% of respondents neutral. Emphasis on basic research to provide for future competitive edge, 52.5% of respondents agreed and above, 23.2%

of respondents neutral and 24.3% of respondents disagree and above. The preparation of the company on what if analysis in the critical issues, for example given the chance to entry of foreign insurance providers to local market and what-if analysis in major insurance products and branch expansion decisions and etc., only 8.5% of the respondents agree and above, 32.3% of respondents neutral and 58.2% of respondents disagree and above. The other important activities performed by NISCO, constantly seeking new opportunities related to the present operations, 55.5% of respondents are agreed and above. 26.3% of respondents neutral and 18.2% of respondents disagree. Implementing and maintaining a knowledge management policy in company, 26.5% of respondents agreed and above, 19.3% of respondents neutral, 54.3% disagree and above.

The results indicated that, most important activities were done on the preparation stage of strategic plan, but some basic issues are not properly analyzed and performed on the preparation stage of strategic plan, examples, what if analysis it described on the critical issues, such as, what the NISCO operations will look like given entry of foreign insurance provider to local markets, 59.2% of respondents are disagree and above this indicated that, above half percent of the respondents disagree and strongly disagree, according to the respondents views on this basic issue, NISCO new strategic plan wasn't analyzed and performed on the developing of strategic plan, and 32.2% of respondents neutral. Other important activities most respondents scores disagree and not performed by the NISCO on the preparation of strategic plan, implementing and maintain knowledge management policy in NISCO, only 26.5% of respondents agree and above but 54.3% of respondents disagree and above.

In the contemporary world knowledge management is significant part of organizational capability to gain sustainable competitive advantage, achieve strategic objectives and maintain in industry. But NISCO didn't prepared and use knowledge management policy in company on the formulation of strategic plan. All important activities and the respondents' views on each activity, described in percentage listed in the following table 4.4

No	Indicator	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
1	IT provides support for decision making process.	36.4%	33.3	10.1	14.1	6.1
2	NISCO prepares both long-term and short-term plans using the best approaches and techniques.	46.5%	32%	15.2%	3%	3%
3	NISCO use cost control systems for monitoring performance.	25.3%	41.4%	23.2%	7.1%	3%
4	Often emphasizes on service quality through the use of quality circles	17.2%	43.4%	33.3%	3%	3%
5	Criteria for resource allocation generally reflect long-term consideration.	21.2%	43.4%	24.2%	11.1%	0%
6	Emphasizes basic research to provide for future competitive edge.	12.1%	40.4%	23.2%	19.2%	5.1%
7	“what if” analysis of critical issues (example; what the NISCO operations will look like given entry of foreign insurance provider to local market)	1.1%	7.4%	32.3%	37.1%	22.1%
8	Constantly seeking new opportunities related to the present operations.	12.1%	43.4%	26.3%	18.2%	0%
9	Implementing and maintaining a KM policy in NISCO.	11.1%	15.4%	19.3%	35.2	19.1%

Table 4.4 NISCO perform these activities on the preparation of strategic plan

#### 4.4. Strategic Plan Formulation Phase and Data Analysis

Strategy formulation is the process by which an organization chooses the most appropriate course of action to achieve its defined goals. This process is essential to an organization's success because it provides a framework for the actions that will lead to the anticipated results. Strategic plan should be communicated to all employees so that they are aware of the organization's objectives, mission, and purpose. Strategy formulation forces an organization to carefully look at the changing environment and to be prepared for the possible changes that may occur. A strategic plan also enables an organization to evaluate its resources, allocates budgets, and determines the most effective plan for maximizing ROI (return on investment).



#### 4.4.1. Relevant Tools Used for Gathering Information

Information gathering is the most important part of strategic plan. NISCO used different kind of information gathering tools on the formulation of strategic plan. Table 4.5 describes the most important information gathering tools used in NISCO on the formulation of strategic plan. There are different types of information gathering tools used for analyzing internal and external environment, to know which kind of information gathering tools are relevant for gathering internal and external information, and to assess the different kinds of gathering tools used in NISCO, including document review, which is one of the relevant information gathering tools. 58.6% of the respondents said that they are very relevant gathering tool. While 28.3% said moderately relevant, 12.1% of them said less relevant and only 1% neutral. Focus group discussions came up with the following result; scores 58.6% of respondents very relevant, 29.3% of respondents moderately relevant, and 12.1% of respondents score less relevant. Key informant interview scores, 48.5% of respondents very relevant, 36.4% of respondents moderately relevant 8.1% of respondents less relevant and 7.1% of respondents are neutral. Another type of data gathering methods, Brainstorming, 45.5% of respondents very relevant, 41.4% of respondents moderately relevant, 7.1% of respondents less relevant and 5.1% of respondents neutral. Workshop the other type of information gathering tools, scores, 54.5% of respondents very relevant, 42.4% of respondents moderately relevant 2% of respondent less relevant and only 1% of respondents neutral. The results indicated, all type of information gathering tools are relevant for analyzing internal and external information of the company and score averagely 88.7% of respondents moderately relevant and above. Questionnaire the most popular forms of information gathering tools 46.5% of respondent very relevant, 29.3% of respondents moderately relevant, 19.2% of respondents less relevant and 5.1% of respondents neutral. The finding of the result indicated that, the above different type of information gathering tools are very relevant for collecting internal and external information of the company on the formulation of strategic plan. The company used combination of different information gathering tools for analyzing and collecting internal and external data. The student researcher appreciates NISCO practice on these actions. The results shown in table below average 82.25% of respondents scored moderately relevant and above.

Tools	Very Relevant	Moderately Relevant	Less Relevant	Neutral
Document Review	58.6%	28.3%	12.1%	1%
Focus Group Discussions	58.6%	29.3%	12.1%	--
Key Informant interview	48.5%	36.4%	8.1%	7.1%
Brainstorming	45.5%	41.4%	7.1%	5.1%
Workshop	54.5%	42.4%	2%	1%
Questionnaire	46.5%	29.3%	19.2%	5.1%

Table 4.5 relevant tools used for gathering information on the internal and external environment

#### 4.4.2. Important Methods of Analyzing the Information

Analyzing collected information is crucial part of strategic planning, after collecting the important information. The next step is analyzing gathered information, there are different types of method analyzing the information, table 4.6 describes, and NISCO used different types of analysis on the preparation of strategic plan. In this regards, SWOT analysis was the most important analyzing tools on the preparation of strategic plan of the company 75.8% of respondents score very important analyzing methods, 13.1% of respondents moderately important, only 3% of respondents less important and 8.1% of respondents neutral. This indicated that SWOT analysis was the most important information analyzing methods on the preparation of strategic plan of NISCO. The other types of analyzing internal and external information, Stakeholder analysis, 56.6% of respondents very important, 23.2% of respondents moderately important, 14.1% of respondents less important and 3% of respondents neutral. Industry analysis is the other important type of information analyzing method, 52.6% of respondents very important, 37.3% of respondents moderately important, 7.1% of respondents less relevant and 3% of respondent neutral. Competitor analysis was other important analyzing information methods on the preparation of strategic plan, 57.6% of respondents said very relevant, 30.3% of respondents moderately important, 7% of respondents less important and 5.1% of the respondents neutral. The finding indicated that, NISCO used different types of information analyzing methods. According to the respondents' views and company experience, all type of information analyzing methods are significant on the formulation of strategic plan, and the student researcher appreciate NISCOs' experience on the information analyzing methods, and different type of information analyzing methods are used for knowing internal strength/weakness and external opportunities/threats, understanding the factors and condition

influencing the firm profitability in the industry and in competitors analysis, predicting the dynamics of competitors' action, response and intensions.

