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STRATEGIC MANAGEMENT

STRATEGIC ANALYSIS AND SUSTAINABILITY OF INSURANCE COMPANIES IN RWANDA

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ABSTRACT

Purpose: This study examined the effect of strategic analysis on the sustainability of insurance companies in Rwanda, recognizing that sound strategic analysis is crucial for organizational survival and growth.

Statement of the Problem: This study examined the role of strategic analysis in enhancing the sustainability of Rwandan insurance companies amid challenges like client dissatisfaction, slow growth, and underperformance, with some firms failing while others rely on mergers and acquisitions to sustain operations.

Methods: The study employed a descriptive survey design and positivist philosophy, targeting 14 insurance companies and 252 managers through census sampling and structured questionnaires. Data validity and reliability were ensured through pilot testing, with analysis conducted using descriptive and inferential statistics in SPSS version 21.

Results: The findings revealed a statistically significant relationship between strategic analysis and sustainability of insurance companies in Rwanda ($\beta = 1.495$, $p < 0.05$). The study established that strategic analysis explained 89.3% of the variation in the sustainability of insurance firms, indicating its critical role in long-term business success. However, most insurance companies relied solely on management for strategic analysis, with limited involvement of employees, which may hinder effective strategy implementation.

Conclusion: The study concludes that strategic analysis significantly influences the sustainability of insurance companies in Rwanda, with tools such as SWOT, PESTEL, and Gap Analysis playing a crucial role in assessing both internal and external business environments. However, despite its significance, limited employee participation in strategic analysis remains a challenge that could impact long-term sustainability.

Recommendations: To enhance sustainability, the study recommends that insurance companies actively involve employees in the strategic analysis phase to foster ownership and commitment to the developed strategies. Additionally, firms should strengthen their strategic management frameworks by integrating comprehensive market analysis tools to navigate the dynamic business environment effectively.

Keywords: *Strategic Analysis, Sustainability, Insurance Companies, Rwanda.*

INTRODUCTION

Strategic analysis refers to the practice of conducting research on a company and its operating environment to formulate a strategy. Before developing any strategy, strategic analysis practice is considered to be critical and important as well. The strategic analysis practice comprises of environmental analysis of current strategies, determining the effectiveness of existing strategies, formulating plans and providing recommendations on the viable strategy to be implemented (Corporate Finance Institute (CFI), 2021).

Strategic analysis (now and again alluded to as a market analysis) is the most common way of collecting information that assists an organization's management team with settling on needs and objectives, forming (or moving) a drawn-out strategy for the business. It enables an organization to comprehend its current circumstance, and concoct an essential strategy appropriately. It is fundamental in any association since it gives the specific circumstance and spine whereupon the technique and in general position of the business is formed (Messineo, 2020). In the practice of carrying out a strategic analysis, it is considered that one needs to have a proper understanding of the competitors in the industry. With the knowledge acquired an organization is able to develop a strategy that increases the competitive advantage by making the organization to stand out. Strategic analysis takes into consideration the critical review of the environments surrounding a business. This includes the internal and extern environments of a business.

The study assessed the impact of strategic analysis on the sustainability of insurance companies in Rwanda, emphasizing both internal and external analysis. Internal strategic analysis provides insights into an organization’s operations, strengths, and weaknesses while developing strategies to enhance overall performance and future growth. This process begins with evaluating the company's performance and capacity for expansion, relying on the existing situation and customer feedback, as strengths are only valuable if they contribute to customer satisfaction. Once internal analysis is complete, external analysis examines market dynamics and external factors that may influence growth and sustainability. Understanding market functions and consumer needs allows organizations to measure customer satisfaction with their own and competitors’ products and services (Smart Insights, 2021). Tools such as SWOT, PESTEL, and Gap Analysis help in assessing both internal and external environments, determining whether business objectives are being met, and identifying necessary steps for achieving sustainability (Hanna, 2021).

Thus, this study sought to evaluate how strategic analysis influences the sustainability of insurance firms in Rwanda.

