COMPETITIVE STRATEGIES ADOPTED BY THE LOCAL AUTHORITIES PROVIDENT FUND (LAPFUND), KENYA

BY

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DECLARATION

This research project is my original work and has not been submitted for a degree in any other University.

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this work to my dear wife Susan, my daughter Wendy, my son Wayne, my ever encouraging mother Lucia and my father Daniel who have been the source of my motivation, encouragement and inspiration.

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Abstract

The need to have public institutions that are well managed cannot be overemphasized. Well functioning retirement benefit schemes that deliver quality services consistent with customer preferences while managing fiscal resources prudently is considered critical to the citizenry, and Kenya's and World Bank's mission of poverty alleviation and the achievement of the Millennium Development Goals. All over the world governments are realizing the important part played by retirement benefit schemes in alleviating old age poverty and are increasingly investing heavily in them. This paper explores the competitive strategies adopted by the Local Authorities Provident Fund (LAPFUND), Kenya and the challenges faced in adopting the strategies. Competitive strategy refers to creating and maintaining a competitive advantage in each and every area of business aimed at maintaining a competitive edge in the market. The case study sought to investigate the experience and an in-depth understanding of competitive strategies at LAPFUND. It had the objective of determining the competitive strategies adopted by the company and the challenges faced in adoption of the strategies. This study used primary data. The data was obtained from personal interviews guided with pre-prepared interview guide consisting of open ended questions. The primary data collected was qualitatively analysed to determine the factors that favoured the success of the strategies adopted by the company. The research findings indicate that the Local Authorities Provident Fund has not taken a blind adherence to one strategic approach, but rather consistently adopted a combination of all the three generic competitive strategies i.e. overall cost leadership, differentiation and focus. Adoption of low-cost strategy meant that LAPFUND was in a stronger position to resist all the competitive forces, outperform its rivals and erect barriers to entry that helped to protect the organization’s long term position. Other strategic choices like strategic alliances and outsourcing have also been adopted. The findings indicate that the Fund has faced various challenges in the adoption of these strategies. These include the limited opportunities of sector growth where new entrants are able to gain ground only at the expense of the Fund (zero-sum game), difficulties of sustaining the low-cost strategy in the long run, the difficulties of achieving true and meaningful differentiation, the risk of creating differences that customers don’t value, amongst others. The paper concludes that regardless of the wide variety of variables and industry situations faced by managers, there are in practice only a limited number of strategic options. The author at the end has proposed some recommendations for strategic approach in adopting the competitive strategies. There are also some suggestions made for future areas of research in this field.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The world is now rapidly changing and according to Anyango (2005), all organizations lend themselves to external environment which is highly dynamic and continually presents opportunities and challenges. Organizations being environment dependent have to constantly adopt activities and internal configurations to reflect the new external realities and failure to do this may put future success of an organization in jeopardy (Aosa, 1998). Decisions generate action that produces results. Organizational results are the consequences of the decisions made by its leaders. The framework that guides and focuses these decisions is strategy. The framework that guides competitive positioning decisions is the competitive strategy. The purpose of its competitive strategy is to build a sustainable competitive advantage over the organization's rivals. It defines the fundamental decisions that guide the organization's marketing, financial management and operating strategies (www.threesigma.com).

Mobilization of resources for national development has been a central issue for policy makers in many countries. The role of savings in economic growth has therefore been given considerable attention given the fact that for any sustainable growth and development, resources must be effectively mobilized and allocated efficiently so as to achieve the growth objectives. One of the avenues of mobilizing resources is through retirement benefits schemes. Many countries both in developed and emerging markets have seen a rapid growth in the number of retirement benefits schemes as well as the value of the retirement benefits assets. This has been most notable following the pension reform which has seen the shift in the finance of the retirement income from pay-as-you-go (PAYG) to funding (Keizi, 2006).

The retirement benefits industry has witnessed a phenomenal growth since 2000 when the RBA Regulations took effect. Competition has tripled and hence brought in new players. According to the Retirement Benefits Authority statistics, the total number of occupational schemes is currently indicated at 1,216. The investment portfolio stood at Kshs. 403 billion as at December 2011.On average, 60 new occupational schemes have been established each year since 2000 (http://www.rba.go.ke)

Keizi (2006) identified various challenges facing retirement benefit schemes in their investment functions which include lack of liquidity, unethical behaviour among stock brokers, high stock brokerage costs, inhibitive regulations, trustees' limited understanding of risk-return relationship, and limited investment products among others. Risks faced include inflation, market volatility, political risk, and competition risk among others.

1.1.1 Competitive Strategies

Competitive strategy refers to how a company competes in a particular business. Competitive strategy is concerned with how a company can gain a competitive advantage through a distinctive way of competing Porter (1980). Competitive strategies, also referred to as business strategy, is concerned with how a firm competes in a given industry or market. Thus competitive strategies are concerned with one crucial question; how should we compete?

According to Bourgeois (1980), the purpose of a competitive strategy is to build a sustainable competitive advantage over an organization's rivals. Competitive strategy is concerned with 'creating and maintaining a competitive advantage in each and every area of business aimed at maintaining a competitive edge in the market. A competitive strategy defines the fundamental decisions that guide the organization's marketing, financial management and operating strategies. Successful competitive strategies and functional strategies add value in ways which are perceived to be important by the company's shareholders, especially its customers and which help to distinguish the company from its competitors.