Action	Very Important	Moderately Important	Less Important	Neutral
SWOT Analysis	75.8%	13.1%	3%	8.1%
Stakeholder Analysis	56.6%	23.2%	14.1%	3%
Industry Analysis	52.6%	37.3%	7.1%	3%
Competitor Analysis	57.6%	30.3%	7%	5.1%

Table 4.6 Important methods of analyzing the information

#### 4.4.3. The Challenges of Formulation Strategic Plan

On the developing strategic plan, there are different challenges facing the organization; these are time, internal expertise (capacity), financial, information gathering, and getting the right consultant who knows the sector and others. NISCO faced such challenge on the formulation of strategic plan. The following figure 4.7 indicated that, the respondents taken high priority on time challenges, 65.7% of the respondents are scored strong challenge on time, 17.2% of respondents moderate, 10.1% of respondents less strong, and 7% of the respondents not at all. The other challenge faced on the developing of strategic plan, internal expertise (capacity), 52.5% of respondents are strong, 37.4% of respondents moderate, 7.1% of the respondents less strong and 3% of respondents are not at all. Financial challenges 25.3% of the respondents are strong, 41.4% of the respondents moderately strong, 12.1% of the respondents less strong, 18.2% of the respondents not at all and 3% of the respondents neutral. The other types of challenge, Information (data) gathering challenges, 43.4% of respondents strong, 37.4% of respondents moderately, 16.2% of the respondents less, and 3% of the respondents not at all. Getting the right consultants who know the sector was another challenge on the process of developing strategic planning, 56.6% of respondents score strong, 23.2% of respondents moderately strong, 17.2% of respondents less strong, and 3% of respondents not at all. The finding indicated that, on the formulation of strategic plan the company faced many challenges; the above mentioned types of challenges are strong on formulation of strategic plan, the respondents' average response on the above challenges, 80.02% of respondents score moderately strong and above.

Challenges	Strong	Moderate	Less	Not at All	Neutral
Time	65.7%	17.2%	10.1%	7%	--
Internal expertise (Capacity)	52.5%	37.4%	7.1%	3%	--
Financial	25.3%	41.4%	12.1%	18.2%	3%
Information (Data) gathering	43.4%	37.4%	16.2%	3%	--
Getting the right consultants who knows the sector	56.6%	23.2%	17.2%	3%	--

Table 4.7 challenges of developing strategic plan of NSCO

#### 4.4.4. The Strategic Intents and Major Engagement

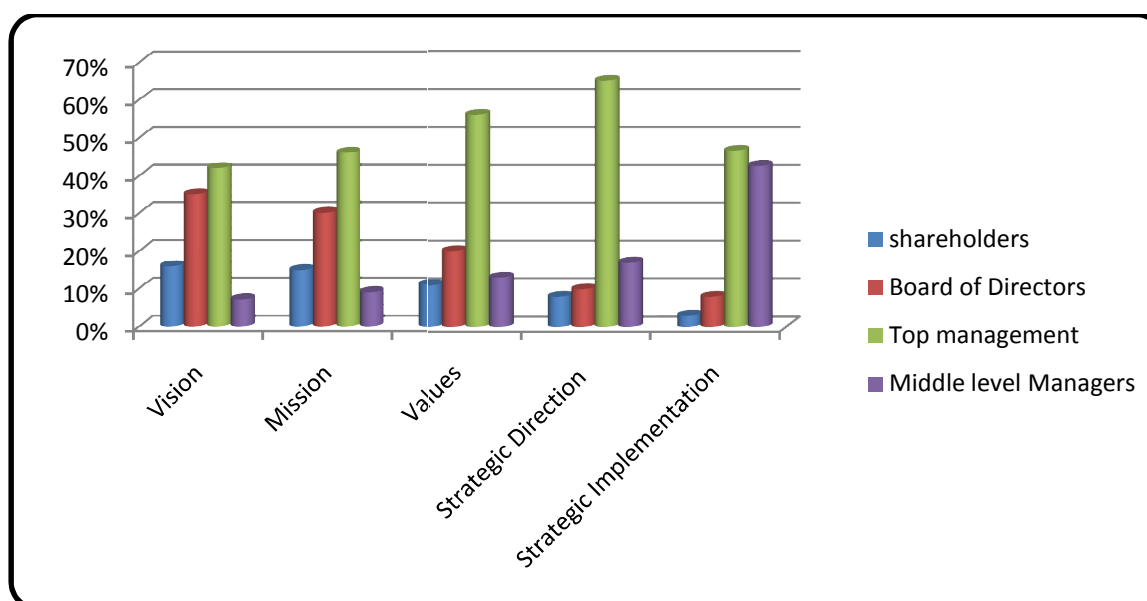


Figure 4.8 who define the strategic intents and major engagement of the NISCO

The intent and major engagement of formulation of strategic plan are shareholders, board of directors, top managements, middle managers, experts and others. Figure 4.8 shows that the respondents view on the strategic intents and major engagement of strategic plan, on the defined vision, all internal stakeholders are participated in the formulation of vision statement and shown in percentage, shareholders 16% participated, board of directors 35%, top management 42%, and middle level managers 7%. On the formulation of mission statement, 15% of shareholders participated, 30% of board of directors, and 46% of top management participated and 9% of middle level managers participated. On the formulation of values of the company, 11% of shareholders participated, 20% of board of directors participated, 56% of top management, and 13% of the middle level managers participated on the formulation of company values. On the

formulation of strategic direction of the company, 8% of shareholders participated on the strategic direction, 10% of the company board of directors participated on the preparation of strategic direction, 65% of top level managers participated on the preparation of strategic direction, 17% of the middle level managers participated on the preparation of strategic direction of the company. On the strategic implementation of the company, 3% of shareholders participated, 8% of the board of directors participated on the implementation of strategic plan, 46.5% of the company top level managers participated, and 42.5% of the company middle level managers participated in the implementation of strategic plan.

The result indicated that, the company board of directors and top level managers were active participation in all activities of the strategic planning process, these results shown, the company top level managers given high priority for define the strategic intent, and also board of directors active on the preparation of vision and mission of the NISCO, such kind of active participations on the important strategic intent crucial for achieving the strategic objectives of the company, on the other hand the other important stakeholders of the company, i.e. shareholders were not active on the preparation of strategic plan of NISCO.

#### **4.5. The Implementation and Controlling of Strategic Plan**

The implementation stage of the strategic planning is the most important part of strategic management; Strategy implementation is often called the action stage of strategic management.

Implementing means mobilizing employees and managers in order to put formulated strategies into action. It is often considered to be most difficult stage of strategic management. It requires personal discipline, commitment and sacrifice.

Strategy formulated but not implemented to action, it is meaningless.

##### **4.5.1. The Capability of NISCO on the Implementation of the Strategic Plan**

Action	Strong	Moderate	Weak	Neutral
Translating the strategic plan to action plan	28.3%	51.5%	16.2%	4%
have enough budget	34.3%	55.6%	5.1%	5%
Availing/ enhancing capacity of the expertise	28.3%	46.5%	20.1%	5.1%
In placing the required organizational systems and procedures	27.3%	46.5%	20.1%	6.1%
Establishing coordination with different departments of Organization.	13.1%	49.5%	27.3%	10.1%
In placing the required IT infrastructure.	7.1%	29.3%	56.6%	7%

Table 4.8 the capability of the NISCO for implementation of strategic plan

The above table 4.8 described that, the capability of the company, implemented the strategic plan to actions, above 75% of respondents score moderately strong and above, and below 25% of the respondents score weak. Other important point, helping financial resource for plan (have enough budget), above 85% of the respondents moderately strong and above and below 10% of the respondents weak. Enhancing capacity of the expertise and placing the required organizational systems and procedure are scored above 70% of the respondent moderately strong and above, and below 25% of respondents scored weak. On the establishing coordination with different departments of organization 62.6% of respondents moderately strong and above, 27.3% of respondents weak, and 10.1% of respondents neutral. In placing the required information technology infrastructure 36.4% of the respondents score moderately strong and above, 56.6% of the respondents, the company weak on the placing the required information technology infrastructure and 7% of respondents neutral.

