EFFECT OF SOCIO-CULTURAL ENVIRONMENT ON STRATEGIC PLANNING IN INSURANCE INDUSTRY IN KENYA: A STUDY OF INSURANCE COMPANIES IN NAKURU CBD, KENYA

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A Research Project Submitted to Graduate School in Partial Fulfillment of the Requirements for the Award of the Degree of Master in Business Administration of Egerton University

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DECLARATION AND RECOMMENDATION

Declaration

I declare that this research project is my original work and has not been presented for examination in this or any Institution.

Signed …………………………… Date ………………………

      Phyllis N. Rugwe

      CM11/0637/10

Recommendation

This Research project has been submitted for examination with my approval as the University Supervisor.

Signed…………………………… Date ………………………

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DEDICATION

This work is dedicated to the Father God Almighty who has brought me this far. I could not have made it if He did not walk with me in every step I made. He has given me victory, To God be the Glory. It is also dedicated to my parents who gave me a lot of moral support by praying tirelessly for my success.

ACKNOWLEDGEMENT

ABSTRACT

Firms are open systems that interact with their environment and are affected by environmental changes. This study was conducted to find out the effect of socio-cultural environment on strategic planning in insurance companies in Nakuru CBD. The objectives of the study were to determine the effect of the population demographics on strategic planning, effect of class structure factors on strategic planning and effect of cultural factors on strategic planning. 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 close-ended questionnaires. The respondents were managers who are involved in strategic planning in the insurance companies. Data collected was analyzed using descriptive statistics, Pearson correlation analysis and multiple regression analysis. The results of the analysis were presented using charts and tables. The results revealed that perception of socio-cultural environment affects strategic planning in the firms. The findings also revealed that cultural factors had the greatest effect on strategic planning, followed by population demographics then the least was class structure factors. Since the results revealed that there was a positive relationship between socio-cultural environment and strategic planning, strategic planning managers need to align their strategic planning to the socio-cultural environmental factors.

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ACRONYMS AND ABBREVIATIONS

EPISTEL   -   Environment, Political, Informatics, Social, Technological, Economic and Legal.

PEST   -   Political, Economic, Social cultural, Technological

STEER   -   Social Cultural, Technological, Economic, Ecological, Regulatory

SWOT   -   Strengths, Weaknesses, Opportunities, Threats.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Firms and environment are related in one way or another; firms do not exist in a vacuum; they depend on and are part of the environment. They depend on the environment for their survival and also organizations obtain their raw materials from the environment, thus organizations must adapt their strategic planning to fit in the environment so as to be successful.

External environment like economic environment, socio-cultural, technological and political environment aims to help an organization to obtain opportunities and threats that will affect the organization's competitive situation. Therefore, organizations must formulate appropriate strategies to take advantage of the opportunities while overcoming the threats in order to achieve their strategic goals.

Companies worldwide are struggling to understand and adjust to wide ranging external and internal changes that are altering modes of production, rapidly increasing competition, eroding their traditional audience and advertiser bases, altering established market dominance patterns, and changing the potential of the firms. Picard (2004) observes that the need for companies to understand and adjust to the new conditions grows daily because such changes can lead to failure of both existing and new products and, ultimately, lead to the loss of value or collapse of firms.

Environmental analysis must overcome difficulties of interpretation, inaccuracy, misperception and short-term orientation, as well as the complex environments of various firms. Ansoff (1999) states that for a given environment, an organization must come up with a suitable strategy and proposes that there has to be a fit between the existing strategy and the prevailing environment for the organization to remain successful and says that once the strategy has changed to fit in the new environment, such a change requires a corresponding change in the internal capability of the firm. Here the most

important aspect of managing changing environmental conditions is the real time response. This refers to the immediate changes that involve immediate capability transformation as soon as the environment changes. Despite the formal strategic plan, informal changes must be undertaken to respond to the environmental changes as they happen or are about to happen.

1.1.1   Socio-Cultural Environment

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. Culture is an attribute of groups, and this can mean society as a whole group within society (sub-cultures), or even groups of societies and nations (trans-national culture).

Thompson and Strickland (1993) in their research found out that one way to predict future driving forces are to utilize environmental scanning techniques. This involves studying and interpreting social, political, economic, ecological and technological events in an effort to spot budding trends and conditions that could eventually affect the industry. Kotler (2001) observed that marketing plays a critical role in the company's strategic planning process and stated that a market plan defines the business mission, analyses the environment, competition and business situations. It also involves developing of objectives, goals, strategies, defining product market and distribution. This process can become downright treacherous if the organization depends heavily on technology, because technology changes course frequently. Technological change is somewhat predictable, and doing nothing is not an option. Kurzweil (2006) in his study, says that the pace of change is accelerating and may seem obvious, but most people fail to take it into consideration.

It has been observed before that a host of external factors influence a firm's choice of direction and action and ultimately its organization structure and internal processes. Porter (1998) points out that firms are environment dependent and changes in

environment shapes the opportunities and challenges facing the organization. The firm's interaction with such environmental factors is essential for survival and for this interaction to occur; the firm must be an open system. The firm has to find and obtain needed resources, interpret and act on the environmental changes, dispose of output, control and co-ordinate internal activities for it to be effective.

1.1.2   Strategic Planning

Kimani (2006) argues that the key components of 'strategic planning' include an understanding of the firm's vision, mission, values and strategies which are often captured in a vision statement and mission statement. The vision statement outlines what the organization wants to be, or how it wants the world in which it operates to be. It is a long-term view and concentrates on the future. It can be emotive and is a source of inspiration. Mission statement defines the fundamental purpose of an organization or an enterprise, succinctly describing why it exists and what it does to achieve its vision. Organization's values are beliefs that are shared among the stakeholders of an organization. Values drive an organization's culture and priorities and provide a framework in which decisions are made. Strategy means "the art of the general" or a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there.

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue a certain goal. It is a management tool that helps an organization focus its energy, to ensure that members of the organization are working toward the same goals, to assess and adjust the organization's direction in response to a changing environment (Bryson, 2003).

1.1.3   Insurance Industry in Kenya

An insurance industry refers to a collection of companies that manage risk for individual health and property by promising to reimburse policy holders for losses in exchange for regular payments. The industry is divided into three distinct segments: life insurance, health insurance, and liability insurance. Each operates on similar principles, but protects

policy holders for very different reasons. There are two main types of ownership in the insurance industry; The life insurance industry specializes in two types of policies designed around the client's life. The most common type of life insurance policy is a guaranteed sum of money to be paid out to a beneficiary, the second type of policy rewards a policyholder if they live past a specified age. In both cases, the policy holder pays a sum, that is, a premium, to the insurance company at regular intervals to keep the policy active. Another kind of coverage that focuses on the well-being of a policy holder is health insurance. The primary function of the health insurance industry is to absorb some or all of the costs associated with health care. The liability insurance industry forms the third type of coverage and provides security for physical objects. The main function of this industry is to protect automobiles, real estate, and personal property from loss (Republic of Kenya, 2013). For insurance industries to remain successful, they have to align their strategic planning to fit the changes in the external environment and particularly in the socio-cultural environment.

