

INSURANCE CONFERENCE 2023

INSURANCE AS A CATALYST FOR ECONOMIC
RESILIENCE AND POSITIVE SOCIAL TRANSFORMATION

**Topic: Strategic Drivers for Market
Penetration in Zambia's Insurance Industry**

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START

Presentation Outline

**Culture
will eat
strategy for
breakfast**

Peter Drucker

1. Introduction
2. Methodology
3. Key Findings
4. Discussion and Conclusions

Introduction

- Insurance industry a critical component of the financial services sector, contributing significantly to economic stability and risk management in both developed and emerging economies.
- Broader context of financial services, insurance acts as a safeguard, providing individuals and businesses with a means to protect themselves against unforeseen risks and uncertainties **(Outreville, 2013)**
- This universal role has been underscored by its relevance in diverse economic landscapes worldwide **(Fadun, 2013)**.
- Shifting economic dynamics and evolving consumer needs, the insurance landscape within specific countries has undergone a transformation **(Munge & Kitiabi, 2017)**
- An example of such a market is Zambia, where the importance of insurance has gained prominence in line with the nation's economic growth and increasing financial awareness **(Sibindi et al., 2014)**
- This prominence is exemplified through the National Financial Inclusion Strategy (NFIS) launched in in 2017 with the goal of accelerating financial inclusion **(Kangwa, Mwale & Shaikh, 2021)**.

Phenomena – Market Penetration

Fig. 1: Zambia Market: Growth and Penetration

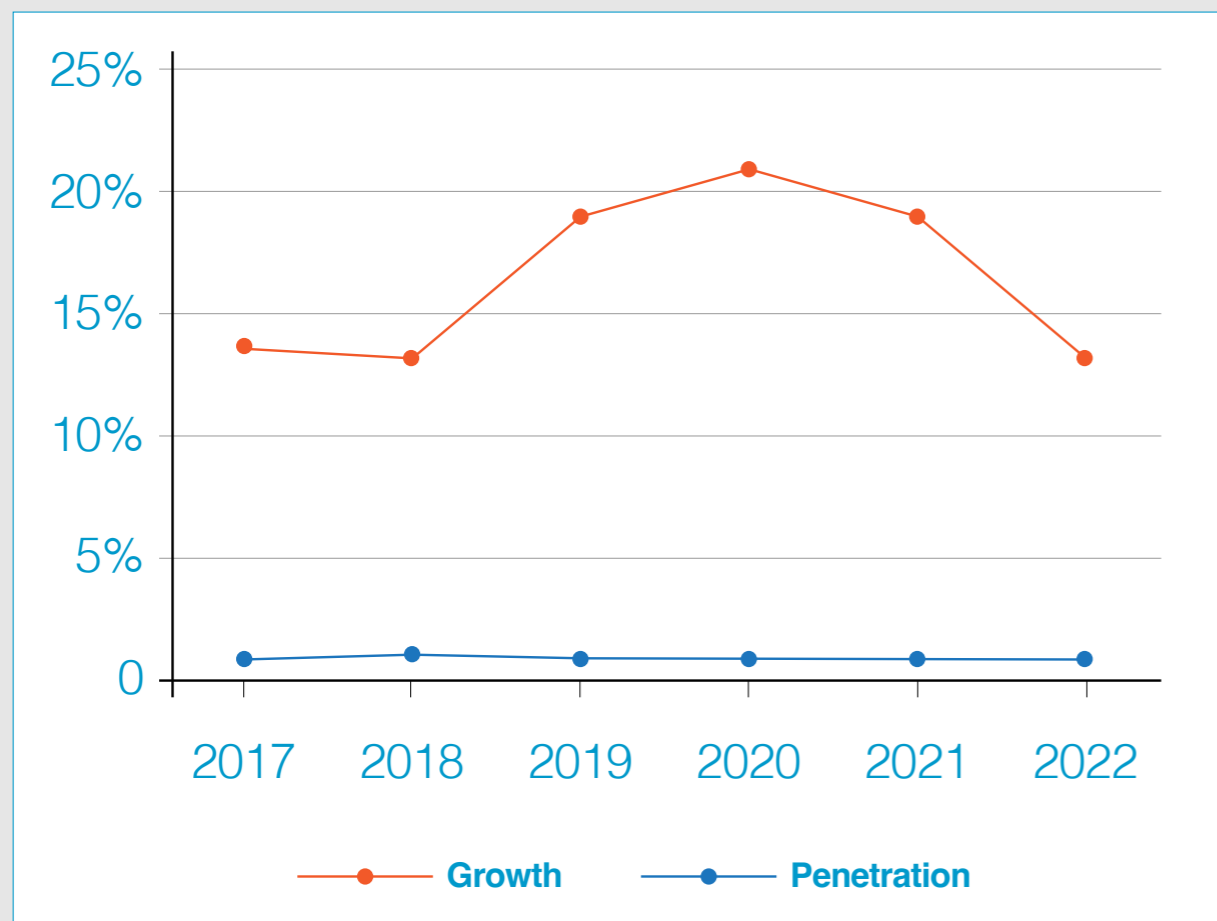
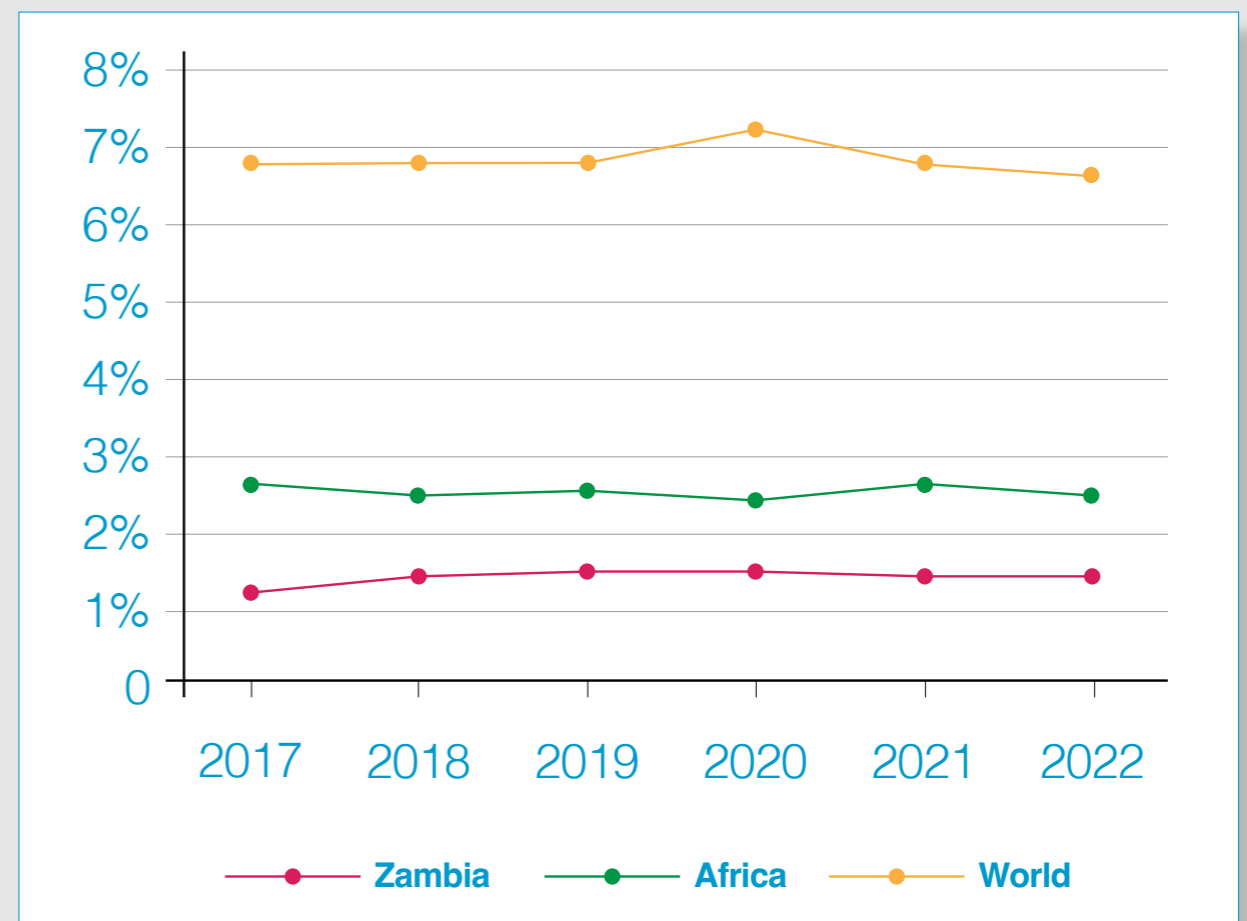