Problem Statement

The insurance sector in Rwanda is developing at a slow pace, as indicated by the low insurance penetration rate of approximately 2.3%, which remains significantly below the 10% threshold typical for middle-income economies. Between 2015 and 2016, the penetration rate increased marginally from 1.7% to 1.8%. The industry is primarily dominated by short-term insurance providers (non-life insurance), which account for 83.2% of total insurance assets and 89.8% of total gross premiums (BNR, Financial Stability Report, 2016).

To support financial stability among insurers, the government mandated Motor Third Party Liability (MTPL) insurance premiums for both public and private vehicles in 2018, leading to an increase of up to 73%. However, despite these efforts, the sustainability and growth of the sector remain a challenge. Sibomana et al. (2020) found that net premiums had a negative impact on the financial stability of insurers, contributing to a 15.6% variation in stability.

Additionally, Rwanda is the only active member of the East African Community (EAC) that imposes an 18% tax on insurance premiums, which discourages sectoral expansion. Several factors have been attributed to the slow growth of insurance companies in Rwanda, including a shortage of skilled staff, market penetration difficulties, and low public awareness. The lack of awareness is further linked to limited marketing efforts by insurers and low levels of insurance literacy among the public (National Bank of Rwanda, 2008).

The inability of some insurance companies to survive in the market has led to acquisitions by larger firms. However, even after mergers, some of these companies fail to reach their full potential, ultimately leading to their dissolution. This trend raises concerns among industry stakeholders, scholars, and researchers regarding the underlying factors contributing to the sustainability challenges in the insurance sector.

A critical question that arises is whether the incorporation of strategic management practices—particularly strategic analysis—could offer a solution to the persistent growth and sustainability challenges faced by insurance companies.

Empirical research on the relationship between strategic management practices and the sustainability of insurance companies remains limited. Most existing studies (Uwanyiligira, 2021; Bulińska-Stangrecka & Bagieńska, 2020; George et al., 2019;

Černevičiūtė & Strazdas, 2018; Njoroge, 2018; Campbell & Park, 2017) have primarily focused on performance-related factors rather than sustainability. The current study seeks to address this gap by examining the effect of strategic management practices—specifically strategic analysis—on the sustainability of insurance companies in Rwanda.

Research Hypothesis

H_0: There is no significant relationship between strategic analysis and sustainability of insurance companies in Rwanda.

LITERATURE REVIEW

Theoretical Review

Teece et al. (1997)'s Dynamic Capabilities and Strategic Management Theory was employed in this research to examine how insurance firms in Rwanda adapt to market changes for sustainability. The theory defines dynamic capabilities as an organization's ability to integrate, create, and reconfigure internal and external competencies to respond to a rapidly changing market environment. Its core objective is to enable firms to achieve and sustain a competitive advantage by leveraging their unique capabilities and resources while differentiating themselves from competitors. The theory emphasizes the importance of internal strengths, such as labor and capital investments, over external influences like government regulations, to drive competitive advantage and ensure long-term sustainability (Teece, 2007). Additionally, the theory supports strategic management by guiding firms in forming alliances, mergers, and joint ventures while fostering product and service innovation to meet evolving customer demands (Bhasi, 2018). These strategies not only enhance customer retention but also attract new clientele, thereby promoting business growth and sustainability. Thus, the theory was instrumental in analyzing strategic management approaches, particularly strategic analysis, adopted by insurance firms in Rwanda to navigate market dynamics and enhance their sustainability.