The result indicated that the company had the capacity on translating strategic plan to action, for example, the company has enough budgets, enhancing the capacity of experts and in placing the required organizational systems, above 70% of respondents, scored moderately strong and above. The coordination of department scored below 70% of the respondents strong and 27.3% of the respondents weak, but the information technology infrastructure 56.6% of the respondents score weak. According to NISCO new strategic plan, it has plan to select and procure new ICT system within the 1<sup>st</sup> year of strategic period, now, 1<sup>st</sup> year strategic period finished, but still it doesn't translate to actions. Nowadays information technology is significant for speed up the work process and significant for all business activities and others, so, facilitating the infrastructure of information technology system is vital, in this respect, NISCO has a big gap on the infrastructure of information technology.

#### **4.5.2. Mechanism used to follow-up and Control the Implementation of Strategic Plan**

The strategic planning and management processes are the most important management tools for achieving competitive advantage in sector. Every process of strategic planning and management processes are needs control and follow-up, especially the implementation process needs continuous follow-up until the strategic plan is implemented in the company. There are different mechanisms used to follow up the implementation process of the strategic plan. NISCO strategic plan described, company used annual review and BSC model, to follow-up and control the

performance of implementation process of strategic plan. According to strategic plan of the company, the implementation process controlled by combination of two type of monitoring and evaluation mechanisms, annual review of performance management, divide in to four; monthly review, quarterly review, semi-annual review, and annual review. The whole process of strategic plan reviewed and controlled by Balanced Scorecard (BSC) model. The result indicated that the company uses two type of follow-up and controlling mechanism for measuring the implementation process of strategic plan in NISCO, all activities of implementation of strategic plan controlled by annual review and BSC.

According to NISCO strategic plan (2014/2015- 2018/2019), Strategy evaluation and control is an ongoing process that becomes an integral part of NISCO, manages its decision-making process and run its business. To align its organization to its strategies, it is imperative that tasks performed, duties and responsibilities discharged within the stipulated date lines. NISCO strategic plan, monitor and evaluate effectively in the following framework,

### **1. Monthly review**

- Monthly departmental meetings to review performances and address the challenges in discharging the assigned tasks vis-a-vis achieving departmental objectives.
- Monthly performance review will also be conducted at branch level, evaluating the branch's performance in discharging its part of the strategic plan.

### **2. Quarterly Review**

- All concerned departments and units will send their quarterly strategic performance report to Change and Strategic Management unit.
- The Change and Strategic Management unit (Corporate Planning) will prepare a quarterly performance report and present the report at quarterly management meeting.
- The top management will have a meeting every three months to carefully analyze & evaluate the quarterly strategic performance.

### **3. Semi Annual Review**

In addition to the fulfillment of 1 & 2 above, every 6 months, the top management will have an extensive evaluation of the strategic performance. A company wide workshop will also be conducted and the overall proceedings and findings will be reported to Board of Directors.

#### 4. Annual Review

After the compilation and analysis of the annual performance data, annual strategic performance report will be prepared. A company wide workshop will be conducted and the annual performance will be evaluated. All the proceedings and findings will be reported to BOD. (NISCO strategic plan, 2014)

Monitoring and Evaluation of the strategic plan will be carried out in 4 different phases as detailed below

**Table 4.9: Monitoring and Evaluation plan of NISCO**

Period	Responsibility	Participants	Monitoring & Evaluation
<i>Twelve times per year</i>			
1. Monthly Performance Review (MPR)	Department Managers	All Staff within the Department	<ul style="list-style-type: none"> <li>• Department Managers</li> <li>• CEO</li> </ul>
	Branch Managers	All Staff within the Branch	<ul style="list-style-type: none"> <li>• Department Managers</li> <li>• CEO</li> </ul>
<i>Four times per year</i>			
2. Quarterly Performance Review (QPR)	<ul style="list-style-type: none"> <li>• Top Management</li> <li>• CEO</li> </ul>	All Department Managers	<ul style="list-style-type: none"> <li>• Top Management</li> <li>• CEO</li> <li>• Board of Directors</li> </ul>
<i>Two times per year</i>			
3. Half Year Performance Review (HPR)	<ul style="list-style-type: none"> <li>• Top Management</li> <li>• CEO</li> </ul>	Company wide All Staff	<ul style="list-style-type: none"> <li>• CEO</li> <li>• Board of Directors</li> </ul>
<i>Once in a year</i>			
4. Year Performance Review (YPR)	<ul style="list-style-type: none"> <li>• Top Management</li> <li>• CEO</li> </ul>	Company wide All Staff	<ul style="list-style-type: none"> <li>• CEO</li> <li>• Board of Directors</li> </ul>

#### BALANCED SCORECARD (BSC)

The most known measurement of the performance of organization is Balanced Scorecard (BSC).



The performance of all activities of NISCO new strategic planning and management process measured by balanced scorecard (BSC) model.

Balanced Scorecard: - organizations are viewed from four perspectives:

**Financial perspective:** measures financial performance, for example number of debtors, cash flow or return on investment.

**Customer Perspective:** measures a direct impact on customers, for example time taken to process a phone call, results of customer surveys, number of complaints or competitive rankings (an increasing realization of the importance of customer focus & customer satisfaction in any business)

**Business Process Perspective:** measures the performance of key business processes, for example the time spent prospecting, number of units that required rework or process cost (whether its products & services conform to customer requirements)

**Learning & Growth Perspective:** measures the company's learning curve - for example, number of employee suggestions or total hours spent on staff training (ease of communication & knowledgeable employees).

#### **4.5.3. The Advantage of Strategic planning and management process for NISCO**

The following table 4.9 shows that, the advantage of strategic planning and management process for Nyala Insurance S.C. is vital. The respondents viewed the advantage of strategic planning and management process, and most respondents' emphasized that the strategic management is important in achieving competitive advantage and strategic objectives of the company, the following points are the most important advantages of the strategic planning and management process to NISCO. All points are listed in the table 4.9 below, and scored averagely, 80% of respondents agree and strongly agree and below 20% of the respondents scored neutral, disagree, and strongly disagree.

Advantage	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
SPM helps to achieve competitive advantage for Organization.	85.9%	9.0%	5.1%	0%	0%
SP was time taking process, and helped the organization to have comprehensive plan	73.7%	13.1%	11.1%	2.1%	0%
SP enhances the understanding and sharing of vision, mission, values and strategic objectives of NISCO with its stakeholders	68.7%	26.3%	5%	0%	0%
SP has helped the translation of the vision into action through top-down and bottom-up.	45.5%	36.4%	16.1%	2%	0%
The Strategic plan enables to clearly state the impacts of the organization and its programs in the target market.	49.5%	32.3%	14.1%	4.1%	0%
SP helped defining the right policies and procedures for the proper implementation of the strategic plan	44.4%	46.5%	9.1%	0%	0%
SP enable mobilization of adequate resources as programs and projects are focused with clear goals	51.5%	33.3%	11.1%	4.1%	0%
SP facilitates timely adjustment of organizational objectives and its programs in line with changes in the internal and external environment.	55.6%	26.3%	6.1%	8%	4%
The return from SPM process exercise is worthwhile, which is gaining high profit and market share in industry.	49.5%	29.3%	14.1%	3.1%	4%

Table 4.9 respondents view about advantage of strategic planning for NISCO

#### 4.6. Basic point collected from face to face interview

During face to face interview with executive managers and service managers of NISCO, the following different points were raised on the current status of insurance industry in Ethiopia, in additions to the reasons for the formulation of new strategic plan, how implementation mechanism is used for properly implementing the strategic plan, and what the controlling mechanisms of strategic plan are. They were all discussed.

Almost all respondents had above 10 years work experience in insurance sector, and agreed that insurance business in Ethiopia is not a recent phenomenon, it has more than 100 years history, but not yet growth compared to the length of history in Ethiopia.