1.2   Statement of the Problem

There are changes in the environment and this affects the firms in one way or another. These changes can present an opportunity or a threat to the firms. Firms need to be competitive and therefore they need to adopt effective strategies to respond to the environment and be competitive. Theoretical literature indicates that firms need to align their strategic planning to the environment. However, inspite of this, little research has been done to determine the extent to which firms particularly insurance industries in Kenya align their strategic planning to the socio-cultural environment. Bradford and Duncan (2000) argued that most companies experience changes in the socio-cultural environment. Some close down their business, some are forced to undergo re-engineering of their business processes and others manage to caution themselves against the aftermath of the same. Kuria (2009) in his study found out that the long-term future for the insurance sector was bright, given the low levels of penetration, increasing usage of information and communication technology (ICT), research, product development and focus on new distribution channels. Nevertheless, the challenges are significant; one is that many Kenyans have little understanding of insurance and/or a low opinion of it.

The environmental changes are enormous ranging from internal factors to the external environment including socio- cultural, technological, international, and economic as well as the legal aspects. External environment affects strategic decisions such as strategic planning; firms need to adapt their strategic plans to fit in the environment. Therefore this study sought to find out the effect of socio-cultural environment on strategic planning in the insurance industry in Nakuru CBD.

1.3   Objectives of the Study

The main objective of the study was to find out the effect of socio-cultural environment on strategic planning in the insurance firms in Kenya. The specific objectives were to:-

i.   Determine the effect of population demographics on strategic planning in the firms.

ii.   Determine the effect of class structure factors on strategic planning in the firms.

iii.   Determine the effect of cultural factors on the strategic planning in the firms.

iv.   Determine the joint effect of demographic, class and cultural factors on strategic planning in the firms.

1.4   Research Hypotheses

The study sought to test the following hypotheses:-

H1   Population Demographics have a positive significant effect on strategic planning.

H2   Class Structure factors have a positive significant effect on strategic planning.

H3   Cultural factors have a positive significant effect on strategic planning.

H4   Components of socio-cultural factors have a positive joint effect on strategic planning among insurance companies within Nakuru CBD.

1.5   Significance of the Study

This study is important to the management policy and practice: the information gathered in this study was aimed at assisting insurance companies' employees and the management to monitor closely the changes in the socio-cultural environment and the possible effects that it has on their strategic plans. It also helped them come up with the appropriate measures to counter the challenges that are being experienced by insurance

companies' strategy planning in this area. The study is useful to other insurance companies as it helped them know how to handle changesz in socio-cultural environment and their impact on strategic planning so as to attract and retain their clients.

The study is also important for knowledge to enrich literature and stimulate further research: it was useful to the academicians and researchers, as it enabled them do an in-depth investigation on the degree to which the changes in socio-cultural environment affect the overall strategic plans of most organizations, it also enabled them to carry out further studies as they progressed in advancing their education levels.

1.6   Scope and Limitations of the Study

1.6.1   Scope of the Study

The study was carried out to find out the effects of socio-cultural environment on strategic planning in the insurance companies. The study was carried out in the insurance companies situated within Nakuru CBD. The study was carried out between the months of August and December of 2012.

1.6.2   Limitations of the Study

While conducting this study, the researcher experienced the following limitations: Some respondents did not co-operate because of confidentiality, thus they were not willing to take part in the exercise, however, this was mitigated by motivating the respondents, promising them that the information they give will be confidential and by following up on the questionnaires.

1.7   Definition of Terms

Socio-Cultural Environment   Is the whole range of behaviors and relationships in which individuals engage in their personal and private lives.

Strategic Planning   Refers to an organization's process of defining its strategy or direction, and making decisions on allocating its resources to pursue a certain goal.

Strategy   Refers to the general plan of action.

Population Demographics   Refers to socio-economic characteristics of a population expressed statistically, such as age, sex, income level, marital status, occupation, religion, birth rate, death rate.

Class structure   Refers to the hierarchical organization by which a society or community is divided.

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Cultural factors   Refers to the set of beliefs, moral values, traditions, language and laws (or rules of behavior) held in common by a nation or a community.

Formalization   Refers to the extent to which rules and procedures are followed in an organization.

Extensiveness   Refers to comprehensiveness; employment of decision making processes of upper management concerning environmental threats and opportunities

CHAPTER TWO

LITERATURE REVIEW

2.1   Introduction

This chapter examines the past studies relevant to the study. It reviews literature on socio-cultural environment, population demographics, class structure, cultural factors, strategic planning, population demographics and strategic planning, class structure and strategic planning, culture and strategic planning, summary of the literature and conceptual framework.

2.2   Theoretical Perspective

The study is guided by the systems theory. Ludwig von Bertalanffy (1998) is considered as the founder of systems theory. He says that a system is characterized by the interaction of its components and the nonlinearity of those interactions. Systems theory perceives organizations as an open system that exists in context of an external environment in a dependent relationship in which it interacts in order to survive and grow. There are two perspectives within the systems theory; closed and open systems perspectives. Closed systems are isolated and independent of the environment and there are no environmental influences that affect the behavior of the closed system. Open systems are connected and interact with environment, take in influences from environment and also influence the environment by their behavior. Open system is a stable system and relates with its environment in both prescribed and uncontrolled ways.

Organizations are considered as open systems because they interact with the external environment and the external factors affect their operations. Firms and environment are related in one way or another; Organizations do not exist in a vacuum; they depend on and are part of the environment. They depend on the environment for survival and also organizations obtain their materials from the environment, thus organizations must adapt their strategic planning to fit in the environment so as to be successful. This study is based on the systems theory because it was expected that insurance firms being open systems, they would adapt their strategic planning to the socio-cultural environment.

2.3   Socio-Cultural Environment

According to Aldridge (2004), the socio-cultural environment is 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. Culture is an attribute of groups, and this can mean society as a whole group within society (sub-cultures), or even groups of societies and nations (trans-national culture), for example, it is quite common to speak of 'western culture'. This implies that there are certain values and ways of life that western societies might be said to share, such as; Secularism refers to the increasing influence of rational and scientific thought, and the decline of religion as a framework of understanding and guide to behavior. Consumerism or materialism refers to the view that achieving higher levels of consumption of goods and services leads to greater happiness. A good life means having more 'stuff '. This attitude lies behind the belief that economic growth is always a good thing. Individualism refers to the idea that individuals make their own life-style choices and are motivated primarily by self-interest. It can also involve the idea that individuals should strive to be self-reliant.

Hills (2004) argue that sub-cultures can also be related to class membership for example working class culture or age for example youth culture. Youth culture is itself diverse, partly reflecting lifestyle choices in relation to clothing and music. In analyzing the socio -cultural environment of business it is important to recognize that society and culture are not homogeneous or fixed. Rather they are diverse and dynamic. The relationship between business, culture and society involves a two-way interaction, business is also influenced by the social-cultural setting in which it is embedded. At the same time business affects the wider culture and society profoundly. For example, a good deal of what we think of as making up the culture of modern society consists of the outputs of private sector businesses in what is called the culture industries. These influences can be seen as either positive or negative. For example, aspects of the culture of a society might be seen as hindering or assisting business performance. Therefore governments might be interested in promoting cultural change as a way of boosting economic competitiveness.

