

Evaluating the Critical Success Factors for Kasra Insurance Company, and Providing the Appropriate Strategy for Company Based on the "SWOT" Model

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ABSTRACT

In today's world, the organizations are forced to adapt to their external environment and this will not be achieved except by utilizing an appropriate strategy which can identify each of the strengths, weaknesses, opportunities, and threats of organization and finally develop an appropriate strategy according to the current situation. The first concept of insurance and insurance companies which comes to mind is the risk and risk coverage. However, nowadays the scope of activity in insurance company is beyond the risk coverage and control, and it has been entered in the investing scopes. Therefore, the extensive activities of insurance companies are necessary for developing and implementing an appropriate strategy for the highly competitive today environment. In this paper, an appropriate strategy for the survival of Kasra insurance company in the competitive market is designed using the SWOT method to analyze the external and internal conditions.

KEY WORDS: Strategy; Strategic Planning; SWOT analysis.

INTRODUCTION

Each company which competes in an industry has a competitive strategy which requires timely and accurate management decisions. Decision making is the essence of management, and a director is who decides at any time and these decisions will lead the organization toward its goals and strategies. Therefore, developing the appropriate strategy in an organization is a bridge to achieve its objectives.

Nowadays, the strategic management is widely used in business cases. The strategic management should be considered as a set of decisions and actions which are applied by the directors in connection with all levels of organization. This set of decisions can lead to long-term activities in the organization. In an overall view, the strategic management process involves three steps: analysis and recognition, selection, and action. Nowadays, in the process of strategic management, a lot of approaches and techniques are used for analyzing and evaluating the strategies. Among these approaches, analyzing the strengths, weaknesses, opportunities, threats, or analyses of SWOT are more useful. SWOT summarizes the most important internal and external factors which could affect the future of an organization.

Literature of Subject

Strategy can be simplified to a set of patterns or a framework of special actions and activities which are inside it.

Determining the strategy is performed in various different ways. Determining the overall future goals and missions in some organizations is based on the personal opinion and judgment. In another way, managers determine the strategies of organization based on the previous applied strategies and with minor and gradual changes in them. There will not be mutative and extensive changes and the organization will gradually adapt to new conditions.

In another method, called the strategic planning, determining the strategies of organization is based on a certain regulation, and in this way, the specific steps are followed consistently; most of the management experts strategic have considered the strategic planning method as the most useful and effective practice for developing the strategy.

Indeed, the strategic planning process to make decisions about goals and comprehensive plans for achieving its operational and administrative goals.

Strategic planning is presented in the form of various models; and in this article we refer to one of the most common of them. This model is called the SWOT which evaluates the Strengths, Weaknesses, Opportunities, and Threats; and its name derived from the beginning letters of these four components.

Two types of studies are conducted in this model; first, the internal examination which includes the internal strengths and weaknesses of organization and provides an accurate assessment of resources and

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constraints of organization for management. The internal examination should be done with realism which means not exaggerating the strengths and ignoring weaknesses of organization. In such circumstance, the management can identify the facilities and limitations of organization properly and set up and run plans properly.

Second, the overall strategic plan calls for attention to the external environment of organization. Hence, the management evaluates the opportunities and threats of external environment after an internal review. The external evaluation makes the economic political, cultural conditions and..., and the competitors' position clear for the management. The art of strategic management is that the best combination, the management art is to obtain the best combination, which is the result of these investigations, for planning and thereby become familiar with the opportunities and threats for organization.

The nature of evaluating the external factors:

Evaluating the external factors aims to prepare a final list of opportunities which can be utilized and threats which can be avoided. By developing the strategies, organizations should be able to react defensively or offensively against these causes, so that the opportunities in the external environment will be utilized and the effects of potential threats be reached to the lowest possible level.

The external forces can be categorized into five groups:

1) Economic forces; 2) social, cultural, ecological, and environmental forces; 3) political and governmental forces, and law; 4) technological forces; and 5) competitive forces. Around the world, external trends and events have a lot of effects on the products, services, markets, and organizations.