The combination of portfolio insurance business in Africa and the world is 60/40%, means 60% of the insurance business life insurance 40% of portfolio general insurance, but in our country trend 5/95% of portfolio means 5% of insurance business life insurance and 95% of insurance business general business. So there big gap compared to even Africa countries. In these respect, external consultant and international reinsurance company suggested that, NISCOs' new strategy focuses on life insurance because, the recent census indicated, Ethiopia has reached above 90 million people, so, it has potential for life insurance business, and the new strategic plan focused on life insurance as well as cover all general and micro insurance services.

Strategic plan is important management tool, and used for achieving the future objectives of the organization, companies' prepared strategic plan to manage the volatile environment and properly utilized the company resource as well. In order to know the reasons, why NISCO prepared strategic plan and what the driving forces for preparing the strategic plan and initially introduced in NISCO, the respondents said that, the combination of different driving forces had pushed for developing the strategic plan in NISCO, these are internal need, shareholders need, consultant force and other driving forces pushed the company to prepared the strategic plan.

NISCO new strategic plan focused on serve the nation up country, because, most insurance companies located in Addis Ababa and regional capital cities only, the company new plan to open different branches in all regional small cities and as well as plan to open branches in neighboring countries. Like South Sudan, Djibouti and other East African countries.

The challenges in strategic planning and management process was, making appropriate team formulated and managed formulated team, knowledge gap within the formulated team, time challenge, and many more are challenges on the formulation and implementation of the strategic plan.

According to new strategic plan of NISCO, all departments have specific plan cascaded from main strategic plan to business unit, and all department heads follow-up every process of implementations of strategic plan.

The performance of strategic planning and management process are measured by annual review and balanced scorecard (BSC) model.

## CHAPTER FIVE

### SUMMARY AND RECOMMENDATIONS

The study was summarized, and recommended based on the findings.

#### 5.1. Summary

The objectives of the research focused on the assessment of the strategic management practice in the case of Nyala insurance S.C. The study more specifically intended to achieve the following objectives; these are to assess the practice of strategic plan development in NISCO, i.e. the process of defining the vision, mission, values and objective of the company, to assess the mechanisms used in the implementation of strategic plan, to assess the implementation responsibility of strategic plan, and to identify the major challenges of strategic planning process in NISCO. With these objectives the study tried to answer the following research questions. These are:

- How does NISCO formulate its strategic plan?
- What mechanisms does NISCO use in the implementation of strategic plan?
- How does NISCO control the implementation of strategic plan? (monitor and evaluate)
- What are the major challenges of strategic planning and management process?

Both primary and secondary data were used to accomplish the study, and the primary data were gathered through questionnaire and interview. The secondary data were gathered through different printed materials i.e. books, journals, articles, company profile, company new strategic plan and others. Questionnaires were distributed to 108 sample respondents in NISCO and additional information was collected in face to face in interview that focused on the strategic planning and management process. The information is presented in figures and tables. Descriptive type of analysis was the main method used for producing the findings of the study.

## 5.2. Recommendation

I forward the following recommendations based on the findings of the study

- NISCO must give continuous training and awareness for all staffs especially, for senior staffs about the company new strategic plan, and implementation process, because all staffs must fully understand the company new strategic plan and it is important to reduce many challenges on the execution of new strategic plan in the company, and it may protect from failure, according to Norton findings, vision barriers are one reason to fail the strategy. So, it should be prepare and give continuous training and awareness program for all employees about company's' vision and its strategy to improve the awareness of NISCO employees.
- Participation of internal and external stakeholders are crucial for implementing the strategic plan successfully, and it is useful for minimize resistance for change. If all staffs participated, they are willingness to accept the change situation in company, and if, shareholders participated in the formulation process of strategic plan, they are willingness to invest additional fund for their company and others. So, NISCO should be participated all internal and external stakeholders on the whole process of strategic plan and it is useful for achieving the strategic objectives of the company.
- NISCO should be analyzed the critical issues like, the entrance of foreign insurance company in the local markets, because, Ethiopia is a fast growing country and it will have plan to open financial sectors to foreign financial institute, because of the influence of globalization and pressure of international loan providers, like, IMF, World Bank, and Western Countries, so, NISCO must properly analyze the critical issues and prepare itself for such global challenges urgently.
- NISCO should be prepared Knowledge management policy in company. Because, nowadays, knowledge is an asset of the company and it is crucial for gaining competitive advantage and it creates learning organization. The student researcher recommends to NISCO, it must prepare and maintain knowledge management policy in company.
- Information technology is vital issue on the 21<sup>st</sup> century, so, it must be fast to implement appropriate information technology systems in NISCO, otherwise, the

implementation process lagged, and the implementation process of strategic plan aren't successful.

- The student researcher recommends to NISCO, using additional performance measuring methods, which are important for controlling the implementation process of strategic plan from different directions. According to C.L.Vele (2013 pp.192), one of the most important aspect of the strategic implementation process is the evaluation method designed to ensure that the strategic goal set by the strategy are fully met. Thus, the strategic evaluation must analyze the current performances registered by the company and compare them with the standards imposed by the strategy. So it must be using financial measures in evaluating the strategic implementation process, and Audit (independent audit, management audit and internal audit), used to evaluate the implementation process of strategic plan.
- Finally, Strategic plan must have contingency plan, so NISCO is must be prepared contingency plan. According to C. L. VELE, (2013, pp.194), it is the best planning and execution of strategic formulation, implementation and evaluation. Unexpected events can threaten the company's efforts to gain sustainable competitive advantages. The entrance of new competitors on the market and change in the political and legal environment, strike or natural disasters. The events can transform a brilliant strategy into a useless one, basically over night. Because of this, companies need to have contingency plan destined to foresee potential threats and design the most efficient ways to deal with them.

Contingency plans represent alternatives which can be implemented in certain situations which have not occurred yet. It is imperative for companies to have such plans, but only in relation with key aspects of the strategic planning process. Having a back-up plan regarding every aspect of the strategy is a waste of valuable resources. At the same time, these plans need to be structured in the simplest way possible in order to increase the level of flexibility and decrease the response time of companies in the face of an unexpected event (David, 2008: 341).

## **Four Barriers to Strategy Implementation**

Finally the student researcher recommends NISCO's top level management, management team and all staffs to protect the strategic plan implementation process carefully from the following four barriers.

Bob Paladino. (2007. pp 11) One of Norton's key findings is that "9 out of 10 companies fail to implement their strategies". Figure below provide a framework and evidence to help us understand why this is true. Why do 9 out of 10 companies fail to implement their business strategies? It is due to the following four barriers:

**Vision Barriers:** - research shows that only 5% of the company employees fully understand their company's strategy.

**People Barriers:** - only 25% of managers have incentives linked to strategy.

**Management Barriers:** - 85% of executive teams spend less than one hour/month discussing strategy.

**Resource Barriers:** - 60% of organization don't link budget to strategy.

The issue of strategic planning and management process in business institution is an important and timely topic as it helps them to adopt business management tools to face the challenges of the organizations. This research has focused more on the findings obtained from the response of NISCO executives, top level managers, all management members as well as senior staff on the practice of strategic planning and management process in NISCO. The researcher believes that deeper assessment of the departmental level looking into detail reports, plans, current operating systems, leadership etc might provide a different picture. Therefore, it is recommended that researchers assess NISCO's leadership and commitment, as well as follow-up and etc. the implementation process of strategic plan according to the current situation.



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# ANNEX

**Dear respondent,**

My name is Timoteyos Yonas Haile. I am the staff of NISCO and currently studying for master of Business Administration (MBA) at St. Mary's University. As partial fulfillment of the program, I am undertaking a research project entitled "assess the practices of strategic management process in the case of Nyala Insurance S.C."