2.3.1 Population Demographics

Demographic factors include size of a population, growth rate, age,, gender, family size and educational level. These factors affect the demand for goods and services. .High population growth rate indicates an enormous increase in labor supply. Population with varied tastes, preferences and beliefs, gives rise to differing demand patterns (Myers & Menifee, 2000).

Demographic analysis is needed in all stages of the planning process for both new and revised plans. Population analysis is needed to identify problems and community needs, establish goals and objectives, assess alternative courses of action, allocate resources for plan implementation and evaluate the ability of the plan to achieve goals and objectives (Myers & Menifee, 2000).

2.3.2 Class Structure

Class Structure is the hierarchical organization by which a society or a community is divided into. This comprises socioeconomic status, social mobility, inequality, income and earnings distribution. Socioeconomic status is commonly conceptualized as a class of an individual or group (Hill, 2004).

The existence of different classes is often seen as an important feature and as an undesirable feature. What is seen as undesirable about a class system is that it involves a hierarchy: some people are in higher positions in society and some in lower positions. Some people are 'better off (enjoy a higher standard of living) than others (Health & Payne, 2000).

2.3.3 Cultural Factors

Culture encompasses a set of beliefs, norms, moral values, traditions, language and rules of behavior held in common by a nation, a community, or other defined groups of people. Cultural Factors include religious affiliations, attitudes, consumerism and lifestyles. Many cultural characteristics are associated with education, occupation, income and

social status. It is the culture of an individual which decides the way he/she behaves; culture is nothing but values of an individual (Paul, 1955).

Culturally determined characteristics include: the language spoken, religious observances; customs acceptable gender roles and occupations; dietary practices; intellectual, artistic, and leisure-time pursuits; and other aspects of behavior. Scholes and Whittington (2005), states that organizational culture can hinder or help the successful development of the organization's goals and objectives. Culture is an asset to an organization; it eases communication, facilitates organizational decisional making and control and results in increased productivity. Culture can also become a liability when important shared values and beliefs interfere with the organization's goals and objectives. Because of the influence of the cultural content on behavior, an individual or group, may not want to behave as called by the organization or may not understand how to behave efficiently and appropriately. Culture is also part of the internal environment of business. Business constitutes a discrete sphere of activity with distinctive roles, attitudes and behavior and thus the culture of a business organization can be an important factor influencing its success or failure and shaping this culture is a key managerial task.

2.4   Strategic Planning

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue the goal. In order to determine the direction of the organization, it is necessary to understand its current position and the possible avenues through which it can pursue a particular course of action. Strategic Planning is a management tool that helps an organization focus its energy, to ensure that members of the organization are working toward the same goals, to assess and adjust the organization's direction in response to a changing environment (Bryson, 2003).

In his study, Kimani (2006) argues that the key components of 'strategic planning' include an understanding of the firm's vision, mission, values and strategies which are often captured in a vision statement and mission statement. The vision statement outlines what

the organization wants to be, or how it wants the world in which it operates to be. It is a long-term view and concentrates on the future. It can be emotive and is a source of inspiration. Mission statement defines the fundamental purpose of an organization or an enterprise, succinctly describing why it exists and what it does to achieve its vision. Organization's values are beliefs that are shared among the stakeholders of an organization. Values drive an organization's culture and priorities and provide a framework in which decisions are made. Strategy means "the art of the general" or a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there.

Aserena (2005) added that for an organization's vision and mission to be effective, they must become assimilated into the organization's culture. They should also be assessed internally and externally. The internal assessment should focus on how members inside the organization interpret their mission statement. The external assessment, which includes all of the businesses and stakeholders, is valuable since it offers a different perspective. The same author states that among the most useful tools for strategic planning is swot analysis (strengths, weaknesses, opportunities and threats). The main objective of this tool is to analyze internal strategic factors, strengths and weaknesses attributed to the organization, and external factors beyond control of the organization such as opportunities and threats. Aserena (2005) also states that other tools include: balanced scorecards, which creates a systematic framework for strategic planning; scenario planning, which was originally used in the military and recently used by large corporations to analyze future scenarios; pest analysis (political, economic, social, and technological); steer analysis (socio-cultural, technological, economic, ecological, and regulatory factors); and epistle (environment, political, informatic, social, technological, economic and legal).

Verity and Mills (2005) provided a thorough conceptualization of strategic planning, Verity and Mills (2005) also said that planning is an attitude and a process concerned with the future consequences of current decisions. Formal strategic planning links short, intermediate, and long-range plans. Strategic planning does not attempt to make future decisions or even forecast future events. It needs not replace managerial intuition and

judgment with massive, detailed sets of plans. They also argued the importance of strategic planning, providing keen insight into overcoming the barriers and biases associated with planning failures. Verity and Mills (2005) have argued that planning aids in the identification of future marketing threats and opportunities, elicits an objective view of managerial problems, creates a framework for internal communication, promotes forward thinking, and encourages a favorable attitude to change.

Nyamboka (2009) states that the company develops a list of key elements that define who it is and what it thinks it should look like as an organization. Prioritizing the key elements and use the top three or four to develop a new mission statement. Using the remainder of the key elements as a basis for a "service strategy" that outlines how it will accomplish its mission. The organization develops measurable goals and objectives with timelines, responsibilities, resources, and costs that will ensure all the elements of its mission and service strategies will be dealt with in a timely manner.

Miller and Laura (1994) provided support for the benefits of planning, identifying four roles of formal strategic planning. In the public relations role, formal strategic planning is intended to impress or influence outsiders. The information role provides input for management decisions. The group therapy role is intended to increase organizational commitment through the involvement of people at all levels of the organization in strategic planning. Finally, the direction and control role is fulfilled when plans serve to guide future decisions and activities toward some consistent ends.

Roach and Allen (1983) state that the strategic planning process is the product of the best minds inside and outside the corporation. The process considers future implications of current decisions, adjusts plans to the emerging business environment, manages the business analytically, and links, directs, and controls complex enterprises through a practical, working management system. This process plays a vital role in firm performance.

Kirimi (2008) states that strategic planning forces a company to look into the future and therefore provides an opportunity to influence the future, or assume a proactive posture.

It also provides better awareness of needs and of the facilities related issues and environment. Strategic planning also helps define the overall mission of the organization and focuses on the objectives as it provides a sense of direction, continuity, and effective staffing and leadership. It also plugs everyone into the system and provides standards of accountability for people, programs, and allocated resources.

According to Theuri (2007), the overall goal of strategic planning is to produce a workable plan and he identified five products involved in strategic planning. He suggests that environmental issues and trends may impact the organization and the way it conducts business. Internal issues include staff, services, skills, resources, and needs. External factors include such things as threats of outsourcing. A strategic planning committee compiles an environmental scan, a body of information about the environment. Broad issues, singled out as potentially having significant effect on the facilities planning and management industry, are referred to as mega issues. He also states that strategic planning provides information from clients and peer institutions. The prioritized needs and expectations resulting from the survey are crucial as a basis for setting objectives. Theuri says that the mission statement defines the organization's fundamental reason for existence and establishes the scope of its business. He argues that general objectives broadly describe the results of what the organization wants to achieve in light of needs and relevant issues. The same author suggests that specific, measurable actions and directions designed to reach the organization's objectives are established through strategic planning. Strategies are fulfilled through creation, continuation, change, or elimination of programs.