External Factor Evaluation (EFE) matrix:

In order to evaluating the external factors, a large number of managers and employees should cooperate. Participation in the strategic management process can make members better understand the environmental factors, and commit themselves to their organization. In order to prepare the External Factor Evaluation matrix, the following five-step should be considered:

1. Known factors are listed after evaluating the external factors; the considered factors contain the factors which make opportunities or threaten the organization. First, the factors which make opportunities and position and then the ones which threaten the organization are written. As far as possible, we should be careful and if possible the comparable percentage, numbers, and ratio be used.

2. The weight or coefficient is given to these factors. These coefficients are from zero (not importance) to 1 (very important). The coefficient indicates the relative importance of a factor (in terms of being successful in the industry). Frequently, the factors which may make opportunity or situation will have higher coefficient (compared to the threatening factors). By comparing the organization with nearest successful and unsuccessful competitors, the weights or coefficients can be determined. The sum of these factors should be the number 1.

3. Each of factors which lead to success is ranked first to fourth, and this indicates the efficacy of current strategies of company in response to aforementioned factors. Number 4 means that the reaction has been very high, number 3 means higher than the average, number 2, approximately medium, and the number 1 means that the reaction is weak. These ranks are determined based on the effectiveness of organizational strategies. The rank within the organization and the coefficients (which were determined in step 2) are determined according to the industry.

4. The coefficient of each factor is multiplied in the relevant ranking in order to calculate the final score.

5. The total score of each of the variables are calculated in order to determine the total score of organization.

In the External Factors Evaluation matrix, regardless of the number of factors which make opportunities or threaten the company, the sum of final score will never be more than 4 or less than 1. The average of this average will be 2.5. If this number rises to 4 means that the organization will respond excellently to the factors which lead to the threats and opportunities.

The nature of evaluating the internal factors:

Each organization has its strengths and weaknesses in the field of their functional units; and in addition to the opportunities and threats of external environment, developing the strategy should be based on the goals, strengths, capacities and capabilities of a business. Strategists try to benefit from the internal strengths and eliminate the weaknesses while determining the long-term goals and strategies of organization.

Generally, the major internal factors in each organization include: marketing, finance, accounting, management, computer information systems, and production (operation).

Internal Factor Evaluation (IFE) Matrix:

This matrix develops and evaluates the main strengths and weaknesses of functional units, also offers ways to identify and assess the relationships among these units.

Deep understanding of these factors is more important than the Facts and Figures. The Internal Factors Evaluation matrix can be prepared by five steps. These five steps are as follow:

1. The most important factors are listed after evaluating the internal factors. These factors should include the strengths and weaknesses of organization. First, the strengths and then weaknesses will be written. Using the percent, the ratio and relative numbers should be accurate if possible.

2. These factors will have the coefficient, from zero (not importance) to 1 (very important). The considered coefficient for each factor indicates its relative importance in the success of company in the industry. Regardless of whether the intended factor is considered as the internal strength or weakness of organization, the factor which has the greatest effect on the performance of organization, should have the highest coefficient. The sum of these factors must be equal to one.

3. The score 1 to 4 is given to each of these factors. Score 1 indicates the fundamental weakness, Score 2: low weakness, Score 3: strength, and Score 4: high strength. Score are placed based on the activity of company, and the coefficients (which were given in the second step) are based on the industry.

4. In order to determine the final score for each factor, the coefficient of each factor is multiplied on its score.

5. The final total score for each factor is calculated in order to determine the final score of organization.

Regardless of the number of elements which are included in the internal factors evaluation matrix, the final total score will be among 1 to 4, and its average will be 2.5. If the final score of organization is less than 2.5, it means that the organization is weak in terms of internal factors. And if this score is higher than 2.5, it indicates that the organization has strength in terms of internal factors.

