HRMARS
Exploring Intellectual Capital

Effect of Population Demographics on Strategic Planning in Insurance Industry in Kenya: A Study of Insurance Companies in Nakuru CBD

Phyllis Njeri
(Corresponding Author) Chuka University, Chuka
Email: njeri.phyllis6@gmail.com

Henry Kombo
Egerton University

Abstract

The study was conducted to find out the effect of population demographics on strategic planning in insurance companies in Nakuru CBD. A Correlational survey research design was adopted for the study. The target population was all the 21 insurance companies in Nakuru CBD. Census study was conducted for all the 21 Insurance Companies. Primary data was collected using questionnaires. The respondents were managers who are involved in strategic planning in the insurance companies. Data collected was analyzed using descriptive statistics and Pearson product moment correlation. The study finding reveals that according to 58% of the respondents, the insurance company staffs were oftenly involved in the planning process. According to 73% of the respondents strategic plan was oftenly reviewed and lastly according to 82% of the respondents, planning was oftenly used to show the right path for the company's future. The results show that there was a positive correlation (0.377) between population demographics and strategic planning. The study recommends that strategic planning managers need to align their strategic planning to the population demographical factors. Successful strategic planning implementation requires effective communication, employee involvement, thorough organizational planning and competitive analysis, and widespread perceived need for the strategic planning.

Key words: *Population Demographics and Strategic Planning*

Introduction

Strategic planning is critical to business success but different from classic business planning. Waza (2005), states that the strategic variety involves vision, mission and outside-of-the-box thinking. Strategic planning describes where the management team wants their company to go. Aldridge (2004) argued that socio-cultural environment consists of the whole range of behaviors and relationships in which individuals engage in their personal and private lives, including: the characteristics of the population, for example age, sex, race or ethnicity, class, values and attitudes, lifestyles and relationships.

Kaplan and Norton (2005) have stated, 95 percent of the staff neither are aware of the organization strategies nor do understand them. Johnson (2004) also believes that 66 percent of the organization strategies are not executed at all. In many cases this is not because of poor strategy and the idea behind them. Many valuable strategies are faced with problem and failure in the implementation stage. Basically, the main challenges in the strategic management lie in the implementing of the strategies rather than in developing stage. Molina (2008), believe impeders affecting the successful implementation of the strategy are as: organization structure, organization culture, information and communication technology and reporting system, motivation and reward systems, providing adequate resources, decision-making processes, effective communication, education, capabilities and skills. Several other researchers also have examined the factors affecting successful implementation of strategies.

According to Myers & Menifee (2000) the demographic factors that affect strategic planning include size of a population, growth rate, age, gender, family size and educational level. These factors affect the demand for goods and services. For instance, KIR (2012) indicates that life premiums rose from KES21,360mn in 2009 to KES26,710mn in 2010. This implies that density is continuing to grow quite rapidly from a low base. By most standards, life density of around US$8 per capita would normally be very low. However, for a country with the overall income level and economic challenges of Kenya, we regard this outcome as more than respectable.

Population with varied tastes, preferences and beliefs, gives rise to differing demand patterns. Population data is a crucial growth indicator for the life insurance sector: key demographic trends show not only specific areas of growth potential, but can also highlight liability imbalances, and reveal impending growth limitations when viewed in conjunction with penetration figures. Favourable demographics, such as a large youth population, are indicative of promising growth potential, whereas an ageing population or dwindling birth rate can signal curtailment of growth momentum for the sector. The quality of healthcare infrastructure suffers major disparities between regions. Only 30% of the rural population have access to health facilities within 4km of their home, compared with 70% of the urban population (KIR, 2012).

In addition, although there are many texts and studies regarding the strategic management process but most of them have focused on the strategy development aspect (Rahimnia *et.al.* 2009) and the implementation of strategy has been less considered by researchers. Since the strategy issue plays an important role in the success of different organizations and companies inside the country, especially food companies, and because implementing the strategy is an inseparable part of the strategic management processes and there has been little research on this topic in the world and no research in our country and a research gap is in this field;

Research Methodology
The study adopted Correlational design. The design described the nature and strength of the relationship between the variables. The study also adopted a cross-sectional census survey. The target population comprised of 21 insurance companies (Municipal Council of Nakuru, 2012).

These are companies that offer insurance services to individuals and organizations. There are only 21 insurance companies in Nakuru CBD. Given their small number, all the 21 firms were studied.