Oblinger and Oblinger (2006) states that the first step is to state the mission of the organization. Identifying what the business stands for. Then, stating what is its present purpose and how will the future impact. It is also important to state the mission of the organization. Break down into key words and phrases. Stating what should be its principal functions and services as they relate to the needs of the organization. That includes the primary (non-negotiable, core) and secondary (negotiable). Strategy work aims to deal with uncertainty and to shape and/or adapt the future. Strategists use various

tools and techniques to examine possible, probable and plausible futures, and to develop ways of shaping and adapting to future trends.

2.5 Socio-cultural Environment and Strategic Planning

The environment is expected to have an effect on strategic planning for firms. Firms are open systems and depend on the environment for survival. Changes in the environment can present an opportunity or a threat to the firms. Firms need to be competitive and therefore they need to adopt effective strategies to respond to the environment and be competitive. Complex and turbulent environments can be desirable, but since many businesses are uncertain about how to cope with such changes, it makes sense to identify ways to handle such environments (Roach & Allen 1983).

Socio-Cultural environment aims to help an organization to obtain opportunities and threats that will affect the organization's competitive situation. Therefore, organizations must formulate appropriate strategies to take advantage of the opportunities while overcoming the threats in order to achieve their strategic goals.

Aldridge (2004) argues that firms co-exist and co-evolve in their environments and they are able to influence the environment to a greater extent than previously thought. Strategic planning is evolving to meet these changing conditions in socio-cultural environment. Strategy is being done differently, such as involving more people in the process, delegating to those closest to the customers and using cross-functional teams. Aldridge also suggests that strategy making should be a spontaneous self-organizing process, with groups of managers informally discussing strategic issues.

According to Theuri (2007), the overall goal of strategic planning is to produce a workable plan and he identified five products involved in strategic planning. He suggests that environmental issues and trends may impact the organization and the way it conducts business. Internal issues include staff, services, skills, resources, and needs. External factors include such things as threats of outsourcing. A strategic planning committee compiles an environmental scan, a body of information about the environment. Broad

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2.5.1 Population Demographics and Strategic Planning

Changes in the age structure of the population affect business not only in terms of workforce participation but also through their impact on the pattern of consumer spending. What matters is not just the size of each age structure but income level and tastes. Population size is determined by the combined effects of natural change resulting from birth and death rates, that is, the number of births/deaths per 1,000 of the population; and the net migration, that is, the difference between the inward and the outward migration flows. Yet the ageing of the population is often portrayed as presenting a challenge for the economy and the society (Myers & Menifee, 2000).

Barclay (1958) argued that the number of people in a given area can grow or decline as a result of the number of births that take place, the number of deaths that occur and/or by the number of people moving in or out of a locale. Migration can drastically change the size and composition of a population in a brief period of time, especially in small geographic locations. Barclay also said that Planners need to study changes in the composition of the population to plan for education, health care services, and economic development projects. The age of residents, gender, and occupation, level of education, marital status, and living arrangements provide Planners with the type of information that need to be planned for the residents' diverse needs.

Knowing age ranges is of critical importance to Planners since it is closely related to the demand for different types of services. A population composition that has a large percentage of residents under the age of 15 implies the need for schools, primary health services, and recreational needs. Gender is another key factor. For example, women especially in their early reproductive years, 20–35, may need specialized health services for childbearing (Richard, 1994).

Myers and Menifee (2000) equate demographic information to consumer information. Businesses use population characteristics and demographic data to identify profitable locations for goods and services, Selection of retail sites is usually based on population composition and the expected growth of its segments, Perform production analysis, determine characteristics of potential customers who may buy services or products. This analysis includes how the composition and location of the population is changing over time; develop advertising strategies, marketing products to different segments of the population such as the youth, baby boomers, elderly, high income; Perform strategic planning, tracking the growth or decline of existing markets, finding new markets and determining what new or existing products are most likely to be successful among different population groups.

2.5.2 Class Structure and Strategic Planning

Consumer spending habits influence whether an industry will be profitable or not (Scholes & Whittington, 2005). The existence of different classes is often seen as an important feature and as an undesirable feature. What is seen as undesirable about a class system is that it involves a hierarchy; some people are in higher positions in society and some in lower positions. Some people are 'better off' (enjoy a higher standard of living) than others, or simply 'better' (enjoy a higher social status). Class may be a key source of social division and conflict and a major barrier to individuals realizing their potential.

Scholes and Whittington (2005) say that class distinctions are in terms of aspects of behaviour such as; accent, manners and lifestyle. However these behavioral differences may be seen as outward expressions of more basic determinants of class, relating

especially to economic factors such as income and economic role. Capitalism is based on private ownership of business and the majority of people depend for their livelihood on the wage or salary they earn as employees through selling their labor or ability to work for an employer in the labor market. Some have seen this employer employee relationship as a basic form of class division that is characteristic of capitalist economies. Employers make up a business class (capitalist class); while the very large group of employees constitute the working class. The economic role that defines class position is ownership and control of business. This is also a distinction in terms of income; profit (business class) versus wage/salary (working class). Social classes (or 'socio-economic' or 'occupational' classes) are identified by grouping occupations together in broad categories.

The changing class structure (whether in terms of ownership or the occupational order) is driven largely by the dynamic operation of the business system and influenced by state intervention. Class distinctions are closely bound up with the nature of the employment, relationship and managerial strategies. 'Working class' occupations tend to be characterized by a 'labor contract' whereas 'middle class' occupations tend to be characterized by a 'service relationship'. The nature of the employment relationship involves managerial choice. The degree of social mobility has implications for competitiveness and economic performance. A low level of social mobility not only means that individuals from working class backgrounds may not have the opportunity to realize their talents but also suggests that business is missing out on a pool of untapped talent (Hill, 2004).

Class is a useful concept for understanding attitudes to work and conflict in the employment relationship. Class is a useful concept for understanding the behavior of consumers because of the link between class, income and lifestyle. Clayton (1997), states that good planning is not easy. Some people want to get a decision made, whether it is right or wrong, and implemented immediately. Those are great people for getting things done, but they can work against good strategy. Other members of a management team will be more inclined to think and discuss and analyze and deliberate. These are valuable

steps in the planning process, but it is easy to get bogged down, when the leader feels that the paralysis of analysis is setting in.

2.5.3   Cultural Factors and Strategic Planning

Fisher (1992) maintains that an understanding of the organizational culture is important to ensure the organization's success in a rapidly changing environment. "A rapidly changing environment is part of the organization's environment. A Strategic plan is the organization's basic path to the future; the organization's strategic plan provides direction and it fosters co-ordination at the top.

Strategy development is seen as the development of long range plans for the effective management of the organization's environmental opportunities and threats while taking into account the organization's strengths and weaknesses. When the strengths and weaknesses of the organization are determined, special attention needs to be paid to the nature of an organization's culture. Once the swot analysis is completed the organization sets goals and objectives (Gallie, 2000).

