THE MODERATION EFFECT OF STRATEGIC PLANNING AND INNOVATIVE CAPABILITIES ON THE PERFORMANCE IN SELECTED INSURANCE COMPANIES

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A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR

MASTERS IN BUSINESS ADMINISTRATION

(STRATEGIC MANAGEMENT AND CONSULTING)

Department of Marketing and Corporate Strategy

Kwame Nkrumah University of Science and Technology

SEPTEMBER 2015

DECLARATION

I hereby declare that this submission is my own work towards the Master Programme and that, to the best Of my knowledge, it contains no material previously published by another person or 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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Head of Department Name	Signature	Date

DEDICATION

This piece of work is dedicated to the happy family, my Wife – Mrs. Patricia Oheneba and my three lovely kids – Patience Els Twumsi, Allswell Oppong – Oheneba and Thelma

Angel Oheneba.

ACKNOWLEDGEMENT

This thesis is a synergistic piece of work of many personalities. Firstly, I owe my deepest gratitude to God for granting me His grace and blessings throughout my schooling.

Secondly, I have never encountered any lecturer who generates such an awe-inspiring positive reaction from his students than Dr. Ahmed Agyapong. Sir, It was a pleasure working with you as my supervisor.

Thirdly, I feel a deep-seated form of appreciation:

- to Mr. Fred Frimpong (Head of Business Development Manager) Provident Insurance Company for his support and encouragement.
- to Mrs. Patricia Oheneba for her prayers support.
- to staff of all the selected insurance companies who made time to respond to the questionnaires.
- to my Office staff (Elizabeth Essilfie, Nicholas Tawiah and Clement Appiah) for their encouragement and support.
- to Francis Oheneba and Anthony Quaicoo for proof-reading this work.

Finally, I offer my sincere regards to all who supported me in any respect during the writing of this thesis.

ABSTRACT

The purpose of this study was to assess the moderation effect of Strategic Planning and Innovative Capabilities on Performance in selected Insurance Companies. Secondary data for the research was collected by reviewing textbooks, journals, articles, magazines, publications, industry reports, etc. to gather historical perspectives of the research data from renowned authors and researchers. Primary data was gathered with the aid of questionnaires. One hundred (100) questionnaires were sent to employees of the Greater-Accra region of selected insurance companies. Sixty Five (65) responses were obtained representing a response rate of 65%. The results of the administered questionnaires showed a fairly low level of agreement for the features of the various dimensions of strategic planning and innovative capabilities in the insurance companies. However, this study showed the middle level and low level staff of the companies has little knowledge about strategic planning and innovative capabilities of the companies. The top management does all the strategic planning and innovations in the company but it is not communicated to the staff. This study also showed that middle and low level employees were ignorant about most major decision of the companies. The researcher recommends that management must ensure that all the department of the organisation is committed to the strategic planning process and implementation. In events where there is breakdown of processes in the organisation, it renders such all efforts ineffective and therefore detrimental to the success of the organisation.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The dynamic nature and high competition that has characterized current business environment have revealed the relevance of strategic planning and innovative capabilities to profit maximization. The Strategic Plan is simply a tool that can be described as a guide to the attainment of the business vision. It has a starting point, (today's conditions and environment). It has an ending point, where the company wants to be, (terms of success), in the future. And it has a middle point or process that is the hard work part. The middle part is coming to terms with all of the elements that may be either supportive of or in the way of getting from the start to the end. It is a process that answers the question of how is the best, most likely way to be successful as defined by the stakeholders and "allowed" by the customers and embraced by the employees, which will result in performance improvement in the industry.

Strategic planning process illustrates the vision and mission of the company. It encompasses both the internal and external business contexts upon which the operations of the company are defined. It is usually drafted and implemented by the managers of the business; and is consequently conveyed to all stakeholders, both primary and secondary. The need for strategic planning becomes greater as the business expands and the market becomes more competitive. Market leaders vigorously undertake strategic plans in order to better prepare for market changes and to meet the changing needs of different market segments across time.

Literature also suggests that organizations capacity to innovate, modify, change, and recreate organizational resources, capabilities, and strategies is a vital component to drawing sustained competitive advantage in volatile markets (see, Eisenhardt and Martin, 2000; Teece, Pisano, and Shuen, 1997).

In today's world, innovation plays a major role in economic system. It promotes organizational change through innovative capabilities which are as a result of research and development. While technological capabilities of the firm have led to a better understanding of the technical change process itself, Innovative capabilities affect the entire insurance industry.

In business and economics, Strategic Planning and innovation is the catalyst to growth which must translate into performance improvement in the industry. A renowned economist Joseph Schumpeter, who contributed immensely to the study of innovation, is of the view that industries must continue to completely change the thought about the economic structure internally, that is innovate with better or more effective processes and technologies. In addition, businesses must continuously look for better ways to satisfy their consumer base with improved quality, durability, service and price which come to fruition in innovation with advanced technologies and organizational strategy planning.

The application of strategic planning and innovation impacts positively on efficiency, productivity, quality, competitiveness, and market share and thereby improves performance. Peter Drucker wrote that "Innovation is an important function of entrepreneurship, whether it is an existing business, a public service institution, or a new venture started by an individual

in the family kitchen. It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth.

1.2 Problem Statement

The insurance industry has experienced an influx of new entrants in recent years. This has come as a result of compulsory nature of certain product to the consumers. Many organizations spend most of their time realizing and reacting to unexpected changes and problems instead of anticipating and preparing for them.

Notwithstanding this, some of the insurance companies perform below industry expectations. The level and commitment to the implementation of strategies determine the level of performance. The weak competitive positions of some insurance companies are as a result of the absence of well-defined competitive strategies. Due to this/that Management plays the lead role in strategic thinking, planning, innovative capabilities, decision-making and ultimate implementation of policies and strategies. Unfortunately, some companies are perceived to have management structures that overly limit the authority to make long-term strategic decisions to a few key shareholders who may be limited in some ways. This obviously compromises the richness and diversity of the insurance strategic planning agenda to the detriment of corporate performance.

Looking at the industry position, it appears that some of the companies are doing well while others are not meeting the industry standards. There is the need for the researcher to investigate why some companies are meeting the industry standards whiles other are not meeting the industry standard.

Due influx of new entrants of which more companies are preparing to enter into the insurance market, there is the need for companies in the industry to be more strategic in their planning and innovative enough so that new ideas can be created to gain competitive advantage.

Currently there are 26 insurance companies in the industry since inception about 60 years ago. It was mainly denominated by one company which was the SIC insurance company. Although SIC insurance still maintain the largest market share, but other companies have been able to obtain part of the market share. The selected insurance companies were chosen for this study by their market share. The following were the insurance companies selected:

SIC Insurance Company Limited, Enterprise Insurance Company Limited, Star Assurance Company limited, Metropolitan Insurance Company Limited, Vanguard Assurance Company Limited, Glico General Insurance Company Limited, Phoenix Insurance Company Limited, Ghana Union Insurance Company Limited, Activa International Company Limited and Quality Insurance Company Limited

This research study is to assess the moderation effects of strategic planning, innovative capabilities and performance in selected insurance companies.

1.3 Objective of the Study

The main objective of this study is to better understand relationship between innovative capabilities and performance in the insurance industry. This study will also reveal how the innovative capabilities affect the insurance industry. The study specifically seeks:

1. To examine the effect of Strategic Planning on performance in the insurance industry.
2. To examine the effect of innovative capabilities on performance in the insurance industry.
3. To examine the moderation effect of innovative capabilities on the relationship between strategic planning and performance in some selected insurance companies.

1.4 Research Questions

The researchers want to state the following research questions:

1. Can strategic planning affect performance of insurance industry in Ghana?
2. Can innovative capabilities affect the performance of insurance industry in Ghana?
3. Do innovative capabilities moderate the relationship between Strategic planning and performance of insurance industry in Ghana?

1.5 Scope of the Study

The study is to find out whether there is a relationship between strategic planning and innovative capabilities on performance in the insurance industry. This study covered some selected insurance industry in the Greater Accra region that has been rated in the first ten (10) ranking in the industry for the year 2013. Furthermore, the study would reveal how innovation has affected the industry since the establishment of the insurance Act, 2006 (Act 724) in terms of competitive advantage.

1.6 Method of the Study

The methods and procedures which were employed in this research are summarized under this heading. Both primary and secondary sources of data were used.

Under the primary data collection the researchers will design a well-structured questionnaire for management and employees of 10 selected insurance companies out of the 26 registered insurance companies. Under the secondary data collection, Strategic Planning and innovative capabilities test books, journals, and newsletters were consulted. Under the data analysis we employed both qualitative and quantitative techniques. The sample size for the research would be 10 selected insurance companies.

1.7 Organization of the Study

The study is organized in five chapters:

Chapter one introduced the general topic and has the background, statement of problem, objectives, scope of study limitations as well as organization of the study. Chapter two reviews literature. In this part previous study done by other researchers as well as literature on the topic the effect of strategic planning, innovative capabilities and performance were reviewed. Chapter three is about the method of study. In this part the procedure that is applied to collect data, collection technique, study design are provided. Chapter four is about

Results and Finding: in this part the data is processed and analyze to present the answer to the research questions. Chapter five is about the Summary of Findings, Recommendation and Conclusion: in this part the conclusion of the study based on the results and findings of the research is presented.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The process of equipping in new, improved capabilities or increased utility has been defined by Drucker (1985) as innovation. An innovation is related to products, processes, marketing and organization. Different types of innovation has been described by Schumpeter (1934), which are new products, new methods of production, new sources of supply, the exploitation of new market, and new ways to organize business. Innovation capability is one of the attractive areas that need to be studied by the researchers to define, categorize and investigate its performance impacts in the insurance industry in selected companies in the Greater Accra Region. In order to achieve sustainable competitive advantage, the firms would be provided the strategic orientation to overcome the problems they were facing. (e.g.

Drucker, 1985; Hitt et al., 2001; Kuratko et al., 2005).

According to McAdam and Keogh (2004), firms believe that innovations were the important factor to obtain sustainable competitive advantage. Geroski (2005) analyzed the effects of innovations and patents to various organization performance measures in terms of accounting profitability, stock market rates of return and corporate growth. Result obtained by Geroski (2005) showed that it is relatively small direct effect of innovations on firm performance and the benefits from innovations are likely indirect. Companies have noticed the importance of innovation through the increasing competition in global markets such as value added of existing products and services. Innovation is one of the basic components used by the corporate as a strategy to improve productive manufacturing processes, to be able to compete in the market and to establish good reputation to gain positive status in customers' perception.