Fig. 2: Market Penetration



Claims Paid

S/n	Item	2018	2019	2020	2021	2022
1	Earned Premium	2.01	2.17	2.39	2.85	3.53
2	%Increase in earned premiums	17%	8%	10%	19%	24%
3	Net Claims	0.9	0.95	1.12	1.56	1.87
4	%Increase in claims	14%	6%	17%	39%	20%
5	Loss Statistics	45%	44%	44%	55%	53%

Source: IAZ, 2023

Claims are a critical function of insurance in providing economic resilience

Some Reasons Low Penetration

- Low disposable incomes of citizens due to unfavourable macroeconomic environments such as unemployment
- Poor credit culture results in significant insurance premium defaults
- Premium debtors' recoverability
- Increasing government arrears
- Absence of experts in fields like actuaries, data science, including specialised areas such as underwriting, risk management, and actuarial assessments.
- Weak economic environment (GDP growth, inflation, exchange rate, etc.)
- Lack of trust with insurers
- Lack of awareness among potential and existing consumers of insurance products.
- High management expenses (exceeding 50 per cent of net written premium income)
- Low retention of risks, particularly mega risks (due to low capitalisation)

Sources: PIA Annual report 2020; PwC Survey, 2019; Mutende, 2020; Leach & Kachingwe, 2015; FinScope, 2020; Twaambo, 2018.