Meanwhile, it should be noted that the strategists will never consider all possible options and ways which are beneficial to the organization. Therefore, an attractive and workable set of strategies (which can be applied to the efficient management) is considered.

Threats, Opportunities, Strengths and Weaknesses (SWOT) Matrix:

This Matrix is one of the important tools by which managers compare the information and can provide four types of strategies: SO strategies, WO strategies, ST strategies, and WT strategies.

In implementing the SO strategy, the organization is trying to benefit from the external opportunities by using the internal strengths. All managers prefer their organization to be in a position in which they will be able to benefit from the external events and trends by using the internal strengths. The organizations usually apply the ST, WO or WT strategies until they are able to use SO strategies.

The WO strategy aims to improve the internal weaknesses by utilizing the opportunities.

By implementing the ST strategies, companies try to reduce or eliminate the effects of current threats on the environment by using their own strengths.

The organizations which implement the WT strategies are defensive and aim to reduce the internal weaknesses and avoid the threats caused by the external environment.

To build such a matrix, 8 steps should be passed:

1 - A list of major opportunities, which exists in the external environment of organization, is prepared.

2 - A list of major current threats in the environment of organization is prepared.

3 - A list of major internal strengths of organization is prepared.

4 - A list of internal weaknesses of organization is prepared.

5 - The internal strengths and external opportunities are compared, and the results are written in the relevant "SO strategies" box.

6 - The internal weaknesses are compared with the current opportunities outside of the organization, and the result is written in the "strategies WO" Group.

7 - The internal strengths are compared with the external threats, and the result is written in the "Strategies ST».

8 - The internal weaknesses are compared with the external threats, and the result is written in the "Strategies WT» group.

Chart 1: Threats, Opportunities, Strengths, and Weaknesses (SWOT) Matrix

Should be empty	Strengths - S The Strengths are listed	Weaknesses – W The Weaknesses are listed
Opportunities - O List of Opportunities	SO Strategies We utilize the opportunities by using the strengths	WO strategies We eliminate the weaknesses by utilizing the opportunities
Threats – T The chance for threats	ST Strategies We utilize the strength in order to avoid the threats	WT Strategies We decrease the weaknesses and avoid the threats

In each stage, two factors are compared with each other; the goal is not to identify the best strategies, but applicable strategies should be determined, so all strategies, which are offered in the Threats, Opportunities, Strengths, and Weakness matrix, will not be implemented and run.

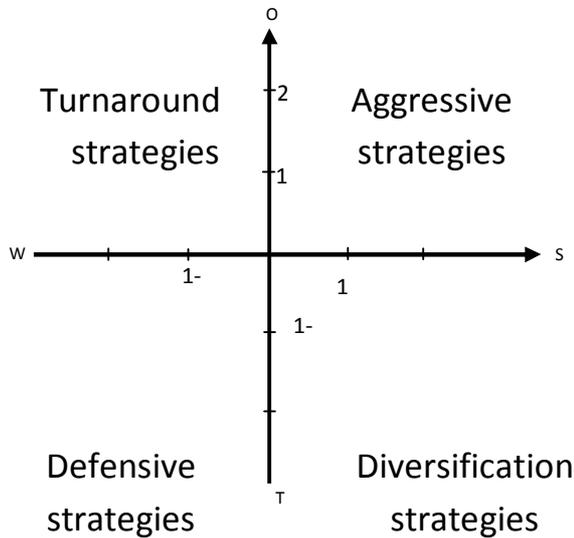
SWOT model is a systematic comparison of external key opportunities and threats with internal weaknesses and strengths, and is implemented to determine one of four models among the internal and external positions. These patterns lead to strategies which offer the following cases:

First place: recommends an aggressive (developmental) strategy.

Second place: recommends the Diversification strategy.

Third place: supports the Turnaround strategy.

Fourth place: recommends the defensive strategy.



