The Use of Weak Signal in Strategic Scanning to Turn Covid Threat to Opportunity: A Case of Health Insurance Business in Thailand

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ABSTRACT

Weak signals are hints of the future to come. Being able to recognize weak signals requires proactive scanning and communication within office units to predict potential changes. This study researched how weak signals could be used for product development within the health insurance business to develop methods to change threats into opportunities. Weak signals literature, news, and grey literature was reviewed for its usage in strategic scanning and competitive strategy. Primary data collection was done using group interview by purposive sampling of 15 managers and team members of Thai and international insurance organizations. The results showed that weak signals were used in strategic scanning while believing it is useful. Furthermore, use of weak signals in health insurance business can help address crises like COVID-19 through risk mitigation and scenario planning. Interviewed members shared their venture into new product development which provided new business opportunities, innovation and lost prevention. Use of weak signal for strategic scanning for the health insurance business can provide increased opportunities for innovation. Comprehensive and holistic strategic scanning and weak signal tools and training, including short-term and long-term, provides insurance business with a competitive advantage and risk mitigation methods.

KEYWORDS: COVID-19; Insurance Industry; Weak Signal; Strategic scanning

Introduction

This research evaluates the problem of how strategic scanning in Thailand's insurance industry can be improved. The focus of the research is the use of weak signals, which were originally defined as vague or ambiguous information which could lead to strategic advantage if observed and acted on effectively (Ansoff, 1975). A more refined definition is that weak signals are future signs, which only become important when it is recognised, signified and then acted upon (Kuusi & Hiltunen, 2011).

Weak signals may be initially recognised as a hunch or feeling in the mind of the strategist, which brings together industry and regulatory news, trends, gossip, and other observations along with the experience of the observer (H. Lesca & Lesca, 2013). Weak signals can be used as the basis of a strategic scanning process, in which the organization seeks to proactively identify and respond to upcoming competitive changes (Blanco & Lesca, 1997; H. Lesca & Lesca, 2013). This utility of weak signals for this strategic scanning process is the focus of this study. Specifically, it

addresses the usefulness of weak signals for addressing the COVID-19 pandemic, which posed some significant challenges for insurance companies including higher transmission and mortality rates than typical infectious seasonal diseases (Baud et al., 2020; Liu et al., 2020). Thus, insurance companies had to respond to a rapidly changing environment and crisis conditions.

The study focuses on Thailand's life insurance sector, specifically health insurance. In 2021, the life insurance sector of Thailand's insurance market grew by an estimated 2.32%, but this growth hid significant structural challenges in the market which led to several companies either ceasing to operate or consolidating with other companies (Boonsong & Viriyubusaya, 2022). The health insurance sector remains a relatively small proportion of the life insurance market, with direct premiums of 18,738 million baht (or about 7.1% of the life insurance industry's estimated direct premiums of 262,746 million baht) (Boonsong & Viriyubusaya, 2022). However, its rate of growth has been significantly higher in recent years than the average, with direct premiums rising 19.87% between 2020 and 2021, compared to 4.01% on average for the market (Boonsong & Viriyubusaya, 2022). Thus, the health insurance market is of particular importance in the insurance industry because of its current popularity, as well as its vulnerability to shocks such as the COVID-19 pandemic.

Thailand's insurance industry, while growing, had faced huge lost during and after COVID-19 lump-sum claims of 140 billion baht and 4 insurance companies filed for bankruptcy (Or, 2022; Phoonphongphiphat, 2022). The companies were not able to anticipate the risk of their new products which was health insurance scheme for COVID-19 infection insurance. Companies, that sold "COVID-19" insurance, took a lost when Delta wave hit of the population who bought COVID-19 insurance had claimed their benefits. Health insurance business developed their 'COVID-19" insurance could not foresee the impact from the environment. This research provides a learning lesson for the insurance industry but also for all businesses to be proactive in scanning the total environment which may seemingly be unrelated but has an impact to their product or services.

In keeping with the problem of the research and its environment, the objectives of the study included: 1) investigating weak signals and their potential for strategic scanning in the health insurance industry; 2) examining how weak signals could be used to address crises like COVID-19; and 3) investigating how weak signals can be used to turn competitive threats into opportunities. The literature review addresses the core theories and evaluates the issues that are addressed here.

Purposes

1) investigating weak signals and their potential for strategic scanning in the health insurance industry; 2) examining how weak signals could be used to address crises like COVID-19; and 3) investigating how weak signals can be used to turn competitive threats into opportunities.

Benefit of Research

The usage of weak signals in health insurance business can help address crises like COVID-19 through risk mitigation and scenario planning. It also provides increased opportunities for product innovation. That is the transformation of competitive threats to competitive opportunities

Research Process

The study used a qualitative research approach to investigate how companies are using weak signals in the context of the COVID-19 pandemic. The two-stage research process began with a secondary document review on the use of weak signals in the insurance industry, then continued to exploratory interviews with representatives of 15 health insurance companies operating in Thailand.

The first stage of the qualitative research process involved a review of news sources and so-called grey literature (which is published by non-academic sources) (Schmucker et al., 2013). Academic sources were excluded because to date there have not been any papers published on the research topic. Sources were collected from 2019 to 2020, including articles about the use of weak signals for pandemic conditions generally and COVID-19 specifically, and how these weak signals could be used for strategic scanning and competitive strategy. The widespread approach to data collection was intended to address the problem that academic research has not had time to catch up to the emergent situation of COVID-19. The sources were then analysed using qualitative content analysis (Schreier, 2012).