Hitt (1997) holds that a winning competitive strategy is always founded on consistently understanding and predicting changing market conditions and customer needs.

Competitive strategies are the method by which you achieve a competitive advantage in the market. There are typically three types of competitive strategies that can be implemented. They are cost leadership, differentiation and a focus strategy (Porter, 1980). A mixture of two or more of these strategies is also possible depending on your business' objectives and current market position.

1.1.2 Retirement Benefits Sector in Kenya

Generally, retirement benefit schemes also known as pension plans, systems, schemes or funds are arrangements created by governments or employers under which persons are entitled to benefits in the form of payments upon retirement, death or termination of service. Pension is the income one receives after attaining retirement age Keizi (2006). A pension scheme can also be viewed as an investment vehicle which seeks to provide individuals with a sufficient and consistent source of income after retirement when they are no longer earning a regular income from employment.

The core functions of retirement benefit schemes have been identified as reliable collection of contribution; payment of benefits for each of the scheme members in a correct way without any side-payments; secure financial management and productive investment of provident and pension fund assets; maintaining an effective communication network, including accurate data and record keeping; and production of timely benefit statements and relevant financial statements and reports (Asher & Nandy, 2005). Retirement benefit schemes can be classified in various forms: - Public pension funds: which are funds regulated by public law, such as the National Social Security (NSSF). Occupational Pension Schemes: which are schemes sponsored by an employer, hence they are only open to the employees of that specific organization. Individual pension plans: which are schemes operated by an independent entity and are therefore open to all individuals (http://www.octagon.com).

Pension schemes, as we know them today in Kenya, can be traced back to the colonial period. The only pension schemes that existed were provided under Civil Service Scheme Pension Act CAP 189 of 1948 and the establishment in 1929 of a pension scheme to cover the only local authority then, Nairobi. This covered the colonial workers in the civil service and the Municipal Council of Nairobi. The legal framework of the industry is governed by the Retirement Benefits Act No. 3 of 1997 which also established the Retirement Benefits Authority (RBA), the Industry regulator (Sundeep, 2008).

The main functions of the RBA are to regulate and supervise the establishment and management of retirement Benefits schemes, protect the interest of members and sponsors of retirement Benefits schemes, promote the development of the retirement Benefits industry and Implement all government policies relating to retirement Benefits (http://www.rba.go.ke). Currently, the structure of Kenya's Retirement Benefits Industry incorporates four main components. These are the Public Service Pension Scheme, the National Social Security Fund (NSSF), occupational retirement benefit schemes, and individual pension plans.

The Kenyan retirement benefits industry has witnessed a phenomenal growth since 2000 when the RBA Regulations took effect. Competition has tripled and hence brought in new players. According to the Retirement Benefits Authority statistics, the total number of occupational schemes is currently 1,216 of which 10.4% are defined benefit schemes and 89.6% are defined contribution schemes (http://www.rba.go.ke). The total contributing membership of occupational schemes is over 300,000 (or 16% of formal sector employment) all of whom are also required to be members of the NSSF and make statutory contributions to the NSSF. On average, 60 new occupational schemes have been established each year since 2002. The investment portfolio stood at Kenya shillings 403 billion as at December 2011. The Local Authorities Provident Fund is among the largest industry players with a nationwide presence.

1.1.3 The Local Authorities Provident Fund (LAPFUND), Kenya

The Local Authorities Provident Fund (LAPFUND) is a defined contribution retirement benefit scheme catering for employees from all local authorities and associated water companies in Kenya. It is a corporate body operating under an Act of Parliament, Cap. 272, Laws of Kenya to receive, manage and administer retirement benefits for employees of county governments (formerly local authorities) and water companies in line with the provisions of the RBA Act, 1997 and regulations 2000 (http://www.lapfund.or.ke).

The Fund having been established in 1960 is one of the oldest retirement benefits schemes in Kenya. It operates as a parastatal under the National Treasury. LAPFUND had a total fund value of Kshs 15 billion as at 30th June, 2013 spread over various assets classes. The scheme growth has been tremendous growing from Kshs 3.7 billion in 2008 to the current Kshs.15 billion with assets held in various asset classes consisting of government bonds, treasury bills, equities, corporate bonds, commercial papers, short term deposits and real estate (http://www.lapfund.or.ke). LAPFUND head office is located on the 8th Floor of ICEA building along Kenyatta Avenue, Nairobi; with four regional offices in Mombasa, Kisumu, Nyeri and Nakuru.

The scheme started operations as small department in the Ministry of Local Government (MoLG), with three staff headed by an administration officer seconded from the parent ministry. Its focus then was to cater for retirement benefits for the natives (locals) who were mannual workers, defined as casual workers. The senior officers who consisted of the Europeans and Asians formed their scheme named Local Government Officers' Superannuation Fund which discriminated against the lower cadre employees all of whom were Africans. LAPFUND therefore became the retirement scheme for the Africans working in the local authorities contributing 5% of the basic salary with the employer contributing the same amount. It was not compulsory to all Africans and as a consequence only a few who understood the importance of saving for their retirement took advantage of this benefit. This translated to less contributions and brought issues of sustainability. Given these difficulties, it was provided that the employers re-imburse the scheme administration expenses to ensure continued sustainability.