SWOT analysis

Case Study: Kasra Insurance Company

Company Introduction: This research as a field research, and by described cases in theoretical framework of plan, has been done in Kasra insurance company. (Note that due to the managers' unwillingness to mention the name of company, the assumed name, Kasra insurance company is used)

In 1383, Kasra Insurance Company began its activities with a capital of over 1000 billion Rials in the insurance industry. Kasra Company directors claim that this insurance company is a pioneer in the field of electronics throughout country, and is working in this dynamic and competitive market with having the most advanced information technologies; utilizing the knowledge, experience, and efficient human resources; with global connections and great international colleagues, and with ideals such as assuring the insured people; development, entrepreneurship, productivity and integration of systems; creating the economic value added for all stakeholders, and...

Kasra insurance company offers a variety of insurance services with a full insurance coverage in the form of an insurance portfolio. However, to survive in the highly competitive insurance industry, this company is faced with the opportunities and threats, and in order to encounter this environment need to identify its own strengths and weaknesses, these indicators are listed in the following tables.

Table 1: Internal Factors Evaluation Matrix (IFE) of Kasra Co.

Strengths:				
No.	Status Description	Rate	Score of status quo	Weighted Score
1	Having a capital of over 1,000 billion Rials	0.045	4	0.18
2	Having the most educated MA. And higher, or first rank Staff than all insurance companies	0.04	3	0.12
3	Have the significant information technology infrastructure and the first rank in this regard among the insurance companies	0.055	4	0.22
4	Attract and recruit the experienced managers of famous companies, in the technical and staff structure	0.04	3	0.12
5	Having the rank six in the insurance industry in terms of export insurance	0.035	3	0.105
6	Outsourcing the payment of car losses of company	0.04	3	0.12
7	Providing the new insurance to the validated customers	0.045	3	0.135
8	High potential for changing the portfolio	0.045	4	0.18
9	lower costs than rivals	0.055	4	0.22
10	After Sales Services, in form of insurance case maintenance	0.03	3	0.09
11	compensation Management and timely compensation for losses	0.055	4	0.22
Total Scores of strengths				1.71
Weaknesses:				
No.	Status Description	Rate	Score of status quo	Weighted Score
1	Not using the traditional methods in offering the insurance policy	0.035	2	0.07
2	Not having any branches in various provinces	0.065	1	0.065
3	Less Work Experience compared with public companies	0.04	2	0.08
4	Lack of customers familiarity with company	0.06	1	0.06
5	Necessity to increase the number of company agencies	0.045	2	0.09
6	Inappropriate Insurance Portfolio	0.05	1	0.05
7	Undesirable Reserve resources management	0.065	1	0.065
8	High risk in the insurance portfolio	0.045	2	0.09
9	Lack of sufficient marketing efforts by the company management	0.05	1	0.05
10	Not enough advertising compared to the rivals	0.045	2	0.09
Total Scores of weaknesses				0.71
Total available Scores				2.42

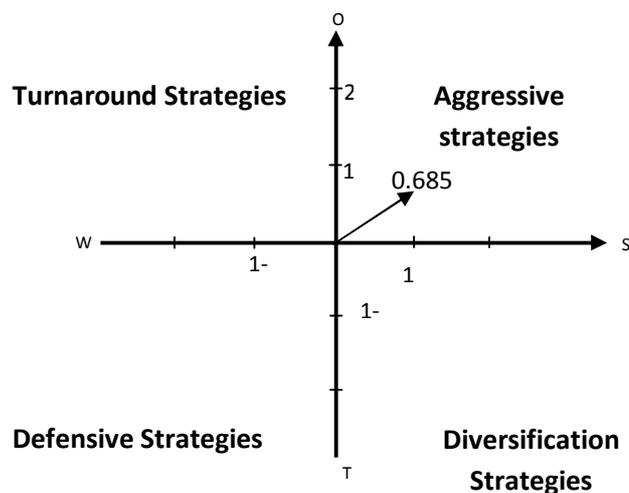
Since the total weighted score should be at least 1, maximum 4 and 2.5 in average, and the obtained scores for Kasra insurance company is estimated 2.42, so this company is weak based on the internal factors.