Scholes and Whittington (2005), state that organizational culture can hinder or help the successful development of the organization's goals and objectives. Culture is an asset to an organization; it eases communication, facilitates organizational decision making and control and results in increased productivity. Culture can also become a liability when important shared values and beliefs interfere with the organization's goals and objectives. Because of the influence of the cultural content on behavior, an individual or group, may not want to behave as called by the organization or may not understand how to behave efficiently and appropriately. Culture is also part of the internal environment of business. Business constitutes a discrete sphere of activity with distinctive roles, attitudes and behavior and thus the culture of a business organization can be an important factor influencing its success or failure and shaping this culture is a key managerial task.

Minudi (2008) in his study states that customer perception analysis helps in building a strategy for an organization on strong foundations. It is imperative that an organization

knows its clients and how also the clients view the organization. This will help the organization when preparing its strategic plan as it attempts to build a business strategy that delivers results. Consumers are often portrayed as 'rational maximizers', meaning that they allocate their spending so as to maximize their personal self-interest. The culture industries make up a significant part of business activity, reflecting the shift from manufacturing to service industries in the wealthy economies. Culture has become increasingly a big business as a growing share of consumer expenditure is dedicated to 'lifestyle' purchases rather than material necessities. This can be seen in the growth of the wide range of businesses concerned with leisure and tourism (Ashihundu, 2009).

By analyzing customers' perceptions, Mwema (2007) advises that an organization will be able to understand people and the business. Its management team should be able to carry out extensive interviewing and have customer management expertise thus, improving on its sector expertise. The organization's proprietary perception measurement models and techniques are vital for monitoring and evaluating such changes as part of the business environment.

Sawe (2009) suggests that customer perception analysis can be applied in business performance improvement activities, in sales force effectiveness programmes, in strategic re-positioning, when exploring current and new market needs and opportunities, in strategic change programs, in merger and acquisition activity, post-merger and when developing customer-centric capability models. The process of customer perception analysis has several steps. Githaiga (2010) states that the first one is business analysis and program planning. The second step is managing communication with customers and suppliers. The third one is carrying out dynamic interviews with key customers and critical relationships. The fourth step is reporting, conclusion and analysis. The fifth step is presentation of strategic recommendations. Defining action plan is the sixth step and the last step is follow-up and review.

Businesses also confront environmental changes as a result of customer perceptions that pertain to their overall industries. Musyoka (2008) observes that a restaurant that focuses on hamburgers might run into difficulties as a result of food safety scares related to

tainted meat, and a nuclear power plant might experience image problems as a result of a disaster in another part of the world. Strategic planning to deal with changes in consumer perceptions should focus on adjusting company practices and marketing efforts to address current consumer concerns and biases.

Cooper (1974) states that creating strategic account plans is considered an account management best practice for businesses in any industry. Yet results from the 2009, E-Source Account Management Assessment, a recently conducted online survey of utility account management departments regarding the structure, communications, systems, processes, and strategic approaches used in managing business customers of all sizes, showed that only slightly more than half (59 percent) of utilities are creating individual strategic account plans for their key accounts. Equally as concerning was the finding that fewer than 20 percent of utilities are creating any type of strategic plan for the rest of their business customers, including the large (non-key), midsize, and small segments. The online survey used cluster sampling method as a sampling design or technique. E-Source conducts its Account Management Assessment every two years.

Strategic account plans are effective tools that benefit both the utility's account management group and its key account customers by helping to align customer and utility expectations. Cooper (1974) recognizes that preparing plans for an organization's top ten consumers is one way to get the ball rolling. Another interesting idea is setting up a rotation system, especially when product sales are the focus. Account representatives can select their top 10 key accounts to create customized strategic plans for, but once the market potential for product and program sales has been exhausted for a given customer, that account can be rotated out and a new one brought in to focus on. For the rotation method, the management team will want to be working from an overall strategic plan for managing and selling to the entire key account segment.

Creating plans that focus on industry sectors such as healthcare, hospitality, restaurants, and manufacturing is one way to add some customization to the utility's general strategic plans. Wetangula (2010) asserts that the sector-specific plans can span all segments of

customers from key accounts down to small businesses. Because different sectors use energy quite differently, it can be beneficial for a utility account representative to understand the unique wants and needs of each.

2.6   Summary of Literature

Changes in the environment affect the firms' performance in one way or another. These changes can present an opportunity or a threat to the firms. Firms need to be competitive and therefore they need to adopt effective strategies to respond to the environment and be competitive. External environment affects strategic decisions such as strategic planning; firms need to adapt their strategic plans to fit in the environment. Complex and turbulent environments can be desirable, but since many businesses are uncertain about how to cope with such changes, it makes sense to identify ways to handle such environments. Theoretical literature indicates that firms need to align their strategic planning to the environment. However, inspite of this, little research has been done to determine the extent to which firms particularly insurance industries in Kenya align their strategic planning to the socio-cultural environment.

2.7   Conceptual Framework

In this study, the independent variables are population demographics, class structure and cultural factors while the dependent variable is strategic planning. These variables are related as shown in Figure 2.1 below.

Moderating Variables

Contextual Factors
• Economic environment
• Firm Resources

Independent Variables   **Dependent Variables**

Socio-Cultural factors
Population Demographics
• Population size
• Age
• Population structure
• Ethnicity
• Gender
• Labor mobility
Class Structure Factors
• Socio-economic status
• Occupation
• Social mobility
• Inequality
• Incomeandearnings distribution
Cultural Factors
• Attitudes
• Consumerism
• Lifestyles
• Religious Affiliations

Strategic planning
Formalization
• Involvement of staff in the planning process
• Co-ordination of planning efforts in the organization
• Analysis of the environment
• Review of strategic plan
Extensiveness
• Change of the company's strategies
• Delegation of the planning staff
• Scanning of the environment
• Use of planning techniques e.g. SWOT.

Figure 2.1: Relationship between socio-cultural environment, contextual factors and strategic planning

As shown in Figure 2.1 above, there exists a relationship between the independent variables and the dependent variables in the study. However, these variables are affected by contextual factors such as the economic environment and firm resources. This is to say that socio-cultural environment has a direct effect on strategic planning. Population

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demographics have a direct effect on strategic planning, that is the population size, gender, and ethnicity, population structure, age, labor mobility and geographic location can either have a positive or negative effect on strategic planning however, it is affected by other factors called contextual factors. Class Structure factors, that is socio economic status, occupation, social mobility, inequality, income and earnings distribution also have a direct effect on strategic planning, it can either affect strategic planning positively or negatively, however they are affected by contextual factors such as the firm resources and economic environment. Lastly, cultural factors also have a direct effect on strategic planning, that is, religious affiliations, attitudes, consumerism and lifestyles can either affect strategic planning positively or negatively, however they are affected by contextual factors such as firm resources and economic environment.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1   Introduction

This chapter presents the research methodology. It describes the research design, target population, data collection and data analysis.

3.2   Research Design

The design that was employed in this study was correlational design. The design described the nature and strength of the relationship between the variables. The study also adopted a cross-sectional census survey in that data was collected over a short period from the entire population.

3.3   Target Population

Population of study comprised of all the insurance companies operating in Nakuru CBD. These are companies that offer insurance services to individuals and organizations. There were 21 insurance companies in Nakuru CBD (Municipal Council of Nakuru, 2012). Therefore the target population comprised of 21 insurance companies. Given their small number, all the 21 firms were studied.