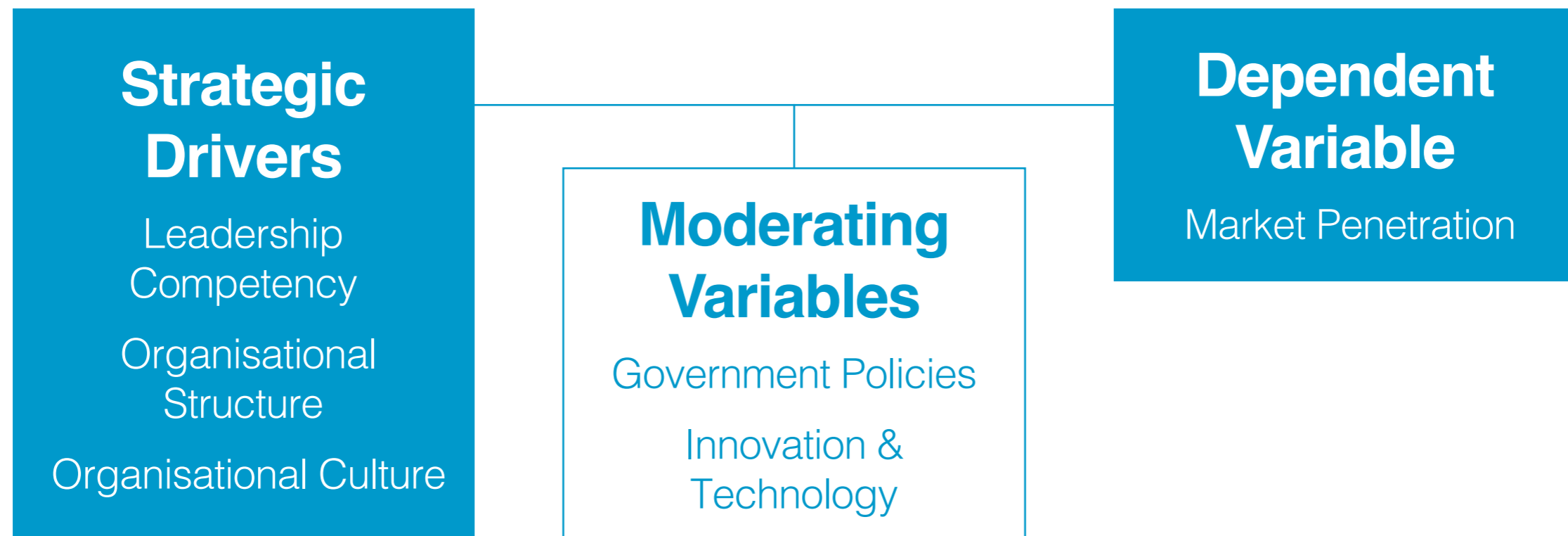
Introduction

- Given the lower penetration rate compared to other African markets, it is necessary for insurers to strategically explore how they can increase the market penetration of insurance in Zambia.
- Formulating and implementing a strategy is critical to ensure that a company's resources are employed in the most efficient and cost-effective way possible, thereby ensuring long-term success in a competitive and ever-changing market (Ongaki, 2014).
- Understanding the key drivers that influence effective formulation and execution of strategies gains significance. leadership, organisational structure, culture, innovation & technology, gov. policies
- Extant literature reveals that no study has been undertaken in Zambia's insurance industry to investigate strategic drivers that influence market penetration.

Purpose

Drawing on the Dynamic Capability and Institutional Theories, and Making Strategies Work model, this study seeks to ascertain the key strategic drivers for market penetration in Zambia's insurance sector.

Figure 1: The Conceptual Framework (Author's Constructions)



Research Objectives

1

To evaluate the influence of leadership competency on market penetration in Zambia's insurance industry.

2

To assess the effect of organisational structure on market penetration in Zambia's insurance industry.

3

To determine whether organisational culture affects the uptake of insurance products in Zambia.

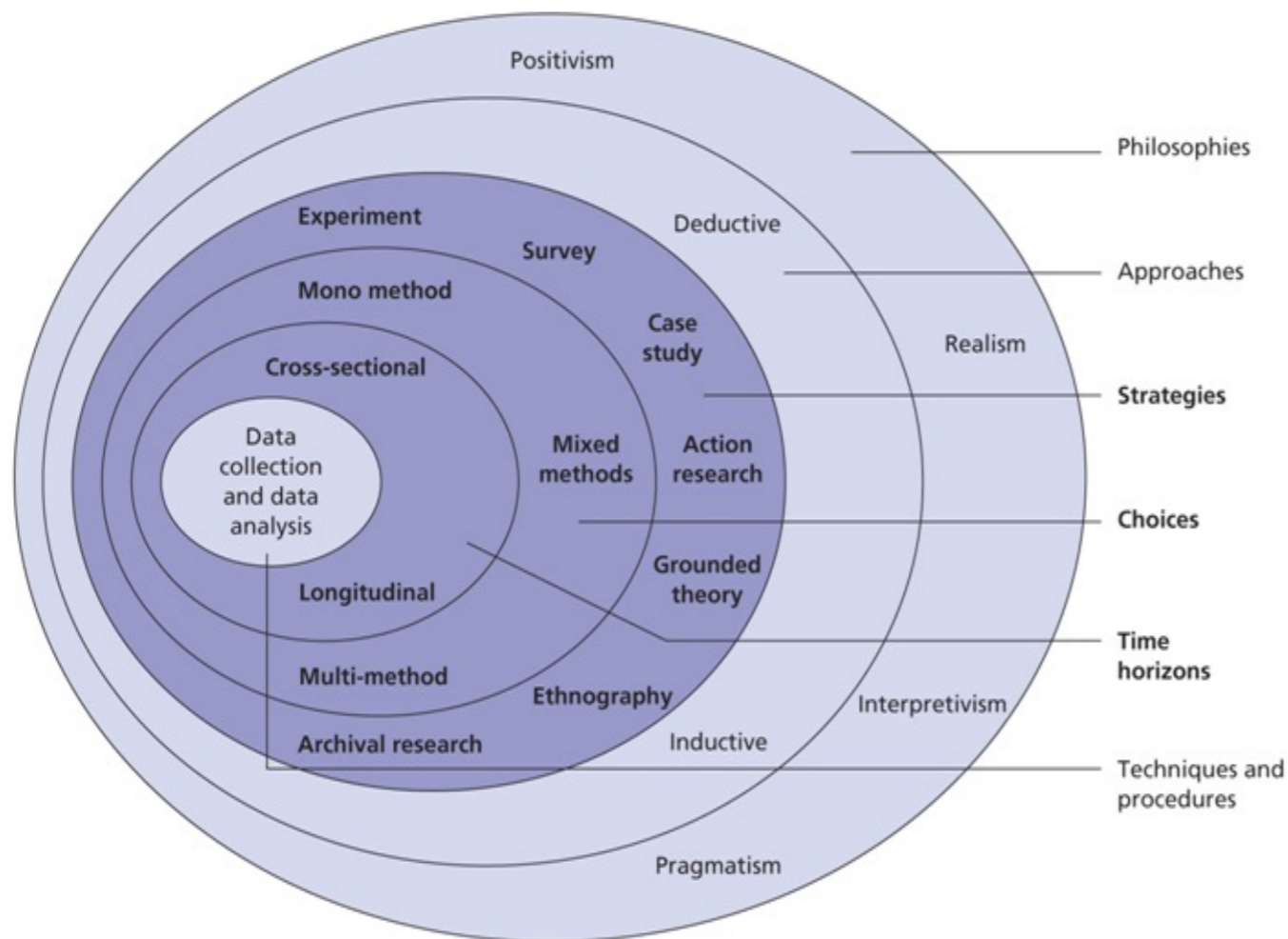
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To develop a strategic model for sustainable market penetration in Zambia's insurance industry.