2.1 The Concept and Evolution of Strategic Planning

Strategic planning has been defined differently by various authors. The substantive issues are however, the same; they focus on making plans and taking actions today for the future prosperity and competitiveness of a firm in its environment with the optimal use of available resources. McNamara (2008), identifies some of the major activities that are common to all strategic planning processes as conducting a strategic analysis; setting the strategic direction, action planning, that is, carefully laying out how the strategic goals will be accomplished

etc.

Chandler, 1962; Andrews, 1980; Porter, 1980; Wyland, 2004 are unanimously stating that strategic planning is a systematic process by which an organization formulates achievable policy objectives for the future growth and development over the long term, based on its mission, vision and goals and on a realistic assessment of the human and material resources available to implement the plan. Dubrin (2006) sees it as encompassing all those activities that lead to statement of goals and objectives and the choice of strategies to achieve them.

I notice a relationship between the comprehensive contributions above and Bryson (1998) who states that it is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does what it does. The process defines its medium and long term goals and objectives and approaches by which to achieve them. It is a look into the future that identifies the mission, vision, goals and objectives of an organization with prescribed actions necessary to achieve the vision.

The importance of strategic planning to any organization cannot be overemphasized. It is the most critical management process which need not be overlooked. This is evident from the

(Nickels et al 2000)'s definition of management which is "the process used to accomplish organizational goals through planning, organizing, directing and controlling organizational resources". Thompson et al (2004), buttress it further stating that the central thrust of strategic planning is undertaking moves to strengthen the company's long term competitive position and financial performance.

This intricate and complex nature is upheld by David (2003) who espouses that strategic planning takes an organization into uncharted territories and does not provide ready-to-use prescriptions for success. Instead it takes an organization through a journey and offers a framework for addressing questions and solving problems aware of the potential pitfalls and being ready to address them and being successful.

I support David's point of view in that, strategic planning does not take account of all exigencies. These views are also shared by McConkey (1999) who adds that plans are less important than planning. This just means that though plans are vital as business road maps with goals, objectives or targets to be met, the idea of planning being a process introduces the dimension of a continuous, ongoing and never-ending paradigm of implementation, monitoring and adjustments (Mintzberg, 1978, 1994; Markidis, 1999) to ensure that any unforeseen, unanticipated or emerging developments are contained. It emphasizes the point that process (planning) may be much more influential than content (the plan).

Success in businesses or military exploits does not come by fluke but it is the product of both continuous attention to changing external and internal conditions and the formulation and implementation of the insightful adjustments to those conditions. It entails the use of an

organization or army's strengths to exploit the competitors‟ weaknesses and cash in on opportunities in the external environment. At the same time the firm takes steps to avoid, foil or defend possible attacks from competitors into its areas of weakness. It is thus both an attack and defense weapon which Hofer and Schendel (2005) see as the mediating force or match‟ between the organization and the environment.

2.3 Strategic Planning

Strategic planning has been explained by various writers and scholars in different but complementary ways. Drucker (1954) contends that strategic planning is management by plans, an analytical process and is focused in making optimal strategic decisions. Other writers have expanded on Drucker's definition. Ansoff (1970) conceptualizes strategic planning as the process of seeking a better match between a firm's products or technology and its increasingly turbulent markets. He looks at it in terms of change from a familiar environment to an unfamiliar world of strange technologies, strange competitors, new consumer attitudes, new dimensions of social control and above all, a questioning of the firm's role in society. Sharing this view, Hofer and Schendel (1978) define strategic planning as an evolution of managerial response to environmental change in a focus moving from internal structure and production efficiency, to the integration of strategy and structure and production innovation, multinational expansion and diversification. Wendy (1997) explained strategic planning as the process of developing and maintaining consistency between the organization's objectives and resources and its changing opportunities. Wendy further argues that strategic planning aims at defining and document an approach to doing business that will leads to satisfactory profits and growth.

Steiner (1979) defines strategic planning as the systematic and more or less formalized effort of a company to establish basic company purposes, objectives, policies and strategies. It

involves the development of detailed plans to implement policies and strategies to achieve objectives and basic company purposes. On the same breath, Bateman and Zeithml (1993) view planning as a conscious, systematic process during which decisions are made about the goals and activities that an individual, group, work unit or organization will pursue in the future. It provides individuals and work units a map to follow in their future activities. Hax and Majluf (1996) supporting this argument explain strategic planning as a disciplined and well-defined organizational effort aimed at the complete specification of a firm's strategy and the assignment of responsibilities for execution. From these diverse views expressed above, strategic planning in its general and basic understanding can be said to be a process of selecting organizational goals and strategies, determining the necessary programs to achieve specific objectives enroute to the goals, and establishing the methods necessary to ensure that the policies and programs are implemented.

Wendy (1997) explains that strategic planning process comprises of three main elements which helps turn an organizations vision or mission into concrete achievable. These are the strategic analysis, strategic choice and strategic implementation. The strategic analysis encompasses setting the organization's direction in terms of vision, mission and goals.

Therefore this entails articulating the company's strategic intent and directing efforts towards understanding the business environment. Strategic choice stage involves generating, evaluating and selecting the most appropriate strategy. Strategy implementation stage consists of putting in place the relevant policies and formulating frameworks that will aid in translating chosen strategies into actionable forms. For purposes of this study, the three main steps have been sequenced into five generic components that can be considered to complete the strategic planning process. These are; defining firm's corporate direction, appraisal of business

environment, identification and analysis of firm's strategic issues, strategy choice and development of implementation, evaluation & control systems.

2.4 The Component of Strategic Planning.

A company's strategic plan typically lays out its mission, vision and future direction, performance targets (objectives) and strategy, Thompson (2004). For it to be effective therefore, Drucker (1999) emphasizes that strategic plans must be designed to support corporate mission, vision and objectives. I observe a correlation between Thompson (2004) and Drucker (1999) whose contributions serve to draw a connection between mission, vision and objectives in order for any organization to have coordinated and purposeful business direction.

1. **Mission Statement:** This is the agreed upon statement by the organization and explains the reason for its existence. It is necessarily broad to encompass the diversity within the organization. The statement is not precise in its measurements nor does it need to be, but it does need to be periodically reviewed by the organization to see whether it still encompasses all of the relevant activities of the organization.

2. **Objectives:** The objectives are the areas of emphasis within the organization. Rather than specific statements with a specific goal, objectives state that the organization plans to continue to do quality work in the following areas. These objectives or areas of emphasis need to be attained by discussion and review of the organization's current activities as well as activities in which it would like to participate.

3. **Goals:** These need to be both long term and short-term goals; six months, one year, three years, and ten year goals need to be set so that the strategy for reaching these goals can be outlined in the plan. Most organizations recommend setting the longterm goals first and then setting short-term goals: those goals which can be reached as steps to attaining the long-term goal.

4. **Action Plan:** The Action Plan should be designed after the main goals and objectives have been set in order to attain the mission in a straightforward and measurable way. With an Action Plan, the goals themselves can be obtained. Without the Action Plan, and the measures it entails, it would be impossible to implement the plan and measure its success.

2.5 The Relationship between Strategic Planning and Performance

It is conceptualized that firms that have effectively embraced strategic planning, records better performance as compared to those that have not. Hofer and Schendel (1978), Henderson (1979), Greenley (1986), Miller and Cardinal (1994) and David (1997) argue that firms record improved performance once they effectively embrace strategic planning. Carrying out the various steps in the strategic planning process is expected to facilitate the realization of organizational effectiveness. By defining a company's purpose and goals, strategic planning provides direction to the organization and enhances coordination and control of organization activities. McCarthy and Minichiello (1996), note that a company's strategy provides a central purpose and direction to the activities of the organization and to the people who work in it. Howe (1986) and Kotter (1996) argue that the primary goal of strategic planning is to guide the organization in setting out its strategic intent and priorities and refocus itself towards realizing the same. Porter (1980), Greenley (1986), Miller and Cardinal (1994), Hax and

Majluf (1996) and Grant (1998) argue that an objective analysis of external and internal environment facilitates the establishment of the firm-environment fit and improved decision-making. Adding to this view, Porter (1980), Quinn (1980), Ohmae (1983) and Kotter (1996) note that the identification of strategic issues , strategy analysis and selection facilitates the achievement of efficient allocation of resources, sustainable competitive advantage, and improved innovation. It is also perceived that the development of implementation programme, evaluation and control systems facilitates smooth execution and implementation of the planned tasks. Figure 1 below presents the conceptualized relationship between strategic planning (independent variable) and firm performance (dependent variable).

Bryson (1989), Stoner (1994) and Viljoen (1995) argue that strategic planning assists in providing direction so organization members know where the organization is heading and where to expend their major efforts. It guides in defining the business the firm is in, the ends it seeks and the means it will use to accomplish those ends. McCarthy and Minichiello (1996), note that a company's strategy provides a central purpose and direction to the activities of the organization and to the people who work in it. Adding to this argument, Kotter (1996) contends that the primary goal of strategic planning is to guide the organization in setting out its strategic intent and priorities and refocus itself towards realizing the same. David (1997) argues that strategic planning allows an organization to be more proactive than reactive in shaping its own future, initiate and influence (rather than just respond to) activities, and thus to exert control over its destiny. It assists in highlighting areas requiring attention or innovation.

The process of strategic planning shapes a company's strategy choice. It reveals and clarifies future opportunities and threats and provides a framework for decision making throughout a

company. It helps organizations to make better strategies through the use of more systematic, logical and rational approach to strategic choice. Steiner (1979) noted that strategic planning stimulates the future on paper and it encourages and permits a manager to see, evaluate and accept or discard a far greater number of alternative courses of action than he might otherwise consider.

Stoner (1994) and Viljoen (1995) argue that strategic planning tends to make an organization more systematic in terms of its development and this can lead to a greater proportion of the organization's efforts being directed towards the attainment of those goals established at the planning stage, that is, the organization become more focused.