Primary data consisted of original data gathered by the researcher for the specific purpose of the study at hand (Mugenda & Mugenda, 1999). Data was collected by use of questionnaires, administered by the researcher. The use of questionnaires was justified because this was the most effective and affordable way of collecting information from a small literal sample within a short period of time. Data was collected at the firm level where the instruments were distributed to managers in charge of strategic planning. Two sets of questionnaires were administered to 2 managers. The data was analyzed using entered using Statistical Package for Social Science (SPSS). Descriptive statistics aided in summarizing the collected data while Pearson correlation was used to examine the relationship between population demographics and strategic planning.

Results

Company's Profile

The study targeted 21 insurance companies. Responses were obtained from 19 firms, representing a response of 90%. The characteristics of the respondents that were assessed by the study included respondents' job positions, products offered, and the kind of markets served by the companies. An analysis of respondents' job positions revealed that 46% were branch managers, 28% were finance managers and 26% were sales managers.

According to the results, the insurance companies offered various products which included medical insurance cover, education cover, life insurance cover and asset management cover. An assessment of the markets served by the respondents' insurance companies revealed that all the companies served domestic market as indicated by 100% of the respondents. However, only 11 out of 19 companies had products that were destined to the international market as stated by 58% of the respondents. Table 1 below shows the markets served by the insurance companies which were involved in the study.

Table 1: Markets served by the insurance companies

Markets served	Domestic		International	
	Frequency	Percentage	Frequency	Percentage
Yes	19	100.0	11	58
No	0	0.0	8	42
Total	19	100.0	19	100.0

Source: Field data

Perception of Population Demographics

The study sought to find out the perception of population demographics among Insurance Companies within Nakuru CBD, in a scale of 1-5. To achieve this, the respondents were asked to indicate the extent to which they perceived the population demographics listed in Table 2 had changed in their environment.

Table 1: Perception of Population Demographics

Rating Factor	Not at all %	Low Extent %	Moderate extent %	High extent %	Very high extent %
Population size	8	5	21	45	21
Gender	18	32	24	21	5
Age	5.	13	50	26	5
Population structure	5	13	21	42	19
Ethnicity	47	18	13	16	5
Labor mobility	13	13	42	29	3
Geographic Location	5	13	29	42	11

Source: Field data (2013)

With regards to the results in Table 2, above, population size, age, population structure, labor mobility and geographic location as indicated by the table above had changed to a high extent and a very high extent while gender and ethnicity had not changed as indicated by not at all and low extent percentages.

Strategic Planning

The study also assessed the status of strategic planning in insurance companies in Nakuru municipality and the assessment focused on formalization and extensiveness aspects.

Formalization of Strategic Planning

The study sought to find out the level of occurrence of a set of aspects of strategic planning. In a scale of 1-5 the respondents were asked to indicate the level of occurrence of a set of aspects as shown in table 3

Table 3: Formalization of Strategic Planning

Rating Factor	Never %	Rarely %	Sometimes %	Often %	Very Often %
Involvement of staff in the planning process	5	11	26	37	21
Co-ordination of planning efforts in the organization	3	3	40	40	16
Involvement of staff in formulation of corporate goals	3	8	40	24	26
Analysis of the environment	3	0	37	40	21
Review of your strategic plan	0	0	26	47	26
Use of planning to show the company the right path for the future	0	3	16	32	50

Source: Field data (2013)

As shown in Table 3 above, the study findings reveals that according to 58% of the respondents, the insurance company staff were oftenly involved in the planning process. Co-ordination of planning efforts in the organization was also oftenly conducted as noted by 56% of the respondents. 50% of the respondents further indicated that insurance companies' staff members were oftenly involved in formulation of corporate goals. 61% of the respondents also confirmed that analysis of the environment was oftenly conducted. According to 73% of the respondents strategic plan was oftenly reviewed and lastly according to 82% of the respondents, planning was oftenly used to show the right path for the company's future. Thus based on the findings, the use of planning to show the company the right path for the future was revealed by 82% of the respondents to be the most applicable in the insurance companies.