Research Hypotheses

- **H1:** Leadership competency significantly affects the market penetration strategies of insurance firms in Zambia.
- **H2:** Organisational structure significantly affects the market penetration strategies of insurance firms in Zambia.
- **H3:** Organisational culture significantly affects the market penetration strategies of insurance firms in Zambia.
- **H4:** Government policies moderates the relationship between strategy formulation and implementation and market penetration strategies of insurance firms in Zambia.
- **H5:** Innovation and technology moderate the relationship between strategy formulation and implementation and market penetration strategies of insurance firms in Zambia.

Methodology



Source: Research Onion (Saunders et al., 2020. p 101)

Sample

- A survey conducted among 30 insurers
- Type of respondents – decision makers involved in strategic planning
- A total of 160 responses

Data Analysis

- SEM using Smart PLS-4 for reliability and validity, and hypotheses testing
- SPSS for descriptive statistics and measurement scale (principal component analysis)

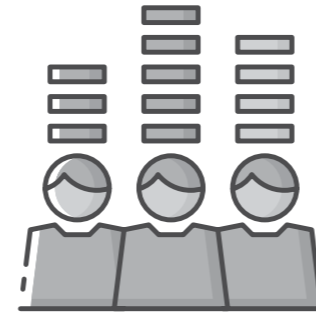
Pilot Study

- To test the research instrument
- Administered among 30 respondents
- 23 respondents completed the forms
- Questionnaire tested updated

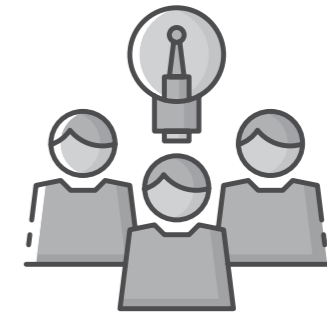
Key Findings



- **Those with experience** of more than six years had a higher impact on market penetration than those with less than six years of experience.



- **Age** was put into two groups, namely, young (below 41) and old (above 41). The older group had more impact on MP.



- **Education** - Those at the diploma and graduate levels had a higher impact on MP than those at the postgraduate level.

Key Findings

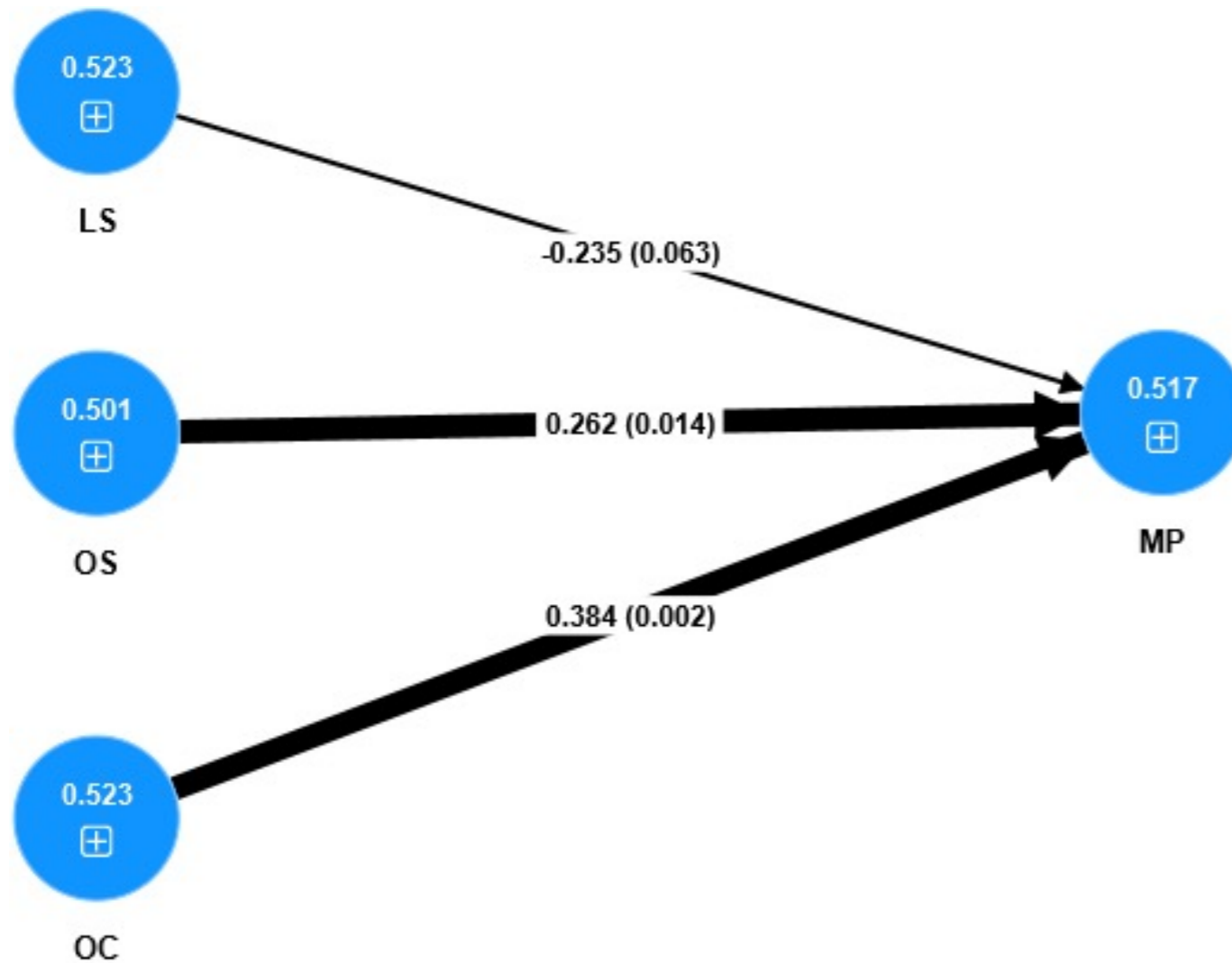
Coefficients ^a					
Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	β	Std. Error	Beta		
LS_OS_OC	0.404	0.093	0.421	4.332	<0.001
GP	-0.013	0.072	-0.013	-0.181	0.857
IT	0.067	0.092	0.071	0.730	0.466
AgeR	-0.423	0.147	-0.217	-2.888	0.004
EducR	-0.174	0.142	-0.090	-1.224	0.223
ExpR	0.463	0.148	0.229	3.128	0.002