With independence in 1963 came the first opportunity for the scheme's growth; the exit of the colonialists meant that those senior positions earlier held by the Europeans fell to the Africans which translated to increased contributions and thus more funds for scheme investment. The existence of the scheme has been marred by various challenges most of which were posed by the operating environment, the local government fraternity and have accounted for the slow growth in the early stages of the scheme's establishment.

Given the dependence of LAPFUND on the existence of the local authorities, it follows that most of the factors affecting the structure of these institutions also influenced survival or otherwise of the retirement scheme. The structure of local authorities in Kenya was inherited from the colonial period but over time, local authorities increasingly failed to provide mandated services to residents. The reasons are complex but include rapid population growth leading to a fast increasing demand for services, a week culture of public service, corruption of elected councillors and officials, over control by the parent ministry (MoLG), inadequate financial base due to lack of revenue collection strategies, lack of adequate human resources due to poor renumeration and overwhelmed public service commission, poor management, local and national political interference. The numerous legislations which were not harmonised affected operations of local authorities negatively. Inadequate involvement of citizens in planning, implementation and monitoring of local authorities programmes impacted negatively on the success of these institutions. All these factors combined to undermine the ability of local authorities to remit contributions to LAPFUND on timely manner for investment purposes.

Lack of focussed leadership and corruption led to mushrooming of internally managed provident funds by the main municipalities like Nairobi, Eldoret, Nakuru, Meru among others. This limited LAPFUND market and provided direct competion. The coming into existence of the Transfer of Functions Act of 1969 saw gradual removal of local authorities function to central government ministries and departments. This deveplopment posed the challenge of raising adequate revenues to finance their expenditure. The Water Act in 2004 deprived most local authorities of revenue collection powers thus affecting the ability to meet contribution requirements by LAPFUND. As at june 2007, the scheme was owed well over Kshs 2 billion in outstanding contributions by the local authorities.

Political partronage played a part in contributing to the slow growth of the scheme. Ruling parties elites appointed chief officers in the local authorities to represent their interests rather than the interests of the citizens. There was management by exception rather than flexible planning, a situation most common in businesses that do not practice strategic planning. Decisions were made on an ‘ad hoc’ basis and were generally reactionary, that is, the decision results from an immediate response to a problem. This undermined the scheme efforts to ensure member contributions were remitted on time and that funds were available for investment to the benefit of the contributors.

The structure of the retirement benefits sector was also a challenge. The Pay As You Go method of benefits administration that existed before the establishment of the retirement benefits authority in the year 2000 posed a big challenge. Under this arrangement, members could access all their savings on leaving employment and this negated the scheme efforts of long term investments for maximum benefits to members. Lack of appointment of substantive chief executive officers was also a challenge given that the scheme was managed as a mere ministry department staffed with employees who lacked exposure to administration of retirement schemes and fund management skills.

Despite all the above challenges which accounted for the slow growth of LAPFUND in the earlier years its establishment, a number of factors have played a pivotal role in ensuring the consistent growth exhibited by the scheme in recent years to become one of the leading schemes in the Kenyan retirement benefits sector.

The establishing legal framework, the Local Authorities Provident Fund Act Cap 272, defined the market for the scheme and this has created barriers of entry to potential competitors. This created a duopoly market structure where LAPFUND only other source of competion is Local Authorities Pension Trust (LAPTRUST). This legal framework has continued to hold even in light of the transition to the devolved system where the scheme has been protected by the County Governments Act.

The establishment of the Retirement Benefits Authority in 1998 and the governing regulations in the year 2000, revolutionilized how retirement benefit schemes are run. The separation of scheme funds from employer resources, the regulation of trustee actions, guidelines on contributions remittance, investment ceilings, outsourcing of custodian and fund management services amongst others have furthered the achievement of the LAPFUND objectives.

The coming into existence of the Kenya Local Government Reform Program (KLGRP) focussing on addressing poor governance and capacity to deliver services by the local authorities; inadequate revenue mobilisation by local authorities, dependence of local authorities on central government and weak financial management. This body gave birth to the Local Authorities Transfer Fund (LATF) mandated to reduce the outstanding debts of local authorities by the year 2010. LAPFUND was one of the biggest beneficiaries of this initiative which ensured that member contributions were available for invstments.

Common Bargaining Agreements negotiated by the Kenya Local Government Workers Union (KLGWU), a body mandated by the local authorities workers to fight for their rights; have also played a key role in ensuring that salaries are reviewed regulary as well as contribution rates to the scheme. LAPFUND faces stiff competition from both schemes within the public sector and privately established retirement benefit schemes (i.e. individual pension plans). This study will therefore seek to identify the competitive strategies adopted by LAPFUND to differentiate them from the rest of the industry (www.lapfund.or.ke).