Table 2: External Factors Evaluation Matrix (EFE) of Kasra Co.

Opportunities:				
No.	Description of Status	Rate	Score of status quo	Weighted Score
1	imposed Sanctions on the insurance industry and utilizing the capacity of company to absorb these insurance policies	0.065	4	0.26
2	The possibility that the reinsurance be accepted by abroad	0.055	4	0.22
3	Government Emphasis and support of insurance industry	0.04	2	0.08
4	Compulsory insurance plans such as building quality insurance	0.06	4	0.24
5	Utilizing the scientific and research capacity of Insurance Institute and other research centers of insurance industry	0.05	3	0.15
6	The possibility to work in neighboring countries, and the large potential market in these countries	0.04	3	0.12
7	Increasing the public demand	0.055	4	0.22
8	Necessity of new insurances in the future	0.055	4	0.22
9	Legal supporting of workers and Labor unions	0.035	2	0.07
10	Connecting to all information systems of insurance in the country	0.04	3	0.12
Total Scores of Opportunities				1.7
Threats:				
No.	Description of Status	Rate	Score of status quo	Weighted Score
1	Making the insurance Tariffs free	0.07	1	0.07
2	Emerging new competitors to the insurance industry	0.055	2	0.11
3	Decreasing the Price by some companies in order to attract the insurance policies	0.05	2	0.1
4	Current barriers to assign the reinsurance to foreign companies	0.045	3	0.135
5	Current barriers to charge money of foreign firms for major projects	0.03	3	0.09
6	Targeted subsidies and its possible effects on some of courses	0.075	1	0.075
7	Low-income level in the community	0.035	3	0.105
8	International sanctions	0.04	3	0.12
9	Iran joining to WTO (World Trade Organization)	0.050	2	0.1
10	Lack of market development consideration	0.055	2	0.11
Total Scores of threats				1.015
Total available Scores				2.715

As it can be seen, the obtained scores by this unit against the external factors is 2.715 which is higher than the average (2.5), and this means that the position of organization in the industry has been higher than average, and the organization response in utilizing the Opportunities and minimizing the threats has been favorable.

After reviewing the internal and external factors and obtaining the weighted scores, the graph of SWOT analysis for Kasra insurance company was extracted as follows.



SWOT analysis graph of Kasra insurance Co.

As it can be seen, the aggressive strategies are ultimately recommended for the implementation in Kasra insurance company.

In this strategy, Kasra insurance company should utilize the current opportunities in order to improve internal weaknesses and totally have more control over the internal and external environment.

Conclusion and Suggestion

The factors affecting the success of company were analyzed and the aggressive strategy suggested; the offensive strategy includes the market development, market penetration, product development, product diversification and....

It should be noted that in the aggressive or prospective strategy, the organizations are innovative in producing goods or providing services as well as market development. They are aggressively pursuing new market opportunities and ready to take risks. The organizations which have high administrative, structural and technological flexibility in response to high changing environment (dynamic), apply this strategy. The first step is to create barriers for new competitors' presence: Since the stable companies in market have known brand and consumer confidence, which is rooted in its past advertising, customer services, and a variety of products, the product diversification creates a barrier to new competitors' presence (Michael E. Porter, The competitive strategy). Therefore, Kasra insurance company should be innovative in providing new services to its customers, according to its appropriate capital and the market need for providing new insurance services, thus not only the new companies will have to spend much costs in order to cope with these new services, but the company also will have a powerful competitive weapon, called innovation, against the potential competitors in the market. Finally, it is suggested that due to rapidly changing environment (both internal and external environment), these research activities are carried out periodically in order to maintain their effectiveness in the process of organization activities.

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