Steiner (1979) observes that strategic planning is inextricably interwoven into the entire fabric of management. It provides a framework for decision-making throughout the company and forces the setting of objectives, which provides a basis for measuring performance. Managers are able to spend time, efforts and resources in activities that pay off. Setting of goals and targets on the other hand facilitate evaluation of organization performance. Individuals in an organization will strive to achieve clear objectives that are

set.

It is argued that strategic planning results in a viable match between the firm and its external environment. Strategy concerns an analysis of the firm's environment, leading to what the firm, given its environment, should achieve. Environmental scanning and analysis allows the firm to be connected to its environment and guarantees the alignment between the firm and its environment. Environmental analysis reveals the market dynamics, business opportunities and

challenges, customer expectations, technological advancements and the firm's internal capacities and this provides the basis for strategy selection.

Kotter (1996) argues that the strategic planning process can be used as a means of repositioning and transforming the organization. Thompson, Strickland and Gamble (2007) postulate that the essence of good strategy making is to build a market position strong enough and an organization capable enough to produce successful performance despite unforeseeable events, potent competition, and internal difficulties. Quinn (1980) explains that well-formulated strategies helps marshal and allocate an organization's resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents. Indeed Ohmae (1983) contends that strategic planning enables a company to gain, as effectively as possible, a sustainable edge over its competitors. Bryson (1989), Stoner (1994) and Viljoen (1995) share Ohmae's contention, pointing out that strategic planning assists organizations to develop a comparative advantage or an edge over competitors and creates sustainable competitive advantage. Greenley (1986) points out that a range of potential benefits to intrinsic values accrues to both the company and external stakeholders from the use of strategic planning.

Various empirical studies have been done to establish the relationship between strategic planning and firm performance with varied conclusions. The initial studies include that done by Thune and House (1970). Thune and House studied 36 companies employing the approach of examining the performance of each company both before and after formal strategic planning was initiated. This covered both informal and informal planners. The comparison showed that formal planners outperformed the informal planners on all the performance measures that were used. Herold (1972) in an attempt to cross-validate Thune and House (1970) study, surveyed

10 companies, comparing performance of formal and informal planners over a 7-year period. Based on the survey results, He concluded that formal planners outperform informal planners and hence, supporting the results of Thune and House (1970). Gershefski (1970) in his survey compared the growth of sales in companies over a 5-year period before strategic planning was introduced, and over a period of 5 years after planning was introduced. The results of the comparison led Gershefski to conclude that companies with formal strategic planning outperformed companies with little planning. Ansoff (1970) studied 93 firms using various variables of financial performance. The findings revealed that companies, which do extensive strategic planning, outperformed the other companies.

Karger and Malik (1975), taking a similar approach to that taken by Ansoff, compared the values of a range of variables of planners to those of the non-planners and based on the results concluded that the planners outperformed the non-planners. Greenley (1986) examining empirical data from nine surveys, (8 in USA and 1 UK within the manufacturing business) on the relationship between strategic planning and company overall performance noted mixed conclusions with five studies concluding the existence of the relationship while the rest conclude that higher levels of performance did not necessarily relate to the utilization of strategic planning.

Miller and Cardinal (1994) employed a meta-analytic approach using data from 26 previously published studies and concluded that strategic planning positively influences firm performance. Caeldries and VanDierdonck (1988) surveyed 82 Belgian Business firms and reported a link between strategy and performance. They noted that strategy enables a firm to strengthen its competitive position, and facilitates integration and coordination of members' behavior. Pealtie (1993) observed that the main reason for the introduction of formalized

strategic planning is to improve company performance through the development and implementation of better strategies. Pealtie noted that managing a large business without a plan is like trying to organize a car rally without a map, not impossible, but difficult.

Published research from Africa also indicates that strategic planning is an effective tool in improving firm performance. Imoisili (1978), studying indigenous and multinational companies in Nigeria, concluded that the more effective companies are found among organizations which maintain consistency between environmental perception and management practices, do long-term planning, use more flexible control systems and have smaller spans of control. Fubara (1986) did a survey in Nigeria and observed that companies that engage in formal planning experienced growth in profits. It has been argued that although there is a general perception and belief that strategic planning improves organization effectiveness, if wrongly pursued the anticipated value may not be tapped.

Steiner (1979) points out that a wrong strategy or a wrongly formulated strategy may not translate into the anticipated performance for the organization. Johnson, Scholes and Whittington (2005), note that strategic drift occurs when the organization's strategy gradually moves away from relevance to the forces at work in its environment. Strategic planning, or any other management technique is of limited value by itself, only a partnership with all parts of the management particularly execution, controls and rewards can result in synergy and lead to substantial advancement. In their survey to see how successful companies translates their strategies into performance, Mankins and Steele (2005) observed that companies typically realize only about 60 percent of their strategies potential value because of defects and breakdowns in planning and execution. Hofer and Schendel (1978) argue that strategy is important and therefore its formulation should be managed and not left to chance. Therefore,

each of the stages in the strategic planning process cannot be taken for granted. To effectively address the study's research questions and objectives, the following hypotheses were formulated for testing.

2.6 Resource Based View (RBV)

The Resource based view (RBV) analyzes and interpret internal resources of the organizations and emphasizes resources and capabilities in formulating strategy to achieve sustainable competitive advantages. Resources may be considered as inputs that enable firms to carry out its activities. Internal resources and capabilities determine strategic choices made by firms while competing in its external business environment. According to RBV, not all the resources of firm will be strategic resources. Competitive advantage occurs only when there is a situation of resource heterogeneity (different resources across firms) and resource immobility (the inability of competing firms to obtain resources from other firms).

Resource based view can be defined as a management device used to assess the available amount of a business' strategic assets. In essence, the resource-based view is based on the idea that the effective and efficient application of all useful resources that the company can muster helps determine its competitive advantage.

2.7 Organizational Capabilities

An organizational capability is a company's ability to manage resources, such as employees, effectively to gain an advantage over competitors. The company's organizational capabilities must focus on the business's ability to meet customer demand. In addition, organizational capabilities must be unique to the organization to prevent replication by competitors. Organizational capabilities are anything a company does well that improves business and

differentiates the business in the market. Organizational capabilities provide a company with an advantage in the marketplace. When an organization continues to create new capabilities and develops existing ones, it will maintain the advantage over its competitors. Capabilities that provide a competitive advantage include knowledge, product licenses and innovative designs. The responsiveness of an organization is its ability to change in response to customer demand. Knowledge and skilled employees are organizational capabilities that provide a company with the ability to respond to customer demands and remain flexible to changes in the business environment. An organizational capability consists of Marketing capabilities, Managerial capabilities and innovative capabilities. For the purpose of our study, the researcher will limit the study to Innovative capabilities.

2.8 Innovative Capabilities

An innovation capability is therefore defined as the ability to continuously transform knowledge and ideas into new products, processes and systems for the benefit of the firm and its stakeholders. Innovation capability is not just an ability to be successful at running a business newstream, or to manage mainstream capabilities. Innovation capability is about synthesizing these two operating paradigms.

To exist and perform, every firm must have some specific capabilities. Different authors have studied capabilities using a variety of different labels, such as human resources

(Penrose, 1959; Becker 1962; Barney, 1991), distinctive competencies (Selznick 1957; Snow and Hrebiniak, 1980; Hitt and Ireland, 1985), invisible assets (Itami and Roehl, 1987), core competences (Prahalad and Hamel, 1990), specific skills (Richardson, 1972) and routines (Nelson and Winter, 1982). Nevertheless, all these labels refer to essentially the same thing:

specific capabilities that the firm creates and uses strategically in order to identify market gaps to be filled with new offerings of value.

Nonetheless, firms do not operate in perfectly stable environments to use its routines in the most effective way. As the competitive environment evolves, firms must figure out new ways to use its current capabilities and routines or to create new ones through innovation. The dynamic capabilities approach elucidates for the need to create, build, modify, adapt, reconfigure and update resources and capabilities in order to respond to continuously changing environment and sustain competitive advantage (Teece, Pisano and Shuen, 1997; Eisenhardt and Martin, 2000; Winter, 2003; Wang and Ahmed, 2007, Teece, 2007).

These studies have been important for our understanding of the firm; however, there is no consensus regarding which capabilities ensure survival and superior performance or what are the specific building blocks of innovation. While academic research into the technological capabilities of firms has led to a better understanding of the process of technical change itself, there is no agreement on the ultimate definition of the innovation capabilities. Lall (1992), for example, stressed the power of technological capability as the way firms absorb, process, create, change and generate feasible technical applications (new technology, new processes, new products, new routines) within the knowledge frontier. However, an important point seems to have been forgotten: how seldom all this technological effort really turns into positive performance and recognized economic outcome. In other words, if a firm has developed technological capability, it does not necessarily mean that it will consequently show innovation performance.

Any firm that aims to reach the market should have, not only a strong cost-efficient operation achieved through a technological learning process, but also effective managerial and transactional routines. According to Dosi (1988), innovative capability relates to different degrees of technology accumulation and different efficiencies in the innovative search process and in the promotion of different results. In other words, "technological change is understood as a continuous process to absorb or create technical knowledge, determined partly by external inputs and partly by past accumulation of skills and knowledge" (Lall, 1992 p. 166). The innovation capabilities mean much more than that. Besides those capabilities necessary to deal with knowledge and technology, a successful firm requires the ability to place and sell products in the market.

The innovation capabilities can be understood as both the firm's technological learning process, translated into the technological and operational capabilities, as well as its managerial and transactional routines, represented by the managerial and transactional capabilities. The integration between these capabilities effectively promotes innovation, which creates competitive advantages. The innovation capabilities are therefore necessarily embedded in four different complementary capabilities: the technological, the operational, the managerial and the transactional.

2.9 Impacts of Innovative Capabilities on Firm Performance

Innovations can actually enhance the firm performance in several aspects. Particularly, four different performance dimensions are employed in the literature to represent firm performance (Narver and Slater, 1990; Barringer and Bluedorn, 1999; Antoncic and Hisrich, 2001; Hornsby et al., 2002; Hagedoorn and Cloodt, 2003; Yilmaz et al., 2005). These dimensions

are innovative performance, production performance, market performance and financial performance.