3.4   Data Collection

The study used primary data. Primary data consists 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. The unit of analysis was the firms. Data was collected at the firm level. For each firm one respondent was interviewed. The respondents were branch managers. Where the branch manager was not available, then the sales and finance managers were interviewed. These are the managers who participate in strategic planning in the insurance firms.

3.5   Data Analysis

The data collected from the field was first edited and coded to ensure completeness and accuracy. The data was entered using Statistical Package for Social Science (SPSS) version 12. Data obtained from the research questionnaire was analyzed using descriptive statistics and Pearson correlation was used to examine the relationship between socio-cultural environment and strategic planning. To determine the effect of socio-cultural environment on strategic planning, the following regression model was developed:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e$$

Where;

Y = Strategic planning

a =   constant

x_1 =   demographic factors

x_2 =   class structure factors

x_3 =   cultural factors

b_1-b_3 = regression coefficients

e = error term

The results of the analysis were presented using tables and charts.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1   Introduction

This chapter presents results and discussion of the results with reference to the specific research objectives and hypotheses. It presents perception of socio-cultural factors and the effect of the socio-cultural environment on strategic planning.

4.2   Company 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 86% were branch managers, 4% were finance managers and 10% were sales managers. The respondents were also asked to indicate the kind of products offered by their companies. Products offered by the insurance companies were medical insurance cover, education cover, life insurance cover and asset management cover. From the findings, all the companies offered medical insurance cover, life insurance cover and asset management cover as indicated by 100% of the respondents, while 95% offered education 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 4.1 below shows the markets served by the insurance companies which were involved in the study,

Table 4.1: 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

4.4 Socio-Cultural Environment

The study sought to establish the managers' perception aspects of socio-cultural factors. Analysis was conducted using percentages.

4.4.1 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 4.2 had changed in their environment. The results were presented in Table 4.2.

Table 4.2: **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)

As shown in Table 4.2 above, the study findings revealed that 8% of the respondents said that population size had not changed, 5% stated that the change was to a low extent, 21% said that there was a moderate change, 45% indicated that the change was to a high extent and 21% of the respondents indicated that the change was to a very high extent. This shows that majority of the respondents (66%) felt that population size had changed in the environment.

The results further revealed that gender had not changed in insurance companies according to 18% of the respondents, 32% stated that the change was to a low extent, 24% agreed that the change was moderate, 21% indicated that it had changed to a high extent and 5% of the respondents indicated that the change was to a very high extent. This implies that only 26% of respondents felt that gender had changed in the environment.

Regarding the age of the population, 5% of the respondents were of the opinion that age of the population had not changed, 13% said that the change was to a low extent, 50% said that age had changed moderately, 26% indicated that the age of the population changed to a high extent and 5% of the respondents indicated that the change was to a very high extent. This means that only 31% of respondents felt that the age of the population had changed to a high extent.

Further, 5% of the respondents perceived that population structure had not changed, 13% perceived that the change was to a low extent, 21% perceived that population structure had moderately changed, 42% indicated that the population structure changed to a high extent and 19% of the respondents perceived that the change was to a very high extent. This implies that majority of the respondents (60%) perceived that the population structure of the clients changed to a high extent in the environment.

With regards to ethnicity, 47% of the respondents perceived that it did not change in any way, 18% perceived that the change was to a low extent, 13% perceived that ethnicity had changed moderately, 16% perceived that ethnicity changed to a high extent and 5%

of the respondents perceived that the change was to a very high extent. This implies that most of the respondents (47%) were perceived that ethnicity did not change in the environment.

The results in Table 4.2 above further indicated that 13% of the respondents perceived that labor mobility had not changed, 13% perceived that the change was to a low extent, 42% perceived that labor mobility had a moderate influence, 29% indicated that the labor mobility had changed to a high extent and 3% of the respondents perceived that the change was to a very high extent. This implies that only 32% of the respondents perceived that labor mobility had changed in the environment.

The results further indicate that 5% of the respondents perceived that geographic location had not changed, 13% perceived that the change was to a low extent, 29% perceived that geographic location had moderately changed, 42% perceived that the geographic location had changed to a high extent and 11% of the respondents perceived that the change was to a very high extent. This implies that 53% of the respondents perceived that geographic location had highly changed in the environment.

Thus with regard to the results, population size was the demographic factor that had highly changed by 66%, followed by population structure which changed by 60%, then geographic location which had changed by 53%, labor mobility changed by 32% while age changed by 31% and gender by 26%. According to the findings, 47% of the respondents said that ethnicity did not change. Thus ethnicity was the only demographic factor that was found not to have changed in the environment.

4.4.2 Perception of Class Structure
The study sought to find out the perception of changes in Class structure 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 following class structure factors listed in table 4.3 below had changed in their environment. The results are presented in the Table 4.3

Table 4.3: Perception of Class structure

Rating Factor	Not at all %	Low Extent %	Moderate extent %	High extent %	Very high extent %
Socioeconomic status	3	13	32	26	26
Occupation	3	16	45	32	5
Social mobility	0	16	47	32	5
Inequality	11	24	37	16	13
Income and earnings distribution	11	11	13	29	37

Source: Field data (2013)

As shown in Table 4.3 above, the study findings revealed that 3% of the respondents perceived that socioeconomic status had not changed, 13% perceived that it had changed to a low extent, 32% perceived that it had changed moderately, 26% perceived that socioeconomic status had changed to a high extent and 26% of the respondents perceived that the clients' socioeconomic status had changed to a very high extent in the insurance companies. This shows that most of the respondents (52%) perceived that socioeconomic status of clients had changed to a high extent in the environment.

Regarding the occupation of the clients, 3% of the respondents were of the opinion that occupation of the clients had not changed, 16% perceived that occupation had changed to a low extent, 45% perceived that occupation had changed moderately, 32% perceived that the occupation of the clients had changed to a high extent and 5% of the respondents perceived that the change was to a very high extent. This means that 37% of respondents perceived that the occupation of the clients had changed to a high extent in the environment.

The results in the table above further indicate that social mobility had changed to a low extent, as noted by 16% of the respondents, 47% perceived that social mobility had

changed moderately, 32% perceived that the change was to a high extent and 5% of the respondents perceived that the change was to a very high extent. This means that 37% of respondents perceived that the social mobility had changed to a high extent in the environment.

According to the results in the table above, inequality had not changed as perceived by 11% of the respondents, 24% perceived that it had changed to a low extent, 37% perceived that it had moderately changed, 16% perceived that inequality had changed to a high extent and 13% perceived that inequality had changed to a very high extent. This means that 29% of the respondents perceived that inequality had changed to a high extent in the environment.

The respondents (11%) further perceived that income and earning distribution had not changed, 11% perceived that it had changed to a low extent, 13% perceived that it had moderately changed, 29% perceived that it had changed to a high extent and 37% perceived that it changed to a very high extent. This means that 66% of the respondents perceived that income and earnings distribution had changed to a high extent in the environment.

Thus with regard to the results, income and earnings distribution was the class structure that was perceived to have highly changed by 66%, then followed by socioeconomic status which had changed by 52%, occupation and social mobility had changed at 37% then inequality was the class structure factor that was perceived not to have changed highly, it had changed by 29%.Thus the perception of class structure factors is that they had changed.

