Abstract:

The main purpose of this research project was to develop a corporate strategy for Asia Pacific Insurance Corporation (APIC). This research was a descriptive case study, guided by a strategic management process model. A SWOT analysis tool was used to describe the strengths, weaknesses, opportunities, and threats.

Research Findings

The study had several findings in terms of industry success and competitive factors, strengths and weaknesses, and opportunities and threats.

APIC has a written mission statement containing the company vision, goals, and values. These values act as the driving purpose for the company. However, the mission is directly adopted from the parent company without adjusting to the local conditions of the Philippine market. Employees are not incorporated into the mission statement on their role considered in achieving the mission.
Company Strengths and Weaknesses

Strengths were cited in the planning aspects and adaptability to change. However, weakness was evident in motivation factors. Further weakness showed up that management was reactive rather than proactive. Employees were not sure they were motivated.

Analysis of human resource management revealed both strengths and weaknesses. Major strengths were that employees are relatively young; and 95% of them are with first degrees. Weaknesses were found in the compensation section. Half of the employees perceive themselves as underpaid compared to the industry standard, and 58% felt they are compensated unfairly.

The analysis revealed both marketing management strengths and weaknesses. Major strengths were that APIC has recently opened nationwide sales offices. APIC is strategically located in the economy. Two major weaknesses were identified. First, APIC is limited in its offerings. It does not offer many lines of motor business and it does not offer surety business at all. Second, the distribution channel of APIC, in terms of agents, is weak compared to the industry.

Financial performance analysis also revealed some strengths and weaknesses. Financial strengths shows that APIC has also some level of financial efficiency in its activity ratios, as evidenced by improved average collection period. Networth to asset ration showed a significant recovery in 1993.

Major financial weaknesses of APIC lie in its profitability and liquidity ratios. Both of these ratios were found to be below the industry averages. APIC’s total asset continued to decrease. There was also a decrease in net worth as represented by the head office account.
External Opportunities and Threats Factors

External opportunities and threats involve both the microenvironment and the macroenvironment. Microanalysis reveals that there are opportunities because the industry is growing as evidenced by the industry performance. The industry is profitable as evidenced in the average industry net profit annually of P6.2 million. Only 5% of the country population is insured with non-life insurance. There is patently room for innovative insurance.

The microenvironment analysis reveals both opportunities and threats. Political opportunities emerge from the fact that the capital requirement has increased from P10 million to P75 million of paid-up capital and P25 million of contributed surplus capital. The greatest threat is posed by regulating impacts, requiring claims to be paid within 60 days of launching the claim.

Philippine economic indicators, show that the economy is growing and performing well. A major potential threat is the effects of GATT ratification by the Philippine government. If many domestic industries cease to be competitive because of cheaper imported goods this could slow the economic growth and drain the country of foreign reserves.

Sociocultural strengths are likely to emerge from increased GNP and disposable income. Philippine spending style and attitudes are likely to change towards increased property ownership, hence need for property insurance. A high number of the population is not insured, as evidenced by a 5 percent level of population insured with non-life.

Potential threats come from the fact that some insurance firms do not deliver services contracted. This erodes the customers’ confidence in the industry.
Technology brings the opportunities of networking between the head office and diverse branch operations. Furthermore, integrating functional areas with underwriting operations increase operating efficiency.

New technology creates a major threat of long-term consequences that are not always foreseeable. Every new technology is a force for “creative destruction.”

Conclusions

In view of the mission statement and the concern of management for growth through the market share, an intensive growth strategy was developed for APIC. The strategy capitalized on organizational strengths; in terms of organizational planning, adaptability to change, and leadership capabilities. The strategy would also address the weaknesses described in the marketing management. The focus of the plan is on recruiting 20 ordinary agents every year for five years in order for the company to increase its growth and market share. This strategy shall yield long-term returns to the owners and employees, in conformity to the mission statement.