Empirical Review

Kurniawan and Waisarayutt (2019) carried out a study on SWOT analysis as a determinant factor for sustainable development strategy among Local Enabler Communities (TLE) in Indonesia. The key areas that were looked into included the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) at The Local Enablers community; a Social Business Ecosystem (2) SWOT analysis to aware of the current situation and existing business models, then determine the proper strategy at The Local Enablers. Data was obtained within the period of July and December 2018 through the use of from Focus

Group Discussion and in-depth interview with members and stakeholders of TLE communities at Universitas Padjadjaran, Jatinangor, West Java Province, Indonesia. Data were analyzed by identifying the internal and external factors that influence, thus looked for strength, weaknesses, opportunities, and threats, which are used to determine the sustainable development strategy for The Local Enablers by using SWOT analysis. It was established that the position of the TLE is in between EFE and IFE matrix. That position showed an appropriate strategy for the current existing of TLE. In addition, based on SWOT matrix and Space matrix determined a suitable strategy to be applied to TLE so that it continues to be in the quadrant (aggressive), the strategy considered new acquisitions, increasing market share and focusing on competitive products where a suitable strategy is a strategy-on-Strategy Opportunities.

Research done by Munck and Tomiotto (2019) embraced a qualitative methodology, described as unmistakable, utilizing strategies, for example, narrative analysis and documentary exploration that were completed from the theory of sense-making. It was recognized rationality between strategic proclamations and present economic activities. Be that as it may, considering hypothetical reference utilized, it was distinguished an imprecision in sustainability points of view of decision making. Irregularity generally advances to internal obstruction, difficulty to focus on all areas and bias long-haul results. Aguoru, Orsaah and Umogbi (2018) critically examined the effect of strategic analysis and implementation on the service quality of a popular telecommunication network provider in Nigeria. A survey research design was adopted through the use of structured questionnaires randomly administered to some MTN staff in the north central axis. Hypotheses were formulated followed by data validation, reliability and analysis using appropriate descriptive and inferential statistics. Result showed that the environment of the business affects its performance with a mean value of 4.12. There are enough resources to help the organization achieve its goal (4.3). The analysis of resources in the organization has helped improve the quality of services rendered (4.25). The adoption of strategic analysis by MTN helped in improving the service quality of company. Strategic analysis and strategy implementation each had significant relationship with service quality ($F=25.48$, $p=0.000$, $R^2= 53.5$). This study clearly shows that strategic analysis has a significant relationship on the quality of services at MTN. However, the current study sought to establish whether strategic analysis has a significant effect on the sustainability of insurance companies in Rwanda.

In Rwanda, Uwanyiligira (2021) performed research to see how strategic management strategies affect service delivery. The research focused on Rwandan government institutions, especially the National Land Centre. The effect of strategic formulation, strategic implementation practices, and strategic evaluation and control practices on service delivery in NLC was examined. Mixed approach research design was utilized in order to have both qualitative and quantitative data obtained from the literature and field work respectively. The target population composed of 116 employees from different section such as 6 senior management, 46 members of NLC, 24 district land officers and 30 sector land officers among the beneficiaries. The researcher used Yamane's formula to select a sample size of 90 respondents who were randomly selected. Questionnaire was the key instrument of data collection. From the analysis, it was established that 91.1% variance of service delivery of National land center was explained by strategic management practices such as strategic analysis and implementation.

METHODOLOGY

This study employed a descriptive survey research design to collect data from 252 managers across 14 insurance companies in Rwanda, including top-level, middle-level, and operational managers. The positivist philosophy was adopted, emphasizing empirical measurement using structured 5-point Likert scale questionnaires (Saunders et al., 2008). Census sampling was used due to the small population, ensuring comprehensive data collection (Surbhi, 2017). Validity was confirmed through expert reviews and Principal Component Analysis (PCA), with factor loadings ranging from 0.512 to 0.997, while reliability was tested via Cronbach’s Alpha (0.778) from a pilot study of 22 respondents (George & Mallery, 2003). Data analysis was conducted using SPSS version 21, applying descriptive statistics (frequencies, percentages) and inferential statistics (simple linear regression) to examine the effect of strategic analysis on the sustainability of insurance firms in Rwanda. The regression model used was $Y' = A + \beta 1X1 + \varepsilon$, where Y represents sustainability, X1 is strategic analysis, A is the constant, β the coefficient, and ε the error term.

RESULTS AND DISCUSSION

The sample of this study comprised of 252 managers who were obtained from 14 insurance companies in Rwanda. Therefore, the researcher managed to distribute all the data collection instruments to the respondents. However, only 209 questionnaires and 10 interview guides were collected back from the field. This translated to a response rate of 86.9%.