This questionnaire dispatched to you in order to assess NISCO experience and also your personal views and feelings on the practice of strategic planning and management process in NISCO. Your responses to the specified questions in this instrument shall provide the study with the chance to generate balanced and objective findings on the subject matter.

The response to this questionnaire intended only for academic purpose; your anonymity shall be maintained; and that the output of the study will not be used for other purpose.

**Instruction**

The instrument is a mix of a structured, key informant interview guide and a questionnaire. The questions in this instrument are organized into three parts, the first part, Personal Information. The Second part, the strategic planning and management process of NISCO. The Third part is particularly represented by questions in a five-point scale where you shall specify your views on the advantage of strategic plan. Please put a tick () mark on the answer of your choice (where choices are provided) and finally provide additional views and opinions on the overall practice of strategic planning and management process in NISCO. I convey my thanks for your diligence, objectivity and concern while responding to the questions.

**Thank you for your Cooperation!!**

**Part I.**

**Personal Information**

1. Service year in the Nyala Insurance S.C. (NISCO)
 

1-5 years	<input type="checkbox"/>	11-15 Years	<input type="checkbox"/>
5-10 years	<input type="checkbox"/>	Above 16 Years	<input type="checkbox"/>
2. Age range in years
 

Below 30	<input type="checkbox"/>	Above 41	<input type="checkbox"/>
31-40	<input type="checkbox"/>		
3. Sex
 

Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
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4. Academic status
 

PhD	<input type="checkbox"/>	Diploma	<input type="checkbox"/>
Master's Degree	<input type="checkbox"/>	Certificate	<input type="checkbox"/>
Degree	<input type="checkbox"/>		
5. Position in NISCO
 

Executive Officer	<input type="checkbox"/>	Branch Manager	<input type="checkbox"/>
Service Manager	<input type="checkbox"/>	Senior Staff	<input type="checkbox"/>
Middle Level Manager	<input type="checkbox"/>		

**Part II.**

**Strategic Planning and management Practice of NISCO**

1. How do you understand NISCOs' Strategy?
 

Fully Understand	<input type="checkbox"/>	Not Fully Understand	<input type="checkbox"/>
Moderately Understand	<input type="checkbox"/>	Neutral	<input type="checkbox"/>
2. How do you rate the importance of the following actions as a preparation step of NISCO strategic planning exercise?

Action	Most Important	Less Important	Not Important	Neutral
Stakeholder participation				
Organizing planning teams				
Securing resources (Financial and human)				
Strategic Planning and Management training for the staffs				
Securing Corporate (Executive level leadership) commitment				



3. How do you rate the involvement of stakeholders in the strategic planning process

Action	Very Active	Moderately Active	Less Active	Not Involved	Neutral
Board of Directors					
Executive Officers					
Division Managers					
Service Center Managers					
Chief Engineers					
Senior Underwriters					
Senior Customer Service Officers					
Senior Accountant					
Shareholders					
Corporate Customers					
Government Offices					
All staffs					
Others (Please specify)					

4. How much do you think the following statements reflect the situation in the Nyala Insurance S.C.? The statements are about some business management activities supposed to be practiced by organization. Do you think NISCO perform these activities and uses on the preparation of strategic planning and management process?

Indicator	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
Information systems provide support for decision making					
NISCO prepares both long-term and short-term plans using the best approaches and techniques.					
Uses the output of management information and control system					
Commonly uses manpower planning and performance appraisal of senior managers for management development, management succession, promotion, recruitment and etc.					
Occasionally makes significant modification to the operation technology (includes modification of working methods and procedures					

use of information technology and etc.)					
NISCO often use cost control systems for monitoring performance.					
Often emphasizes on service quality through the use of quality circles					
Criteria for resource allocation generally reflect long-term consideration.					
Emphasizes basic research to provide for future competitive edge.					
Forecasting key indicators of operations is common.					
Formal tracking of significant general trends is common often conducts “what if” analysis of critical issues (example; what the NISCO operations will look like given entry of foreign insurance provider to local market and what-if analysis in major insurance products and branch expansion decisions and etc)					
Constantly seeking new opportunities related to the present operations.					
Uses Group Decision Support system to help groups of senior management and professional groups reach consensus.					
Taking the new learning of employee and making it available to others in the organization is the central activity of the company to creating knowledge					
Implementing and maintaining a knowledge management policy in company implies, employing staff to manage knowledge maintained in the organizations database and ensuring that knowledge workers are trained and have appropriate access to the organizations knowledge base.					

5. Which tools were very relevant for gathering the information on the external and internal environment?

Tools	Very Relevant	Moderately Relevant	Less Relevant	Neutral
Document Review				
Focus Group Discussions				
Key Informant interview				
Brainstorming				
Workshop				
Questionnaire				

6. Which methods were useful or important to analyze the information?

Action	Very Important	Moderately Important	Less Important	Neutral
SWOT Analysis				
Stakeholder Analysis				
Industry Analysis				
Competitor Analysis				

7. How do you rate the challenges in the process of developing the strategic planning of NISCO

Challenges	Strong	Moderate	Less	Not at All	Neutral
Time					
Internal expertise (Capacity)					
Financial					
Information (Data) gathering					
Getting the right consultants who knows the sector					
Other (please specify)					

8. Who defined the strategic intents and major engagement of the NISCO

Strategic Intent/ Engagements	Share holders	Top Managements	Middle level managers/ experts	Others, please specify	Neutral
Vision					
Mission					
Values					
Strategic Directions					
Major program Engagements					
Strategies for Implementation					

9. How do you rate the capability of the organization in the implementation of the strategic plan?

Action	Strong	Moderate	Weak	Neutral
Translating the strategic plan to program plan or action plan				
Helping financial resources for the plan (have enough budget)				
Availing/ enhancing capacity of the expertise				
In placing the required organizational systems and procedures				
Establishing coordination with different departments of Organization.				
In placing the required Information Technology infrastructure.				

10. What mechanism is used to follow up and control the implementation of the strategic plan?

- Annual review of the implementation against the set indicator
- Continuous performance progress assessment
- Organizing internal feedback mechanism with the staff
- Biannual stakeholders' performance assessment meeting
- Other, please specify.

**Part III.**

**Respondent’s experience and views regarding the strategic planning in NISCO**

Please rate your responses based on your experiences of strategic planning and management process in NISCO. The highest score is 5 points and is selected if you have the most favorable view (strongly agree) in relation to that issue.

I. The Advantage of Strategic planning and management process for NISCO

	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
Strategic planning and management process helps to achieve competitive advantage for Organization.					
Though it was time taking process, the strategic exercise has helped the organization to have comprehensive plan which set clear future direction of the organization					
Strategic planning process enhances the understanding and sharing of vision, mission, values and strategic objectives of NISCO with its stakeholders					
Strategic planning process has helped the translation of the vision into action through top-down and bottom-up process of discussion and agreement with the external stakeholders					
The strategic plan is not always the basis of the organization’s program and project design decisions					
The Strategic plan enables to clearly state the impacts of the organization and its programs in the target market.					
Strategic plan helped defining the right policies and procedures for the proper implementation of the strategic plan					
Strategic plan enable mobilization of adequate resources as programs and projects are focused with clear goals					
Strategic plan facilitates timely adjustment of organizational objectives and its programs in line with changes in the internal and external environment.					



## **Interview Guiding Questions**

**Dear Sir/ Madam**

My name is Timoteyos Yonas Haile. I am the staff of NISCO and currently studying for master of Business Administration (MBA) at St. Mary's University. As partial fulfillment of the program, I am undertaking a research project entitled "assess the practice of strategic management in the case of Nyala Insurance S.C." this thesis is my final paper for graduation. I am conducting this interview to get deeper understanding on the topic. So far a questionnaire is developed and distributed for different NISCO branches and head office. The interview is additional information gathering methods which will help me to get different opinions and views on the topic and you are selected as a key informant, who knows the sector well while your involvement in the sector. Therefore, your unreserved support and honest views/opinions are valuable for the quality of the work. The information you are providing is used only for academic purpose hence, your anonymity shall be maintained that the output of the interview shall be used only for this study

### **Question No. 1**

Would you please tell me who you are, how long have you know/involved in the Insurance Sector, on what level (staff, manager, consultant, etc) and overall view about the Insurance in Ethiopia.