^aDependent Variable: MP

SPSS Regression Results

- Age was negative but significant
- Education was negative but insignificant
- Experience was positive and significant

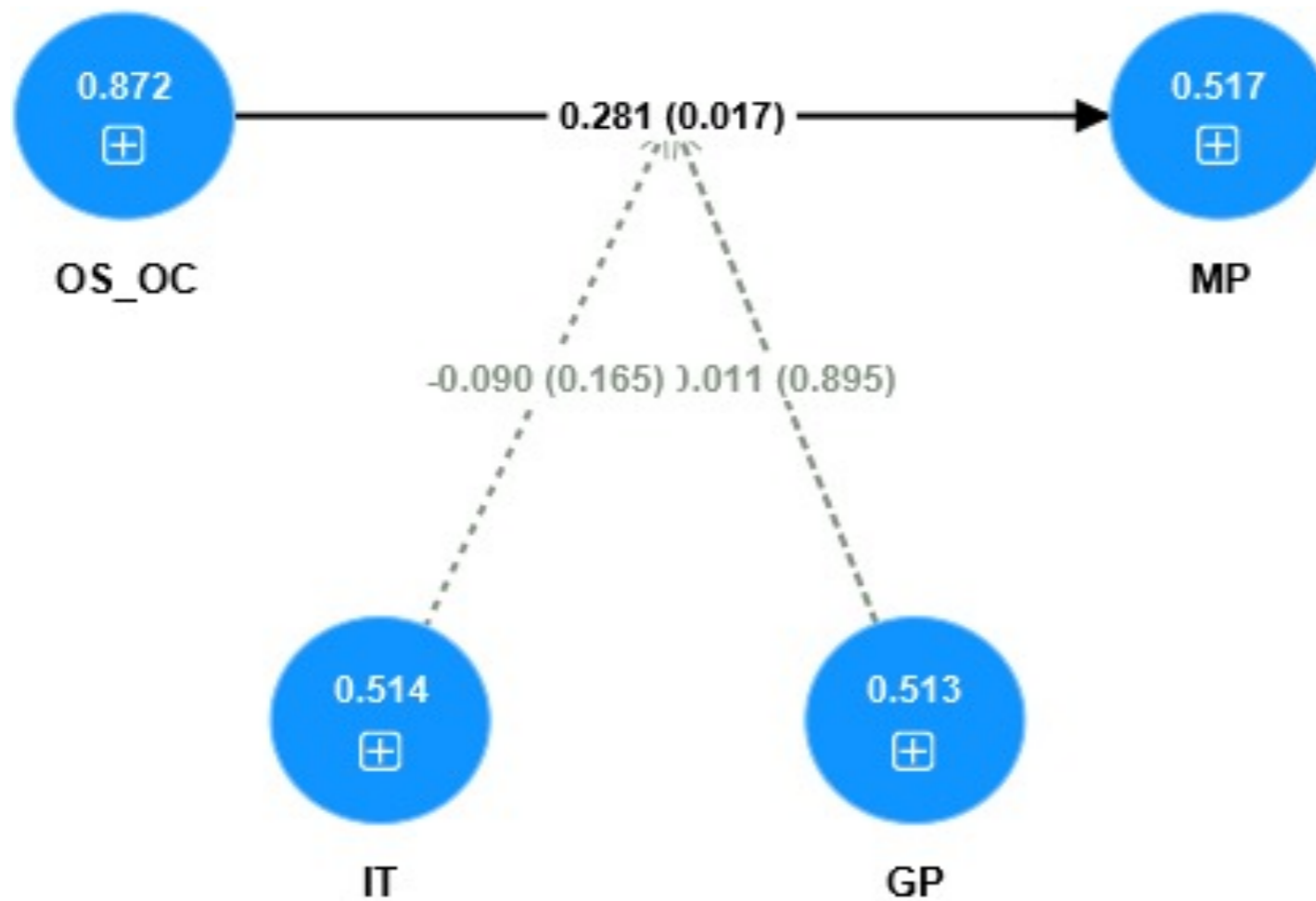
Key Findings



PLS4 Measurement Model Results

- LS was negative and insignificant
- OS was positive and significant
- OC was positive and significant

Key Findings



PLS4 Structural Model Results

- IT was negative and insignificant
- GP was positive and significant

Key Findings

- **H1:** Leadership competency has a negative and insignificant effect on the market penetration strategies of insurance firms in Zambia. H1 was rejected.
- **H2:** Organisational structure significantly affects the market penetration strategies of insurance firms in Zambia. This hypothesis was supported.
- **H3:** Organisational culture significantly affects the market penetration strategies of insurance firms in Zambia. This hypothesis was also supported.
- **H4:** Government policies moderate the relationship between strategy formulation and implementation and market penetration strategies of insurance firms in Zambia. H4 was rejected.
- **H5:** Innovation and technology moderate the relationship between strategy formulation and implementation and market penetration strategies of insurance firms in Zambia. H5 was also rejected.

Discussion and Conclusions

Impact of Leadership Competency on Market Penetration

Deeper Insights – what leaders should be doing is highlighted in **bold**.