1.2 Research Problem

Competitive strategy refers to how a company competes in a particular business. Competitive strategy is concerned with how a company can gain a competitive advantage through a distinctive way of competing (Thompson, Gamble & Strickland, 2004). Porter (1996) argues that operational effectiveness, although necessary to superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match.

Studies on liberalization indicate that the reform process in Kenya has led to stiff competition in key sectors of the economy (Kombo, 1997). Many organizations in both the public and private sectors now face turbulent, fast changing, uncertain business environments and increased levels of competition.

The introduction of Retirement Benefits Authority (RBA) in 1997 and the governing Regulations 2000 revolutionized the manner in which the retirement benefits business in Kenya is carried out. The industry has been registering high numbers of new entrants. As competition intensifies in the industry, only those providers with good competitive strategies will survive. Heightened competition has meant that players have to go flat out for anything that differentiates them from the rest of the industry.

Retirement benefit schemes in Kenya, especially in the public sector, are usually faced with challenges that can affect their efforts in trying to grow (Kakwani, 2006). Some of the challenges include legislation and competitive issues, political and economic instability, depreciating currencies, fluctuating primary markets and big health issues in particular HIV and AIDS (Gathoga, 2001). Governance issues in the public sector as well as poor financial management by the sponsor (employer) institutions resulting to non-remittance of contributions is a major challenge facing Public sector retirement benefit schemes.

In the past few years we have seen financial institutions, including retirement benefit schemes coming up with new products to fit a market that had not been tapped before. We have seen these institutions hiring sales representatives across the country to make more people aware of the products they provide as well as opening branches in almost every part of the country. All this is because of the competition the schemes have to face both locally and globally. We are therefore increasingly seeing retirement benefit schemes and insurance firms changing tactics and strategies to enable them grow profitably.

Past studies have used different sets of criteria to investigate the various aspects of a firm’s competitive strategy. One example is a study by Vandermerwe et al. (1994), in which several different aspects of strategy were designed to investigate the strategic use of firms' resources to meet changing customer expectations. The criteria used in their study were: differentiation of market offerings; mobilization of people and partners; leveraging information technology to deliver value; minimizing costs; building of efficient service delivery systems; defining service standards and performance; reliance on local versus expatriate staff; and delivering services across countries.

Wong and Kwan (2001) analyzed the competitive strategies of hotels and travel agents in Hong Kong and Singapore. Nine different areas were designed for their study, and their findings indicate that cost competitiveness, mobilizing people and partners, and building robust service delivery systems were the top three competitive strategies that senior managers employed, while least confidence was shown in leveraging information technology and product differentiation as viable competitive strategies. Organizational demographics have been argued to be important determinants in competitive strategy research. Kean et al. (1996) found statistically significant differences in the use of competitive strategies across various organizational demographics such as size, ownership and store type.

Very few studies have been undertaken in Kenya pension industry. Sundeep (2008) observed that Kenya's current pension system is characterized by poor overall levels of coverage and benefit adequacy, small size of formal economy relative to informal economy, low levels of disposal income, insufficient insurance against longevity and competing priorities. While previous empirical reports (Keizi 2006 & Barrientos, 2007) emphasize on the reasons for low coverage and suggestions to increase the coverage, they fail to analyze the key competitive strategies adopted by some of the successful retirement benefit schemes in the industry.

This study therefore sets out to fulfill the knowledge gap by establishing the key competitive strategies adopted by LAPFUND and the challenges faced in applying these strategies. The research will answer critical questions such as: What are the strategies adopted by LAPFUND to ensure sustainability and growth amidst the rising competition from both the Individual Pension Plans and public established retirement benefits schemes? It also seeks to determine the challenges LAPFUND faces in applying these strategies.

1.3 Research Objectives

(i) To determine the competitive strategies adopted by the Local Authorities Provident Fund (LAPFUND), Kenya

(ii) To establish the challenges faced by the Local Authorities Provident Fund (LAPFUND), Kenya in applying the competitive strategies.

1.4 Value of the Study

The findings of the study will determine the competitive strategies adopted by LAPFUND in the Kenyan retirement benefits sector in the light of stiff competition from increasing number of retirement benefit schemes. It will determine the challenges faced in adopting these strategies. It will further provide relevant information necessary in formulating policies and regulations regarding the operating environment in the retirement benefits industry.

The study is also expected to give management of LAPFUND an appreciation of the various competitive strategies that they could adopt given the increasing intensity of competition in the industry. It should be a useful input in their competitive strategy formulation for superior performance. Researchers who may wish to do further studies on retirement benefit schemes will find the literature and findings as a useful source of reference for their studies.. It will also contribute to the existing pool of knowledge on competitive strategies.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter gives a broad review of the literature on the concept of competitive strategies. The chapter outlines the various theories put forward on the subject, the concept of strategy, organizations response to competition, various competitive strategies and challenges faced in the adoption of competitive strategies.

2.2 Theoretical Foundation

There are a number of theories which have been put forward to help understand firm's resource capabilities, strategies and competitive strategies adoption. These include the resource dependency theory, resource based view theory, theory of competitive strategy among others.