### **Question No. 2**

What is your experience on the strategic planning in the Insurance sector? How do Insurance companies organize their strategic planning exercise (responsibility, capacity, monitoring, reporting etc), who are involved, how do you evaluate the expertise in analyzing the information and converting it to strategic plan and implementing it?

### **Question No. 3**

What are the benefits of strategic planning and management process on NISCO?

**Question No. 4**

What challenge NISCO facing when they engage on strategic planning process, which one is the most challenging factors (prioritize them) and why, how shall they overcome or reduce these challenges , etc

**Question No. 5**

Did you have detailed contingency plan for new strategic plan?

**Question No. 6**

Do you have any additional points, remarks, suggestions, etc on the overall practice of strategic planning and management process on NISCO?

**Thank you very much!!**



## NISCO Corporate Strategy

**Table 1: NISCO Corporate strategy**

	Strategic Themes	Strategic Objective	Strategic Measure	Strategic outcomes
<b>Financial</b>	Achieve Profitable growth	F <sub>1</sub> . Increase operational result	Growth of GWP	<b>Satisfied Shareholders</b>
		F <sub>2</sub> . Increase investment income	Growth of ROI	
		F <sub>3</sub> . Reduce cost	Total expense, combined ratio	
		F <sub>4</sub> . Increase profit	Gross profit	
<b>Customer</b>	Build the Business	C <sub>1</sub> . Penetrating new markets and customers segment	<ul style="list-style-type: none"> <li>• Growth in geographic diversification</li> <li>• Increase in distribute channel (Branches and sales agents)</li> </ul>	<b>Delighted Customers</b>
		C <sub>2</sub> . Increase Market Share	<ul style="list-style-type: none"> <li>• Growth in market share</li> </ul>	
		C <sub>3</sub> : Improve brand image	<ul style="list-style-type: none"> <li>• Brand popularity index</li> </ul>	
	Increase Customer Value	C <sub>4</sub> . Expand/deepen and our relationship with existing customers	<ul style="list-style-type: none"> <li>• Growth in # of new policy</li> <li>• Growth in retention and renewal of existing business</li> </ul>	
		C <sub>5</sub> . Develop and maintain an effective customer relation management	<ul style="list-style-type: none"> <li>• Number of specialized services delivered</li> <li>• Level of partnership with customers</li> </ul>	
<b>Internal</b>	Achieve operational excellence	I <sub>1</sub> . Provide Best in-industry service in U/W, RM, and Customer service	<ul style="list-style-type: none"> <li>• Excellent compliance rate in U/W, R/M, customer services, and claims audit</li> <li>• Excellent return in insures' satisfaction survey</li> </ul>	<b>Effective Internal process</b>
		I <sub>2</sub> . Effective utilization of asset	<ul style="list-style-type: none"> <li>• Growth in investment and investment diversification</li> </ul>	

		and resource capacity	<ul style="list-style-type: none"> <li>Return ancillary service</li> </ul>	
		I <sub>3</sub> . Develop new products and services, enhance existing	<ul style="list-style-type: none"> <li>Number of new products availed</li> <li>Number of existing products enhanced</li> </ul>	
<b>Learning and Growth</b>	Building Organizational capabilities	L <sub>1</sub> . Develop NISCO's financial, physical and Intellectual resources.	<ul style="list-style-type: none"> <li>Growth in capital</li> <li>Growth in Asset</li> <li>Number of new designs, patents</li> </ul>	<b>Strong company motivated and prepared workforce</b>
		L <sub>2</sub> . Development and utilization of cutting edge ICT	<ul style="list-style-type: none"> <li>Effective utilization of ICT assisted service delivery in both core &amp; support processes</li> </ul>	
		L <sub>3</sub> . Upgrade staff competence and professionalism	<ul style="list-style-type: none"> <li>Number of trainings and professional developments offered</li> </ul>	
		L <sub>4</sub> . Motivate and empower employees to implement strategy	<ul style="list-style-type: none"> <li>Employee satisfaction survey</li> </ul>	

Source: based on Balanced Score Card Model (BSC model)

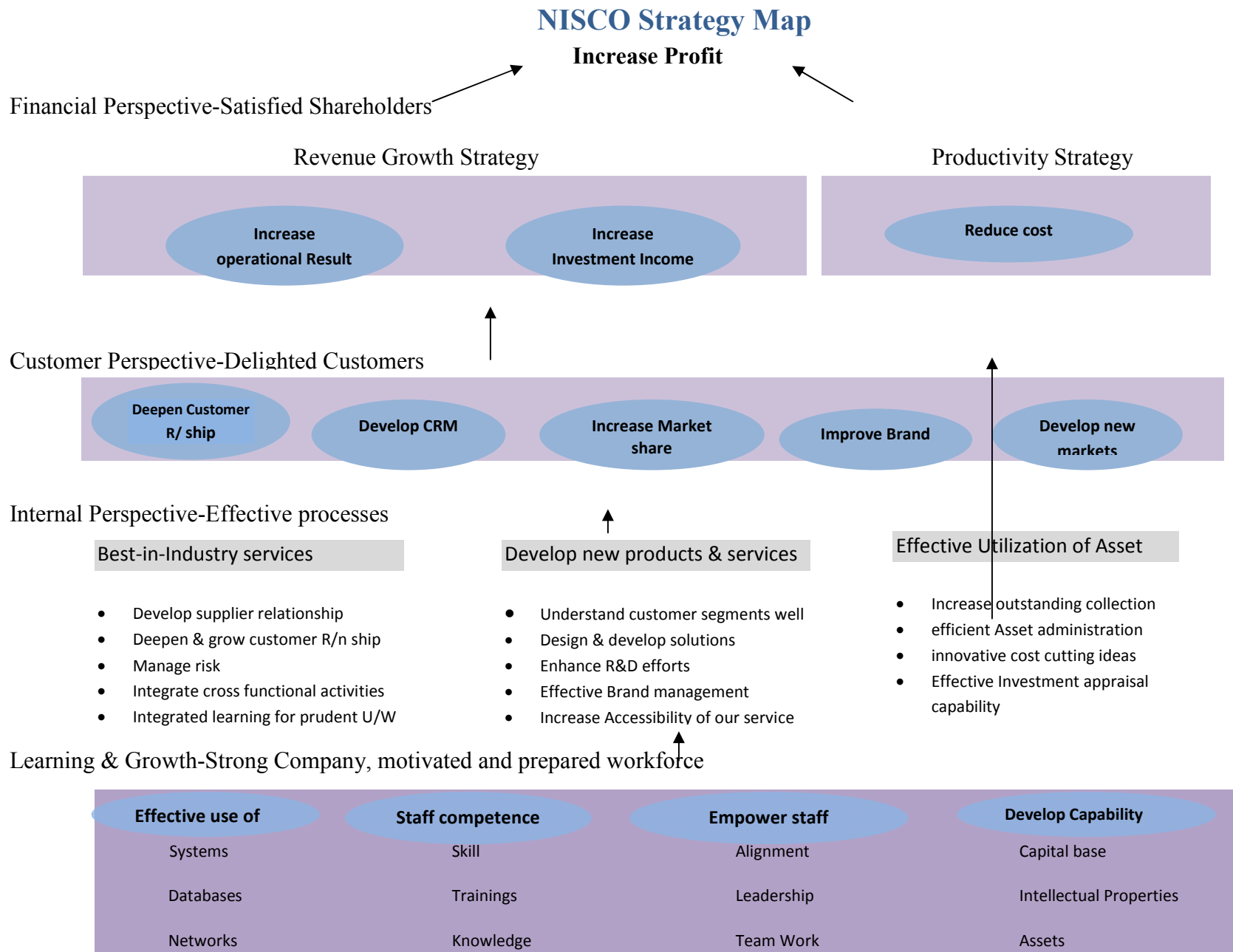


Figure 3: NISCO strategy Map,

Source: based on Kaplan & Norton's strategy Map

## **1. Introduction**

### **Background of the study**

Insurance has long history in Ethiopia and it has practiced over hundred years. The recent history showed that after the liberalization of the country, various private insurance companies have established. The government provides an opportunity for local investors to establish in companies. It is believed that the embarking of different insurance companies in the country may not only create favorable atmosphere to compete each other, but also allow consumers to get efficient services. This may make a substantial contribution to the economic growth of Ethiopia. Nevertheless, most insurance companies, after their establishment and entrance into the market, they fail to come up with new products, excel their services to their customers, and maintain and compete on the existing products and services. Although, they prioritize their profits a lot, it is imperative to consider the consumers' low demand and the current situation of the industry in the country.