4.4.3   Perception of Cultural Factors
The study sought to find out the perception of cultural factors in the environment among insurance companies within Nakuru CBD. In a scale of 1-5 the respondents were asked to indicate the extent to which cultural factors listed in table 4.4 below had changed in their environment. The results are presented in Table 4.4.

Table 4.4: Perception in Cultural factors

Rating / Factor	Not at all %	Low Extent %	Moderate extent %	High extent %	Very high extent %
Religious Affiliation	34	11	40	13	3
Attitudes	0	21	24	34	21
Consumerism	0	11	40	29	21
Lifestyles	0	8	26	32	34

Source: Field data (2013)

As shown in Table 4.4 above, the study findings revealed that 34% of the respondents perceived that religious affiliations had not changed, 11% perceived that it had changed to a low extent, 40% perceived that it had changed moderately, 13% perceived that it had changed to a high extent and 3% perceived that it had changed to a very high extent. This means that 26% of the respondents perceived that religious affiliations had changed to a high extent in the environment while 34% perceived that religious affiliations had not changed.

The results in the table above further indicates that the clients' attitudes had changed to a low extent as perceived by 21% of the respondents, 24% perceived that it had changed moderately, 34% perceived that it had changed to a high extent and 21% perceived that it had changed to a very high extent. This means that 56% of the respondents perceived that clients' attitudes had changed to a high extent.

According to the findings, 11% of the respondents perceived that consumerism had changed to a low extent, 40% perceived that it had changed moderately, 29% perceived that it had changed to a high extent and 21% perceived that it had changed to a very high extent. This means that 50% of the respondents perceived that consumerism had changed to a high extent. Regarding clients' lifestyles, 8% of the respondents perceived that

clients' lifestyles had changed to a low extent, 26% perceived that it had changed moderately, 32% perceived that it had changed to a high extent and 34% perceived that it had changed to a very high extent. This means that 66% of the respondents perceived that clients' lifestyle had changed to a high extent. Based on the results, clients' lifestyles was the cultural factor that was perceived to have changed greatly, by 66%, followed by clients' attitude which had changed by 56% and lastly consumerism which had changed by 50%. Religious affiliations had not changed as perceived by 34% of the respondents.

4.5 Strategic Planning

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

4.5.1 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 and percentages were computed as shown in Table 4.5.

Table 4.5: **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 4.5 above, the study findings revealed 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.

4.5.2 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 and percentages were computed as shown in Table 4.6.

Table 4.6: **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 4.6 above, the study findings revealed that 40% of the respondents indicated that the company's strategies were occasionally changed.55% 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, for example 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.

4.6   Effect of Population Demographics on Strategic Planning

Objective one was the effect of population demographics on strategic planning in the insurance industry, then it was hypothesised 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 4.7 below:

Table 4. 7: Effect of Population Demographics on Strategic Planning

		Demographic factors	Strategic planning
Demographic factors	Pearson Correlation	1	
	Sig. (1-tailed)	.	
	N	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 4.7 above, 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.

4.7 Effect of Class Structure on Strategic Planning

The second objective was effect of class structure on strategic planning in the insurance industry then it was hypothesised that class structure had a positive significant effect on strategic planning among insurance companies within 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 (Class structure factors) and dependent variable (strategic planning).The results are shown in Table 4.8;

Table 4.8: **Effect of Class Structure Factors on Strategic Planning**

		Class structure	Strategic Planning
Class structure	Pearson Correlation	1	
	Sig. (1-tailed)	.	
	N	19	
Strategic Planning	Pearson Correlation	.330	1
	Sig. (1-tailed)	.043	.
	N	19	19

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

As shown in Table 4.8 above, the results show that there was a positive correlation (0.330) between class structure and strategic planning. The p-value was 0.043 and thus, less than the alpha level of 0.05 hence establishing a positive significant relationship between the variables. This implies that class structure had a positive significant effect on strategic planning. These findings are consistent with Scholes and Whittington (2005) findings that consumers' spending habits influence whether an industry will be profitable or not and whether it will be successful or not.

4.8 Effect of Cultural Factors on Strategic Planning

The third objective was the effect of cultural factors on strategic planning in the insurance industry, then it was hypothesized that cultural factors had a positive significant 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 (Cultural Factors) and dependent variable (Strategic Planning).The results are shown in Table 4.9.

Table 4.9: **Effect of Cultural Factors on Strategic Planning**

		Cultural factors	Strategic planning
Cultural factors	Pearson Correlation	1	
	Sig. (1-tailed)	.	
	N	19	
Strategic planning	Pearson Correlation	.395	1
	Sig. (1-tailed)	.014	.
	N	19	19

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

As shown in Table 4.9 above, the results show that there was a positive correlation (0.395) between cultural factors and strategic planning. The p-value was 0.014 and thus, less than the alpha level of 0.05 hence establishing a positive significant relationship between the variables. This implies that cultural factors had a positive significant effect on strategic planning. These findings are consistent with Scholes and Whittington (2005) findings that cultural factors can hinder or help the successful development of the organization's success.

4.9   Socio -Cultural Environment and Strategic Planning

The fourth objective was the joint effect of socio-cultural environment on strategic planning, then it was hypothesized that components of socio-cultural factors have a positive joint effect on strategic planning among insurance companies within Nakuru CBD. The hypotheses were tested using Pearson's moment correlation coefficient. This test was used to establish whether there was a positive significant relationship between independent variables (population demographics, class structure and cultural factors) and dependent variable (strategic planning).The results are shown in Table 4.10

Table 4.10: Socio-Cultural Environment and Strategic Planning

		Population Demographics	Class structure	Cultural Factors	Strategic planning
Population Demographics	Pearson Correlation	1			
	Sig. (1-tailed)				
	N	19			
Class structure	Pearson Correlation	.403	1		
	Sig. (1-tailed)	.000			
	N	19	19		
Cultural factors	Pearson Correlation	.428	.398	1	
	Sig. (1-tailed)	.000	.000	.000	
	N	19	19	19	
Strategic planning	Pearson Correlation	.377	.330	.395	1
	Sig. (1-tailed)	.019	.043	.014	.000
	N	19	19	19	19

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

As shown in Table 4.10 above, the results showed that there was a joint positive correlation between components of socio-cultural environment (population demographics, class structure factors and cultural factors) and strategic planning. The p-value for population demographics was 0.019, the p-value for class structure was 0.043 and the p-value for cultural factors was 0.014 which were all less than the alpha value of 0.05, hence establishing a positive joint significant relationship between components of socio-cultural environment and strategic planning.

4.10   Effects of Socio-Cultural Environment on Strategic Planning

The study sought to investigate the effect of socio-cultural environment on strategic planning using multiple regression analysis. Regression analysis was conducted to determine the effects of population demographics, class structure and cultural factors on strategic planning in Insurance Companies. The results of the analysis are shown in Table 4.11 below.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.875(a)	.766	.756	.29526

a Predictors: (Constant), Population Demographics, Class Structure, Cultural Factors

According to the results in Table 4.11 above, population demographics, class structure and cultural factors account for 76% (adjusted R square, 0.756) of the variation in strategic planning.