2.2.1 Resource Dependency Theory

Organizational success in resource dependency theory (RDT) is defined as organizations maximizing their power (Pfeffer 1981). Research on the bases of power within organizations began as early as 1947 and included much of the early work conducted by social exchange theorists and political scientists. Generalization of power-based arguments from intra-organizational relations to relations between organizations began as early as Selznick (1949). RDT characterizes the links among organizations as a set of power relations based on exchange resources. RDT proposes that actors lacking in essential resources will seek to establish relationships with (i.e., be dependent upon) others in order to obtain needed resources. Also, organizations attempt to alter their dependence relationships by minimizing their own dependence or by increasing the dependence of other organizations on them. Within this perspective, organizations are viewed as coalitions alerting their structure and patterns of behaviour to acquire and maintain needed external resources. Acquiring the external resources needed by an organization comes by decreasing the organization's dependence on others and/or by increasing other’s dependency on it, that is, modifying an organization’s power with other organizations.

2.2.2 Theory of Competitive strategy

Michael Porter's 1980 framework uses concepts developed in micro-economics to derive 5 forces that determine the attractiveness of a market. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. A change in any of the forces requires a company to re-assess its marketplace.

Four forces -- the bargaining power of customers, the bargaining power of suppliers, the threat of new entrants, and the threat of substitute products -- combine with other variables to influence a fifth force, the level of competition in an industry. This 5 forces analysis is just one part of the complete Porter strategic system. The other elements are strategic groups (also called strategic sets), the value chain, the generic strategies of cost leadership, differentiation, and focus, and the market positioning strategies of value based, needs based, and access based market positions.

2.3 The Concept of Strategy

A strategy is a long term plan of action designed to achieve a particular goal, most often “winning” (Thompson, 2005). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated, and often practically rehearsed. Mintzberg (1987) suggest that strategy can be usefully defined as a pattern made up of both intended and unintended. This view of strategy is valuable because it tries to account for discrepancy between what we hope will happen and what does happen. Formal strategic planning only gave rise to deliberate and emergent strategy. Rational considerations are also important in the strategy process (Mintzberg, 1987).

The essence of strategy lies in creating tomorrow’s competitive advantages faster than competitors mimic the ones you possess today (Hamel & Prahalad, 1993). The benefit of strategy is not just offering simplification and consistency to decision making, but the identification of strategy as the commonality and unity of all the enterprises decision, also permits the application of powerful analytical tools to help companies create and redirect their strategies. Strategy can help the firm establish long term direction in its development and behavior (Hamel & Prahalad, 1993).

2.4 Competitive Strategies

A company's competitive strategy deals exclusively with its plans for competing successfully-its specific efforts to please customers, its offensive and defensive moves to counter the maneuvers of rivals, its response to whatever market conditions prevail at the moment, and its initiatives to strengthen its market position (Thompson, Gamble & Strickland, 2004). Porter (1980) argues that competitive strategy is about taking offensive or defensive actions to create a defendable position in an industry, to cope with the five competitive forces and thereby yield superior return on investment for the firm. Porter further asserts that competitive strategy is about being different. It means deliberately choosing to perform activities differently or to perform different activities than rivals to deliver a unique mix of value.

Thompson *et al* argue that because each company's strategic approach consists partly of custom-designed actions to fit its own circumstances and industry environment, there are countless variations in the competitive strategies that companies employ. They assert that to get at the real substance, the biggest and most important differences among competitive strategies boil down to (1) whether a company's market target is broad or narrow, and (2) whether the company is pursuing a competitive advantage linked to low costs or product differentiation.

2.4.1 Porter's Generic Strategies

Porter (1980) has described a category scheme consisting of three general types of strategies that are commonly used by businesses. These include cost leadership strategy, differentiation and focus strategies. These three generic strategies are defined along two dimensions: strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and composition of the market a firm intends to target. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. Companies, according to Porter, have three potentially generic strategies that they can use to outperform other firms in the industry.

Grant (1998) contends that in cost leadership strategy, a firm would normally compete by supplying an identical product or service at a cost that is lower than competition. This strategy emphasizes efficiency. By providing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Cost leadership requires that a firm must find and exploit all sources of cost advantage and sell a standard product (Porter, 1985). Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labor, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors.

Grant (1998) also contends that in adopting a differentiation strategy, a firm would compete by supplying a product or service that is differentiated in such a way that consumers are willing to pay a premium price that exceeds the marginal costs of differentiation. Differentiation by a firm from its competitors is achieved when it provides something unique that is valuable to buyers beyond simply offering a low price (Porter, 1980). It thus involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of demands tends to be reduced and customer tends to be more brand loyal. This can provide considerable insulation from competition. However, there are usually additional costs associated with the differentiation and segmentation requires that products and services are clearly positioned.

The focus strategy is about using either cost leadership or differentiation strategy to target a particular buyer group, product line and geographical market (Porter, 1980). In this strategy the firm concentrates on a select few target markets. It is also called a niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms but can be used by any company. As a focus strategy it may be used to select targets that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment.