### **2. Statement of the problem**

Strategic Management represents the management responsibility for defining the organization's mission, formulating strategies, guiding long-term organizational activities consistent with internal and external conditions, and concerns with policy decisions affecting the entire organization.

Strategic planning and management processes are vital for sustainable competitive advantage and it helps to achieve strategic objectives of the organization. Nowadays, strategy management is the most important tool for managing internal and external environment, mobilizing the company resource, enhancing organizational performance and achieving overall objectives of the organization.

After re-liberalization of the Country in 1994, insurance in Ethiopia has grown remarkably. Currently 17 insurance companies operate in Ethiopia, which are snatched each other to get significant percentage of the market share in the local market. Also, there is a possibility for entrance of big foreign Insurance Company in the local insurance industry, as the government is under pressure from different partners and organs to open the financial market.

The insurance service is one of areas that brought about rapid change in the industry. The development of information technology and the globalization of world economy are among the factors that contribute for the tremendous change. Therefore, insurance should realign itself to these changes.

NISCO's vision as indicated in new strategic plan is to become "preferred insurance solution in all market we serve". It requires a lot of effort and well-designed strategy for insurance company, like NISCO to become preferable insurance solution in all market.

NISCO has prepared the strategic plan and started its implementation process last year. The strategic plan has covered from 2014 up to 2018. But there is a gap in methods of formulation, implementation and controlling the plan. This implies that NISCO does not have well-developed strategic plan and management process. As a result NISCO doesn't prepare best strategies that can help to achieve its objectives. This research, therefore, aims to assessing and analyze the practice of the strategic management process in NISCO.

### **3. Research Question**

5. How does NISCO formulate its strategic plan?
6. What mechanisms does NISCO use in the implementation of strategic plan?
7. How does NISCO control the implementation of the strategic plan? (monitor and evaluate)
8. What are the major challenges of the strategic planning process?

### **4. Research Objective**

**The General Objectives:** -The research intends to assess NISCO practice of formulation, implementation and controlling strategic plan, and it will provide academic and pragmatic fact to researchers, readers and management practitioners.

**The Specific Objectives:** - The study more specifically intends to achieve the following objectives

- To assess the practice of strategic plan development in NISCO, i.e. the process of defining the vision, mission, values and objectives of the company
- To assess the mechanisms used in the implementation of the strategic plan

- To assess the implementation responsibility of the strategic plan.
- To identify the major challenges of the strategic planning process in NISCO

## 5. Definition of Term

**Strategic Management:** -is a set of managerial decisions and actions that determines the long run performance of a corporation. It includes environmental scanning (both external and internal), strategy formulation (strategic or long-range planning), strategy implementation, and evaluation and control. (Thomas L. Wheelen J. David Hunger, 2012 pp. 5)

**Strategy Formulation:** -Strategy formulation is the development of long-range plans for the effective management of environmental opportunities and threats, in light of corporate strengths and weaknesses (SWOT). It includes defining the corporate mission, specifying achievable objectives, developing strategies, and setting policy guidelines.(Thomas L. Wheelen J. David Hunger, 2012 pp. 17)

**Strategy Implementation:** -it is a process by which strategies and policies are put into action through the development of programs, budgets, and procedures. This process might involve changes within the overall culture, structure, and/or management system of the entire organization. Except when such drastic corporate wide changes are needed, however, the implementation of strategy is typically conducted by middle- and lower-level managers, with review by top management. Sometimes referred to as operational planning, strategy implementation often involves day-to-day decisions in resource allocation.(Thomas L. Wheelen J. David Hunger, 2012 pp. 21)

## 6. Significance of the study

This research will believe to contribute

- To find out the practice of strategic management process in NISCO
- To identify the opportunity of planning strategy in development, implementation and control in order to achieve the strategic objective of the organization.
- To identify input for capacity building of the company and gaining competitive advantage in industry
- To provide inputs for individuals who are interested in the subject matter to undertake similar research.

## **7. Limitation and Delimitation/Scope of the study**

The scope of this research is limited to assessing the practice of strategic management process in the case of NISCO. The research will conduct in all branches located in Addis Ababa and head office.

In conducting this research time is first constraint the researcher will face when undertaking the study. The absences of research material, in addition to financial constraints are another problem in conducting the research

It will depend on how the organization management and employee react to research and cooperative when conducting the research, it will be limited by responses which will be given and effort made to assist the researcher to complete the work in the given time effectively and efficiently.

The research assess on the Nyala Insurance S.C. head office staff and branch office located in Addis Ababa the effect of strategy management process i.e. formulation, implementation and control contribute for the growth of the organization. The finding of the research will see the gap and the recommendations which are based on the finding, use for improving the practice of the planning process for organization and use as a source of information for other business organizations.

## **8. Research Design and Methodology**

Research methodology is a general principle and important to guide the entire research

### **➤ Research Design**

Research Design is the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing hypotheses and their operational implications to the final analysis of data. (Emory William C., and Cooper Donald R., 1991. pp.138)

In order to accomplish this study, mixed type research methods will employed with special emphasis on the assessment of the strategic management practices, i.e. formulation, implementation and monitoring and evaluation of the strategic plan of the

NISCO. The qualitative research approach is used to insight of the respondents on the very ideas of the strategic planning in NISCO. This has given a chance for the respondents to express their views and opinions beyond ticking the structured questionnaire. Thus, interview will used to capture and summarize the respondents' opinions on the use, benefit and challenge of strategic planning in their own experiences. On the other hand, questionnaire will also used for generating quantitative data which can be measurable to formulate facts which is helpful for generalize findings of the study.

### **Dimension of Strategic Management**

Strategic management consists of four basic elements

- ✚ Environmental scanning
- ✚ Strategy formulation
- ✚ Strategy implementation
- ✚ Evaluation and control

❖ **Environmental scanning:** -are the monitoring, evaluating and disseminating of information from the external environments to key people within the corporation. Its purpose is to identify strategic factors-those external and internal elements that will determine the future of the corporation. The simplest way to conduct environmental scanning is through SWOT Analysis. SWOT is an acronym used to describe that particular strength, weakness, opportunities and threats that are strategic factors for specific company. The external environment consists of variables (opportunities and threats) that are outside the organization and not typically within the short run control of top management. These variables from the context within which the corporation exists.

The general forces trends within the overall societal environment or specific factors that operate within organization's specific task environment often called its industry.

The research utilizes descriptive technique in analyzing the issues and research question that has been raised in this study. Analyzing the finding will be generated from primary and secondary data source.



Internal environment of a corporation consists of variables (strength and weakness) that are within the organization, itself and are not usually within the short run control of top management. These variables from the context which works are done. They include the corporation's structure culture and resource can use to gain competitive advantage.