Question		r	P value
Competency	LS1	0.241	0.002
Strategy formulation	LS2	0.150	0.061
Expertise	LS3	0.283	<0.001
Consult	LS4	0.125	0.121
Holistic Involvement	LS5	0.125	0.127
Planning	LS6	0.123	0.127
Promote culture	LS7	0.282	<0.001
Buy-in from other managers	LS8	0.129	0.109
Experience	LS9	0.175	0.029
Employee development	LS10	0.221	0.006
Feedback	LS11	0.126	0.117
Training	LS12	0.176	0.028
Ethics training	LS13	0.253	0.001
Reward	LS14	0.171	0.033
Care of employee interests	LS15	0.224	0.005
Trustworthy	LS16	0.228	0.004

Impact of Leadership Competency on Market Penetration

Negative and insignificant

- Counter intuitive results on leadership
- Context dependent (Hallinger, 2018). For instance, a leader with proficiency in underwriting, financial management or risk assessment may not necessarily possess the strategic acumen required to navigate the insurance market dynamics of Zambia effectively.
- Leaders may not be leading in the right direction equally mean leaders do not always attempt to the best of their ability to formulate an optimum business and growth strategy or may not know how to implement these strategies for their organisations
- Leaders may not always adopt a consultative and inclusive

Impact of Leadership Competency on Market Penetration

Negative and insignificant

leadership approach when making critical decisions and may not have adequate growth strategy formulation and implementation skills

- Incorporating a data-driven leadership perspective could offer valuable insights into enhancing leadership within the Zambian insurance landscape
- Competent leadership fosters

employee engagement, innovation, and organisational cohesion.

- Leadership competency can be enhanced by including those with over six years of experience
- Balancing experience and youth might be the best combination

Discussion and Conclusions

Impact of Organisation Structure on Market Penetration

Organisation Structure

Deeper Insights on organisational structure in **bold**.

Question		r	P value
Specialisation	OS1	-0.022	0.788
Relevancy of departments	OS2	0.23	0.004
Clear work-flow chart	OS3	0.209	0.009
Structures match change	OS4	0.135	0.094
Clear rules	OS5	0.326	<0.001
Coordination	OS6	0.147	0.066
Independent governance	OS7	0.349	<0.001
Clear reporting lines	OS8	0.248	0.002
Internal-external communication	OS9	0.251	0.002
Knowledge management	OS10	0.097	0.229
Transparent employee development	OS11	0.172	0.032
External organisation links and networks	OS12	0.244	0.002
Focus of employee structure and infrastructure	OS13	0.247	0.002

Impact of Organisation Structure on Market Penetration

Positive and significant impact insights

- Consistent with other studies; structure follows strategy Kaale (2012)
- Could significantly aid insurance firms in getting suitable structures that support their market penetration strategies (Maia, Iarozinski & Neto, 2016)
- Structuring departments, teams, and roles to ensure efficient market efforts.
- Insurance firms need to have clear flow charts, clear rules and well-coordinated in their implementation
- Have external links and networks they can leverage to penetrate the market.
- An effective organisational structure can enhance communication and decision-making processes.

Impact of Organisation Structure on Market Penetration

Positive and significant impact insights

- A flexible and adaptable structure is crucial in the insurance industry to respond to market dynamics, customer preferences, and regulatory changes that might impact market penetration success.
- Resource allocation within an organisation is influenced by its structure (Teece, 2007).
- A company's well-designed structure can impact employee motivation and engagement.
- An organisation's structure affects the firm's ability to form strategic partnerships and alliances
- A structure that encourages cross-functional collaboration can facilitate the establishment of such partnerships
- Experience and education can also enhance organisational structure.

Discussion and Conclusions

Impact of Organisation Structure on Market Penetration

Organisational Culture

Deeper Insights Organisations Culture highlighted in bold.

Question		r	P value
High honesty and trust	OC1	0.257	0.002
Open communication	OC2	0.269	0.001
Innovation and creativity	OC3	0.316	<0.001
Rewards performance	OC4	0.296	<0.001
Rewards innovation and creativity	OC5	0.232	0.004
Focus on profit	OC6	0.033	0.678
Considers impact on employees	OC7	0.143	0.076
Considers impact on customers	OC8	0.226	0.005
Attention to detail	OC9	0.307	<0.001
Respects employees	OC10	0.258	0.001
Good communication	OC11	0.229	0.004
Training and development	OC12	0.136	0.090
Encourages participation	OC13	0.288	<0.001
Respect superiors	OC14	0.333	<0.001
Respect for workers	OC15	0.305	<0.001

Impact of Organisation Structure on Market Penetration

Positive and significant impact insights

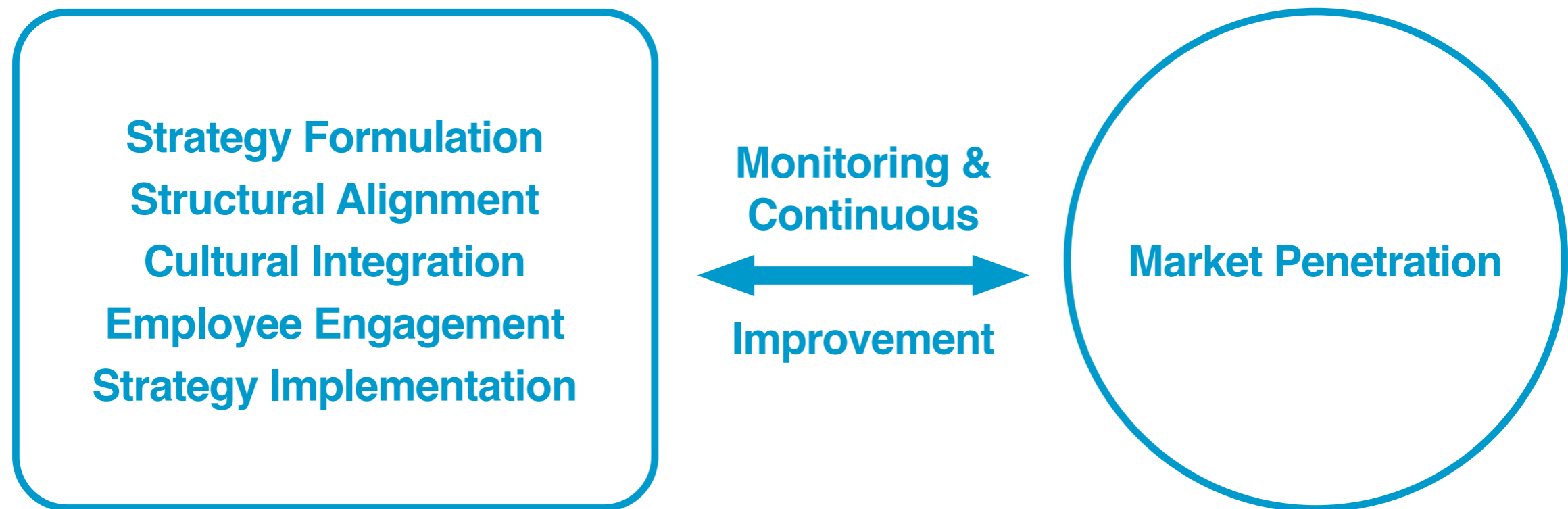
- Consistent with other studies Kotler and Keller (2016) asserted that when organisational goals are aligned with organisational culture, norms, and values, the organisation's primary mission may be effectively achieved. (Maina (2014)
- Devising and implementing a strategy successfully requires a strategy well aligned with organisational culture
- Appropriate culture that includes language, identity, authority, connections, group socialisation and behaviour standards, marketing messages, advertisements, publicity, terminology, products, customer service strategy, and customer focus (Hofstede, 2005).
- "Culture will eat strategy for breakfast" Peter Drucker