Innovation has a considerable impact on corporate performance by producing an improved market position that conveys competitive advantage and superior performance (Walker, 2004). A large number of studies focusing on the innovation-performance relationship provides a positive appraisal of higher innovativeness resulting in increased corporate performance (Damanpour and Evan, 1984; Damanpour et al., 1989; Deshpande et al., 1993;

Dos Santos and Peffers, 1995; McGrath et al, 1996; Gao and Fu, 1996; Han et al., 1998; Olson and Schwab, 2000; Hult and Ketchen, 2001; Du and Farley, 2001; Calantone et al., 2002; Garg et al., 2003; Wu et al., 2003). But these researches are generally conceptual in nature and/or focus only on a single type of innovation rather than considering all four innovation types already defined, and then explore its impact on performance. Process and product innovations are the most common innovation types examined. The studies by

Marcus (1988), Ittner and Larcker (1997), Whittington et al., (1999), Olson and Schwab (2000), Knott (2001) and Baer and Frese (2003) focus merely on process innovations while studies of Atuahene-Gima (1996), Subramanian and Nilakanta (1996), Han et al.,(1998) and Li and Atuagene-Gima (2001) report on product innovations. Many of these research embrace more or less a positive association between innovations and firm performance, but there are also some studies indicating a negative link or no link at all (Capon et al., 1990; Chandler and Hanks, 1994, Subramanian and Nilakanta, 1996).

As Miller (2001) stated most firms seek technological innovation to gain competitive advantage in their market. Hence, all these efforts made require to be supported by marketing

and organizational measures. Generally, researchers neglect organizational and/or marketing innovations, which are equally essential to the growth and effective operation of a firm (e.g. Damanpour and Evan, 1984, Damanpour 1991). Relatively few studies on innovation capabilities advocate organizational and marketing innovations. They indicate that more innovative firms place more emphasis on management techniques (Baldwin and

Johnson, 1996) and reach sustainable levels of higher performance (Han et al., 1998; Ravichandran, 2000; Hult and Ketchen, 2001; Guan and Ma, 2003). Wolff and Pett (2004) and Walker (2004) conducted comparative research for the effects of product and process innovations on firm performance. They indicated that particular product improvements are positively associated with firm growth. Gopalakrishnan (2000) broadened the topic while emphasizing that innovation speed and innovation magnitude were also relevant innovativeness features both of which had a positive effect on firm performance.

Despite the weak link they found, Lin and Chen (2007) associated innovations with increased firm sales; and they argued that organizational innovations rather than technological innovations appeared to be the most vital factor for total sales. On the other hand, Johne and

Davies (2000) ensured that marketing innovations increase sales by increasing product consumption and yield additional profit to firms. Moreover, Oke (2007) in a recent empirical study on British firms showed that different types of innovations were found to be related to innovative performance.

In the light of the above discussions, we are now ready to propose that all the different types of innovations have positive effects on firm innovative performance. Then the indirect effects of these four types of innovations can be expected to lead to improvements in production and market performances through the mediation of innovative performance. In this respect,

innovative capabilities play the role of an effective hub that carries the positive effects of innovations to the various aspects of firm performance.

2.10 Business Performance

Organizational performance is the ability of an organization to achieve its objectives through the use of resources efficiently and effectively. Organizational effectiveness is the degree of how much the organization managed to achieve the targets set. Organizational effectiveness means providing a product or service that is valued customers. While the efficiency of the organization affect the amount of resources used to achieve an organization's goals. Performance is the answer to whether or not achieved the established organizational goals.

Performance is a condition that must be known and confirmed to certain parties, to determine the level of achievement of an agency associated with the vision that carried the organization or company and to know the positive and negative impacts of an operational policy. Performance is intended to assess the share of employment compared with predetermined targets. Performance of the company is the result of an accumulative of all work activities within the company. Corporate performance measurement commonly used includes the productivity of the organization, organizational effectiveness, and industry ratings. Some performance measures used by companies are: (1) Profitability; (2) market position; (3) productivity; (4) product leadership; (5) Personnel development; (6) Employee attitudes; and (7) Social responsibility.

Variable performance consists of three perspectives, namely (1). Business result, including financial and non-financial; (2). Internal business processes, include innovation, process operations, marketing, after-sales service; (3) Resources availability, namely human resources, technological resources, organizational resources. Performance of the company in the implementation of quality management can be measured by three performance measures namely financial performance, product quality and operational performance. While the outcome measures of company performance in the Balance Scorecard includes financial

perspective, customer perspective, internal processes, and learning and growth perspective. Measures tend to be generic outcome measures that reflect the many common objectives and strategies similar structures throughout the process industry or the scope of the company. Generic outcome measures tend to be indicators, such as profitability, market share, customer satisfaction, customer retention and employee skills.

Hypothesis and Development of Conceptual Framework

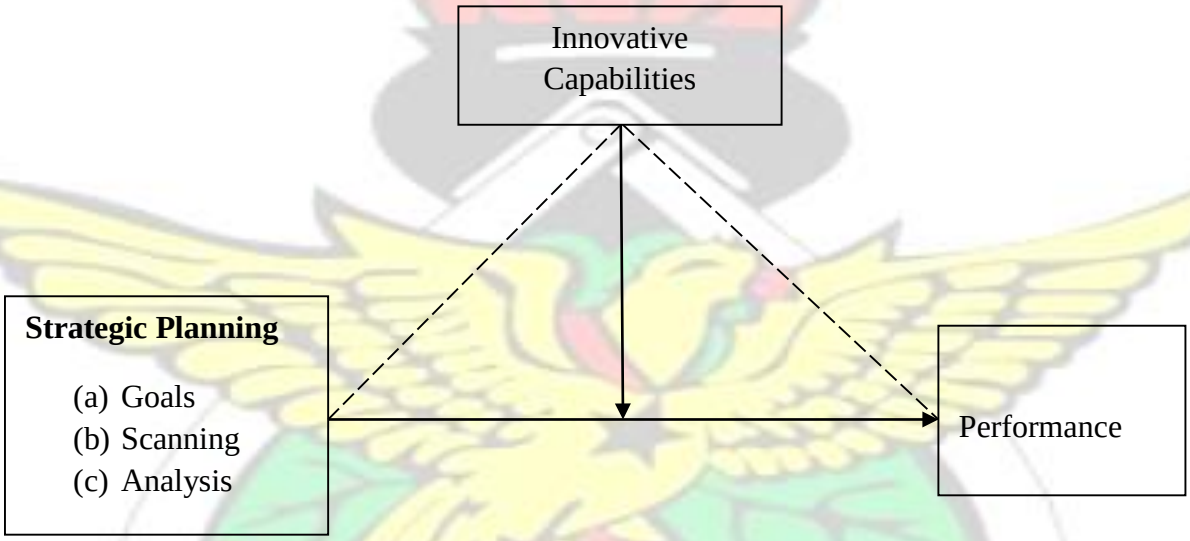


Figure 2.1: Hypothesis and Development of Conceptual Framework

2.11 The effect of Strategic Planning on Performance in Insurance Industry in Ghana A significant number of investigations suggest that an efficient and effective strategic management system can increase profitability; (Robinson, 1982). More recent empirical evidence indicates that on the average, companies that plan perform than those that do not in terms of sales and profit growth. In one of such studies by Rhyne (1963) and Oyedijo, (2004) posit that firms with strategic planning system more closely resembling strategic management

theory were found to exhibit superior long-term financial performance both relative to their industry and in absolute terms.

There is necessity for strategic planning by insurance companies although today remarkable changes since the market for insurance and financial services point to a "financial service evolution. The "climatic change" of the environment significant for strategic decision making, is leaving its marks on the insurance business.

Porter's (1985) define strategy as positioning a business to maximize the value of the capabilities that distinguish it from its competitors. According to Porter, distinctive value can be achieved by pursuing the following generic strategies: cost leadership, differentiation and focus. He maintained that his strategies were mutually exclusive or at least noncomplementary and referred to firms that attempt to pursue more than one generic strategy as "stuck in the middle".

Despite the differences, all strategy frameworks have one thing in common which is that they all aim at maximizing the performance of an organization improving its competitiveness in relation to its competitors in the same competitive environment (Feurer & Chaharbaghi, 1997). Porter drew upon the frameworks of industrial economics which is embedded to industrial economics theory (IO Theory), which is better explained through the following simple paradigm (Shortell & Kalunzy, 1994):

Once there is proper strategic planning, it reflects in the performance of the organization interms of cutting cost, meeting customer's requirement and production process on time. In

the insurance company, since they are all offering the same type of product, there is the need for the company to plan strategically so as to compete well in the industry. The major effect of the planning is that, it helps to win and retain customers due to the fact that the product is designed to meet the customers need.

H_1: Strategic Planning have a positive impact on business performance in the insurance industry

2.12 The Effect Innovative Capabilities on Performance in the Insurance Industry in Ghana

Drawing on dynamic capability theory, the critical difference between ordinary capability and dynamic capability is the "rate of change". Also, dynamic capability suggests that innovative capability may evolve within a hierarchy, and develop dynamically. A firm which has dynamic capabilities may expand, create or reconfigure innovative capabilities more rapidly and efficiently than its competitors; thus its capability will sit at a higher level. While those firms which have higher-order innovative capability particularly change the game rules in a way that "takes the competitive scope to a higher level", the other firms may be forced to lag behind for lack of higher-order innovative capabilities. For those backward firms, their performance may be dampened by falling way behind the circle of winners in the long run. Since there are hierarchies existing in innovative capabilities, the inputs of lower-order and higher-order innovative capabilities may all have different impact on performance heterogeneity. Therefore, as suggested by dynamic capability theory, there may be other possibilities for the relationship between innovative capabilities and performance in addition to the traditional linear pattern.

According to McAdam and Keogh (2004), Insurance industry believes that innovations were the important factor to obtain sustainable competitive advantage. Geroski (2005) analyzed the effects of innovations and patents to various organization performance measures in terms of accounting profitability, stock market rates of return and corporate growth. Result obtained by Geroski (2005) showed that it is relatively small direct effect of innovations on industry performance and the benefits from innovations are likely indirect. Companies have noticed the importance of innovation through the increasing competition in global markets such as value added of existing products and services. Innovation is one of the basic component uses by the corporate as a strategy to improve services processes, to be able to compete in the market and to establish good reputation to gain positive status in customers' perception.