Demographic Characteristics

In term of the education level, a majority (52.2%) of the respondents had a bachelor degree, followed by 20.1% with a master degree. Whereas 19.6% had a diploma, 8.1% had a doctorate as their highest level of education. This demonstrates that all the respondents had acquired formal education and training that could be necessary in their respective fields of operation. Fifty-nine-point eight percent of the respondents had working experience of 16-20 years in the insurance companies followed by 16.7% with 11-15 years and 13.9% with 6-10 years. A few (9.6%) had worked for more than 20 years in the insurance industry. This working experience clearly demonstrates that the respondents had a satisfactory level of exposure in the industry. With regard to the employment level, 47% worked in the insurance companies on a permanent employment level whereas 31% were temporally hired in the companies. The remaining 22% were on a contractual employment.

Descriptive Analysis

This study examined the influence of strategic analysis on the sustainability of insurance companies in Rwanda, with respondents providing their level of agreement on various statements. The results showed an average mean score of 3.06 and a standard deviation of 1.12, indicating that most respondents were undecided on the impact of strategic analysis. This finding aligns with Messineo (2020), who noted that strategic analysis helps organizations understand their current situation and serves as a foundation for sustainability.

Table 1: Influence of Strategic Analysis on Sustainability

	Statement	SD %	D %	UD %	A %	SA %	M	Std.
a.	The keen evaluation of the company's current situation and market position (gap analysis) has influenced its sustainability.	16.7	16.7	-	49.9	16.7	3.33	1.38
b.	The organization sets out its long- and short-term plan based on its positioning, and percentage market share projections.	16.7	16.7	-	66.6	0	3.16	1.21
c.	Periodic evaluation of the S.W.O.T of the company has influenced its sustainability.	33.5	33.5	0	33.0	0	2.66	1.24
d.	The organization provides an action plan which simplifies the programs and projects to be executed by the different stakeholders in the organization.	33.0	33.5	0	33.5	0	2.33	1.24
e.	All stakeholder's involvement in the company's strategic analysis has contributed to its sustainability.		16.3	33.5	50.2	0	3.33	0.74
f.	Timely identification and management of operational gaps has influenced the sustainability of the company.	16.7	0	0	67.0	16.3	3.66	1.24
g.	Strategic analysis techniques have improved the sustainability of our insurance company.	0	33.5	33.0	33.5	0	3.00	0.82

Key: SD- Strongly Disagree, UD- Undecided, A- Agree, SA- Strongly Agree, M- Mean, Std.- Standard Deviation

Further, the respondents were asked to identify the stakeholders who were mainly involved in the strategic analysis of the organization. The listed stakeholders included management, employees, and external consultants. Figure 1 shows the responses given.