❖ **Strategy Formulation:** -strategy formulation is the development of long-range plans for the effective management of environmental opportunities and threats, in light of corporate strength and weakness. It includes defining the corporate mission, specifying achievable objectives developing strategies and setting policy guidelines.

**Mission:** - An organization mission is the purpose or reason for the organization's existence. It tells what the company is providing to society mission statement describes what the organization is now. Vision statement describes what the organization would like to become.

**Objective:** - objectives are the end results of planned activity. They state what is to be accomplished by when and should be quantified if possible. The achievement of corporate objectives should result in the fulfillment a corporation's mission.

**Strategies:** - a strategy of a corporation forms a comprehensive master plan starting how the corporation will achieve its mission and objective. It maximizes competitive advantage and minimize competitive disadvantage.

The typical business firm usually considers three types of strategy: corporate, business and functional.

1. Corporate strategy: describes a company's overall direction in terms of its general attitude toward growth and the management of its various business and product lines. Corporate strategy typically fit within three main categories of stability, growth and retrenchment.
2. Business strategy:- usually occurs at the business unit or product level, and it emphasizes improvement of the competitive position of a corporation's products or services in the specific industry or market segment served by that business unit. Business strategies may fit within the two overall categories of competitive or cooperative strategies.

3. Functional strategy is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a distinctive competence to provide a company or business unit with a competitive advantage.

**Policies:** - a policy is a broad guideline for decision making that links the formulation of strategy with its implementation. Companies use policies to make sure that employees throughout the firm make decisions and take actions that support the corporation's mission, objectives, and strategies.

❖ **Strategy Implementation** is the process by which strategies and policies are put into action through the development of programs, budgets and procedures. This process might involve changes within the overall culture, structure and/or management system of entire organization. Except when such drastic corporate wide changes are needed, however, the implementation of strategy is typically conducted by middle and lower level managers with review by top management. Sometimes referred to as operational planning, strategy implementation often involves day-to-day decisions in resource allocation.

**Programs:** - a program is a statement of the activities or steps needed to accomplish a single-use plan. It makes the strategy action-oriented. It may involve restructuring the corporation, changing the company's internal culture, or beginning a new research effort.

**Budgets:** - is a statement of a corporation's programs in terms of dollars. Used in planning and control, a budget lists the detailed cost of each program,

**Procedures:** - sometimes termed standard operating procedures (SOP), are a system of sequential steps or techniques that describe in detail how a particular task or jobs is to be done. They typically detail the various activities that must be carried out in order to complete the corporation's program.

❖ **Evaluation and Controls** is the process in which corporate activities and performance results are monitored so that actual performance can be compared with desired performance. Managers at all levels use the resulting information to take corrective action and resolve problems. Although evaluation and control is the final major element of strategic management, it also can pinpoint weakness in previously implemented strategic plans and thus stimulate the entire process to begin again.

For evaluation and control to be effective, managers must obtain clear, prompt, and unbiased information from the people below them in the corporation's hierarchy. Using this information, managers compare what is actually happening with what was originally planned in the formulation stage.

**Feedback/Learning** process is part of strategic management model, each parts of the model taking information to each of the previous parts of the model. As a firm or business unit develops strategies, programs and the like, it often must go back to revise or correct decisions made earlier in the model. (Thomas L. Wheelen and J. David Hunger, 1998)

### ➤ **Source and Tools/Instrument of Data Collection**

The primary data will be collected through interviews and questionnaires. They use for supplement the secondary data for analysis of the qualitative part of the research. The company top level managers and senior staffs are expected to give supportive information for research and they are important information provider for research. The researcher will study the effect of formulated, implemented and control of strategic plan and what contribute for growth of the organization and gaining competitive advantage in sector?

The secondary data will be gathered from desk review of the new strategic planning documents, different type of related books and searching from internet web-site and other relevant sources.

### ➤ **Population and sampling Technique**

There are two types of sampling techniques; these are probability sampling and non-probability sampling. Probability sampling having a suitable sampling frame and established the actual sample size required, it need to select the most appropriate sampling techniques to obtain a representative sample. Five main techniques can be used to select a probability sample; simple random, systematic, stratified random, cluster and multi-stage. (M. Saunders, P. Lewis and A. Thornhill, 2009. pp. 222).

The researcher used simple random sampling methods, which were used to participated sample population; these are included all top level managers, all management members and randomly selected senior staff of Nyala Insurance S.C.

The population sample was clearly defined using the following selection criteria

- The respondents must have a minimum of first degree in any field.
- The respondents must have at least three years of working experience in NISCO.

Accordingly, a list of employee qualifying the above criteria is obtained from NISCO human resource record office. There are 150 employees which fulfill the criteria, which comprise the target population.

According to M. Saunders, P. Lewis and A. Thornhill, (2009 pp.218), Researchers normally work to a 95 per cent level of certainty. This means that if the sample was selected 100 times, at least 95 of these samples would be certain to represent the characteristics of the population. Based on the simple random sampling method, the researcher used 108 sample respondents out of 150 selected respondents, which covers all the 16 branches and head office staffs located in Addis Ababa.

Data gathering process focused more on the formulation, implementation and control of new strategic plan, and the researcher conducted semi-structured interview to Executives and Service managers and distributed questionnaires to all level managers, and senior level staffs, based up on the job description. The researcher used all top level managers and management members of the company, because they are more involved in the strategic plan and management process of NISCO. In this regard, all eight top level managers (Executives and Service Managers), all thirty two management members (middle level managers and branch managers) and sixty eight were randomly selected. Sample respondents from non-managerial staff (Senior-level staffs), and total samples size were 108. The researcher attempted to make the findings of this research realistic.

### ➤ **Procedure of Data Collection**

The researcher will prepare a mix of structured, key informant interview and questionnaire. The interview generally open-ended questions that are few in number and intended to elicit views and opinions from the participant for top level managers, department heads and branch managers of the organization. Before conducting interview the researcher will prepare close-ended questions according to level of manager and focus on directly concerned about the

strategic issues. The researcher first reserve the appointment for interview to conduct top and middle level managers of the company. The questionnaires distribute for all level of managers and senior staffs of the organization in head office and 16 branch offices located in Addis Ababa. Before distribute the questionnaire, the researcher briefly explain the aim of the study for respondents.

### ➤ **Methods of Data Analysis**

The method of data analysis will use by the researcher appeared to be one of the strongest parts of the study. The collected data subject to edition, classifying, coding and encoding to computer and the appropriate analysis will be generated in tabular and or graphic form.

The data will enter, clean and analyze using SPSS (Statistical Package for Social Sciences) software and use other important and supporting tools for analyzing the data. Finally, the analyzed data will be expected to enhance the logical link in between the research problems, theoretical background and the results

## **9. Organization of the Research Report.**

The research paper will be systematically organized and making the facts and findings are clear and comprehensive format

The entire research report will have five chapters. The following are detail about the chapter and its content.

### **Chapter One: Introduction**

incorporate an introduction part consist of background of the company, background of the study, statement of problem, research question, research objective, definition of term, significance of the study, scope of the study, and limitation of the study.

### **Chapter Two: Review of Related literature**

The research will contain selected relevant and related literature on the study

### **Chapter Three: Methods of the Study**

The research will explain the methodology used in conducting the study which incorporates type of data source and method of data analysis used in the research

#### **Chapter Four: Result and Discussion**

This chapter will contain the major result/finding of the research and interpret and discuss the finding/result

#### **Chapter Five: Summary, Conclusions and Recommendations**

This chapter is the final part of the research it will consist of conclusion and recommendation based on the finding of the research.

## 10. Time Schedule

### Time schedule of the research

No	Major Activities	Timeline																	
		January				February				March				April				May	
		W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2
1	Literature Review																		
2	Primary Data Collection																		
3	Data Organization and Analysis																		
4	Outline the Report																		
5	Producing draft of the report																		
6	Submission for comment																		
7	Incorporation of feedback																		
8	Final Submission																		