According to the study conducted by Oke, 2007 the success of product / service innovations can be achieved through the improvement of processes (Oke, 2007). In addition, marketing and product innovation are positively related. Both have effect on each other. For example, when the level of the marketing innovation is high, the level of the product / service innovation is also high. Insurance industry will attempt to develop policy or service in a shorter time or response quickly to the new service introduce by their competitors in order to overcome the competitive threat (OECD, 2005). This leads to competitive advantage increase. Insurance company's financial performance can be improved through innovation such as the ability to response quickly to market forces, develop and launch new products with a lower lead times (OECD, 2005).

In order to increase the insurance firm's sales, marketing innovation will be implemented through fulfill the customer needs better, opening up new markets, or re-position a firm's

product on the market. Marketing innovations are strongly related to the four P's of marketing, which are pricing strategies, product package design properties, product placement and promotion activities (Baldwin and Johnson, 1996).

Innovation capability is positively related to market performance. Market innovation is the most significant factor for market performance (AMA 2005). Market performance will be affected by the customer behaviors, which can be measured using unit sales and sales revenue. Thus, the financial performance outcome in terms of revenue, cash flow, and profitability can be determined by the sales performance of the firm. (Day and Fahey, 1988;

Kaplan and Norton, 1993). The US American Marketing Association White Paper (AMA 2005) identified Incremental sales revenue, Ratio of cost to revenue, Cost per sale generated, Changes of financial values of sales generated, Cost of new customer and Cost of old customer retention as the ROI measurement (AMA 2005).

Innovative performance is the combination of overall organizational achievements as a result of renewal and improvement efforts done considering various aspects of firm innovativeness, i.e. processes, products, organizational structure, etc. Therefore innovative performance is a composite construct (Hagedoorn and Cloodt, 2003) based on various performance indicators pertaining, for instance, to the new patents, new product announcements, new projects, new processes, and new organizational arrangements.

Based on the literature review, insurance innovation capabilities have shown that to get a greater impact on the firm's overall performance, the organizations have to implement effective innovation culture in the organization. The organizations which implement such innovative culture, remains ahead of their competitors because this innovations ultimately

affects other variables such as business performance, marketing performance and finally overall financial performance.

H_2: Innovation Capabilities have a positive impact on business performance in the insurance industry

2.13 Moderation Effect of Innovative Capabilities on the Relationship between Strategic Planning and Performance of Insurance Industries In Ghana.

A significant number of investigations suggest that an efficient and effective strategic management system can increase profitability; (Robinson, 1982). More recent empirical evidence indicates that on the average, companies that plan perform than those that do not in terms of sales and profit growth.

As it was argued by robinson, I am also of the view that, effective planning in the production of product can increase productivity in that cost cutting would be managed. Most insurance industry need to control cost in order to maximize their profit level. Once cost id controlled, it reflect in the sales and revenue of the company. The strategic planning will help manage claims settlement which is the key area in the insurance industry.

Currently the insurance commission is of the view that, companies are to settle claims within seven days. Therefore proper planning in the company will even help the company to pay claims less than the stipulated time.

Reflecting an important means by which firms pursue new opportunities, innovativeness is a key to a firm's competitiveness (e.g., Covin & Slevin, 1989; Miller & Friesen, 1982).

Innovativeness is defined as a firm's willingness to emphasize technological developments, new products, new services, and/or improved product lines in pursuit of competitive advantage (Slevin & Covin, 1995; Lumpkin & Dess, 1996). Innovativeness "is universally perceived as exploring something new that has not existed before" (Cho & Pucik, 2005, p. 556) and thus is a critical organizational competence providing advantages in any competitive market. A critical aspect of any formal strategic planning process is a thorough scanning and analysis of the external environment. This involves the search and collection of data related to the external environment. This information can influence planning decisions by providing evidence of customer needs, exposing new technologies, or shedding light on future market or technological trends, which are important inputs into the innovation process (Zahra, Neubaum & El-Hagrassey, 2002). For this reason, a firm's formal strategic planning process should be positively associated with innovativeness (Damanpour, 1991; Salomo, Talke, & Strecker, 2008).

Currently, as the national insurance commission have come out with uniform tariffs, it has become necessary for various companies to apply all their innovative capabilities to stay in competition. Once there is an innovative capability, the company will be able to win more customers into their clientele base. It also helps the insurance companies to design product that will best meet the needs of the customers.

Adding to this view, Porter (1980), Quinn (1980), Ohmae (1983) and Kotter(1996) note that the identification of strategic issues and, strategy analysis and selection facilitates the

achievement of efficient allocation of resources, sustainable competitive advantage, and improved innovation. It is also perceived that the development of implementation programme, evaluation and control systems facilitates smooth execution and implementation of the planned tasks. Considering the good effect of the strategic planning and innovative capabilities, when the insurance company combines them effectively, it helps in competitive advantages.

H_3: Strategic Planning and Innovation Capabilities have a positive effect on performance in the insurance industry.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes in detail the methods used, specific steps taken and the tools employed in the collection and analysis of data needed to address the research problem. Methodology is the theory of how a research is undertaken or conducted. This includes the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted; (Saunders et al, 2007). It is the study of the method(s) of research that helps in identifying vital data which makes solution of the research problem possible. The methods specifically refer to the techniques and procedures used in obtaining and analyzing data.

3.2 Research Design

There are various methods by which both secondary and primary data are obtained. Saunders et al, (2007) mentioned questionnaire, interviews (semi-structured, in-depth and group) and observation as methods that can be used in gathering data. This research employs the survey

method. The instruments used for collection of relevant data for the study were questionnaire and interview approach.

Guba and Lincoln (1994), reports two main techniques to undertaking research - quantitative and qualitative. The most important difference between the two approaches is use of numbers and statistics. The choice of research approach is dependent on the research questions and the nature of information needed for solving these problems.

The qualitative technique is applicable on processes and meanings that are not measured in terms of quantity, amount, intensity or frequency. The qualitative approach provides a deeper understanding of the phenomenon within its context (Guba and Lincoln, 1994)

Moreover, qualitative researchers stress the socially constructed nature of reality that states the relationship between the researcher and the phenomenon under investigation. On the other hand, quantitative technique stresses on the measurement and analysis of causal relationships between variables. Quantitative research techniques search for quantify data by applying some form of statistical analysis. Comparing these two research techniques, the quantitative technique will be adopted for this study.

3.3 Population

A population is an entire units of object from which a sample is obtained whether it represent human beings or not (Saunders et al, 2007). For the purposes of this study, the population comprises the management and staffs of 10 selected insurance companies in the Greater Accra Region where most head offices are situated numbering about 100. The following were the insurance companies selected: State Insurance Company Limited,

Enterprise Insurance Company Limited, Star Assurance Company limited, Metropolitan Insurance Company Limited, Vanguard Assurance Company Limited, Glico General Insurance Company Limited, Phoenix Insurance Company Limited, Ghana Union Insurance Company Limited, Activa International Company Limited and Quality Insurance Company Limited. These companies were selected based on the first ten (10) rankings of the National Insurance Commission of Ghana.

3.4 Sample and Sampling Procedure

A sample can be described as a portion of a population from which data is collated and examined to provide useful information about the whole population (Encarta Dictionary; Saunders et al 2007). To help provide useful and adequate information to answer the research questions, a sample size of one hundred (100) respondents were selected. Henry (1990) concludes that a sample size of 100 units can be considered adequate, and representative. To ensure that all the various groups in the sampling frame were surveyed, purposive sampling approach was used for the selection exercise.

For the purposes of this research, 10 members were chosen from all the 10 insurance companies. Senior management members from the head offices were selected from each insurance company knowing that their inputs are very vital. The objective was to have a fair and credible representation of respondents.

NAMES OF INSURANCE COMPANIES	***NUMBER OF EMPLOYEES***	***SAMPLE SIZE***	***SAMPLING PROCEDURE***
SIC Insurance Company Limited	489	10	Purposive Sampling
Enterprise Insurance Company Limited	95	10	Purposive Sampling

Star Assurance Company limited	120	10	Purposive Sampling
Metropolitan Insurance Company Limited	93	10	Purposive Sampling
Vanguard Assurance Company Limited	124	10	Purposive Sampling
Glico General Insurance Company Limited	100	10	Purposive Sampling
Phoenix Insurance Company Limited	75	10	Purposive Sampling
Ghana Union Insurance Company Limited	52	10	Purposive Sampling
Activa International Company Limited	44	10	Purposive Sampling
Quality Insurance Company Limited	103	10	Purposive Sampling

***Table 3.1**: List of selected companies and their data.*

3.5 Data Collection

This research employs both secondary and primary data. Secondary data for this study was collected by reviewing textbooks, journals, articles, textbooks etc. to gather historical perspectives of the research data from renowned authors and researchers. The primary data for this study was obtained through questionnaire administration with the assistance of field assistants and colleagues.

3.6 Data Collection Instruments

This research instrument is a compilation of structured close ended questions to elicit information from selected respondents. The questions were close and open ended questions giving respondents a choice from a range of answers based on the 7- point Likert-scale (1 = strongly disagree, 7 =strongly agree). Majority of the questionnaires were send to the Top Management of the selected insurance companies. The researcher endeavored to explain the importance of the research to each respondent and thus encouraged them to be truthful and diligent with their responses to make the research worthwhile.

Questionnaires sent out to respondents had a personalized covering letter explaining briefly the purpose of the survey, the importance of the respondents' participation, who is responsible for the survey and a statement guaranteeing confidentiality. This cover letter also expressed thanks to the respondents at the end.

Questionnaires were self-administered. The self-administered questionnaires were cheap and easy to administer. It preserved confidentiality and was completed at the respondent's convenience. It was administered in a standard manner.

3.7 Data Analysis

Data analysis is the whole process, which starts immediately after data collection and ends at the point of interpretation and processing data (Kothari, 2004). The survey data was analyzed using correlation and regression analysis. The completed questionnaires were edited and subsequently coded. The use of SPSS was used to conduct the analysis.

3.8 Profile of National Insurance Commission

The National Insurance Commission (NIC) was established under Insurance Law 1989 (PNDC Law 227), but now operates under the Insurance Act, 2006 (Act 724). The objective of the Commission, as detailed in Act 724, is to ensure effective administration, supervision, regulation and control of the business of insurance in Ghana. The NIC is mandated to perform a wide spectrum of functions including licensing of entities, setting of standards and facilitating the setting of codes for practitioners. The Commission is also mandated to approve rates of insurance premiums and commissions, provide a bureau for the resolution of complaints and arbitrate insurance claims when disputes arise. Other responsibilities include

the provision of recommendations to the sector Minister for policy formulation, supervision of practitioners, enforcement of compliance and public education. The development of strong relationships with regulators from other countries and international bodies, such as the International Association of Insurance Supervisors, and ensuring practitioners conform to internationally accepted standards are also key mandates of the

Commission.

CHAPTER 4

DATA ANALYSIS AND RESULTS

4.0 INTRODUCTION

This chapter demonstrates the results of the data analysis and shows how the answers to the research questions were arrived at. This chapter specifically comprise of three sections. The first section is the result of the reliability tests and descriptive analysis. This serves the purpose of illustrating the nature of the data used and how the measures of the study were put together and their reliability for analysis. This ultimately demonstrates the reliability of the research results. The second section presents the mainstream analysis and shows the results of the correlation and regression results. The third section then discusses the results and shows how the results compare with previous studies and draws out meaningful inferences and information for stakeholders in the insurance industry.

4.1 Measurement of Constructs and Reliability Analysis

This study specifically examines the relationship between three main variables including performance, strategic planning and innovative capability. Performance (*α = 0.829*) was measured by three items including sales growth, productivity growth and net profit. The items were then aggregated to obtain a composite variable that represented the average measure of the three items used to measure performance. CFA results showed that a saturation model was achieved for the performance construct with all the fit indices indicating a perfect fit (see Table 4.1). The Cronbach's alpha value calculated was also 0.829 above the recommended value of 0.7. Strategic planning on the other hand was measured by 3 sub variables (analyses, scanning and goal setting) based on the theoretical literature of strategic management practices. Analysis was captured by six variables:measuring if the firms' actions are based on formal plans or on intuition; whether the firm has a designated office exclusively to formal planning; whether the firm holds regular managers' meetings to discuss overall strategy; if analysis are based on mathematical and computer models as planning aid; whether there is a written plan for the next 12 months and lastly if planning outlook is more long – term than short – term. Goals on the other hand were captured two items; that is broad and long term goals and short-term, specific goals which are both clearly stated and communicated and all the staff and managers are aware of.

Scanning was then measured by three items including:-scanning competitor's activities; scanning market trends through special market research studies and scanning for new products, acquisitions and investment on-going in the industry. The alpha value calculated

(α = 0.934) showed that the items of strategic planning has strong internal consistency. The CFA results of X^2/df = 3.735; RMSEA = 0.205; CFI = 0.922; NNFI = 0.882 and R-square =

0.988indicated that measurement of strategic planning was strong (see Table 4.1).

Innovative capability *(α = 0.792)*, was measured by six items: ability to develop new products/services frequently to meet market needs; the capacity to apply to appropriate process to produce new product and service; the ability to adopt product / service and process technologies to meet future needs; ability to respond to unexpected opportunities arising from changes in competitor activities ability to provide service / product that requires changes in customers buying behaviours and ability to support and drive innovations. CFA results as reported on Table 4.1 confirm the reliability and strength of the innovative capability construct (X^2/df = 1.184; RMSEA = 0.053; CFI = 0.995; NNFI = 0.992 and Rsquare = 0.998).

CEO locus of control was then used as a control variable. The managers were asked about their opinion on three items by stating how much they agree or disagree (using a 7-point Likert scale; 1 - not at all accurate; to 7 - very accurate) to three statements: "becoming a success is a matter of hard work; luck has little or nothing to do with it", "for the most part, my firm's success is controlled by forces too complex to understand or control" and "I have found that I can control my firm's environment to a large extent". Table 4.1 reports the summary of the CFA and reliability results.

Table 4.1: Reliability and CFA results

	Alpha (nos. ofitems)	***X²*/df**	**P-value**	**RMSEA**	**CFI**	**NNFI**	**R-sq.**
Performance	0.829 (3)	0	-	0.000	1.000	1.000	0.960
Innovative Capability	0.792 (6)	1.184	0.300	0.053	0.995	0.992	0.998
Strategic Planning	0.934(11)	3.735	0.000	0.205	0.922	0.882	0.988

RMSEA = Root mean squared error of approximation; CFI = Comparative fit index; NNFI = Non Normed Fit Index X^2/d.f. = ratio of Chi-Square to its degrees of freedom

4.2 Descriptive Analysis

Table 4.2 reports the results of the descriptive analysis of the study variables and indicates that though average performance of firms is fairly high (mean = 5.713); strategic planning orientation is low. Among the strategic planning activities it is shown that level of scanning activities is relatively high on the average with a mean of 4.230; followed by the degree of analysis – which also has a mean of 4.146. The mean of goal setting; 3.515; demonstrates that managers have a very minimal knowledge of their company's short term and long term goals. This finding is quite interesting as without a good understanding of the vision and goals of the company can have serious implications on the productivity and level of control managers exert on the business operations and consequently will affect performance and competitiveness.

Table 4.2 Summary Statistics

	N	Mean	Median	Std. Dev	Min	Max	T-ratio Test value = 6
Performance	65	5.713	5.8	0.747	4.2	7	-3.086***
Innovative Capability	65	3.918	3.85	0.795	2	6	-21.097***
Goals	65	3.515	3	1.96	1	7	-10.197***
Analysis	65	4.146	4	1.53	1	7	-9.747***
Scanning	65	4.230	4	1.9	1	7	-7.499***
CEO Control	35	3.948	3.8	0.74	2.6	5.6	-16.379***

Table 4.2 also indicates that the average level of CEO locus of control (mean = 3.948) and innovative capabilities (mean = 3.918) are also significantly low. The significance level of the means of each variable was tested using the one-sample T-test with a test value of 6

(which represented appreciable level of effort or benefit; based on the 7-point Likert scale). Results indicate that all the variables are abysmally and significantly lower than expectation.

4.3 Correlation Results

4.3.1 Preliminary Test

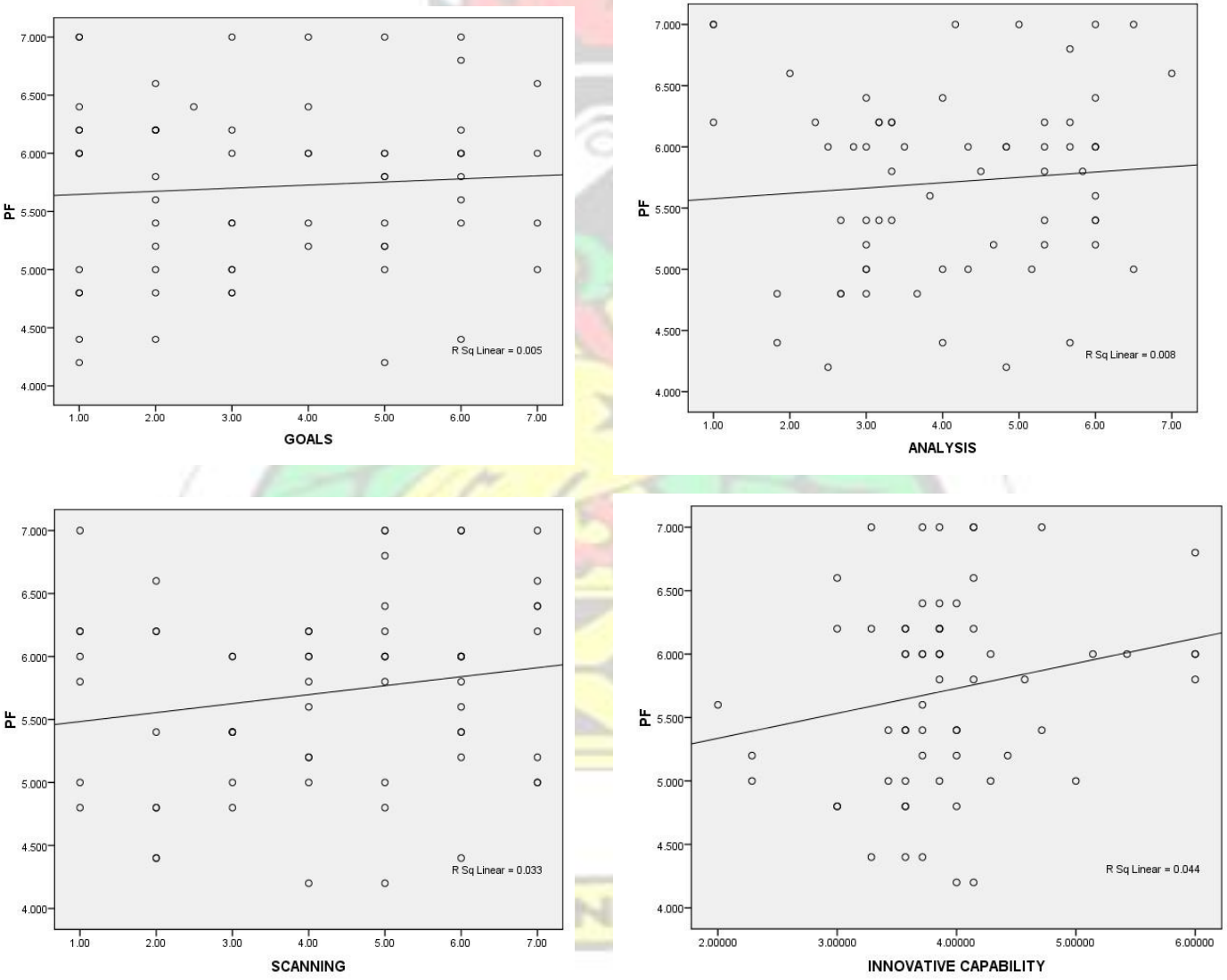
The scatter plot was used to examine if the independent variables are linearly related to the firm performance. Again, the plots were used to check for the presence of heteroscedascity and find out if the normality assumption is violated. Figure 4.1 shows that all the variables are linearly related. A careful inspection of all the data points also reveal that all the data points

are evenly and fairly distributed suggesting that assumptions of homoscedascity and normality have not been violated. Hence all the variables are suitable for correlation analysis.

4.3.2 Correlation Matrix

Table 4.3 shows the results of the correlation analysis performed. Results indicate a positive relationship between performance and strategic planning activities of analysis, goals setting

Figure 4.1: Scatter Plot of Variables



and scanning; although the extent of relationship seems to be weak. It is shown that scanning and analysis have the highest degree of association with correlation coefficients of 0.181 and 0.156 respectively.

Table 4.3: Correlation Matrix

	1	2	3	4	5	6
1. CEO Control	1					
2. Goals	.254	1				
3. Scanning	.294	.338**	1			
4. Analysis	.258	.797**	.532**	1		
5. Innovative Capability	.218	.424**	.188	.372**	1	.
6. Performance	.071	.070	.181	.156	.058	1

**. Correlation is significant at the 0.01 level (2-tailed).

Again results on Table 4.3 above shows that innovative capability also has a positive but weak form of relationship with firm performance. Correlation statistic of 0.058 shows that innovative capability explains about 5.8% (0.058 x 100) of the changes in firm performance. CEO locus of control was also observed to have a weak but positive association with performance. This display of correlation results is also interesting, given the background that the descriptive analysis revealed that except for performance, the rest of the observed variables including the strategic planning activities and innovative capability were at a significantly low average compared to the expectation.

Further inspection is then conducted to see the extent of relationship between strategic planning activities and innovative capabilities. First, results reveal that there is a significant and positive relationship amongst the strategic planning activities. This means that efforts in

one activity can automatically lead to some activities in other areas. For instance it is shown that goal setting or the extent to which managers in the insurance company are made aware of the corporate goals of the company leads to increases in scanning activities. Correlation coefficients of 0.338 reveal a 33.8% degree of relationship between goals setting and scanning activities of the insurance companies. It is also shown that goals can explain as far as 79.7% of variations in systematic analysis. This implies that improvement in the knowledge of the corporate goals of the insurance company leads to managers improving efforts in system analysis. Similarly a positive and significant relationship was observed between scanning and analysis. Focusing on how the efforts and levels in strategic planning activities relate to the level of innovative capability of the company, correlation results showed that largely increases in the innovative capability of the insurance company also generates enhancements in strategic planning. However it is seen that there is a positive and significant relationship between analysis and innovative capability on one side; and goals and innovative capability on the other. Results did not show any significant relationship between scanning and innovative capability. Meanwhile, the study did not find any significant relationship between CEO locus of control and strategic planning and innovative capability.

4.4 Regression Results

The regression analysis was then performed to examine the extent of impact the independent variables have on firm performance. To do this, 4 models were estimated using the hierarchical linear model for examining interactive effects. For model 1, the impact of CEO locus of control on performance was examined alone. As was observed in the correlation analysis, CEO locus of control was found to no significant impact on performance (B = 0.071, sig. > 10%). R square statistic also showed that it accounts for as little as 0.5% to changes in firm performance.

Table 4.4 Regression Results

Variables	Model 1	Model2	Model 3		Model4	
	Beta (t-value)	Beta(t-value)	Beta (t-value)	VIF	Beta (t-value)	VIF
CEO Locus of Control	.071 (.407)	-.046 (-.238)	-.043 (-.219)	1.237	-.091 (-.479)	1.284
Analysis		.198 (.818)	.200 (.808)	1.932	.124 (.522)	1.991
Goals		.042 (.168)	.045 (.177)	2.072	.072 (.286)	2.228
Scanning		.186 (.968)	.186 (.951)	1.208	.449 (1.720)*	2.405
Innovative capability			-.016 (-.087)	1.132	-.215 (-.989)	1.670
Analysis x Innovative					-.036 (-.124)	2.984
Goals x Innovative					.561 (1.969)*	2.858
Scanning x Innovative					-.101 (-.455)	1.748
R^2	0.005	0.082	0.083		0.262	
ΔR^2	0.005	0.077	0.001		0.179	

* coefficient significant at 10%

Model 2 shows the impact of the strategic planning activities on performance controlling for CEO locus of control. Results indicates that all the strategic planning activities have a positive impact on firm performance; however there was no significant impact found for any of the components of strategic planning on performance. Examination of the change in Rsquare shows that the three components of strategic planning activities together can account for 7.8% of changes in firm performance. The impact of CEO locus of control was however negative and insignificant. In model 3, the innovative capability construct was included in the modeling. Results showed that innovative capability have a negative but insignificant impact on firm performance (B = - 0.016, sig. > 10%). Again, here, it is shown that the strategic planning of scanning, analysis and goal setting have a positive but insignificant impact on firm

performance. Examination of the change in R-square shows that innovative capability accounted for only 0.1% to the variations in firm performance.

In the final model, all the variables were included with the interacting variables strategic planning activities and innovative capability. Again the results showed that the activities of strategic planning have a positive impact on performance. Scanning activities was shown to have strong and positive (B = 0.449, $p < 10\%$) impact on firm performance; however analysis and goal setting had no significant impact. CEO locus of control and innovative capability all have a negative impact on performance although not statistically significant. Focusing on the interacting variables, results showed that only the interaction effect of goals setting and innovative capability (B = 0.561; $p< 10\%$) was positive and strong. The interaction of innovative capability and analysis (B = -.036; $p> 10\%$); and innovative capability and scanning (B = -.101; $p> 10\%$) were both negative and insignificant. This implies that whilst innovative capability positively and significantly moderated the relationship between goals setting and performance; it negatively but weakly moderated the relationship between analysis and performance on one side and scanning and performance on the other. Change in R-square shows that the associated impact of interactions between strategic planning efforts and innovative capability is 26.2%; suggesting that innovating capability strongly moderates the relationship between strategic planning and firm performance.

4.5 Discussion of Results

Results revealed that the level of innovative capabilities of the insurance companies is low. Since there evidence of a strong relationship between innovative capabilities and strategic planning activities; it was observed that there is a resultant low level of efforts in planning

activities. It was expected that the CEO locus of control could serve as a driving source of strategic planning and firm performance, results showed that contrary to expectation the degree of control exerted by the CEOs is also substantially low. This result is interesting. On one hand, the results portray some amount of autonomy for managers and departmental heads to influence and innovate; however in another angle it has implications on corporate vision and culture. At the worst case scenario it there company may be driven towards paths which may run contrary to the corporate vision and suggest a "try and error" system of administration in the medium to long-term especially in cases of changes in leadership. Indeed the evidence suggest that on account of how clearly and succinctly the corporate goals are communicated to the staff and management of the companies; results show that this is also abysmally lower than expectation.

Meanwhile the results of the study conferred with results of previous work which found mixed results on the influence strategic planning activities have on performance. The study result showed that although an increase in strategic planning enhances performance; the degree of influence it exerts on performance is not significant. It is seen that only scanning has a positive and significant impact on performance. This result is also interesting in the sense that Miller and Cardinal (1994) and David (1997) argue that firms' record improved performance once they effectively embrace strategic planning. McCarthy and Minichiello (1996), note that a company's strategy provides a central purpose and direction to the activities of the organization and to the people who work in it. However the study results show that differences in performance is not necessarily explained by the level of strategic planning. This result confers with the findings of Greenley (1986) who concluded that on some occasions higher levels of performance did not necessarily relate to the utilization of strategic planning. Steiner

(1979) points out that a wrong strategy or a wrongly formulated strategy may not translate into the anticipated performance for the organization. Johnson, Scholes and Whittington (2005), note that strategic drift occurs when the organization's strategy gradually moves away from relevance to the forces at work in its environment. Strategic planning, or any other management technique is of limited value by itself, only a partnership with all parts of the management particularly execution, controls and rewards can result in synergy and lead to substantial advancement. Hence just setting up goals and doing some form environmental scanning and market analysis is not sufficient to draw out need benefits for the organisation; firms put in efforts and resources to put up appropriate strategic plans that fit the conditions and the operations of the organisation.

This is where the role of innovative capability in the strategic planning and performance relationship is relevant to the insurance company. Results showed that generally innovative capability moderates the strategic planning-performance relationship. Again, if the strategic planning activities are inappropriate the moderating role of innovative capability may suffer. Indeed it is seen the level of innovative capability was itself low; hence examining its impacts on the individual components of strategic planning was mixed. Whilst it is positively and significantly moderates the relationship between goals and performance; it negatively but insignificantly moderated the relationship between the performance and the other components of strategic planning.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The chapter illustrates the summary of findings, conclusions drawn and recommendations based on the study findings.

5.1 Summary of Findings

The purpose of this research was to examine the moderating effects of innovative capability on the relationship between performance and strategic planning using a case study of selected insurance companies in Ghana. A quantitative research strategy was then adopted involving the use of a questionnaire which was administered over a period of two weeks. In all 10 insurance companies were conveniently selected. In each company, 6 workers were in turn sampled; 3 from top management position and 4 from non-management staff. After frequent visits and follow ups, 65 questionnaires were obtained out of a possible number of 70. The information derived where further analysed using descriptive, correlation and regression

analysis. Key findings of the study are summarized below in accordance with the study objectives.

5.1.1 Effects of Strategic Planning on Performance in the Insurance Industry

Mixed results were obtained on the effect of strategic planning on performance. Results indicate that overall, strategic planning has a positive impact on performance; although in a weak or insignificant form. Meanwhile, it is shown that among the components of strategic planning only scanning activities has a positive and significant effect on performance. It could be inferred that the low level of strategic planning activities might have resulted in the weak impact it drew on firm performance. Another reason for this could be attributed to the fact that strategic planning activities are not only low but are not well tailored to meet the environmental conditions present in the industry. The insurance company therefore needs to draw on individual and organisational capabilities to design appropriate strategies.

5.1.2 The Effect of Innovative Capabilities on Performance in the Insurance Industry

Result suggests that, contrary to extant literature, innovative capabilities have a negative and insignificant effect on firm performance. The study result also showed that innovative capabilities of the insurance companies are very low. Based on this, it is inferred that innovative capabilities itself will reduce performance; however because the companies typically have a low level of capacity to innovate; its waters down the efficacy of innovation on the returns of the companies. The implication is that all other functions of the business that will rely significantly on the capability to innovate will also suffer.

5.1.3. The moderation effect of innovative capabilities on the relationship between strategic planning and performance

The results on the moderating effect of innovative capabilities on the strategic planning and firm performance relationship was also mixed. The evidence shows that while innovative capability generally moderate the relationship between overall strategic planning and performance; it has a differing impact in terms of the components of strategic planning. It is seen that whilst it has a negative but insignificant leverage effect on the scanningperformance and analysis-performance relationships; it plays a significantly positive moderating role on the goal setting-performance relationship. Again, the researcher finds this observation quite interesting; based on the fact that in the first instance innovative capability and strategic planning activities of the selected companies were both low. It is therefore not surprising that interactions between each component of strategic planning and innovative capability also produced weak impact on performance.

5.2 Conclusion

It can therefore be concluded that low levels of innovative capability affects the strategic planning implementation of insurance companies; and this in effect weakens the effect of strategic planning on their performance. Poor innovativeness can lead management to designing wrong strategies or a wrongly formulated strategy and this inevitably translates into poor firm performance. Strategic planning, is therefore of limited value by itself, unless it is integrated with all parts of the organisational capability; specifically innovative capability. Results show that even at the low level of organisational innovativeness; firms can generally expect that innovative capability will generally moderate the effects of their strategic planning

on performance; though varying degrees and extent of impact on each component and performance. The implication is that firms must be careful how they implement their strategic planning activities based on the current level of innovativeness. Although integrating their goals setting activities with the existing level of innovative capability is expected to lead to superior performance; however when it comes to analysis and scanning activities, it is required that firms must issue these activities without using the current platform of innovative capability. The result shows that doing this is detrimental to profitability. Firms therefore need to invest more resources and efforts into building organisational capabilities in terms of innovation before it can expect greater returns from the innovative capability architecture. The evidence also proved that scanning activities are most prevalent and therefore draws significant contribution to performance. This, in itself, confirms the argument that if firms can engage in lots of strategic planning activities they can expect some superior performance than firms which do not; although it is not every level of performance that is explained by the strategic planning implementation.

5.3 Recommendation

It is recommended, based on the findings of this study that the insurance companies must commit to advance the current level of innovative capability if they hope to draw on their existing level of innovativeness to capture the market and enhance performance. Building on the level of innovativeness must not be done arbitrary or be treated as a one-spot event where by the click of button or by a magic wand, the level of innovativeness in the organisation or the entire industry is improved. On the contrary, this will require firms to strive to possess strong capacities in such areas as R&D, service, training and development in the medium to long term. Secondly, management must ensure that all the department of the organisation are

committed to the strategic planning process and implementation. In events where there is breakdown of processes in the organisation, it renders such all efforts ineffective and therefore detrimental to the success of the organisation.

Lastly, irrespective of the significance of the current study, it is not without some limitations. The study was limited to 10 insurance companies. The limited scope therefore limits the generalizability of the findings of the study. Therefore, it is suggested potential studies in this area could enhance the generalizability of the study by extending the observations to capture for more insurance companies. Again, the study concentrated largely on exploring the role of innovative capability on the strategic planning and performance relationship controlling for CEO locus of control. However there are other components of organisational capabilities which could also impact on this relationship, future studies must therefore consider such dimensions to increase understanding on the effects of strategic planning activities.

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APPENDIX I

QUESTIONNAIRE FOR MANAGEMENT /STAFF

This questionnaire is a part of a study for a Masters Degree (Strategic Management and Consulting) at Kwame Nkrumah University of Science and Technology. The objective of the research is to evaluate the effect of Strategic Planning and Innovative Capabilities on Performance of some selected Insurance Industries. It is only for academic purpose. All information provided will be kept confidential.

Part I: Personal Data

Please tick (√) where appropriate

1. Number of Employees in the company……
2. Number of years the company has been in existence ……
3. Gender (a) Male [ ] (b) Female [ ]
4. Position in the company …….

Part II

1. **STRATEGIC PLANNING**

In the following table, please tick whether "Not at all Accurate" or "Very Accurate" in the following statement about your strategic planning in your organization.

	Not at all Accurate						Very Accurate
Statements	1	2	3	4	5	6	7
1. We have broad long – range goals known to all managers (Goals)							
2. We have specific, short – term goals known to all managers (Goals)							

3. Our firms action are based more on formal plans than on intuition (Analys)							
4. We have a manager or department							
devoted exclusively to formal planning (Analys)							
5. We hold regular managers' meetings to discuss overall strategy (Analys)							
6. We use mathematical and computer models as planning aid (Analys)							
7. We have a written plan for the next 12 months (Analys)							
8. Our planning outlook is more long – term than short – term (Analys)							
9. We search systematically for information about our competitors (Scanng)							
10. We use special market research studies (scanng)							
11. We search systematically for new products, acquisitions and investment (Scanng)							

CEO LOCUS OF CONTROL

The statements were made to anchor at either extreme with the words 'Very Accurate' or 'Not at all Accurate.' The statements were as follows.

	Not at all Accurate						Very Accurate
Questions	1	2	3	4	5	6	7
1. Becoming a success is a matter of hard work; luck has little or nothing to do with it							
2. Getting ahead largely means being at the right place at the right time							
3. For the most part, my firm's success is controlled by forces too complex to understand or control.							
4. I have found that I can control my firm's environment to a large extent							

5. Many times I feel I have little or no influence over what happens inside my firm							

2. INNOVATIVE CAPABILITIES

In the following table, please tick whether "Not at all Accurate" or "Very Accurate" in the following statement about your Innovative Capabilities in your organization.

	Not at all Accurate Accurate						Very
Questions	1	2	3	4	5	6	7
1. Ability to develop new products/services frequently to meet market needs							
2. The capacity to apply to appropriate process to produce new product and service							
3. The ability to adopt product / service and process technologies to meet future needs							
4. Ability to respond to unexpected opportunities arising from changes in competitor activities							
5. Skills in offering a service / product that offers new features							
6. Ability to provide service / product that requires changes in customers buying behaviors							
7. Ability to support and drive innovations							

3. PERFORMANCE

Please rate the actual performance of your company relative to your company's planned performance over the past three year

	Much Less						Much More
Items	1	2	3	4	5	6	7
1. Sales growth							
2. Profit growth							
3. Productivity growth							
4. Net Profit							
5. Sales Revenue							

General comment

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THANK YOU FOR YOUR KIND COOPERATION.

APPENDIX 2

Regression

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.071[a]	.005	-.025	.800716	.005	.166	1	33	.687
2	.288[b]	.083	-.040	.806355	.078	.847	3	30	.479
3	.288[c]	.083	-.075	.820033	.000	.008	1	29	.931
4	.512[d]	.262	.035	.776721	.179	2.108	3	26	.124

a. Predictors: (Constant), CEO

b. Predictors: (Constant), CEO, GOALS, SCN, ANA1

c. Predictors: (Constant), CEO, GOALS, SCN, ANA1, INN1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change

1	.071[a]	.005	-.025	.800716	.005	.166	1	33	.687	
2	.288[b]	.083	-.040	.806355	.078	.847	3	30	.479	
3	.288[c]	.083	-.075	.820033	.000	.008	1	29	.931	
4	.512[d]	.262	.035	.776721	.179	2.108	3	26	.124	

a. Predictors: (Constant), CEO

b. Predictors: (Constant), CEO, GOALS, SCN, ANA1

d. Predictors: (Constant), CEO, GOALS, SCN, ANA1, INN1, GOAL_NN, SCN_NN, ANALYNN

ANOVA[e]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.106	1	.106	.166	.687[a]
	Residual	21.158	33	.641		
	Total	21.264	34			
2	Regression	1.758	4	.439	.676	.614[b]
	Residual	19.506	30	.650		
	Total	21.264	34			
3	Regression	1.763	5	.353	.524	.756[c]
	Residual	19.501	29	.672		
	Total	21.264	34			
4	Regression	5.578	8	.697	1.156	.362[d]
	Residual	15.686	26	.603		
	Total	21.264	34			

a. Predictors: (Constant), CEO

b. Predictors: (Constant), CEO, GOALS, SCN, ANA1

c. Predictors: (Constant), CEO, GOALS, SCN, ANA1, INN1

d. Predictors: (Constant), CEO, GOALS, SCN, ANA1, INN1, GOAL_NN, SCN_NN, ANALYNN

e. Dependent Variable: PF

Coefficients								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.462	.744		7.340	.000		
	CEO	.075	.185	.071	.407	.687	1.000	1.000
2	(Constant)	4.950	.877		5.647	.000		
	CEO	-.049	.206	-.046	-.238	.814	.825	1.213
	ANA1	.387	.473	.198	.818	.420	.520	1.925
	GOALS	.017	.102	.042	.168	.868	.495	2.022
	SCN	.112	.116	.186	.968	.341	.828	1.208
3	(Constant)	4.946	.893		5.541	.000		
	CEO	-.046	.211	-.043	-.219	.828	.808	1.237
	ANA1	.389	.482	.200	.808	.426	.518	1.932
	GOALS	.019	.105	.045	.177	.861	.483	2.072
	SCN	.112	.118	.186	.951	.350	.828	1.208
	INN1	-.026	.296	-.016	-.087	.931	.884	1.132
4	(Constant)	4.360	.987		4.419	.000		
	CEO	-.097	.204	-.091	-.479	.636	.779	1.284
	ANA1	.242	.463	.124	.522	.606	.502	1.991
	GOALS	.029	.103	.072	.286	.777	.449	2.228
	SCN	.270	.157	.449	1.720	.097	.416	2.405
	INN1	-.337	.341	-.215	-.989	.332	.599	1.670

	ANALYNN	-.062	.502	-.036	-.124	.902	.335	2.984
	GOAL_NN	.270	.137	.561	1.969	.060	.350	2.858
	SCN_NN	-.050	.110	-.101	-.455	.653	.572	1.748
a. Dependent Variable: PF								

Regression results

Variables	Model 1	Model 2	Model 3		Model 4	
	Beta (t-value)	Beta(t-value)	Beta (t-value)	VIF	Beta (t-value)	VIF
CEO Locus of Control	.071 (.407)	-.046 (-.238)	-.043 (-.219)	1.237	-.091 (-.479)	1.284
Analyze		.198 (.818)	.200 (.808)	1.932	.124 (.522)	1.991
Goals		.042 (.168)	.045 (.177)	2.072	.072 (.286)	2.228
Scanning		.186 (.968)	.186 (.951)	1.208	.449 (1.720)*	2.405
Innovative capability			-.016 (-.087)	1.132	-.215 (-.989)	1.670
Analyze x Innovative					-.036 (-.124)	2.984
Goals x Innovative					.561 (1.969)	2.858
Scanning x Innovative					-.101 (-.455)*	1.748
R^2	0.005	0.083	0.083		0.262	
ΔR^2	0.005	0.078	0		0.179	