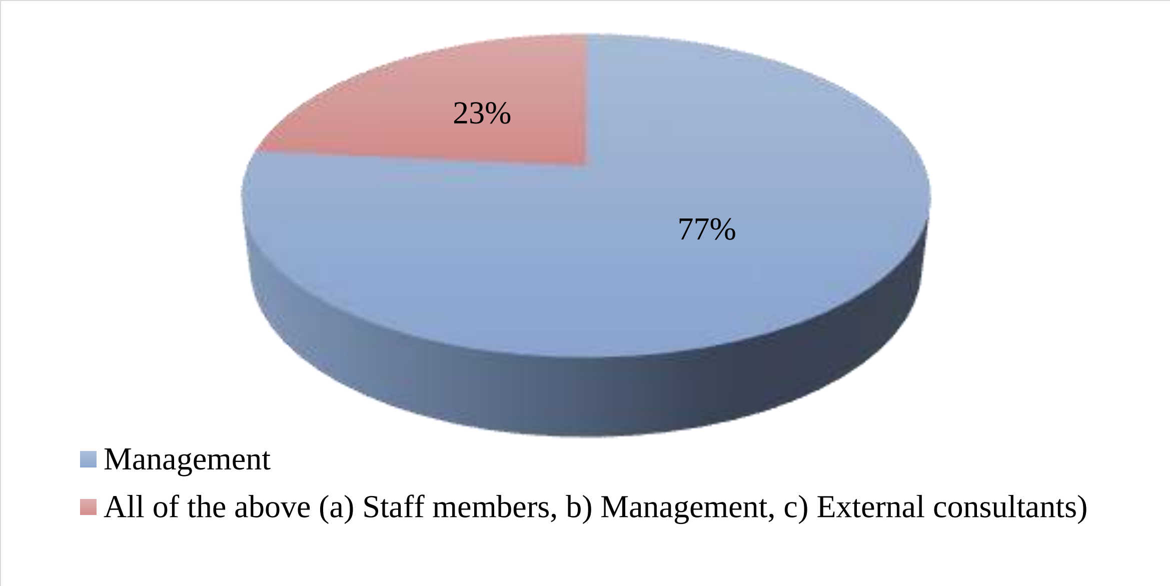

Figure 1: Stakeholders Mainly Involved in the Strategic Analysis of the Organization

Seventy even percent of the respondents indicated that the management were the only people involved in the strategic analysis practice of the organization. The other 23% pointed that all stakeholders that is staff members, management and external stakeholders. This shows that only a few insurance companies engage all their stakeholders in the strategic analysis. Lastly, the respondents also gave their views on the effectiveness of SWOT analysis in supporting the growth and sustainability of insurance companies (see Figure 2).

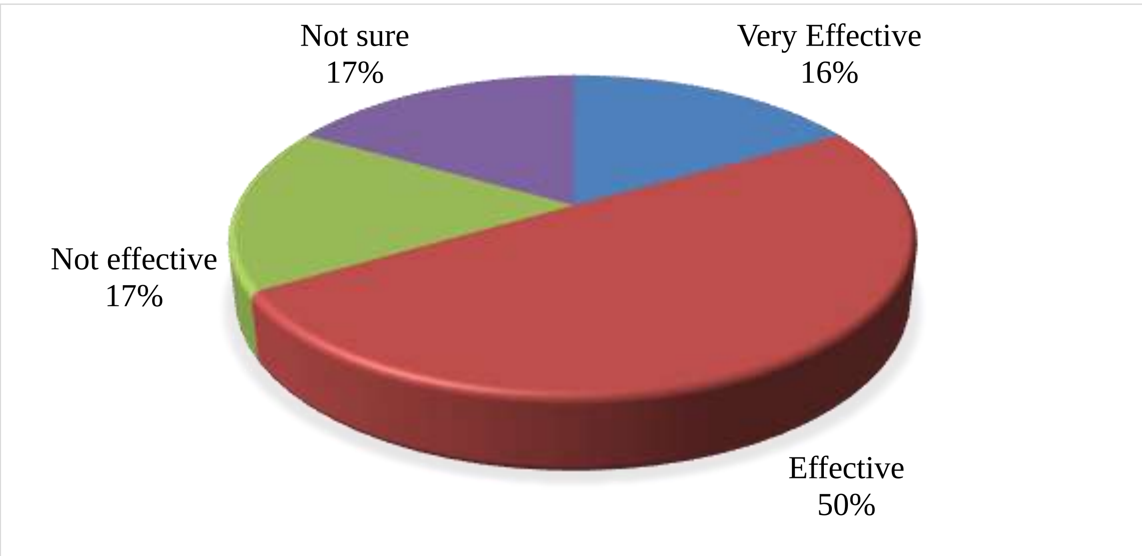

Figure 2: Effectiveness of SWOT Analysis in Supporting the Growth of the Insurance Company

On the effectiveness of SWOT analysis in supporting the growth of the insurance companies, half (50%) indicated that it was effective whereas 16% indicated very effective. The remaining 34% were either not sure of its effectiveness or indicated that it was not effective. This implies that despite SWOT analysis being effective in some of the companies, there are those few that still find it to lack effectiveness. In supporting this observation, Hanna (2021) indicated that SWOT is good for an organization because it helps to examine the surrounding environments of the organization. Through the examination, the organization is able to strengthen their goals and objectives towards a sustainable development. In concurring with the finding of this study, Kurniawan and Waisarayutt (2019) also established that SWOT matrix and space matrix are suitable strategies because they enable organizations to remain competitive and sustainable. Similarly, Aguoru, Orsaah and Umogbi (2018) noted that the adoption of strategic analysis help in improving the service quality of companies. This may also be reflected in the context of this study whereby majority moderately agreed that strategic analysis did influence the sustainability of the insurance companies.

Relationship between Strategic Analysis and Sustainability of Insurance Companies

The objective of this study was to determine the influence of strategic analysis on sustainability of insurance companies in Rwanda. Therefore, the hypothesis stated that there is no significant relationship between strategic analysis and sustainability of insurance companies in Rwanda. To establish this relationship, a linear regression model was used and the results are presented in Tables 2, 3 and 4 respectively.

Table 2: Model Summary for the Strategic Analysis and Sustainability of Insurance Companies in Rwanda

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945[a]	.893	.893	2.53099

a. Predictors: (Constant), Strategic Analysis

As shown in Table 2, the R^2 for the regression model between strategic analysis and sustainability is 0.893. This means that strategic analysis explained 89.3% variation in the sustainability of the companies. On the other hand, the remaining variation of 10.7% is explained by the error term.

Table 3: ANOVA Results for Strategic Analysis and Sustainability of Insurance Companies in Rwanda

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11103.501	1	11103.501	1733.325	.000[b]
	Residual	1326.020	207	6.406		
	Total	12429.522	208			

a. Dependent Variable: Sustainability

b. Predictors: (Constant), Strategic Analysis

The Analysis of Variance (ANOVA) results in Table 3 further confirms that the model fit is appropriate for this data since p-value of 0.00 is less than 0.05 with 208 degrees of freedom and F (1733.325). This implies that, there is a statistically significant positive relationship between strategic analysis and sustainability. Therefore, the null hypothesis was rejected and concluded that there is a statistically significant influence between strategic analysis and sustainability of the insurance companies in Rwanda.

Table 4: Coefficients Results for Strategic Analysis and Sustainability of Insurance Companies in Rwanda

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	-7.648	.858		-8.914	.000
	Strategic Analysis	1.459	.035	.945	41.633	.000

a. Dependent Variable: Sustainability

The coefficient results (b=1.495, $p<0.05$) indicate that strategic analysis have positive and significant influence on sustainability as indicated in Table 4. Thus, H_a: There is a significant relationship between strategic analysis and sustainability of insurance companies in Rwanda. This implies that, a unit change in strategic analysis will increase by the rate of 1.459 units. This means that strategic analysis is of significance when it comes to facilitating the sustainability of the insurance companies in Rwanda. In corroborating with this finding, Aguoru, et al. (2018) also noted that strategic analysis did have a positive and significant influence.

$$Y' = -7.648 + 1.459X_1$$

Where:

Y is sustainability of insurance companies)

X_1 is Strategic Analysis

CONCLUSION

The study concludes that strategic analysis has a positive and significant influence on the sustainability of insurance companies in Rwanda. Specifically, conducting SWOT analysis, PEST analysis, and Gap analysis contributed to the long-term stability and competitiveness of these companies. However, despite its significance, many companies did not actively involve employees in the strategic analysis process, potentially limiting the effectiveness of these strategies. Strengthening employee engagement in strategic analysis could further enhance sustainability in the sector.

RECOMMENDATIONS

The study recommends that insurance companies in Rwanda should actively involve employees in the strategic analysis phase, rather than relying solely on management. Since employees play a critical role in implementing strategies, their inclusion will foster a sense of ownership and commitment, thereby enhancing the effectiveness of strategic management practices. This approach is expected to improve the likelihood of achieving long-term sustainability within the sector.

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