2.4.2 Other Strategic Choices

These are alternatively referred to as complementary strategic options, or a company's second set of strategic choices (Thompson et al, 2004). A firm may respond to increased competition by entering new markets with similar products. These could be markets they are currently not serving, or new geographical markets. Markets entry strategies may include acquisitions, strategic alliance and joint ventures. As argued by Harrigan (1985) strategic alliances are more likely to succeed when players possesses complementary assets and thus a firm will seek knowledge it considers lacking but vital for the fulfillment of its strategic objectives. Such collaboration takes the form of strategic alliances, mergers and acquisitions, licensing, franchising among others. Shollei (1997) argues that in order to fortify a firms' position against predators from abroad, it is important to collaborate.

Mergers and acquisitions are also much used strategic options. They are especially suited for situations in which alliances and partnerships do not go far enough in providing a company with access to the needed resources and capabilities. According to Thompson et al (2004), mergers and acquisitions enable the acquiring company to gain more market share and further create a more efficient operation out of the combined companies by closing down high-cost plants and eliminating surplus capacity industry wide. It may help extend the company's business to new product categories as well as quick access to new technologies (Thompson et al, 2004).

Outsourcing as a strategy involves withdrawing from certain activities in the value chain and relying on outside vendors to supply the needed products, support services or functional activities. Thompson et al (2004) argue that outsourcing makes strategic sense whenever an activity can be performed better or more cheaply by outside specialist; the activity is not crucial to the firm's ability to achieve sustainable competitive advantage; it reduces the company's risk exposure to changing technology and/or changing buyer preferences; it allows a company to concentrate on its core business and do what it does best.

Vertical integration strategies extend a firm's competitive and operating scope within the same industry. It involves expanding the firm's range of activities backward into sources of supply and/or forward towards end users. This strategy is recommended only if it strengthens firm's competitive position by producing sufficient cost savings to justify the extra investment (Strickland, 2004).

2.5 Organizations' Response to Competition

Sutherland and Canwell (2004) argue that the most important aspect of a business's external environmental factor is its industry or competitive environment. Each different industry has its own characteristics, but in more complex organizations which are involved in a number of different markets, or a number of different overseas environments, the complexity of dealing with competition becomes all the more crucial. On occasions organizations may attempt to seize the competitive initiative and introduce an innovatory change. An action by one competitor which affects the relative success of rivals provokes several responses. One action can therefore provoke several reactions, depending on the extent of the impact and the general nature of competition. Each reaction in turn further affects the other rival competitors in the industry. New responses will again follow.

According to Thompson and Martin (2005), it is important to differentiate between two sets of similar, but nevertheless different, decision by organizations in respect of competition. First, some actions are innovatory and represent one competitor acting upon a perceived opportunity ahead of its rivals; other actions constitute reactions to these competitive initiatives. Second, some decision imply incremental strategic change to existing, intended strategies; on different occasions organization are adapting their strategies (adaptive strategic change) as they see new opportunities which they can seize early, or possible future threats they are seeking to avoid. The process is about learning and flexibility. The skills required by the organizations are the ability to discern patterns in this dynamic environment and competitive situation, and spot opportunities ahead of their rivals, the ability to anticipate competitor actions and reactions, and the ability to use this intelligence and insight to lead customer opinion and outperform competitors.

According to Porter (1980), two aspects of the current position of an organization are important. The nature and structure of the industry, and the position of the organization within the industry. He asserts the two plays a critical role in the formulation of competitive strategies. Porter (1980) argues that the number of firms, their sizes and relative power, the ways they compete, and the rate of growth must be considered. An industry may be attractive or unattractive for an organization. This will depend on the prospects for the industry and what it can offer in terms of profit potential. Different organizations have different objectives, and therefore where it is able an organization should be looking to compete in industries where it is able to achieve its objectives. In turn, its objectives and strategies are influenced by the nature of the industries in which it does compete.

Porter further argues that the competitive strategy is about taking offensive or defensive actions to create a defendable position in an industry, to cope with the five competitive forces and thereby yield superior return on investment for the firm. Effective and superior organizations will be in the right industry and in the right position within that industry. Size can matter. The largest of the mainstream competitors, as long as it is run effectively and efficiently, will be able to enjoy superior margins in comparison to its nearest rivals because it can generate scale economies. However, on the other hand, the small competitor with a very carefully and defended niche can also enjoy super margins. An organization is unlikely to be successful if it chooses to compete in a particular industry because it is an attractive industry which offers both profit and growth potential but is one for which the organization has no means of obtaining competitive advantage.

2.6 Challenges faced in adopting competitive strategies

Implementation of competitive strategies can lead to certain challenges which may hinder the effectiveness of firms in utilization of strategies identified and employed. Newman (1989) identify three types of competitive strategies challenges; that they may hamper a firm's ability to grasp new opportunities, they require massive amounts of resources, and the regulatory issues imposed by the government and the ability of company owners and managers.

Other challenges may arise from structural and economic barriers inherent in the industry. Box and Watts (2000) argue that the real challenge in implementation of a generic strategy is in recognizing all support activities and putting them in place correctly. Porter (1996) in his award winning Harvard Business Review article supports this view. According to Thompson (2005) the most important challenging fits are between strategy and organization capabilities, between strategy and reward structures, between strategy and internal support systems and between strategy and organization culture. This is often not achieved even in most accomplished organizations.

Porter (1998) highlights challenges in implementation of generic strategies in terms of inherent risks namely; technological change that renders investment in technology and learning worthless, low cost industry learning by new comers through imitation and use of new technology, inflation in costs of inputs that increase the firms costs, the consumer's need for differentiating factors falls, imitation which can narrow perceived differentiation, differences in desired products between the strategic target and the market, and competitors break into the target market and outplay the focuser. There are other challenges of inadequate financial resources, costly sources of funds, skills and ability of staff, marketing abilities, and changes in customer needs, government requirements and complexity of co-coordinating all firm’s activities in pursuit of the agreed strategy (Porter 1998, Grant 1998, Ansoff, 1990).

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides an account of the procedures and methods that were adopted in carrying out the research. The study was guided by the research objective laid down in chapter one. It covers the research design, data collection methods and analysis.

3.2 Research Design

The research was a case study of the Local Authorities Provident Fund, Kenya. An indepth investigation of the competitive strategies adopted by LAPFUND was undertaken to provide an insight in to the competitive strategies used.

The choice of the scheme was based on the fact that LAPFUND is one of the largest retirement benefit schemes in kenya which has grown from a small department in the ministry of local government to a fully pledged parastatal which is self financing.The case study was chosen rather than a survey because the objective of the study required an understanding of the competitive strategies adopted by retirement benefits schemes and the challenges in their application.

3.3 Data Collection

The study used primary data which was obtained through interviews guided by a pre-prepared interview guide consisting of questions addressing different issues on competitive strategies. The interview guide was in two parts. Part one captured personal information of the informant and part two dealt with competitive strategies adopted by the scheme and the challenges faced. The study intended to interview the top management consisting of the chief executive officer, head of finance, strategy and business development. However the representative respondents interviewed included: the chief executive officer, head of finance and the Human Resources Manager. These managers are involved in the strategy issues of the company and they were better placed to respond to the strategic issues that were raised for the purpose of this research.

Interviews are advocated by Parasulaman (1986) as having the potential to yield the highest quality and quantity of data compared to other methods because supplementary information can be collected in the course of the interview. The instrument was administered by the researcher to the three respondents.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and the findings of the study. The primary data was collected through the use of detailed interview guides. The presentation of data starts with the respondent profiles, the competitive strategies adopted, the challenges faced in adopting competitive strategies in the company and ends with a discussion linking the findings to theory.

4.2 Respondents Profile

The Chief Executive Officer who also doubles as the secretary to the LAPFUND board of trustees was interviewed. He has held various leadership positions in the Kenyan retirment benefits industry for the last fifteen years, having been at the helm of the scheme for the last one year. He is charged with the overall responsibility of providing policy and strategic direction of the scheme to ensure financial growth. He holds a bachelors degree in economics from the University of Nairobi.

The chief manager incharge of finance and investments was also interviewed. He has been at LAPFUND since the year 2006 and has been instrumental in policy and strategy formulation and implementation in the scheme. He is responsible for overseeing the preparation of financial reports, investment portfolio, and implementation of cash management strategies in the scheme. He holds a Masters of Science in Finance from Methodist University and a Bachelor of Commerce (Accounting) from the University of Nairobi. He is also a certified public accountant (Kenya).

The human resource manager was the third respondent in this research. She is the head of the human resource department with the overall responsibility for the supervision of the Human Resource and Administration function, which is a key function in the implementation of the scheme strategies. She has been at the scheme for the last ninenteen years and has been involved in the formulation and implementation of strategies in the institution. She holds a bachelors degree in human resource management from the KCA University.

4.3 Findings of the study

The following paragraphs present the findings of the study.

4.3.1 Strategic Planning at LAPFUND

Strategic planning at the institution commenced with the appointment of a substantive chief executive officer in 2007. This change brought with it a focussed leadership with the formulation of a five year strategic plan which saw the establishment and strengthening of three more departments among them the Human Resource and Administration, Internal Auditing, Marketing and Corporate Affairs departments. Previously these functions were being undertaken under two departments namely benefits department and finance department. LAPFUND has grown to become among the top five leading retirement benefit schemes in Kenya in terms of membership/customer base, net assets and overall performance.

Some of the competitive strategies envisioned in the strategic plan for the scheme include achievement of overall cost leadership through formation of strategic alliances; great labour effectivenesss; employment of superior labour and management; keeping operating expenses at the minimum to ensure higher investment returns to members; outsourcing some functions to cut down on expenses and leveraging on application of advanced technology. LAPFUND has also envisioned adopting focus strategy through concentration on local authorities and water companies as well as creating strong and specialised relationships. Differentiation strategy has also been identified through strong brand reputation, delivery of superior service, focussed relationship building as well as delivery of superior investment returns.

4.3.2 Competitive Strategies adopted by LAPFUND

The continued growth of the Local Authorities Provident Fund has been achieved through a mix of various competitive strategies aimed primarily to maximise operating efficiency and also to increase investment returns. According to the research findings, a number of strategies have been adopted in line with the argument that for a competitive strategy to be successful, the battle should be fought from all fronts. According to a competitive strategist guru, Porter (1980), to compete successfully the strategist needs to select a generic strategy and pursue it consistently. Obviously there is no single best strategy with a given industry and the task faced by the strategist involves selecting the strategic approach that will best allow an institution to maximize its strengths vi-a-vis its competitors.

The institution has adopted and consistently pursued low-cost leadership strategy to ensure lower overall costs than competitors which translate to higher investment income to the scheme contributors. In retirement benefits industry, the lower the operational costs the higher the returns on investment. To ensure this strategy succeeds, the scheme identified the key cost drivers to manage the costs of each activity downwards. The research findings indicate that the institution has excelled in operating with exceptionally small corporate staffs to keep administrative costs to a minimum. The human resource department is focussed so that the right people fill the right positions. This approach has created labour effectiveness and cultivated a performing culture with all round and highly multitasking employees.

The company ideally resorted to outsource its fund management and investment advisory functions from independent and reliable licensed professionals. The contribution collections and investment of funds are done through the various contracted custodian banks and professional fund managers which has proved to be very cost effective. The company went ahead and resorted to the use of the already established payroll systems in the local authorities as contribution collection points. This has continued to give LAPFUND a competitive edge in the market as opposed to competitors whose individual member contribution collection channels are costly. Leveraging on sophisticated service support systems through access of member account details and statements through the internet and turning in to a paperless office through the implementation of electronic document management system (EDMS) has seen the institution cut its operational costs by 30%.

The company has also invested in technology to enhance communication in its operations. It upgraded its internet protocol communications services between the Nairobi headquarters and its zonal offices. This type of investment cuts down the communication cost as well as improving productivity through the installation of unified communications and a high speed wide area network platform. The link also adds efficiency and quality as well as improvement in the company's information and communication technology infrastructure. The new system also enables real time data capture and processing thereby enabling timely and informed decision making which is value addition to the company

The company has consistently employed focused strategies. The research findings indicate that a number of strategies have been put in place to ensure profitability. With reference to the company's vision , 'to be the leading scheme in Kenya providing secured retirement', the company has committed itself to meet the expectations of all its stakeholders. The leadership at the company has brought in the position of the strategy and business development manager to give support to the marketing and member recruitment function. This has since been seen to pay off handsomely with the institution opening up five more zonal offices to stamp its presence in the market.

The research findings also indicated that LAPFUND consistency in satisfying customer needs was a key factor in building superior relationships with its customers. The scheme has continuously assessed customer satisfaction index through annual customer satisfaction surveys and implemented the recommendations made by the customers from such surveys. This has created an avenue for the scheme to leverage on focussed relationship building.

Speed to market strategy has also seen the Fund deal with the time-based competition in the sector; for instance the fund was able to capture 85% of the market presented by the elected civic leaders in 2008 owing to its speed, agressiveness and flexibility. Payments to the retiring members is made promptly and this has really encouraged the contributing members to increase their savings through additional voluntary contributions.. Members have also been enabled to access statement of accounts through the member portal in the company website. Customers are able to view their biodata, download application forms as well as making enquiries on the company offerings. This has enabled the fund to maintain superior contacts and relationships and set it apart from rivals competing in the same target market niche.

The use of broad differentiation strategies have also been adopted by LAPFUND. The company undertook a successful rebranding exercise in the year 2009 to position itself strategically in the market. As a response to the new sitaution, the company redefined its core values, vision and mission. This was implemented through improvement of the company's existing products and services.

The institution has also elected to form strategic alliances and partnerships to compliment their own strategic initiatives and strengthen their competitiveness in the market. The major stakeholders of the company are the government, suppliers, employees, the union body and the employers. The scheme has consistently formed strategic alliances with the Kenya Local Government Workers Union (KLGWU) to lobby for favourable terms and conditions of the employees which has seen regular reviews of the common bargaining agreements. This has seen creation of strong and specialised customer relationships.

The research findings indicate that the institution has also employed outsourcing strategies which has allowed the scheme to concentrate its resources on performing those activities internally that it can perform better. The scheme has outsourced its fund management and investment advisory functions from independent and reliable licensed professionals. The contribution collections and investment of funds are done through the various contracted custodian banks and professional fund managers which has proved to be very cost effective. Cleaning services have also been outsourced.

The scheme has on several occassions embarked on offensive strategies through initiatives to capitalize on competitor weaknesses. LAPFUND has used its strong marketing skills and its brand to win customers away from rivals with weak brand recognition. Such initiatives involved the transfer of members of previously internally managed schemes by various municipalities and cities as well as recruiting customers from water companies which have had private owned companies managing their retirement benefits.

4.3.3 Challenges faced by LAPFUND in adopting competitive strategies

Despite the strong performance of LAPFUND in the recent past, the existence of the scheme has been marred by various challenges most of which were posed by the operating environment, the local government fraternity and have accounted for the slow growth in the early stages of the scheme's establishment. Given the dependence of LAPFUND on the existence of the local authorities, it follows that most of the factors affecting the structure of these institutions also influenced survival or otherwise of the retirement scheme.

Huge financial requirements was a big challenge given that the sponsoring institutions (local authorities) have continuously faced challenges of financing their expenditures posed by inadequate financial base due to lack of revenue collection strategies. