EVALUATING THE IMPACT OF STRATEGIC PLANNING ON CORPORATE PERFORMANCE IN FINANCIAL INSTITUTIONS

A CASE STUDY OF QUALITY INSURANCE COMPANY LIMITED

By

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A Dissertation Submitted to the Department of Marketing and Corporate Strategy, Kwame Nkrumah University of Science and Technology in partial fulfillment of the requirements for the degree of

Masters of Business Administration

(Strategic Management and Management Consulting)

School of Business

College of Art and Social Sciences

November, 2009

DECLARATION

I hereby declare that this submission is my own towards the MBA and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university except where due acknowledgement has been made in the text.

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DEDICATION

This work is dedicated to my Lord Jesus Christ who has supplied all my need according to His Riches in Glory

ABSTRACT

This study focuses primarily on the impact of strategic planning on corporate performance in financial institutions. A lot of research has been conducted in relation to corporate performance especially in the area of the impact of various organizational processes on corporate performance. This study looks at process of strategic planning and its impact on performance and gives recommendations on how to improve overall performance through the strategic planning process. The organization that is used as a case for this study is Quality Insurance Company Limited. Data was obtained through two main sources. The first was the administration of questionnaires to managers who are involved in and familiar with the strategic planning processes within Quality Insurance Company Limited. This was to enable the researcher briefly outline the process of strategic planning at Quality Insurance Company Limited. Secondly, financial statements of the company from before and during a strategic planning process were analyzed using three profitability ratios, first of all to determine the performance and also to identify if there was any impact on the performance of the financial institution. The results indicated that the company formally undergoes strategic planning and has recorded a steady but progressive performance since the year 2000. Moreover strategic planning has had a positive impact on its corporate performance with some other important benefits accruing to the financial institution. The study was limited in one important area: it focused on a single organization- Quality Insurance Company Limited. The findings and recommendations can, therefore, not be generalized and may also not be applicable to most financial institutions.

ACKNOWLEDGMENT

To God be the glory for the great things he has done, his faithfulness and grace has seen me through my entire programme successfully.

My sincere appreciation goes to Dr. Kofi Poku for his firmness and guidance in supervising this project work and also to all the lecturers of the School of Business.

I would like to thank my parents Dr. and Mrs. Asafu-Agyei and my siblings Samuel and Adoma for their love, support and prayers. I say you are a wonderful family.

Special thanks go to the Masters of Business Administration class especially my group discussion members. You made the programme worth attending and memorable. I am also grateful to Joann Pieterson for her priceless input.

Finally I would like to register my appreciation to the School of Business and all those whose works I used in this research.

May the Lord Bless You All!!!

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The concept of strategic management has been studied for well over 50 years. Over this period, management consultants and business school faculty members have helped firms formulate and implement wide-ranging strategic plans to the point where strategic management is now widely accepted in America's general business community. Strategic management involves positioning a firm in the marketplace through planning and implementation of the plan. It may involve changing a firm's relationship with its customers, competitors, employees, shareholders, and/or other stakeholders. It may represent a change in the total organization or some or most of its business lines or products/services. It may also involve merging or dissolving the firm itself. At the heart of this management approach is the strategic planning system. As firms face increased environmental change (e.g., more globalization), theorists argue that firms benefit from strategic planning (Hoffmann, 2007). The strategic planning process, therefore, provides the roadmap for strategic management and lays the groundwork for the action steps to follow (McMahan, 1998).

Strategic planning is a continual process for improving organizational performance by developing strategies to produce results. It involves looking at the overall direction of where an organization wants to go, assessing its current situation, and developing and implementing approaches for moving forward. Planning is strategic when it focuses on what the organization wants to accomplish, and on moving the organization towards these larger goals. By constantly focusing attention on a shared vision and on more specific goals and objectives, strategic planning has the potential to permeate the culture of the organization, becoming a tool for creating systemic change (Frizsell et al., 2004).

Strategic planning generally involves four stages- Preparation, Planning, Implementation and Revision. Organizations prepare to plan by visioning, conducting assessments, and implementing a planning process. The planning stage is conducted by developing, writing and finalizing the plan. Implementation, a very critical stage, is done by managing, supervising, and monitoring the progress on the plan. Finally, the plan needs to be revised to keep it current and active, which involves updating the plan as needed. Throughout the process, there is ongoing communication of the plan (Frizsell et al., 2004). Without advance planning and some good ground work, the success of an organization's journey is largely subject to chance, and there is a good chance it will have problems. Yet this is exactly what organizations choose to do every day when they don't develop a formal strategic plan (Diers, 2008). Strategic planning is thinking in the future – about the world, the nation, the business environment – and how the firm can best compete in the markets in which it chooses to operate. Moreover it is an anticipation of the impact of major trends in the drivers of change (e.g. technology, deregulation, changing customer needs, etc.). Since no vision of the future is 100% correct, however, planning most often focuses on a "most likely" scenario while minimizing risk and maximizing rewards of alternative scenarios (McMahan, 1998).

Performance is the final result of all activities in an organization. In evaluating performance, the emphasis is on assessing the current behavior of the organization in respect to its efficiency and effectiveness (Ghosh and Mukherjee, 2006). For a company to perform well, any definition must revolve around the notion of results that meet or exceed the expectations of shareholders. Shareholders tend to think that today's earnings challenges are cyclical. Executives, who find themselves frustrated in their efforts to improve the performance of their organizations no matter how hard they swim against the economic tide, increasingly see the problems as structural. One of the most effective ways an organization can respond to these challenges is to put in place corporate performance processes to complement their current operating-performance practices. By improving both kinds of performance simultaneously, organizations can maximize their chances of closing the gap between the short- and long-term expectations of shareholders, management and other stakeholders. Most organizations will have to develop dynamic organization-wide performance-management processes to make themselves more effective by allocating scarce resources to the best opportunities available. Such processes must be as disciplined as the operating processes used to manage current earnings (Brian and Hulme, 2003). This is where strategic planning becomes an important tool for the management of the organization.

1.2 Problem statement

Strategic planning is an essential element in business success but many companies do not use it to guide their business efforts. A strategic plan that is not used is worthless (Babich, 1995). Unfortunately many businesses will invest countless hours of their key manager's time and spend huge sums undergoing the initial stages of a strategic planning process, publishing a strategic plan, and only to file the impressive document away and seldom or never use it. This is because many executives have grown skeptical of strategic planning (Mankins, 2003). As a result, the performance improvement which may be associated with strategic planning is neither appreciated nor known.

Moreover many executives in various organizations in Ghana have the tendency of preparing strategic plan documents but practice a management method of trial and error based on intuitions and personal experiences during its implementation. These documents are however referred to during turbulent market conditions or when a new one is being prepared. Strategic planning therefore does not seem to be part managerial procedures in Ghana although it can have a positive impact on the performance of the entire business.

1.3 Objective of the study

a) ***General;***

Strategic planning is an essential part of the modern day business and management processes. This study will evaluate the impact the strategic planning process has on the corporate performance of Quality Insurance Company Limited (QIC).

b) *Specific;*

1. To briefly outline the strategic planning process of Quality Insurance Company Limited (QIC).
2. To determine the corporate performance of Quality Insurance Company Limited (QIC).
3. To evaluate the impact of strategic planning on the performance of Quality Insurance Company Limited (QIC).
4. To identify some benefits of strategic planning to Quality Insurance Company Limited (QIC).
5. To make recommendations on how best to adopt strategic planning in order to impact positively on corporate performance.

1.4 Research questions

1. What is the outline of the strategic planning process of Quality Insurance Company Limited (QIC)?
2. What is the corporate performance of Quality Insurance Company Limited (QIC)?
3. Does the strategic planning process of Quality Insurance Company Limited (QIC) have any impact or influence on its corporate performance?
4. What are some benefits of strategic planning to Quality Insurance Company Limited (QIC)?

1.5 Justification of the study

With globalization on the increase worldwide, Ghanaian firms are now more than ever caught up in a web of major international corporations which are in competition with them on the local scene and to some extent on the foreign front. Due to this fact, more pressure has been brought to bear on these local firms to either quickly improve on their performance or face the possibility of folding up. This has led to the management of these firms seeking better, well tested and approved techniques of management which will more often than not lead to better outcomes with a competitive edge over other corporations.

This study seeks to examine if the process of strategic planning is a reliable management technique that has a positive impact on the overall performance of a corporate entity, if well adopted and managed. The data would also serve as basis for further investigation, especially for those who would like to undertake similar studies.

1.6 Overview of the Research Methodology

Since this study evaluates the impact the strategic planning process has on the corporate performance of financial institutions, the company under study had to be a financial institution of sufficient size which would increase the likelihood of its familiarity with formal strategic planning and also to ensure ample publicly available data on firm and performance characteristics. This was one major reason for using Quality Insurance Company Limited (QIC) as a case study.

Primary data was obtained from questionnaires which were both structured and unstructured with secondary data being drawn from published annual reports and financial statements of Quality Insurance Company Limited. Using purposive sampling, the questionnaires were administered to senior executives of QIC most familiar with the company's strategic planning processes. This enabled the researcher to briefly outline the strategic planning process of QIC and to determine some benefits of strategic planning to QIC.

Financial ratio analysis (Return on Capital Employed, Net Profit Margin and Net Asset Turnover) was conducted on the published financial statements of QIC from the year 2000 to 2008, first to determine the corporate performance and also examine the trend in performance for those years. The trend in performance in the periods preceding and during a new strategic planning process is compared to determine any differences and to identify any influence the strategic planning process has on the corporate performance of QIC.

1.7 Limitations

There were constraints in this research;

The main limitation is the fact that the study was based on a single organization - Quality Insurance Company Limited. Thus, the results cannot be generalized to the insurance industry as a whole. Hence, the findings are limited to the company alone. Another limitation was the limited amount of data made available to the researcher.

1.8 Organization of the study

The study is in five (5) chapters. Chapter one consists of the introduction which comprises of the background of the study, problem statement, objective of the study (General and Specific), justification, limitation, research questions and organization of the study. Chapter two dealt with the literature review on the impact of Strategic Planning on Corporate performance in financial institutions – A case study of Quality Insurance Company Limited (QIC) while Chapter three dealt with methodology used. Chapter Four focused on research findings, analysis, and discussion, Chapter five covers the summary of findings, conclusion and recommendations followed by references.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

For most firms, the preeminent goal is to maximize the value of the given for its owners, its shareholders, subject to the very important constraint that this is above in a legal ethical and socially responsible manner (Hill, 2007). Both competitive and corporate strategy have a financial goal: making the company more valuable to its owners in the long term. This is true of the smallest one project business as well as of the giant corporation (Kenyon and Mathur, 2001). To maximize the value of the firm, managers pursue strategies that increase the profitability of the enterprise and its rate of profit growth (Hill, 2007).

During the 1960s and 1970s, strategic planning promised to deliver superior financial returns. When these did not materialize, and unpredictable events (such as, the oil price crises of the 1970s) made a nonsense of planning, strategic planning fell into some disarray. Essentially according to its critics, strategic planning had become too bureaucratic and rigid in its application. These and similar comments were still being made in the 1990s (Lynch, 2006). Stacy (2003) is of the belief that the major reasons for the failure of some forms of strategic planning include poor direction from top management, lack of flexibility, internal political difficulties, and uniqueness of corporate culture. Given these considerations, it might be argued that strategic planning is no longer appropriate as a means of formalizing the strategy process. However, many companies still need to look beyond the short-term and coordinate their main activities, especially where significant commitments have to be made over lengthy time spans. Attitudes to strategic planning are beginning to change again and Nestle and Cannon are two successful companies which still use some form of strategic planning. Some theorists who were highly critical of strategic planning in the past have now considered that it does fulfill a useful function within certain limits in an organization (Lynch, 2006).

To date, the evidence is mixed about the pay off of strategic planning efforts. Certainly, that strategic planning helps a multinational company to coordinate and monitor its far-flung operations must be viewed as a benefit. Similarly, that the planning helps multinational companies to deal with political risk problems, competition and currency instability cannot be downplayed (Hodgetts and Luthans, 2000). Despite some obvious benefits, there is no definitive evidence that strategic planning in the international arena always results in higher profitability. Most studies that report favorable results were conducted at least a decade ago. More recent evidence tempers these findings with contingency-based recommendations. For example, one study found that when decisions were made mainly at the home office and close coordination between the subsidiary and home office was required, return on investment was negatively affected. Simply put, the home office ends up interfering with the subsidiary, and profitability suffers (Hodgetts and Luthans, 2000).

A more recent study found at that planning intensity (the degree to which a firm carries out strategic planning) is an important variable in determining performance. Drawing on results from 22 German multinational companies representing 71 percent of that country's multinational enterprises, one study found that companies with only a few foreign affiliates performed best with medium planning intensity. Those firms with high planning intensity tended to exaggerate the emphasis, and profitability suffered. Companies that earned a high percentage of their total sales in overseas markets, however, did best with a high-intensity planning process and poorly with a low-intensity process. Therefore, although strategic planning usually seems to pay off, as with most other aspects of international management, the specifics of the situation will dictate the success of the process (Hodgetts and Luthans, 2000). Campbell et al. (2002) state that, the need to set long-term objectives and to formulate broad plans and policies is necessary for the survival and progression of any organization. Detailed and inflexible long term planning is, on the other hand, unnecessary and often counterproductive. Competitive advantage can be gained by being opportunistic and taking advantage of unforeseen opportunities.

2.1 The Philosophy of Strategic Planning

The word 'strategy' in its original Greek sense means leading an army, not just its supply corps or its administration staff. A strategy could be accurately described as one kind of 'plan' in the dictionary sense of 'project' consisting of a goal and an explicit method of attaining it (Kenyon and Mathur, 2001). Campbell et al. (2002) also define strategy as the process that is performed in order to close the gap between where an organization is now and where it aims to be in the future. In the 1960s, strategy was first thought of as a formal, largely financial, planning process. The unquestioned goal of strategy was growth. Companies had learned the art of preparing budgets for the current year. Planning often just extended the process into years (Kenyon and Mathur, 2001).

Hodgetts and Luthans (2000) define strategic planning as the process of determining an organization's basic mission and long-term objectives, and then implementing a plan of action for accomplishing this mission and attaining these objectives. 'Planners' tend to produce internal documents that detail what the company will do for a period of time in the future (say 5 years). It might include a schedule for new product launches, acquisitions, financing (raising money), human resource changes, etc. (Campbell et al., 2002). Medium – sized and large organization tend to produce corporate plans specifying their aims and objectives over a 3 – 5 years period. These strategic plans are produced at senior or board level and are implemented by the middle managers at the "tactical" level. Below them, the middle managers have junior managers or supervisors to whom the day-to-day "operational" decisions are made (Butler, 2006). Strategic planning provides a mechanism for organizations to monitor and cope with uncertainty and change (Grant, 2003).

Business and military executives, usually tend to favor an Applied Strategic Planning approach or model which assumes a top-down hierarchy with a plans and operations department, which is responsible for running the models, recruiting and involving appropriate and key personnel. This model also presumes the existence of a fair degree of quantifiable data and business modeling decision making where one finds targets and executes programs. This method might be well suited for solving problems where constituents have an identifiable problem and are unified in the opinion that better service is needed. The process also incorporates scanning the environment, brainstorming solutions, establishing a future orientation, and looking at the behavior of competitors and new products on the horizon (Farrah et al., 2001).

Applied Strategic Planning includes:

• Identifying consultants and key internal players.

• Garnering CEO support, identifying stakeholders, and setting planning goals.

• Scanning organizational values, philosophy, and culture.

• (Re)defining the organization's mission statement.

• Identifying new futures and new venture opportunities.

• Auditing threats, opportunities, strengths, and weaknesses.

• Identifying critical gaps between where the organization is and its future.

• Selecting strategies to expand or retrench as a means to close performance gaps.

• Implementing the strategies to acquire or divest.

• Monitoring actions, updating conditions, and restarting the cycle.

The planning process establishes parameters and specific targets which provides a yardstick against which the progress and profitability of the business can be measured. That is, this is the process of converting the proposer's objectives with quantifiable financial forecasts and targets against which profits and achievement can be measured (Butler, 2006). Strategic planning therefore provides the following to an organization:

1. Better informed and timelier decisions through continuous strategic thinking and improved communication.

2. Clear direction to the organization on what the company will do and perhaps more importantly what it will not do. Focus is achieved not through prioritization but through deciding what will not be done. This frees up synchronized, cross functional resources to do what top management has strategically chosen to do.

3. Greater empowerment with clearly understood boundaries communicated to the entire organization. Every element of the organization understands the direction and his or her actions required to support the company's strategies (Palmatier, 2008).

One of the primary reasons that multinational companies need strategic planning is to keep track of their increasingly diversified operations in a continuously changing international environment. This need is particularly obvious when one considers the amount of foreign direct investment (FDI) that has occurred in recent years. Recent statistics reveal that FDI has grown three times faster than trade and four times faster than world gross domestic product (GDP). These developments are resulting in a need to coordinate and integrate diverse operations with a unified and agreed-on focus. There are many examples of firms that are doing just this (Hodgetts and Luthans, 2000).

2.2 A Critique of Strategic Planning

Mintzberg (1994) in his critique of strategic planning concludes that strategic planning, in fact, comprises three independent approaches – a numbers game geared to motivation and control, capital budgeting, and a process that seems to be about strategy making but is largely unspecified. He asserts that, although this strategy-making process is frequently described in textbooks and planning manuals, "it is difficult to find systematic evidence that any of this really ever did happen." He presents cogent argument and significant anecdotal evidence drawn from business firms, government, and the military regarding the failures of planning with which many strategic planning practitioners and academic researchers would agree. These failures include, but are not limited to, its tendency to undermine both creativity and strategic thinking; being inflexible and breeding resistance to strategic change by generating a climate of conformity; discouraging novel ideas in favor of marginal changes and, hence, becoming short-term versus long-term focused; and fostering dysfunctional political activity that undermines organizational commitment. In addition, his examination of the planning/performance literature leads him to conclude that "a number of biased researchers set out to prove that strategic planning drastically improved performance, and collectively they proved no such thing."

Mintzberg (1994) continuously argues that strategy making requires insight, creativity, and synthesis – and above all integration, whereas planning focuses on analysis and decomposition. He presents empirical evidence that strategy making occurs irregularly and unexpectedly and is frequently informal (intuitive). He further asserts that strategy cannot be developed to a planning timetable. Plans, he argues, require forecasts, yet not only is forecasting even more difficult as environmental turbulence increases, the coexistence of inflexible plans and environmental change can spell disaster. Furthermore, planning systems foster the detachment of planners from the day-to-day realities of business life and, as a result, planning tends to rely on hard data of questionable value rather than on qualitative insights and the apparently mundane but critical everyday data.

Mintzberg (1994) is led to the inevitable conclusion that the term strategic planning is an oxymoron.

Capon (1996) in his review of Mintzberg's critique, elaborates that, although many of Mintzberg's criticisms of strategic planning practice are valid, they are however not presented in a balanced, dispassionate, and scholarly manner. He stresses that Mintzberg's work did not weigh the failures of strategic planning against its merits; and that its one-sided treatment is regrettable because strategic planning is a critically important topic for today's corporations. Furthermore, Mintzberg presents no solid evidence that strategic planning practice has atrophied. Capon (1996) concludes that certainly, strategic planning is no panacea, but just as marriage, despite its many failures, remains a viable yet adaptive institution, so a thorough contemporary empirical study may demonstrate that strategic planning also survives robustly in an ever-adapting form. Both Mintzberg (1994) and Capon (1996) are in agreement on the need for more empirical research; perhaps, some collaborative efforts are in order.

2.3 Corporate Performance

2.3.1 *Introduction*

High performance is a behavior, a way of living. It is based on strong, position attitude. Combined with this attitude is the discipline to apply one's talents and abilities to get things accomplished. When both the positive attitude and the resultant behavior are supported, people can and will perform to the full extent of their capabilities. This performance is evident in the workplace, in social and civic organizations, in school settings, and in our personal lives. A manager's job is to enable his/her people to perform their maximum (Herman, 1997).

With a holistic view on performance, Antončič and Ramanujam (2000) described organizational performance as a future oriented system that functions in order to fulfill expectations about goals, to achieve desired outcomes and effects, and helps to build and rebuild the organization. The concept of organizational performance has always had a crucial position and role in strategic management. Theoretically, empirically, as well as in terms of managerial importance, performance has been viewed as a major preoccupation of general managers. However, even though the concept of performance of organizations is one of the central concepts in the field of strategic management, there is still lack of a unified theory of performance. Approaches to the study of corporate performance are variegated and fragmentary. Fundamental questions of performance analysis remain unresolved (Antončič and Ramanujam, 2000).

In discussing the issue on corporate performance numerous explanations have been offered by academicians as well as practitioners. Some take the macro view while others focus on the details. According to Rumler and Brache (1995), the performance of an organization can be viewed from three different levels: the organizational level, the process level, and the job or performer level. The organizational level places greater emphasis on the major functional activities of the organization while the process level focuses on the workflow or the work process. Finally, the job or performer level views the organization's functions from the perspective of individual employees' contribution towards achieving the organizational goals (Lee, 2006).

As any other phenomena, the concept of performance management has been going through a gradual change over the years. Among the glaring changes are on the methodological aspect where numerous models of performance management have been introduced to manage organizational performance more objectively. Even though there are a series of new models and frameworks introduced, the notable change is the shift from the system to process orientation where the emphasis is on development rather than reward or punishment. With this paradigm shift, a bottom up performance management system which favors the 360-degree feedback becomes more pertinent than the conventional top-down method (Lee, 2006).

2.3.2 *Performance measurement*

Performance measurement is the practice of gauging progress towards declared targets of objectives. In its very essence, its intention is not that of a reward/punishment nature. Instead, in its most effective form, performance measurement is a management and communication tool. Corporate performance measurement is not a new concept. However, recent trends indicate the increasing importance of shifting focus from the amount of resources allocated (inputs) and the amount of work completed (outputs) to the actual results achieved from the corporate processes (outcomes), as compared to the intended results (Hoffmann et al., 2001). Lingle and Schiemann (1996) state that an effective measurement approach may help organizations pinpoint strategic areas in order to monitor progress and also manage through chaos. Therefore, business strategy is clearly and succinctly translated to its results and level of accomplishment. The simple logic states that without measuring and tracking outcomes, the effectiveness of a firm's strategy cannot be determined. Performance measurement allows the establishment of "targets for accomplishing strategic objectives and public policy goals and then track progress relative to these targets." Finally, better reporting information is made available to all the stakeholders of the corporation (Hoffmann et al., 2001).

Traditionally, performance measurement has concentrated on output and outcomes measures, i.e. profits and customers' satisfaction. Although most firms believe that delighted customers will lead to repeat business, they do not know for sure how the output is linked to inputs. Firms may believe that rapid delivery means satisfied customers, but they may not know how the two are connected. It is because of this that firms should have an in-process scorecard that shows the cause-effect linkages of the measures from inputs through the processing system, to outputs. It is believed that it is possible to define linked sets of performance measures, which enable managers to better control and manage their businesses. That is by using a combination of input, process and output measures (Tan et al., 2004).

Among the notable frameworks for measuring and managing performance are:

The Performance Pyramid; The Results and Determinants Matrix; The Balanced Scorecard; The Consistent Performance Measurement System; and The Integrated Performance Measurement (Lee, 2006). Although the different performance measurement and management frameworks have their unique features, generally they emphasize two aspects:

(1) The appropriateness of the dimensions of performance, the performance determinants; and

(2) The characteristics of measures that represent the dimensions.

The most common dimensions of performance are time, quality, flexibility, financial efficiency, customer satisfaction, and human resource. Different performance management frameworks categorize these factors according to different classification. The balanced scorecard framework grouped the factors that affect organizational performance into four perspectives: financial, learning and growth, internal process, and customers (Lee, 2006).

2.4 Strategic Planning and Performance

2.4.1 Introduction

"Performance without strategy is a function of luck. Strategy without performance is the result of incompetence" (Rieley, 2006). People have beliefs about strategy and performance. One belief is that they go hand in hand. Consistent sustainable performance cannot be delivered without a strategy that has performance as one of its focus areas. Performance – that is serious high performance does not occur just because it should. Performance happens because it is made to happen, and to make it happen, strategy is needed it (Rieley, 2006). Another belief is that most strategies are lame. In other words, most strategies just do not really make the connection between what the company wants to accomplish and what the people are competent to do. They aren't based on reality, they don't focus on what the organization is trying to achieve, and they aren't doable. In short they are not common sense and thus may not have must to do with performance (Rieley, 2006).

2.4.2 Planning-Performance Relationships

Strategic planning's relationship to performance has been well documented over the past few decades (Hoyt et al., 2007). Grant (2003) notes that empirical research in strategic planning systems has focused on two areas: the impact of strategic planning on firm performance and the role of strategic planning in strategic decision making. The prescriptive strategic management literature implies that there is a positive association between strategic planning and company performance, with directional causality from strategic planning to performance (Greenley, 1994). Some authors have identified a range of advantages to be gained from using strategic planning. They have claimed that it is the act of planning which is of real value. Managers may perceive that it contributes to effectiveness, giving them a feeling of confidence and control. Strategic planning may therefore be effective as a process of management, regardless of the performance achieved (Glaister et al., 2008).

Capon et al. (1994) argue that the greater the degree of sophistication of the planning process, the better the performance. In their view, strategic planners should perform better than financial planners because of their focus on adaptation to the environment, and the formal thinking through of strategic issues and resource allocation priorities. This practice should lead to the better identification of opportunities and threats, and appropriate firm action. Overall they hypothesize that planners should outperform non-planners. Despite the presumed positive association between strategic planning and company performance, decades of research still makes unclear the effect of strategic planning on a firm's performance (Glaister et al., 2008).

Empirical tests of this relationship conducted in the 1970s reported that there was better economic performance by groups of formal planners compared to non-planners. In the time since this study, numerous papers conducting similar analyses have been published resulting in dozens of empirical tests of the planning-performance relationship. Some studies have reported strong benefits of planning while others report of no quantifiable benefit. Some have even reported that planners perform worse on some measures than their non-planning counterparts (Glaister et al., 2008). Although there are many research studies that seek to elucidate the relationship between strategic planning and organizational outcomes, the results of this body of research are fragmented and no consensus has yet emerged (Elbanna, 2006; Falshaw et al., 2006).

Previous research provides support for all possible relationships (Tapinos et al., 2005). For example Hopkins and Hopkins (1997), Lines (2004), Sarason and Tegarden (2003) in their research found a positive relationship; Some research in the 1980s observed a negative relationship while others showed either no relationship or no clear systematic relationship (Elbanna, 2008). The majority of prior research on the planning-performance relationship has been conducted in the context of a relatively few industrialized countries, including the USA, Japan and the UK, with emerging countries largely ignored (Glaister et al., 2008). Despite the severe critiques of the prescriptive strategic planning process and the equivocal empirical findings on its dimensions, roles and contributions to overall firm performance, Glaister et al. (2008), after empirically testing the relationship in an emerging country context concluded that formal strategic planning has a positive impact on firm performance. Anderson (2004) also found that strategic planning was associated with higher levels of firm performance in dynamic environments.

2.4.3 Strategic Planning In Management

Strategic planning is a commonly used management process, employed by managers in both the private and public sector to determine the allocation of resources in order to develop financial and strategic performance. A survey of USA and European companies in 2003 found that strategic planning was used by eighty nine per cent of the sampled companies (Jennings and Disney, 2006). There appears to be general agreement among strategic planning researchers that the process consists of three major components: formulation (including setting objectives and assessing the external and internal environments); evaluating and selecting strategic alternatives; implementation and control (Hopkins and Hopkins, 1997). Within its use as a resource allocation process, the strategic planning process can serve a number of organizational roles. These include enabling organization-wide response to environmental change; protecting core technologies through helping to recognize and address uncertainties; providing an integrative device to address potential synergies and acting as a basis for divisional and business control (Grant, 2003). The development of strategy is an ongoing and often dispersed process (Jennings and Disney, 2006).

The strategic planning process forms a part of the administrative context established by corporate management, the formal planning and control system acting to bound, encourage and shape the emergent aspects of strategy development. The effective use of planning review also helps to develop and share intelligence, challenge and develop assumptions and hence inform the strategy process (Kaplan and Beinhocker, 2003).

Numerous researchers and executives advocate strategic planning. Some argue that an explicit planning process rather than haphazard guesswork results in the collection and interpretation of data critical to creating and maintaining organization-environment alignment (Cardinal and Miller, 1994). Similarly, Ansoff (1991) argues that planning generally produces better alignment and financial results than does trial-and error learning. Despite the intuitive appeal of these arguments, several researchers have countered that explicit strategic planning is dysfunctional, or at best irrelevant. One of the most widely circulated criticisms is that planning yields too much rigidity. Proponents of the rigidity hypothesis maintain that a plan channels attention and behavior to an unacceptable degree, driving out important innovations that are not part of the plan. Given that the future parameters of even relatively stable industries are difficult to predict, these theoreticians consider any reduction in creative thinking and action, as dysfunctional (Cardinal and Miller, 1994). Mintzberg (1990) argues that all organizations must deal with uncertainty and that it is therefore dangerous for them to articulate strategies because explicit strategies "are blinders designed to focus direction and block out peripheral vision".

Some observers of strategic planning have questioned whether it is a useful tool or just a management fad. Strategic planning – at least in terms of how it has at times been conceived or implemented – has been criticized for being too linear, for relying too heavily on available hard information, for creating elaborate paperwork mills, for being too formalized and structured, for ignoring organizational context and culture, and for discouraging creative, positive change (Penn State, 2002). Noteworthy observers along these lines are Mintzberg (1994), Peters (1994), and Birnbaum (2000). Mintzberg (1994) presented considerable evidence that business had an often counterproductive love affair with strategic planning from the 1960s through the 1980s. Examples of companies that had negative experiences with large-scale, formal planning operations during that period included General Electric, Texas Instruments, General Motors, and IBM – each of which, in various ways, was hobbled by "lead boots" and "paperwork mills" that hurt innovation and responsiveness. By contrast, a number of corporate success stories – including Wal-Mart, Nike, Microsoft, Dell, Honda, the Gap, Southwest Airlines, and 3M – found notable success through approaches that were much less rational, structured, and rigid. With a lighter touch, Peters (1994) made basically the same argument about strategic planning and other management trends such as Total Quality Management (TQM), reengineering, and the learning organization – what Peters called "death by a thousand initiatives. Birnbaum (2000) focused in particular on higher education's adoption of management "fads," among which he included strategic planning and total quality management.

Both Mintzberg(1994) and Peters(1994) have, in fact, explicitly argued that the need for organizations to face discontinuities is as great or greater than ever, and that high-quality performance and responsiveness are absolutely essential. They believe that the challenge is to use planning well and wisely – to listen to the market, to encourage the emergence of good ideas, to allow employees to contribute, to help managers recognize opportunities and make good decisions, to help an organization flourish amidst change (Penn State, 2002). Indeed, there is evidence that suggests that strategies that are simple, coherent and easily understood many lead to better performance than those which are sophisticated and highly complex (Ambrosini and Jenkins, 2002).

2.5 The Global Insurance Industry

Today the insurance sector, as described by Lester (2008), is a major global industry covering a huge range of risks ranging from natural disasters and environmental hazard, through life and disability and standard property risks (fire, explosion, burglary, and so forth) to various types of liability under tort and civil codes to protecting the balance sheets of credit granting institutions. In the latter case the sector has developed overlaps with, and become the backstop for significant sections of the banking and shadow banking sectors. It is also a significant source of investment funds. In 2003 seven insurers were in the top fifty corporations in the world in terms of revenues and insurers accounted for two of the top four global financial institutions by market capitalization.

The industry is global by nature as it is in the risk spreading business, but in practice less than fifteen insurers can be called genuine global players (and these are mostly European), with the balance having more of a regional approach or being confined to their home countries. In terms of geographical involvement it is clear that colonial pasts and cultural affiliations have played a large part in foreign investment, in addition to proximity. However other factors are also important. Of particular note is the fact that, the global success of the sector notwithstanding, there is a massive dichotomy between developed and developing markets. The density of insurance (that is, premium per capita) in an industrial country like France at US$4,075 is many multiples of the US$38.4 reported by a poor country like India (Lester, 2008).

In parts of Africa the sector is effectively nonexistent, despite its fundamental social and economic role. The insurance development path can in part be explained by the sequencing of the introduction of the various classes of insurance, which in turn follow developments in the real sector and the establishment of property rights. The major challenge for development institutions is to work to change the traditional development patterns to support real sector development and hence generate more rapid sectorial development in a virtuous cycle (Lester, 2008)

2.5.1 The Ghanaian Insurance Industry

There are 18 registered insurance companies operating in Ghana. Market penetration in the personal lines industry is comparatively high in the upper income groups, particularly in the motor class. Market penetration in the other classes (for example householders) and the lower and middle income groups, however, remains very low, largely due to a lack of awareness. The Ghanaian non-life sector is currently experiencing soft market conditions (in the motor class rates fell from 7-8% to an effective 3-4% given the discretionary discounting by the market) in an extremely competitive environment. Despite pressure on rates, non-life insurers are believed to have made adequate underwriting profits on most classes of insurance in 2006. Given the competitive situation, however, there are some concerns that any new insurers entering the non-life sector will exacerbate the soft market. Of particular concern to some insurers is the recent licensing of four Nigerian banks in Ghana. While this is in itself not an issue to the insurance sector, it is felt that Nigerian insurers may also be looking to Ghana for investment opportunities. The corporate insurance buying market has, however, demonstrated fierce loyalty to incumbents. The State Insurance Company (SIC), which has lost its monopoly of government and parastatal business, has managed to slow the erosion of its market share and remains the largest non-life insurance company operating in Ghana. SIC had a market share of around 40% in 2005, compared to Enterprise Insurance Company (EIC, the largest privately owned and only listed insurer), with a market share in the region of 15 % (Global Credit Rating Co, 2006).

Although there has been some pressure on rates, the regulator (the National Insurance Commission or NIC) is well respected in the market, despite insurer's working around the motor tariffs with discounts. Hence, the underwriting environment is not expected to deteriorate to the levels seen in many other insurance markets in Africa. Major changes are also likely to result from the imminent enactment of the new insurance legislation, Insurance Act 2006, which is expected to see significant changes in the supervision of the industry. It is also anticipated that the new law will require a phased removal of Ghana Reinsurance's compulsory reinsurance session. While brokers place less than 50% of market premium (mainly on account of the motor class, which is primarily a direct market), with respect to the property class, the market is very much broker led, with an estimated 80% of commercial and industrial risks underwritten through brokers (Global Credit Rating Co, 2006).

2.6 Strategic Planning in Financial Institutions and Insurance Companies

Strategic planning has never been more critical to the continued success of any financial institution. After all, these are not ordinary times. Many core assumptions in the financial services marketplace have come into question, and the extraordinary uncertainty in our industry has dominated recent headlines. Over the past years, discussion has centered on numerous issues—funding, cost containment, regulatory mandates, talent retention, succession planning, and of course, maximization of shareholder value—that demand immediate attention and require ongoing, fluid strategic solutions. Empirical evidence indicates that most board members and financial institution executives know implicitly that their institutions could be more effective at developing strategy and implementing/executing strategic planning outcomes. In fact, 33 percent of the 384 financial institution board members who have recently participated in the Growth Performance Strategies (GPS) Survey indicated that a multiyear strategic plan has not been formally approved by the board. Furthermore, 30 percent of the 943 management respondents indicated the strategic plan is not annually updated nor is execution aligned with compensation. These two key issues are among the highest rated in importance (Saber, 2009).

Saber (2009) concludes that strategic planning should result in a sustained bottom line performance and should be the highest yielding annual investment a financial institution makes. The purpose of the planning process is to help an organization focus its energy on clearly aligned goals and to assess and adjust strategic direction as appropriate in a dynamic, rapidly changing environment. The process must be customized to ensure it meets the unique needs of each organization. A "cookie cutter" process or "glorified budgeting" meeting will not produce forward-looking strategies nor will it maximize shareholder value. Strategic planning requires discipline and a focused, productive planning meeting where questions can be raised and assumptions tested.

Burand (2007) suggests that long-term strategic planning process generally does not work for insurance companies. Today's environment requires shorter, more immediate planning cycles. With a long-term plan, if things go wrong in the first year or two, or if the market or economy changes significantly, then much of the planning that was done is wasted and the agency is not adequately answering to the changing landscape. The ability to adapt to new circumstances is critical in the insurance industry.

2.7 The Performance of Financial Institutions and Insurance Companies

The financial sector mobilizes savings and allocates credit across apace and time. It enables firms and households to cope with economic uncertainties by hedging, pooling, sharing and pricing risks thereby facilitating the flow of funds from the ultimate lenders to the ultimate borrowers, improving both the quality and quantity of real investments, and thereby increasing income per capita and raising standards of living. It is therefore well justified that the performance of the financial sector receives extensive scrutiny from scholars and industry thinkers. While the efficiency of the financial markets has been studied and deliberated at length, much less has been done in understanding the performance of the institution that operates in these markets. Under intense competitive pressure, financial institutions are forced to take a careful look into their performance and the role they are called upon to play in the economies of the 21st century (Harker and Zenios, 2000).

Berger and Humphrey (1997) in their analysis of the efficiency of financial institutions state that the first task in evaluating the performance of these institutions is to separate those production units that by some standard perform well from those that perform poorly. This, they add, is done by applying nonparametric or parametric frontier analysis to firms within the financial industry or to branches within a financial firm. The information obtained can be used either: (1) to inform government policy by assessing the effects of deregulation, mergers, or market structure on efficiency; (2) to address research issues by describing the efficiency of an industry, ranking its firms, or checking how measured efficiency may be related to the different efficiency techniques employed; or (3) to improve managerial performance by identifying 'best practices' and ' worst practices' associated with high and low measured efficiency, respectively, and encouraging the former practices while discouraging the latter. At its heart, frontier analysis is essentially a sophisticated way to 'benchmark' the relative performance of production units. Most financial institutions, with varying degrees of success, benchmark themselves and/or use industry consultants to perform this task (Berger and Humphrey 1997).

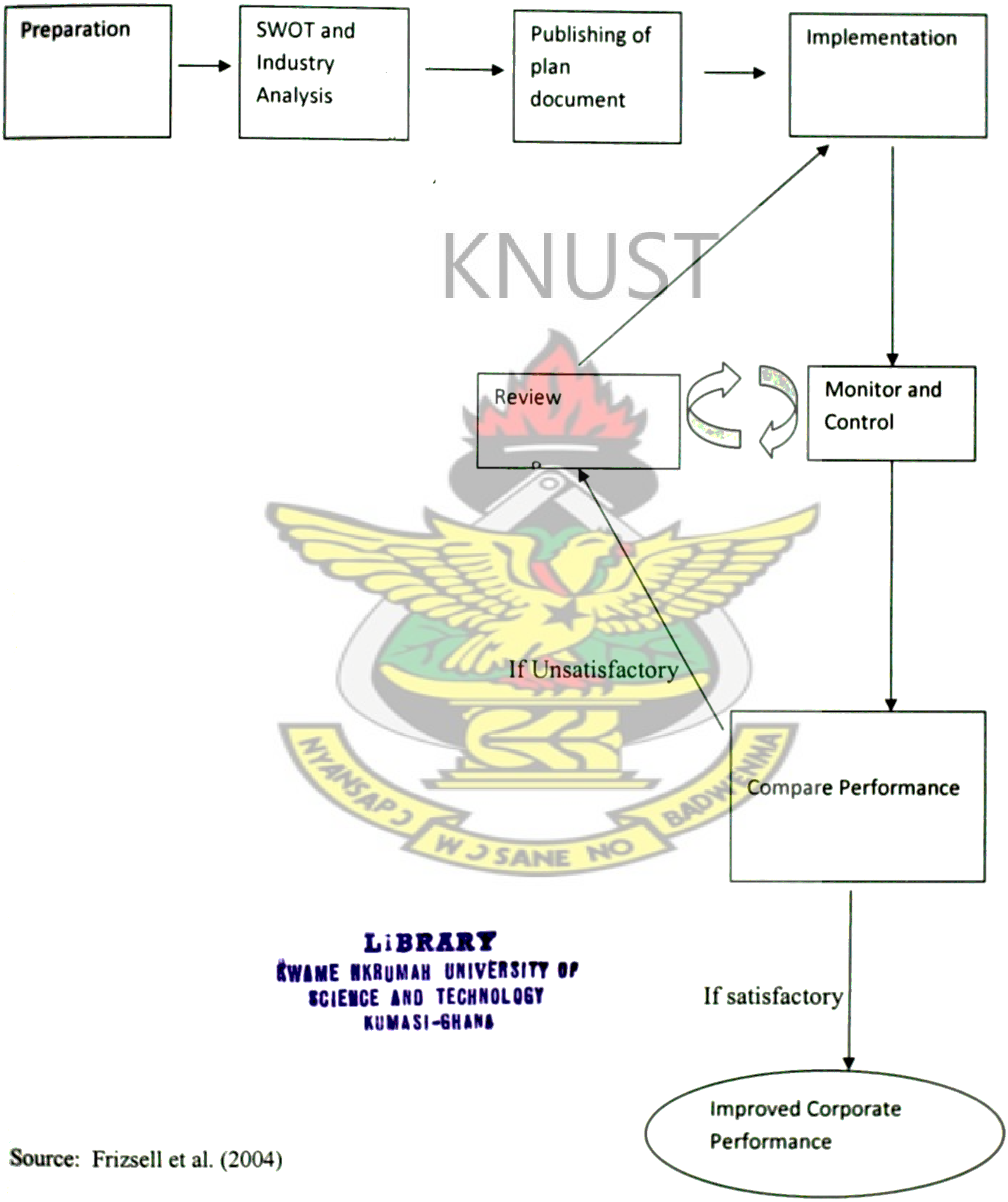
Insurers are analogous to other firms in the financial sector of the economy in that their outputs consist primarily of services, many of which are intangible. Three principal approaches have been used to measure outputs in the financial services sector: the asset or intermediation approach, the user-cost approach, and the value-added approach. The asset approach treats financial service firms as pure financial intermediaries, borrowing funds from one set of decision makers, transforming the resulting liabilities into assets, and receiving and paying out interest to cover the time value of funds used in this capacity. The asset approach would be inappropriate for property-liability insurers because they provide many services in addition to financial intermediation. In fact, the intermediation function is somewhat incidental to property-liability insurers, arising out of the contract enforcement cost that would be incurred if premiums were not paid in advance of covered loss events. This is true to a lesser extent for life insurers, where intermediation is the most important function. However, ignoring insurance outputs is likely to overlook important distinctions among insurers and thus give less accurate results than if a wider range of outputs were used. Accordingly, the asset approach also is not optimal for life insurers (Berger and Humphrey, 1992).

In analyzing insurance firms, Cummins and Weiss (1998) also indicate that it is often important to measure their performance relative to other firms in the industry.

Traditionally, this has been done using conventional financial ratios such as the return on equity, return on assets, expense to premium ratios, etc. With the rapid evolution of frontier efficiency methodologies, the conventional methods are rapidly becoming obsolete. Frontier methodologies measure firm performance relative to "best practice" frontiers consisting of other firms in the industry. In the future, tests of economic hypotheses about insurers about such matters as organizational form, distribution systems, economies of scale and scope, and the effects of mergers and acquisitions will not be convincing unless they involve the use of one or more frontier-based performance measures. Such measures dominate traditional techniques in terms of developing meaningful and reliable measures of firm performance. These summarize firm performance in a single statistic (for a given type of efficiency) that controls for differences among firms in a sophisticated multidimensional framework with its roots in economic theory (Cummins and Weiss, 1998).

Most efficiency analyses to date in insurance and elsewhere have focused on production and cost efficiency. More recently, researchers have begun to estimate revenue and profit frontiers. Perhaps the most basic frontier is the production frontier, which is estimated based on the assumption that the firm is minimizing input use conditional on output levels. Production frontiers can be estimated even if data on input and output prices are unavailable. If data on input prices are available, it is possible to estimate the cost frontier, usually based on the assumption that the firm is minimizing costs conditional on output levels and input prices. Ultimately, of course, the firm also can optimize by choosing its level of output and/or output mix. The revenue and profit functions allow the firm to do this by maximizing revenues or profits, respectively, contingent only on input and output prices (Cummins and Weiss, 1998).

2.8 CONCEPTUAL FRAMEWORK OF THE IMPACT OF STRATEGIC PLANNING ON CORPORATE PERFORMANCE



Source: Frizsell et al. (2004)

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The theory of how the research was undertaken including the procedures and techniques used to obtain and analyze data are summarized below. The company under study had to be of sufficient size to increase the likelihood of their familiarity with formal strategic planning and to ensure ample publicly available data on firm and performance characteristics (Hoffmann, 2007).

3.1 Research Design

This study seeks to evaluate the impact of strategic planning on corporate performance in financial institutions. Data for this study were obtained from the company's Annual Reports and Accounts and questionnaires administered to executives of the company who are responsible for and involved in the strategic planning process of the company. Analysis of the reports and accounts using some financial ratios are conducted to determine the performance trend of the company. The differences in the trend before and during a new strategic planning process are compared to determine if strategic planning has had any influence on the trend of the company's overall performance. Information was also obtained through questionnaires in order to identify the strategic planning processes of the company and to know some relevant benefits to the company.

3.2 Sources of data

a) Primary data

The researcher's primary data was obtained from a well-structured questionnaire made by the researcher. Questionnaires were administered to the corporate planners or senior executives of the company most familiar with the firm's strategic planning processes as designated by the CEO (Hoffmann, 2007). Permission was sought from the company's heads where respondents were working. And where they were on their own, the rational of the study was explained to them and upon their permission the questionnaires were administered. The questionnaires were both structured and unstructured.

b) Secondary data

The researcher's secondary data was drawn from published annual reports and financial statements of Quality Insurance Company Limited.

3.3 Population

Senior executives of the company most familiar with the firm's strategic planning processes as designated by the CEO form the population for this research (Hoffmann, 2007). Quality Insurance Company Limited has nine managers who are top level executives with operational and strategic responsibility; and are involved in the decision making and implementation processes on key projects within the company.

3.4 Sampling and Sampling Techniques

As prescribed by Saunders et al. (2007), the researcher used purposive or judgmental sampling which enabled the researcher, based on his own judgment to select respondents that will best enable him to both answer the research questions and meet the research objectives. This form of sampling is often used with small samples such as in case study research and when the researcher wishes to select respondents who are particularly informative (Neuman, 2000). The respondents used by the researcher for the sample included corporate planners or senior executives of the company most familiar with the firm's strategic planning processes as designated by the CEO (Hoffmann, 2007). There are nine of such senior executives at Quality Insurance Company Limited and they formed the sample size for this research.

3.5 Data analysis

In this study, the researcher's main tools of analysis were the Statistical Package for the Social Sciences (SPSS) and Microsoft Excel Spreadsheet. The researcher also conducted ratio analysis on the various financial statements, reports and similar data in order to assess the financial performance of Quality Insurance Company Limited (Watson and Head, 2007). Longitudinal/trend analysis which is a simple means of assessing and comparing any aspect of a company's finances was conducted to compare the data for two or more years and see what has increased and what has decreased over that time period, and by how much. The longer back in time we look, the better idea we get as to its current position in its historical content. Many companies corporate reports provide a 5 to 10 year record and this can help in constructing a longitudinal analysis (Campbell et al., 2002). This is because financial performance must be the ultimate yardstick of business strategy and strategic planning. Success today depends on strategies adopted some time ago (Kenyon and Mathur, 2001).

3.5.1 Financial ratios

When analyzing financial performance it is important to recognize that performance measures and financial ratios in isolation have little significance. In order to interpret the meaning of performance measures, and ratios, they are compared against appropriate benchmarks which include performance measures and ratios for the company from previous years (Watson and Head, 2007). The calculation, comparison and interpretation of these measures and ratios allowed the researcher to identify differences in performance over the years and to assess if the differences are as a result of the implementation of a strategic plan.

Profitability ratios are used as they indicate how successful the managers (who oversee a strategic planning process) have been in generating profit (Watson and Head, 2007). The profitability ratios used are

- Return on Capital Employed (ROCE) – this ratio relates the overall profitability of the company to the finances used to generate it (Watson and Head, 2007). This is given as

$$\frac{\text{Profit before interest and tax} \times 100}{\text{Capital employed}}$$

- Net Profit Margin – also called operating profit margin, it indicates the efficiency with which costs have been controlled in generating profits from sales. It does not distinguish between operating costs, administrative costs and distribution costs (Watson and Head, 2007). This is given by

$$\frac{\text{Profit before interest and tax} \times 100}{\text{Sales or turnover}}$$

- Net Asset Turnover – this ratio gives a guide to productive efficiency, which is how well assets have been used in generating sales (Watson and Head, 2007). This is given by

$$\frac{\text{Sales or turnover}}{\text{Capital employed}}$$

3.6 Brief Description of Study Area

Quality Insurance Company Limited (QIC) is a limited liability insurance company incorporated on January 10, 1996, under the companies code, 1963 (Act 179). It is a composite insurance company that provides insurance products and services to businesses, households and individuals in Ghana. Quality Insurance Company Limited is an initiative of the Catholic Bishops conference of Ghana. The Catholic Bishops Conference of Ghana being the majority shareholder of the company with a cream of other business men and women as shareholders. Quality Insurance Company Limited is in existence to provide high quality insurance services through innovative and superior products coupled with excellence in customer care. The vision of Quality Insurance Company Limited is to become a leader in the insurance industry in Ghana (Quality Insurance Company Limited Profile, 2008).

3.6.1 Administration

QIC is governed by a 9-member Board of Directors including the Chief Executive Officer. A nine member management team comprises a mix of highly trained Chartered Insurers, Actuaries, Chartered Accountants and other professionals (Quality Insurance Company Limited Profile, 2008).

3.6.2 Company Objectives

QIC provides a comprehensive range of insurance and other financial services to its clients with the following in mind

- To act as insurers generally for every non life risk
- To act as agents to other insurers
- To offer employment to Ghanaians
- To ensure prompt and adequate payment of claims
- To promote and support charitable and social welfare programmes for the Church and the nation at large (Quality Insurance Company Limited Profile, 2008).

3.6.3 Channels of Distribution

Apart from the Regional Capitals of Ghana and many district capitals, Quality Insurance Company has representatives at various parishes of the Catholic Church. The company also operates a system of well trained and recognizes agents and brokers who act as intermediaries. QIC has embraced Information and Communications Technology as a way of doing business. It currently has a Local Area Network at the Head Office and deploys an accounting and insurance software for transaction processes and reporting (Quality Insurance Company Limited Profile, 2008).

3.6.4 Products and Services

QIC has several hybrid insurance policies. These are seen by industry experts as the cutting-edge over the competition largely because they offer the client enhanced benefits.

The development of products is done having in mind the essential needs of the insuring public. The company's product lines include the following:

- Fire and allied perils
- Consequential loss insurance
- Burglary insurance
- Fidelity insurance
- Motor insurance
- Bid bond
- Customs exercise and preventive bond
- Advance mobilization
- Exportation bond
- Warehouse protection
- Removal bond
- Marine
- Machinery insurance
- Performance bond
- Goods in transit insurance
- Money insurance
- Employers liability compensation
- Public liability insurance
- Professional indemnity

QIC also underwrites other insurance(s) that may arise in business operations. QIC has a Reinsurance and Technical Services Agreement with Ghana Reinsurance Company Limited, mainstream Reinsurance Company limited, Munich Re and Africa Re, which in turn have worldwide insurance network in order to complement the delivery of the firm's products and services to its valued customers. With this solid reinsurance support, no risk is too big or small to handle (Quality Insurance Company Limited Profile, 2008).

Customer satisfaction is paramount to QIC's corporate objectives and thus the company provides for its clients a marketing staff available to the client top provide personalized services and granting concessions based on the volume of business placed with the company (Quality Insurance Company Limited Profile, 2008).

3.6.4 General Performance

Despite intense competition, QIC continues to make significant progress as evidenced by the increased market share since 2006. Other significant developments in the company include acquisition of new corporate head office, substantial improvements in revenue, profit and the continued expansion of operations. QIC improved its ranking in the Ghana club 100 moving from 76th position to the 31st position generally and 3rd among the insurance companies listed as at 2006 (Quality Insurance Company Annual Reports and Accounts, 2006).

CHAPTER FOUR
RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

4.0 Introduction

The researcher presents the findings, analysis and discussion of the data gathered from the managers with operational and strategic responsibility; and those involved in the decision making and implementation processes on key projects within an organization including strategic planning; and the financial database of Quality Insurance Company Limited (QIC). This chapter presents a brief outline of the strategic planning process of QIC; the corporate performance of QIC; the impact of strategic planning on corporate performance of QIC; and some benefits of strategic planning to QIC.

4.1 Response Rate

QIC has 9 managers involved in and responsible for strategic planning in the company. 5 out of the 9 responded representing a 55.5% rate of response.

4.2 Brief outline of the strategic planning process of Quality Insurance Company Limited (QIC)

The respondents who are also managers of QIC involved in the planning process all strongly believe that the strategic planning process of QIC is both efficient and effective and moreover, a vital process to QIC. The strategic planning process of QIC is briefly outlined on the next page:

i. A directive is given by Board of Directors for management to initiate a strategic planning process. Management begins by conducting various assessments including SWOT and industry analysis. The vision and mission statements, goals and objectives are also considered.

ii. Inputs and expectations from stakeholders are also considered. Stakeholders include their bankers, corporate and some individual customers, shareholders, and employees.

iii. A committee made up of members of top management is set up to draw the strategic plan. The plan is presented to the Board of Directors for approval. If not approved, it is reviewed until approved by Board and then published.

iv. The management is then mandated by the Board to implement the plan. Implementation, which is done in stages by top management through heads of department, brings about few major organizational changes like opening of new branches. It is not formally communicated to staff although there may be some informal discussion. The plan is thus, rolled out to the from the head office by giving specific directives and targets to branch managers or supervisors.

v. There may be a quarterly and annual evaluation of the plan. Control measures are set in place to ensure there is proper implementation. This includes measuring achieved targets against set target. Revision of the plan is only done when there are changes in assumptions within the plan caused by external factors which may have been unforeseen. Examples may include changes in regulatory or legal demands such as the current directive by the National Insurance Commission that all insurance companies in the country are to increase their stated capital to 10% to be deposited in an escrow account (ghanabusinessnews.com, 2009).

4.3 The Corporate Performance of Quality Insurance Company Limited (QIC)

Table 4.1 below is derived from the analysis of the financial highlights of QIC from 2000-2008 shown in Table 4.5 (appendix 3). The Return on Capital Employed reflects a company's ability to earn a return on all of the capital that the company employs The Net Profit Margin valued in percentage indicates the efficiency with which costs have been controlled in generating profits from sales. Net Asset Turnover expressed in number of times is how well assets have been used in generating sales (Watson and Head, 2007).

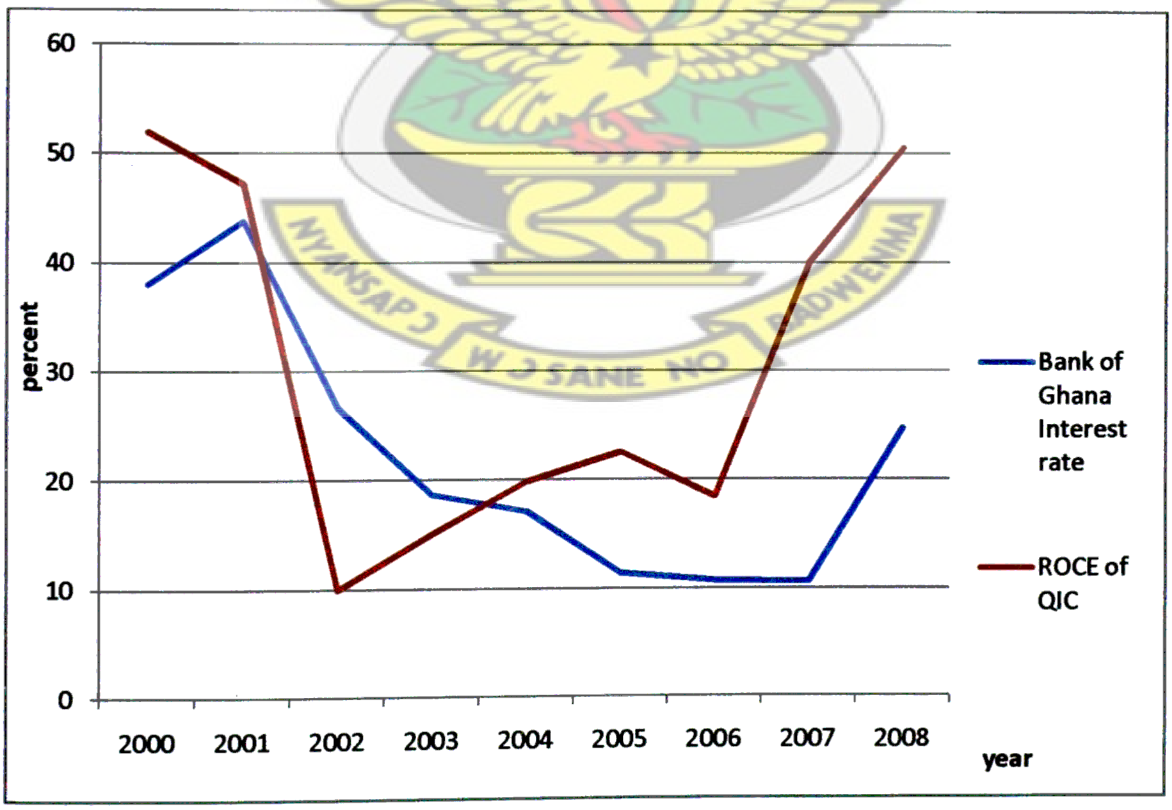
Table 4.1 Three profitability ratios indicating the corporate performance of QIC from 2000-2008

Year	Return On Capital Employed (%)	Net Profit Margin (%)	Net Asset Turnover (times)
2000	51.9	31.3	1.7
2001	47.1	32.7	1.4
2002	9.9	8.37	1.2
2003	15	7.73	2
2004	19.8	7.36	2.7
2005	22.5	7.99	2.8
2006	18.4	6.82	2.7
2007	39.9	14.8	2.7
2008	50.5	20.7	2.4

From Table 4.1 it can be observed that Return on Capital Employed increased steadily from 9.9% in 2002 to 50.5% in 2008 after impressive results from 2001-2002.

However a company's Return on Capital Employed (ROCE) is always compared to the current cost of borrowing or interest rates. Consistency is a key factor of performance. In other words, investors usually resist investing on the basis of only one year's Return on Capital Employed. They take a look at how Return on Capital Employed behaves over several years and follow the trend closely. A company that, year after year, earns a higher return on every amount invested in the business is bound to have a higher market valuation than a company that burns up capital to generate profits. A decline in Return on Capital Employed could signal the loss of competitive advantage (McClure, 2009). To evaluate the performance of QIC, the Return on Capital Employed is compared to the annual interest rate of Bank of Ghana. The annual interest rate of Bank of Ghana (2000-2008) is shown in Fig 4.6 (appendix 4).

Fig. 4.1 A chart comparing the Return on Capital Employed (ROCE) of QIC to the Bank of Ghana Interest rate from year 2000-2008.



From the chart on the previous page it can be implied that QIC has been performing well from 2000-2008 as the company has achieved better returns than Bank of Ghana' interest rate except for 2002 and 2003 with all things being equal. This performance has been consistent since 2004. This implies that QIC has an impressive market valuation and it is therefore worth investing in. The increase in Return on Capital Employed could also signal a gain of competitive advantage for QIC within the Ghanaian Insurance industry.

It can again be observed From 4.1 that the Net Profit Margin ratio of QIC had higher results for2000-2001 and 2007-2008. Relatively lower results are noticed from 2002 through to 2006. This indicates that QIC's management has performed better at cost control for 2000-2001 and 2007-2008 within the past eight years.

Table 4.1 also shows that the Net Asset Turnover of QIC has been higher and steadier from 2004-2008 compared to 2001-2003. This implies that the management of QIC has been more efficient in its ability to use the firm's net assets to generate sales revenue since 2004 compared to the four years before.

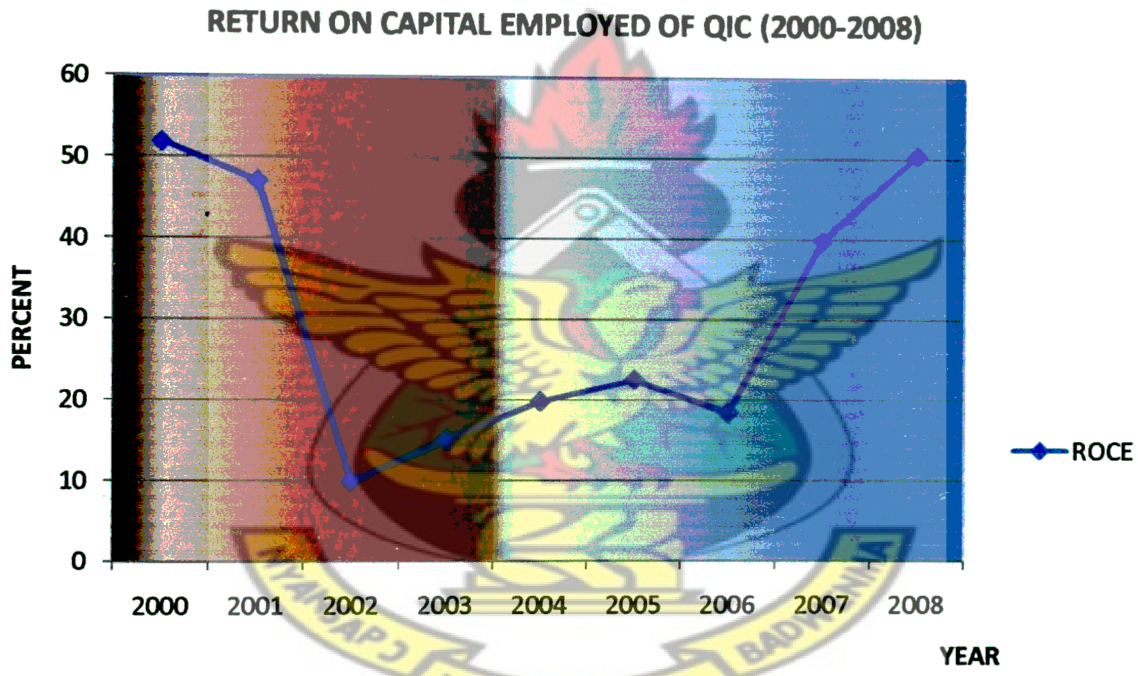
4.4 Evaluating the impact of strategic planning on the corporate performance of Quality Insurance Company Limited (QIC)

4.4.1 A Trend Analysis of the Return on Capital Employed of QIC in relation to periods before and during strategic planning

The chart on the next page shows a sharp decline in Return on Capital Employed from the year 2000 to 2002 and a gradual rise in Return on Capital Employed from 2003 to

2005 and a sharp rise from 2006 through to 2008. A strategic plan was implemented at the beginning of 2004. The Return on Capital Employed which is in percentage was 52, 47, 10 and 15 from 2000- 2003 and then to 20, 23, 18, 40, and 51 from 2004- 2008. From the graph, it is observed that after a slight decrease in 2006 there has been an improvement in performance with regards to the Return on Capital Employed.

Fig. 4.2 A graph of the Return on Capital Employed (ROCE) of QIC from year 2000-2008 in periods preceding and during strategic planning.



-Period preceding strategic planning, - period during strategic planning

This implies that QIC management has sharply increased returns generated from the assets employed three years in a row (2006- 2008) for the first time since 2000. This was achieved after a strategic planning process began in 2004. In other words, all things being equal, for 2006, 2007, and 2008 for every Gh¢1.00 invested in QIC, a return of 18Gp, 40Gp, and 51Gp is generated respectively. This indicated a continuous increase in profitability for three consecutive years compared to a decline from52Gp, to 15Gp from 2000 to through to 2003 prior to the beginning of a new strategic planning process in 2004. This performance improvement falls well within the 1-5 year period the management expects the process of strategic planning to show an impact on the overall performance of QIC as shown in Table 4.2 (Appendix 2).

The profitability of a company is the most important and sought after goal. Various companies have different ways of measuring profits. However, measurement of profits over a long period of time gives a clear idea of the performance of the company. The method thus evolved finds better acceptance with employees and stake holders. The short-term profits may endanger the existence of a company and we may call it as its strategy myopia. Some companies may decide reaping short term profits as part of their strategy. In an environment, which is charged with competition, the growth of a company is tied to its survival and profits. Growth does not merely mean growth in number of markets served, but growth in variety of production and services and so on, which lead to improvements in competitive edge and consequently in the performance of the company (Lee, 2006).

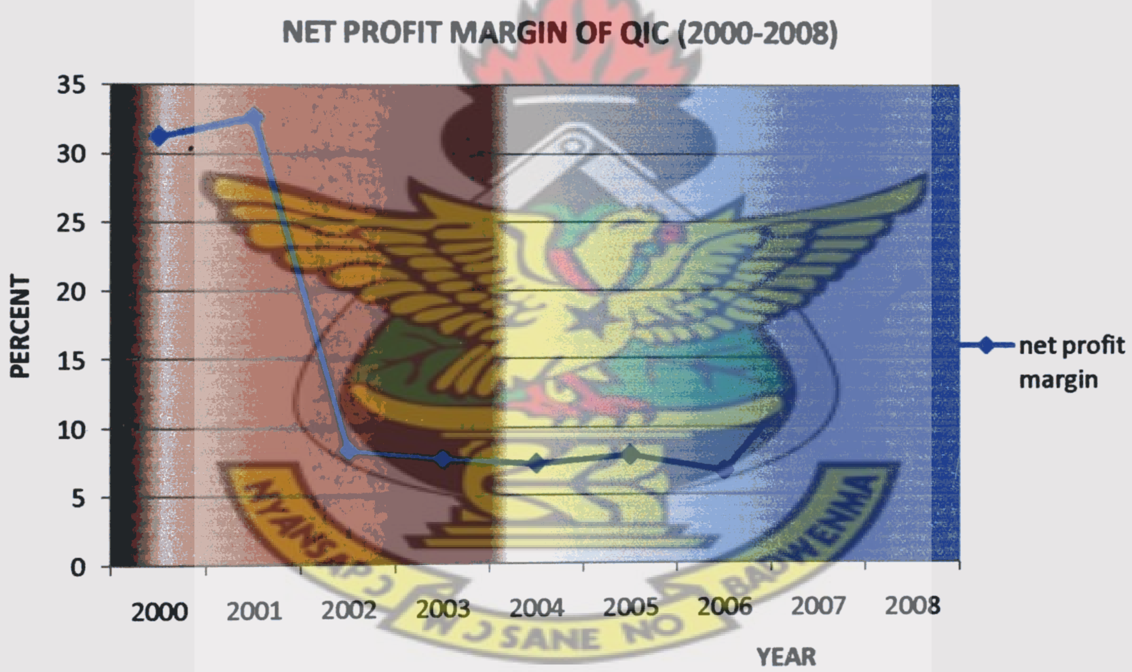
Strategic planning may have introduced a new direction for QIC. This may be in the form of new challenges or targets that the management of the company must meet over the long term. This may have motivated the management as they may have a stake in the long term success of QIC. For example, the strategic plan of QIC in 2004 stated that the market share of the company should be doubled by 2010. Individual managers will be motivated as they know that an increase in market share may lead to an increase in bonuses and reputation among peers.

The strategic planning process can allow the management of QIC to roll out and focus on products and services which the company serves well than other insurance companies. This can lead to a sustained competitive advantage within the insurance industry and an improved service to its clientele and the insurance market in general. This could have contributed to higher returns for QIC compared to the returns when the company had little or no competitive advantage. This is because an increase in Return on Capital Employed could signal the gain of competitive advantage for a company (McClure, 2009).

4.4.2 A Trend Analysis of the Net Profit Margin of QIC in relation to periods before and during strategic planning

Net Profit Margin expressed in percentage looks at how other costs (overheads) have been controlled. The graph on the next page indicates a sharp decline in Net Profit Margin from 2001- 2002 after impressive gains in 2000 and 2001. There is also a leveling off until 2006 after which 2007 and 2008 show sharp increases. This indicates that all things being equal, QIC from 2001 to 2006 performed relatively poorly in controlling its overheads. There has however, been an increase in Net Profit Margin three years onwards after the implementation process of QIC's strategic plan began in 2004. This is an indication that QIC has increasingly been more effective at cost control during strategic planning. In other words, the company has now become more effective at converting revenue into actual profit. The increase in Net Profit Margin from 2007- 2008 falls within the 1-5 year period that QIC management expects an impact on the company's performance as shown in Table 4.2 (Appendix 2).

Fig. 4.3 A graph of the Net Profit Margin (NPM) of QIC from year 2000-2008 in periods preceding and during strategic planning.



-Period preceding strategic planning, -period during strategic planning

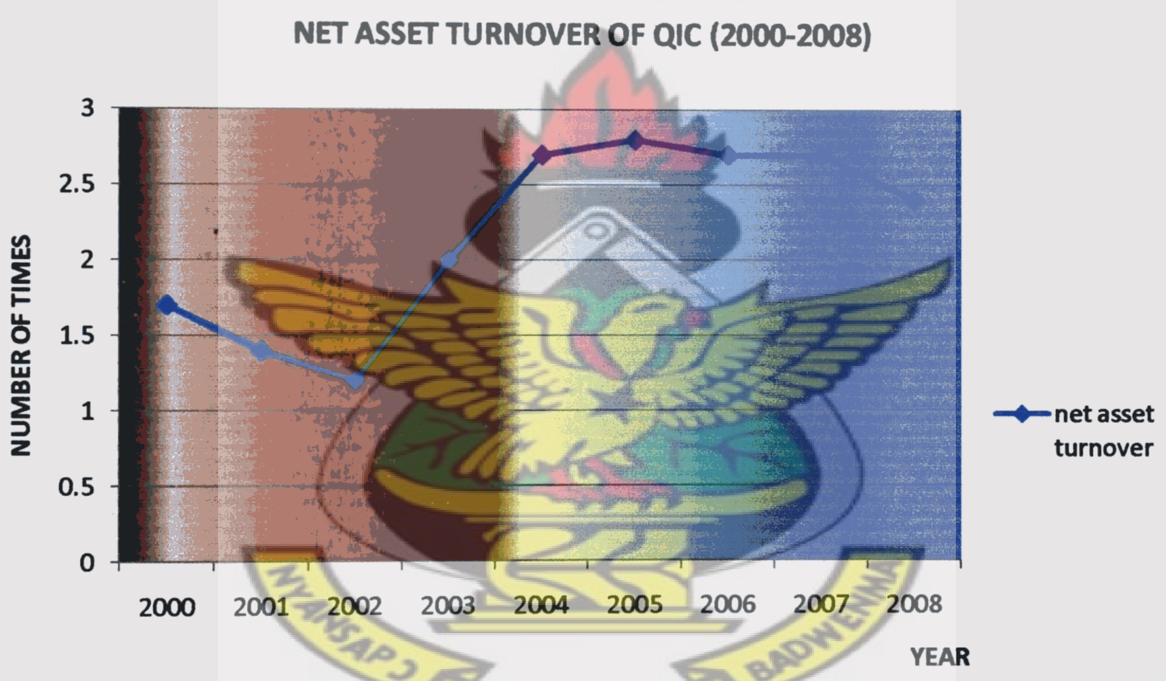
Strategic planning is also intended to introduce freshness into QIC while reshaping or refining its vision, mission, core values, rules and objectives. This freshness may have served as the "the unleashing of a new life" into the management of the company. Within the confines of a better shaped or well refined vision, mission, core values, goals and objectives arising from strategic planning, the management may now be more flexible and agile in their operations in order to achieve better results for QIC.

Strategic planning in QIC may have been able to identify and eliminate poor performing areas within the company. These areas are usually identified in the internal analysis conducted during the preparatory stages of the strategic planning process. The plan may therefore indicate the best way to deal with these areas. During the implementation, organizational changes in the form of sidelining poor performing areas may be made. This can lead to a reduction in the operating, administrative and distribution costs of the insurance company. Through strategic planning, poor performing areas may also be restructured, continually monitored and controlled during the implementation stage to ensure better performance over the medium to long term. This could have contributed to an increase in the operating profit margin of QIC over time which means that revenue is effectively converted into actual profits better than previous years.

4.4.3 A Trend Analysis of the Net Asset Turnover of QIC in relation to periods before and during strategic planning

The Net Asset Turnover expressed in number of times explains how the management of QIC efficiently used the assets of the company to generate sales. In the graph on the next page there was a gradual decline from 2000- 2002 but a sharp climb in 2003. It then leveled off in 2004 with a gradual decline in 2008. After 2004 when a strategic plan was implemented, QIC recorded a more impressive Net Asset Turnover over the next 4 years compared to the previous 4 years before the implementation of the strategic plan. This means that all things being equal, QIC management has turned around the assets of the company a higher number of times to generate sales after a strategic plan implementation began in 2004, compared to the period before a strategic plan was implemented.

Fig. 4.4 A graph of the Net Asset Turnover (NAT) of QIC from year 2000-2008 in periods preceding and during strategic planning.



-Period preceding strategic planning, -period during strategic planning

Through the stage by stage implementation of a strategic plan there can be improvements in information and communication technology which could phase out an older system. For example, going by the strategic plan in 2004, QIC in 2006, decided to install new software for the company which are the General Insurance Management System (GIMS) for the underwriting business and Sage Accpac software for the accounting side of the business. This is to make the company more competitive as the new systems replaced the Softins and Softact software which were in use before 2006 (QIC Annual Report and Accounts, 2006). Improvements in Information and Communications Technology (ICT) as informed by a new strategic plan could have tremendously transformed the operations of QIC which lead it to an improvement in performance. Improvement in Information and Communications Technology (ICT) ensures that the same assets can be used more efficiently compared to the period before. This may have enabled the management of QIC to turnover assets more times to generate sales than before a strategic planning process began.

Strategic planning in QIC may also ensure that there is an increase in capacity as management focuses on what is important and become less concerned with what isn't. The increased capacity can result from freed up resource or energy which arises from rallying behind a common cause while eliminating conflict and confusion of priorities. This makes QIC more efficient in its production processes as it is able to use its assets to generate more sales compared to a stage before the implementation of a strategic plan.

The strategic plan also usually reexamines the status quo processes of a company like QIC and introduces structural changes and technological innovations which lead to easier achievements of higher performance values. Former management techniques like communication systems, performance appraisal systems, styles of leadership, among others before a strategic planning process was implemented may not have well suited the insurance company. A new strategic plan being implemented may introduce modern and well tested techniques and organizational processes that may be comfortable for the management of QIC and also aid them in creating value for the company. New sales and marketing strategies may have been implemented during strategic planning at QIC. This could have accounted for why there has been an increase in the number of times the company sells its products and services by through an asset turnover. The relatively high figures for the net asset turnover indicate that the current use of resources in the sales and marketing efforts of QIC is working, and producing an excellent return during the period of strategic planning.

4.4 Some benefits of strategic planning to Quality Insurance Company Limited (QIC)

From the table below, it is observed that 2 of the respondents who have been involved in strategic planning below five years with QIC strongly agree that it is a vital process to the performance of the company.

Table 4.2 A cross tabulation of the length of involvement in planning and planning vitality

		planning is a vital process to QIC		Total
		agree	strongly agree	
Length of involvement in planning	Below 5 years	1	2	3
	6- 10 years	2	0	2
Total		3	2	5

Two of the respondents have also been involved in strategic planning for 6 or more years and they agree that it is a vital process to QIC. Table 4.3 below also supports this discussion.

Table 4.3 below also indicates that three of the respondents who have been involved in the strategic planning of the company strongly agree that it leads to the adoption for successful strategies and support the achievement of company's goals, while the other two who have been involved for more than six years strongly agree with the same views.

Table 4.3 Cross tabulation of Length of involvement in planning against planning leads to successful strategies and Plan supports goals

		planning leads to successful strategies	Plan supports goals
		strongly agree	strongly agree
Length of involvement in planning	Below 5 years	3	3
	6- 10	2	2
Total		5	5

By conducting SWOT and industry analysis, during the preparation for a strategic planning, the management of QIC is able to design strategies that they will use to boost the strengths, eliminate weaknesses, exploit opportunities, and foil threats to the company. Through such a process, the management is able to weigh all possible strategies and choose the best which will eventually turn out to be a successful strategy.

Moreover, through the inputs and expectations of stakeholders of the company like customers, shareholders, employees, bankers and regulators, the management through strategic planning can craft strategies that can serve or link up with stakeholder interests. Therefore, through the process of strategic planning, QIC is able to adopt successful strategies.

Strategic planning also supports achievement of the company's goals. This is because, during strategic planning, the company's vision, mission and goals are adequately considered. Strategies adopted must therefore, suit and be able to achieve the vision, mission, and goals. Since the company exists to achieve its goals, strategic planning sets in place the best course of action which will help QIC attain its corporate goals.

It can, therefore be concluded that strategic planning gives some benefits to the company and these are:

- It leads to the adoption of successful strategies
- It supports the achievement of the company's goals
- It aids in performance improvement

This explains why the respondents agreed or strongly agreed that strategic planning is a vital process to QIC.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The key to future growth and expansion requires a basic change in attitude and thinking-a veritable cultural shift, by owners and managers. It's a transition from direct involvement in all aspects of the operational control of the business, to a position and attitude of more senior management responsibility; wherein the operational aspects are delegated to allow more time to focus on the strategic planning and development of the business. By working through the various stages of the strategic planning process, the owner or manager can make the necessary culture shift to improve the performance, and focus on the direction in which the business is to go. This does not imply a total loss of contact with the operational side of the business. It should rather be seen as a move to optimize management resources to improve the tactical and operational performance of the business (Butler, 2006).

5.1 Summary of Findings

5.1.1 The strategic planning process of Quality Insurance Company Limited (QIC)

QIC goes through a well laid out strategic planning process from the preparatory through publishing the plan, implementation and the revision stages. Only the members of top management are involved in setting out a new strategic plan. The published document is not formally made public. It is also not formally communicated to all employees. However directives are issued to supervisors or branch managers with reference to the strategic plan during the implementation (including evaluation and control) stages. Some review is conducted when there are unforeseen external changes during implementation.

5.1.2 The Corporate Performance of QIC

The financial statements of QIC from 2000-2008 were analyzed using three profitability ratios. By observing the Return on Capital Employed ratio, the QIC management has had better returns generated from the assets employed compared to Bank of Ghana's risk free rate from 2000-2008 except for 2002 and 2003. The Net Profit Margin ratio indicates that QIC's management has performed better at cost control for 2000-2001 and 2007-2008 within the past eight years. With regards to Net Asset Turnover ratio, QIC's management has been more efficient in its ability to use the firm's net assets to generate sales revenue since 2004 compared to the four years before. All these indicators show that the company has been improving its performance for the past eight years.

5.1.3 The Return on Capital Employed and strategic planning of QIC

Put simply, Return on Capital Employed reflects a company's ability to earn a return on all of the capital that the company employs. Consistency is a key factor of performance. A decline in Return on Capital Employed over the years could signal the loss of competitive advantage (McClure, 2009). The management of QIC has sharply increased returns generated from the assets employed three years in a row (2006- 2008) for the first time since 2000. There has therefore been an improvement in performance with regards to the Return on Capital Employed at QIC. This was achieved after a strategic planning process began in 2004.

5.1.4 The Net Profit Margin and strategic planning of QIC

This number is an indication of how effective a company is at cost control. The higher the net profit margin is, the more effective the company is at converting revenue into actual profit. QIC has increasingly been more effective at cost control during the period of a new strategic planning process compared to the period preceding it.

5.1.5 The Net Asset Turnover and strategic planning of QIC

QIC management has turned around the assets of the company a higher number of times to generate sales after a strategic plan implementation began in 2004, compared to the period before a strategic plan was implemented.

5.1.6 The Benefits of Strategic Planning to QIC

Strategic planning gives some benefits to QIC and these include:

- leading to the adoption of successful strategies
- supporting the achievement of the company's goals
- aiding in performance improvement

5.2. Conclusion and Recommendations

For Quality Insurance Company Limited (QIC), the results of this research suggest that a well organized strategic planning process should improve performance in the medium term. If the strategic planning process is well implemented and efficient within the organization, it has the potential to properly align it in order to achieve its corporate goals. In the nutshell, strategic planning of QIC may also have adopted a holistic and a comprehensive view of the company and aligned it to its competitive, political, economical, and socio cultural environment. This new state enables the management of QIC view its environment from different perspectives and develop strategies on how best to react to its environment in order to attain a sustainable competitive advantage over the long term. Through yielding better results, strategic planning puts QIC in a position to achieve its organizational goals in the medium to long term.

The recommendations made by the researcher to improve the strategic planning process of Quality Insurance Company Limited (QIC) are as follows:

- ***Assessment of Operating Environment***

Most organizations set out their direction in an overall strategic plan. The plan includes some rendition of a cascading goals actions evaluation process that is meant to have the organization achieve the financial or organizational success it desires. Unfortunately, most organizations stop short of engaging the correct planning methodology and the detailed analysis required to really create measurable change. If QIC creates a strategic plan or business plan that is devoid of demographic projections and financial data, then it has probably defaulted to "motherhood" statements that attempt to portray where it wants to go and maybe includes some objectives, strategies, tactics, program framework and evaluation mechanisms in the process. However, if QIC does not do the crunching of the numbers and measure where it is before and after the strategic plan unfolds, then it won't know if it has arrived at its goal state.

The answer to solving this lies in the work that occurs either before or at the earliest stages of the strategic planning process. The most important work that can be done is to research, itemize, categorize, and analyze the data provided by QIC's operating environment. It is important to utilize environmental or situational analysis models in order to really understand where the organization is right now. These models should involve a detailed assessment of the current, historical and projected aspects related to the internal and external operating and planning environments of the company. External factors include: political, regulatory, legal, economic, cultural, environmental, social, demographic, market trends, market uncertainties, technological, biophysical factors, and other industry-specific factors. Internal analysis should utilize past, present and future data related to people, finance, marketing, technology, leadership/management strength, project management capacity, growth capacity, capital investment and capacity, measured internal growth and scalability. Once QIC has surveyed these numbers and distilled out the common themes, then and only then should a strategic plan be formed which aligns itself with the organization's strengths and protects itself against its weaknesses.

- ***Diversity of planning team***

The actual strategic planning team should therefore be a diagonal cross-section of people because they know what is happening on a day-to-day basis in the organization. Diversity enhances the quality of the planning process. The plan's validity is strengthened by the assurance that all perspectives are involved in the creative process. Implementation turns out to be the most difficult part of strategic planning process. It is the achievement of the objectives set out in the plan while staying alert and open-mindedness to fresh and new opportunities as they are brought to the forefront. For this to come into fruition, QIC has to make this its mission to integrate the results of the planning process with other systems, such as budgeting, compensation, and information systems. This could very well mean disintegrating some formerly accepted business practices in favor of new processes. The ultimate goal is to integrate the results of strategic planning into daily, weekly and monthly routines. It needs to emphatically stress that, at all costs; the common pitfalls in the implementation of strategic planning should be avoided.

- ***Communication***

Above all else, the top management of QIC has got to communicate with its employees clearly and often about the plan and the new direction that the company is taking. When front-line staff is motivated and take the reins and be comfortable thinking strategically, they most likely took the cue from the top management by demonstrating the link between strategy and specific business decisions. Direct communication ensures that all employees become aware and are a part of the strategy and thereby, contribute in their own small ways to the achievement of the organizational goals of the insurance firm.

- ***Implementation of quality standards***

Many organizations have quality managers that are key players in the organization. The quality managers' role is to work closely with high-level managers and serve as a vocal proponent for quality. One important duty is to facilitate the strategic planning process or ensure that an experienced facilitator leads it. Effective organizations have a tendency to include quality in the strategic planning process. Any company that doesn't consider quality will fail. Many companies have implemented quality standards and have proven that quality is the difference between success and failure.

Quality centered strategic management is a tedious, difficult process but any company that wants to be successful must address this internally. QIC's management should consider quality as a core value that sets the expectations for performance. With a strategic plan, the company can enhance the ability to create a quality future that the organization seeks.

- ***A continual review process***

The ideal planning process for organizations involves developing an annual strategic plan with a continual review process. With this process, the organization completes a review of their business once a year and then chooses three to five priority items to address completely. Through this planning method, a continual assessment is made of the organization's ever-improving situation. Continual review of QIC's strategic plan will enhance its success even more. It should be looked at every three to six months with adjustments made as necessary. This process addresses long-term issues but places the bulk of its attention on current actions. An annual plan should be immediate and with actionable items. It should direct accountability, be current and flexible. To create an even more successful plan, QIC management's compensation should be partially tied to achieving the goals of the organization. They should always be working their plan. This creates focus and accountability, which is a key to success.

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Appendix 1

QUESTIONNAIRE

I am a Strategic Management student of The School of Business- KNUST, conducting a study which will evaluate the impact of strategic planning on the corporate performance of Quality Insurance Company Limited as part of the requirement to my Masters Degree. It would be very much appreciated if you could provide answers to questions asked below. The information you will provide will solely be for academic purposes and as such be treated as confidential. Please feel free to be as frank as possible with your answers. Please tick, list or state the answers where applicable.

SECTION A –

1. What is your position in the Company?
   a. Top Management [ ]
   b. Middle management [ ]
   c. Other [ ]

2. How long have you worked with the Company?
   a. Below 5 years [ ]
   b. 6-10 years [ ]
   c. 11-15 years [ ]
   d. more than 15 years [ ]

3. How long have you been involved in the strategic planning process of the Company?
   a. Below 5 years [ ]
   b. 6-10 years [ ]
   c. 11-15 years [ ]
   d. more than 15 years [ ]

4. Are you involved in all the stages of the strategic planning process of the Company?
   a. Yes (involved in all the stages) [ ]
   b. No (but involved in some of the stages) [ ]

   If Yes, please continue from question 6
   If No, please go to question 5

5. Which stage(s) of the strategic planning process are you actively involved in?
   a. As a member of the planning committee [ ]
   b. Implementation of the strategic plan [ ]
   c. Evaluation and control [ ]
   d. Revision of the strategic plan [ ]

6. What is/are the key performance indicator(s) of the Company?

SECTION B- THE STRATEGIC PLANNING PROCESS

7. What factors are considered when preparing a strategic plan for the Company?
8. How do the above factors impact on the overall performance of the Company?
9. How is the strategic plan implemented?
10. What aspects of implementation impact on the overall performance of the Company?
11. Does the plan require major organizational changes for it implementation?
    a. All the time [ ]
    b. Some of the time [ ]

c. Not at all [ ]

12. Do these changes result in a change in the Company's overall performance?
 a. Yes [ ] b. No [ ]

13. Please briefly describe the control system(s) in place to ensure that the plan is being properly implemented.

14. From what period after implementation does the Company expect an impact on performance?
 d. Within 1 year [ ]
 e. From 1-5 years [ ]
 f. From 6-10 years [ ]
 g. After more than 10 years [ ]

15. Kindly list some set performance targets against which actual performance is measured.

16. Is the strategic plan followed strictly?
17. Does the Company meet performance targets if the plan is followed strictly?
18. If No, does revision of plan lead to meeting or exceeding set performance targets?
19. When is the strategic plan revised?
 a. Annually [ ]
 b. Only when there is no improvement in performance [ ]
 c. Other [ ]

20. What aspects of strategic planning impacts negatively on the Company's overall performance?

21. Please rate each of the following items according to how you agree or disagree with them by circling one of 1-5 for your appropriate answer or response.

1= Strongly Disagree 2= Disagree. 3= Don't know 4= Agree 5=Strongly Agree

I.	The strategic planning process supports the achievement of the Company's goals.	1 2 3 4 5
II.	The strategic planning process of the Company is effective.	1 2 3 4 5
III.	The strategic planning process of the Company is efficient.	1 2 3 4 5
IV.	The strategic planning process leads to the adoption of successful strategies	1 2 3 4 5
V.	Strategic planning is a vital process for the Company.	1 2 3 4 5

22. Please give suggestions on how to improve the strategic planning process of the Company.

23. Does the Company have a strategic planning department? If no, how does the Company publish a strategic plan?

24. For how long has the Company been involved in strategic planning?
 Below 5 years [ ]
 6-10 years [ ]
 11-15 years [ ]
 More than 15 years [ ]
25. Who prepares the strategic plan?
 Board of Directors [ ]
 Management [ ]
 Consultants [ ]

26. Who finalizes the strategic plan?
27. Who implements the strategic plan?
28. How is the plan communicated to employees?

29. Which employees are given copies of the plan?
    All employees
    Top management only
    Top and middle management only

30. When was the last time a strategic plan was implemented?

Thanks for your co-operation

Appendix 2

Table 4.4 The period after implementation when company expects impact on performance

		Frequency	Valid Percent	Cumulative Percent
Valid	1- 5yrs	5	100.0	100.0

Appendix 3

Table 4.5 Financial Highlights of QIC from 2000-2008 (Amount in Gh¢' 00)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
SC	545	545	2242	3204	4063	4916	9823	10,000	11,721
NA	1381	1953	3940	5303	6923	8814	15068	15,634	24,140
TA	5581	3811	8207	13007	21896	36490	51902	4,478	6,939
GP	2290	2803	4668	10274	18612	24815	40557	4,211	5,889
NPE	1358	1866	3054	5769	10674	15264	22004	3,297	4,705
CI	345	655	1002	820	1474	3361	2726	802	1,347
TCR	84	98	94	186	329	475	685	90	190
RR	644	1118	1313	1527	1837	2522	3183	290	777
ME	921	1388	2498	5020	8440	11396	15897	1,854	2,157
PBIT	717	919	391	794	1369	1982	2766	624	1,220
PAT	466	572	290	400	939	1510	1924	452	949

SOURCE: QIC Annual Reports and Accounts 2002, 2006 and 2008.

APPENDIX 4

Table 4.6 Bank of Ghana Interest rate from 2000-2008

year	Bank of Ghana Interest rate (%)
2000	38.0
2001	43.8
2002	26.6
2003	18.7
2004	17.1
2005	11.4
2006	10.7
2007	10.6
2008	24.7

SOURCE: http://www.bog.gov.gh

ABBREVIATIONS

SC- Stated capital
NA- Net assets
TA- Total assets
GP- Gross premium
NPE- Net premium earned
CI- Claims incurred
TCR- Transfer to contingency reserve
RR- Revenue reserve
ME- Management expenses
PBIT- Profit before Interest & tax
PAT- Profit after tax
QIC- Quality Insurance Company Limited
ROCE- Return on Capital Employed
NPM- Net Profit Margin
NAT- Net Asset Turnover