In the second stage of the qualitative research, the researcher conducted group interviews with 15 representatives of health insurance companies who are involved in product design, marketing, or strategic direction of the firm (Beitin, 2012). Qualitative method using cases that were insightful, articulate and honest (Robinson, 2014) was chosen for its ability to understand ideas and experience that are relevant to product development and weak signals recognition. Focus group interview method is able to capture individual ideas and words that includes their thoughts and feelings (Alshenqeeti, 2014) while sampling a specific population 'focused' on the topic (Barbour & Scholstak, 2005) Furthermore, de Almeida and Lesca (2019) suggested that for weak signals (as an input) to work, it requires a collective sense making to formulate the future potential outcomes. Thus, firms, including Thai and internationally owned insurance companies, to provide a range of perspectives were included. Samples were selected from health insurance members who were involved in product development. Members who do not work in product development team was excluded in the study since the study is focused on opportunities from using weak signals. The interviews addressed three exploratory questions, which were: 1) Does your company use weak signals? If so, how? 2) During COVID-19, did your company adopt weak signals for strategic scanning? If so, how? 3) What opportunities did your company gain from using weak signals for strategic scanning? The interviews were analysed using qualitative content analysis (Schreier, 2012), and findings were integrated with the document review from the first stage of the research. Manual thematic analysis was done on the data collected for common themes and patterns.

Population and Sample

15 representatives of health insurance companies who are involved in product design, marketing, or strategic direction of the firm; a review of news sources, weak signals research and so-called grey literature

Instruments

Qualitative research approach, qualitative content analysis, group interviews, Focus group interview method, collective sense making

Conclusion

The study revealed that weak signals, despite their potential, have seen limited adoption in the health insurance industry of Thailand. *Interviewee said "We actually have a team call "NEWS tracking" which responsible for collecting and analyzing all news that happen every day."* While some said that they were not sure what they did here could be called weak signal. They did have their responsible unit to track down those kinds of information and trend. But they didn't actually call it weak signal." Many companies still rely on traditional, reactive strategies for decision-making rather than actively scanning for weak signals. The study's findings could inform the insurance companies in their approach to using weak signals for crisis management, specifically in the context of health insurance in Thailand. There are many aspects to be comprehended such as Proactive Risk Mitigation, Scenario Planning and Preparedness, Policy Adjustments, and Resource Allocation. The responses from the interviews demonstrate that these companies have effectively used weak signals not only to address potential competitive threats, such as the onset of COVID-19 but also to create new business opportunities. They leveraged these signals for early response, scenario planning, loss prevention, market expansion, product development, and innovation. This aligns with the idea that weak signals can be invaluable for transforming potential threats into opportunities in the dynamic landscape of the health insurance industry.

This research has investigated how insurance companies could use strategic scanning and weak signals to turn the threats posed by the global COVID-19 pandemic into a competitive advantage. So far, it is very early to determine this from extant examples, but it is clear that strategic scanning and weak signals could allow insurance companies to identify emerging threats and evaluate how they could also pose competitive opportunities. However, in order for this to occur, the insurance company – or any other firm – needs to be using strategic scanning and monitoring weak signals in a comprehensive, holistic way that evaluates both short-term and long-term emergence of competitive threats in multiple domains. The best available evidence suggests that firms do not, in fact, do this (or at least do not admit to doing so). This could be for competitive reasons, because they are not required to disclose, or because the firm focuses in specific, narrow threat domains or because managers have cognitive limitations on their monitoring and processing of the environment. While there obviously must be some limitations on the breadth of competitive and strategic scanning, if nothing else the COVID-19 pandemic has shown that some emergent threats will affect every sector of the economy.

As high-reliability organizations with a long-term time horizon, insurance companies should be expected to be using weak signals detection and strategic scanning to identify upcoming pandemic threats and responding to them. Thus, it is a question for further research to assess why, exactly, insurance companies use strategic scanning (or conversely do not use it) and what effect this choice has on their competitive position. There are also other opportunities that can address the limitations of this study. Particularly, a retrospective study after initial release of annual reports and disclosures of insurance firms and others could yield more information about how firms were using strategic scanning and what (if anything) was detected about the COVID-19 pandemic. This should be a top priority to improve corporate governance and long-term strategic

planning for firms in many sectors of the economy, including insurance firms.

Recommendation

For a more compelling argument, the paper could benefit from real-world case studies or empirical data to support the claims made. Providing more concrete suggestions or examples of how firms can overcome these barriers would be valuable. The evidence that is available shows that the COVID-19 pandemic will absolutely change the operating and competitive conditions of companies in all sectors. This includes everything from consumer preferences and priorities (ReD, 2020) to significant changes in the competitive environment (Momaya, 2020) to what kinds of environmental factors firms look for (Bryce et al., 2020). Thus, there is the possibility that weak signals could be used as part of the strategic scanning process to both identify future threats like the COVID-19 pandemic and to identify competitive opportunities in the wake of the current pandemic. However, to do so, it is essential that firms implement extensive generally, not just for environmental health and pandemics.

strategic scanning processes that include global public health indicators (Bryce et al., 2020; Candelon et al., 2020; Srinivasan, 2020).

This does raise the problem of how firms should implement such programs if they do not have in-house knowledge. Simply, firms must reach beyond the comfort zones and personal knowledge of managers, which all too often represent barriers to implementation of comprehensive strategic scanning programs (Holland, 2019; N. Lesca et al., 2012). For some firms, the use of outsourced strategic scanning tools and processes could be part of the solution (N. Lesca & Caron-Fasan, 2008). For others, developing this in-house knowledge may be appropriate, especially since it is not only pandemic and global health knowledge that needs to be considered. As some authors have pointed out, environmental issues also need to be considered as weak signals that affect the competitive environment, and these signals may also be overlooked (Momaya, 2020). Thus, this is a problem that needs to be solved more.

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