Extensiveness of Strategic Planning

The study sought to find out the level of occurrence of a set of aspects of strategic planning extensiveness. In a scale of 1–5, the respondents were asked to indicate the level of occurrences of various aspects as shown in Table 4:

Table 4: Extensiveness of Strategic Planning

Rating _____ Factor	Never %	Rarely %	Sometimes %	Often %	Very Often %
Change of the company's strategies	0	3	58	32	8
Delegation of the planning staff	0	0	45	50	5
Scanning of your environment	0	18	29	40	13
Use of planning Techniques e.g. SWOT	5	3	24	32	37

Source: Field data

As shown in table 4 above, the study findings reveals that 40% of the respondents indicated that the company's strategies were occasionally changed. Fifty five (55%) percent indicated that planning was oftenly delegated to staff members, the environment was oftenly scanned as noted by 53% of the respondents. The results further indicated that planning techniques e.g. SWOT were oftenly being applied as indicated by 69% of the respondents. Thus based on the findings, use of planning techniques for example swot was revealed by 69% of the respondents to be the most applicable in the insurance companies.

Effect of Population demographics on Strategic Planning

The hypothesis was that population demographics had a positive effect on strategic planning among insurance companies within Nakuru CBD. The hypothesis was tested using Pearson's moment correlation coefficient. This test was used to establish whether there was a positive relationship between independent variable (Population Demographics) and dependent variable (Strategic Planning). The results are shown in Table 5.

Table 5: Effect of Population Demographics on Strategic Planning

		Population Demographics	Strategic planning
Population Demographics	Pearson Correlation	1	.377
	Sig. (1-tailed)		.019
	N	19	19
Strategic planning	Pearson Correlation	.377	1
	Sig. (1-tailed)	.019	
	N	19	19

Correlation is significant at the 0.05 level (1-tailed).

As shown in Table 5, the results show that there was a positive correlation (0.377) between population demographics and strategic planning. The p-value is 0.019 and thus, less than the alpha of 0.05 hence establishing a high significant relationship between variables. This means that population demographics had a positive significant effect on strategic planning.

Conclusion

Results of the study revealed that most of the insurance companies practice strategic planning. Further strategic planning is affected by population demographics. Based on the findings, strategic planning in the insurance industry is done in a participatory manner as all the staff members are involved in the planning process. The process is characterized by co-ordination of planning efforts, involvement of staff members in formulation of corporate goals, occasional changes in company's strategies, frequent scanning of the environment and application of the planning techniques.

Recommendations

The findings revealed that population demographics affects strategic planning; hence the strategic planning managers need to align their strategic planning to population demographics The findings revealed that the insurance companies have adapted strategic planning to different degrees hence further research on the challenges firms face in strategic planning is recommended.

Successful strategic planning implementation requires a large commitment from executives and senior managers, whether the strategic planning is occurring in a department or in a complete organization. Executives must lead, support, follow-up, and live the results of the strategic planning implementation process. Additionally, there must be Effective communication,

employee involvement, thorough organizational planning and competitive analysis, and widespread perceived need for the strategic planning.

References

Aldridge, S. (2004). *Life chances and Social Mobility.* Oxford University: Oxford Press.

Johnson, L.K. (2004), "Execute your strategy-without killing it", *Harvard Management Update*, *December, pp. 3-5.*

Kaplan, R. S., & Norton, D. P. (2005). The office of strategy management. *Harvard Business Review, 83(10), 72—80.*

KIR (2012). *Kenya Insurance Report Q1 2012*. Business Monitor International Ltd.

Mugenda, M.O. & Mugenda, G .A. (1999). *Research Methods: Quantitative and Qualitative Approaches.* Nairobi: Central Graphics Services.

Municipal Council of Nakuru (2012). *Report on the list of insurance companies in Nakuru* Nakuru Municipality.

Myers, D. & Menifee, L. (2000). *Population Analysis: The Practice of Local Government Planning ed. Charles J. H.* Washington, D.C: International City/County Management Association.

Picard, R.G. (2004). *Impact of External and Internal Changes on Loss of Value on Products.* New York: Fordham University Press.

Porter, M.E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors.* New York: Free Press.

Porter, M.E. (1998). *Competitive Forces on Existing Firms*. New York: Free Press.

Rahimnia. Fariborz, Polychronakis, Yiannis and Sharp, John M. (2009). A conceptual framework of impeders to strategy implementation from an exploratory case study in an Iranian university, *Contemporary Middle Eastern Issues. Vol. 2 No. 4, pp. 246-261.*

Richard, K.T. (1994). *Using Demographic analysis in Health Services Planning;* A case book for Business and Government (eds) Haille.J. Kinter,Thomas W. Merrick, Peter A. Morrison and Paul R. Voss. Boulder West view Press.

Waza, D. (2005). *Impact of Strategic Planning On a Business' Success.* Unpublished MBA Thesis: Jomo Kenyatta University of Agriculture and Technology.