Table 4.12: **Full Regression Model**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.887	.276		-3.215	.003
Demographic factors	.542	.123	.440	3.791	.001
Class structure	.465	.072	.131	3.158	.003
Cultural factors	.227	.126	.504	4.296	.000

a. Dependent Variable: Strategic planning

From the full regression model shown in Table 4.12 above, the regression equation can be developed as below:

$$Y= -0.887 + 0.542x_1 + 0.465x_2 + 0.227x_3 + e$$

Full regression model also indicated that of the three socio-cultural factors; cultural factors had the greatest influence on strategic planning (0.504), followed by population demographics (0.440) and then class structure (0.131).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1   Introduction

This chapter presented the summary of findings, conclusions and the recommendations to improve strategic planning in Insurance Companies in Nakuru CBD.

5.2   Summary of Findings

The first objective was to determine the effect of population demographics on strategic planning and the findings of the study revealed that population size was the population demographic factor that had the greatest effect on strategic planning while gender was the factor that least affected strategic planning.

The second objective was to determine the effect of class structure on strategic planning and the findings of the study revealed that socio economic status was the class structure that had the greatest effect on strategic planning while inequality was the class structure factor that had the least effect on strategic planning.

The third objective was to determine the effect of cultural factors on strategic planning and the findings of the study revealed that lifestyle was the factor that had the greatest effect on strategic planning while religious affiliation was the least affecting cultural factor on strategic planning.

The last objective was to determine the joint effect of demographic, class and cultural factors on strategic planning. The findings of the study revealed that population demographics had the greatest effect on strategic planning, followed by class structure factors, then the least socio-cultural environment affecting strategic planning was cultural factors.

Regarding strategic planning, based on formalization, the findings of the study revealed that mostly, planning was often used to show the right path for the company's future

while the least indicated that, insurance companies' staff members were often involved in formulation of corporate goals. Based on extensiveness, results indicated that planning techniques including swot analysis were applied often while the least factor was that the environment was often scanned.

According to the results, independent variables (population demographics, class structure, cultural factors) contributed significantly to variation in the dependent variable (strategic planning). Regression analysis was conducted to determine the effects of population demographics, class structure and cultural factors on strategic planning in insurance companies and the results indicated that cultural factor had the greatest influence on strategic planning followed by population demographics and then class structure factors.

5.3 Conclusion

Results of the study revealed that most of the insurance companies practice strategic planning. Further strategic planning is affected by socio-cultural environment. The main socio-cultural environmental factors that affect strategic planning in the insurance industry are demographic, class structure and cultural factors. 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.

Among the demographic factors that affect strategic planning in the insurance industry, population size is the most important as it affects the scope of business. The other demographic factors that affect strategic planning in insurance industry include labor mobility, age of the population and population structure. However, it is also clear that ethnicity has no relationship with strategic planning. Class Structure is equally important in strategic planning: income and earnings distribution emerged as the most influential class structure factor that affects strategic planning. The other class structure factors that had an effect on strategic planning was socio-economic status, social mobility and

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occupation. In addition, attitude, consumerism and lifestyles are cultural factors that also have an effect on strategic planning.

5.4 Recommendations

The researcher recommends the following to practitioners and areas for further research:

5.4.1 Recommendations for Practitioners

The findings revealed that socio-cultural environment affects strategic planning; hence the strategic planning managers need to align their strategic planning to socio-cultural environmental factors.

The insurance companies should have a well-conceived strategic vision that will ensure establishment of long-term direction and indicate the company's intent to stake out a particular business position.

5.4.2 Recommendations for Further Research

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.

This study focused on insurance companies, there is need for a comparative research on the effect of socio-cultural environment on strategic planning in other sectors other than insurance companies

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Appendix I: Questionnaire

Introduction

The purpose of this questionnaire is to gather information on effect of Socio-cultural environment on strategic planning of insurance companies in Nakuru CBD. The study is for partial fulfillment of the requirements of the MBA. You are kindly requested to complete the questionnaire and provide any additional information. The information you give will be used for study purposes only and will be treated with great confidentiality.

Section A: Company's profile

Please complete all the sections

1. What is your Job position in the company?...
2. The name of your company……………………………………………………….
3. Which products does your company offer?..
   ………………………………………………………………………………….
4. Which markets does your company serve?

   a) Domestic (Kenyan market)……….   b) International market……..

Section B: Socio-cultural Factors

I Population Demographics

In your own opinion, to what extent do you perceive the following population demographic factors have changed in your environment?

Using the following key, Where 1=very low 2=low 3= moderate 4=high and 5= very high

Very low   [ ]   Low   [ ]   Moderate [ ]   High [ ]   Very High [ ]

Factors	1	2	3	4	5
a. Population size					
b. Gender					
c. Age					
d. Population structure					
e. Ethnicity					
f. Labour mobility					
g. Geographic Location					

II Class Structure Factors

In your own opinion, to what extent do you perceive the following class structure factors have changed in your environment?

Using the following key: where 1=very low 2=low 3=moderate 4=high and 5=very high

Very low   [ ]   Low   [ ]   Moderate [ ]   High [ ]   Very High [ ]

Factors	1	2	3	4	5
a. Socio economic status					
b. Occupation					
c. Social mobility					
d. Inequality					
e. Income and earning distribution					

III. Cultural Factors

In your own opinion, to what extent do you perceive the following cultural factors have changed in your environment?

Using the following key where: 1=very low, 2=low, 3= moderate 4= high and 5=very high

Very low   [ ]   Low [ ]   Moderate [ ]   High [ ]   Very High [ ]

Factors	1	2	3	4	5
a. Religious Affiliations					
b. Attitudes					
c. Consumerism					
d. Lifestyles					

C. Strategic Planning

I. Formalization

1. In your own view indicate the extent to which the following is practiced in your organization, using the following key:-

Where 1= Never 2= Rarely 3= Sometimes 4= Often 5= Very often

Factors	1	2	3	4	5
a. Involvement of staff in the planning process					
b. Co-ordination of planning efforts in the organization					
c. Involvement of staff in formulation of corporate goals					
d. Analysis of the environment					
e. Review of your strategic plan					
f. Use of Planning to show the company the right path for the future					

II. Extensiveness

In your own view, indicate how you review the following in your organization, using the following key:-

Where 1 =Never 2= Rarely 3= Sometimes   4= Often   5= Very often

Factors	1	2	3	4	5
a. Change of the company's strategies					
b. Delegation of the planning staff					
c. Scanning of your environment					
d. Use of planning techniques e.g S.W.O.T					

Appendix II: Insurance Companies in Nakuru CBD

1. Mercantile Insurance Company Ltd
2. Pan Africa Life Insurance Company
3. Cic Insurance Company Ltd
4. Uap Insurance Company
5. British American Insurance Company
6. Amaco Insurance Company Ltd
7. Apa Insurance Company
8. Kenya Orient Insurance Ltd
9. Kenyan Alliance Insurance Company Ltd
10. Madison Insurance Company Kenya Ltd
11. Old Mutual Life Assurance Company Ltd
12. Kenindia Insurance Company Ltd
13. Monach insurance company
14. Jubilee Insurance Company Ltd
15. Direct Line Insurance Company
16. Gateway Insurance Company
17. Pioneer Insurance Company
18. Real Insurance Company
19. Pacis Insurance Company
20. Cfc Insurance Company
21. Icea Insurance Company