Impact of Organisation Structure on Market Penetration

Positive and significant impact insights

- Lack of trust in financial service providers, lack of reliable information, making it very difficult to assess people's creditworthiness, lack of awareness of insurance and its benefits, affordability of insurance products due to low-income levels, and related cultural difficulties, such as individuals avoiding thinking about terrible things
- Cultivating a culture aligned with clients' values encourages insurance product consideration, enhancing market penetration.
- OC is positively affected by respondents with experience of more than six years.

Strategic Model



Discussion and Conclusions

Strategic Model in Details

Structural Alignment

- Having departments and units which are relevant for the effective operations of an insurance firm.
- Having a clear and well-defined hierarchy, work, and process flow chart, fully understood by all employees.
- Creating appropriate structures to match the changes in strategy requirements.
- Having transparent systems of rules, regulations, policies, and procedures.
- Decentralising strategy implementation activities and well-coordinated across sections, departments and divisions and getting everyone included.
- Having corporate governance structures to ensure that the Board, Management, and Staff perform their functions independently and without interference.
- Having well-designed reporting authority and employees know their reporting lines.

Discussion and Conclusions

Strategic Model in Details

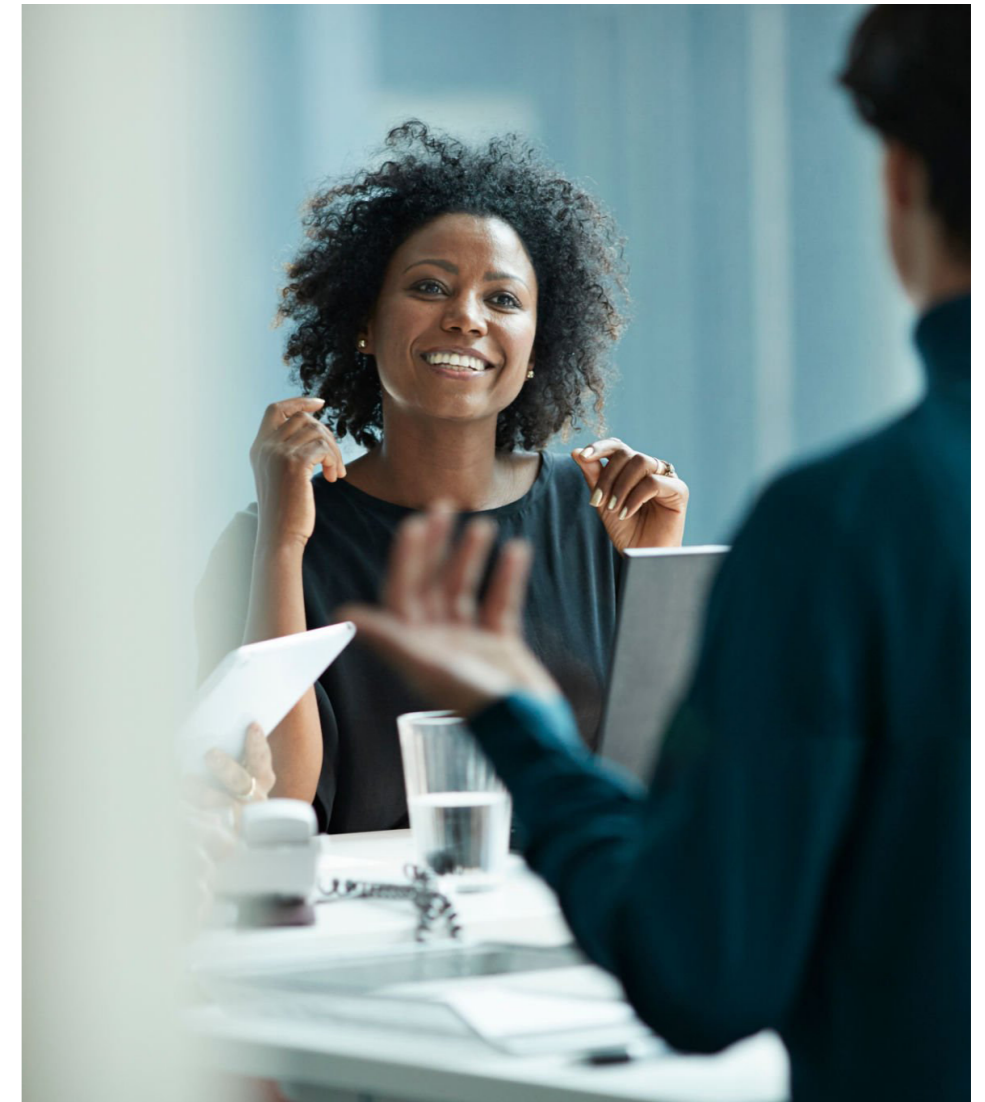
Cultural Integration

- Open communication across departments and command chains.
- Encouraging employees to be innovative and showcase their creativity and competencies among their peer groups.
- Having an organisation's rewards system based on employee performance.
- Rewarding innovative and creative employees who implement their ideas within the firm.
- Management decisions should take into consideration the impact of outcomes on employees.
- Management decisions should take into consideration the impact of outcomes on customers.
- The firms should fully respect employees' cultural norms and beliefs (i.e., religion, ethnicity, etc.) and not discriminate against anyone regarding promotions, rewards, remuneration, workload, etc.

Strategic Model in Details

Employee Engagement

- Organisations should encourage their employees to actively participate in the day-to-day running of the organisation through suggestions/ideas, etc.
- Having reasonable and well-structured internal communication procedures between hierarchies.
- Having active and deliberate programmes designed to meet employee development and training needs.
- Fostering respect between supervisors and staff.



Discussion and Conclusions

Strategic Model in Details

Strategy Formulation

- The model addressed strategy formulation and implementation by promoting structure flexibility and culture alignment to strategy.
- The model encourages insurance firms to design flexible structures that enable quick adaptation to changing market conditions.
- This aligns with Galvin, Rice and Liao's (2014) concept of dynamic capabilities in fast-changing environments.
- Culture guides firms in ensuring that their cultural values align with strategic goals. This alignment is critical in ensuring strategy execution is consistent with the company's ethos (Maina, 2014). The MSW framework can be utilised in strategy formulation.
- Firms should use models that work for them in formulating strategies.

Discussion and Conclusions

Strategic Model in Details

Strategy Implementation

- Clearly describing the vision of the future for the entire organisation.
- Devising a shared understanding that holistically allows employees to see how they contribute to the organisational success.
- Focussing change efforts by identifying lead indicators, investments, and initiatives that drive the organisation to long-term outcomes.
- Allowing organised learning at the executive level through a cause-and-effect approach, which permits organisations to test their strategies in real time as they learn. Such a model becomes a monitoring and evaluation tool for the organisation.
- Models like Making Strategies Work, Balanced Scored Card, etc.

Theoretical Implications

- Relevance of Established Theories
 - Dynamic Capabilities Perspective
 - Cultural Impact Revisited
 - Tailored Strategy Model
- Leadership Competency and Market Penetration
 - Application of the Institutional Theory on Structure

Practical Implications

- Organisational structure's strategic role – structure must follow strategy
- Culture alignment to success
- Leadership development
- Diversification of strategies and context adaption

Recommendations for Practice

- Cultivating cultures that seamlessly align with customer values, promote innovation, and uphold principles of transparency.
- Adapt and adopt the proposed model, customising it to their unique organisational dynamics to amplify market penetration efforts.
- Mentorship and Coaching - premised on the age and experience's significant effect on market penetration
- Market Exchange Programmes
- Leadership Development Programs

Policy Changes



- Encouraging Research and Knowledge Sharing.
- Support for Multigenerational Teams.
- Regulatory Sandboxes.
- Reviewing Leadership Recruitment Policies.
- Creating National Strategic Targets for Market Penetration.

Study Limitations

- The study focused exclusively on the insurance industry in Zambia
- The proposed sustainable strategic model for market penetration was developed based on findings from the Zambian insurance industry, raising questions about its direct applicability to other industries or geographical regions
- The study focused on respondents directly involved in strategy formulation and implementation in insurance firms in Zambia, potentially introducing bias by neglecting the perspectives of other firms' members who contribute to market penetration outcomes.
- The study relied on quantitative data and did not incorporate qualitative insights from interviews or validation studies.
- Although the SEM technique is a powerful statistical technique commonly used in the social sciences for modelling complex relationships among multiple variables (Cook & Forzani, 2023), it has some critics around its computational complexity, especially when dealing with large and intricate models and causal relationships (Hair et al., 2017).

Study Limitations

- While the study provided valuable cross-sectional insights, a longitudinal approach could have yielded a deeper understanding, for example, of how leadership competency evolves over time and how organisational structure and culture impact market penetration performance over time.
- The study did not extensively explore external factors such as regulatory changes, competitive dynamics, market trends, and demand-side factors, which could interact with organisational structure to influence market penetration outcomes.
- Despite these limitations, the study's findings provide valuable insights that contribute to understanding strategic factors' role in shaping market penetration strategies within the insurance industry and offer a foundation for future research

Recommendations for Future Research

- The future research can compare the impact of leadership competency across different industries within Zambia to identify industry-specific nuances.
- Comparative studies can be conducted that could include other industrial and geographical contexts.
- Avenues for further research could involve validating the model's applicability across different industries or geographical regions.
- Study the impact of specific regulatory changes on the insurance industry in Zambia and how insurance companies adapt their organisational structures and strategies in response to regulatory shifts.
- Conduct longitudinal studies to track the evolution of leadership competency, organisational structure, culture, and their impact on market penetration over time.
- Expand the scope of research to include other segments of the insurance industry, such as reinsurers, brokers, agents, industry bodies, and regulators

Summary

- This purpose of this study was to ascertain the key strategic drivers for market penetration in Zambia's insurance industry.
- The study had four objectives that sought to investigate whether leadership competency score (LS), organisational structure, and culture had an impact on insurance uptake or market penetration and propose a model for sustainable market penetration in Zambia's insurance industry.
- The study culminates by integrating the intricate findings illuminating the relationship between leadership competency, organisational structure, culture, and market penetration in Zambia's insurance industry.
- The insights collectively advocate for strategic adaptations and refined approaches that foster sustainable growth and strategic alignment. The research underscores the nuanced interplay between leadership competency and market penetration in the Zambian insurance sector.

Summary

- On the other hand, the study's findings show that organisational structure and culture have a positive and significant impact on market penetration, and so is age and experience, specifically those aged above 40 and employees with over six years of industry experience.
- The sustainable strategic model for market penetration underscores the essence of coherently aligning structural, cultural, and strategic elements for effective execution.
- This study delineates a transformative path forward for the Zambian insurance sector and beyond.
- High market penetration is surely the catalyst for economic resilience and positive social transformation.
- Given the significance of this study the industry is encouraged to invest and support research.

Q&A

Thank you

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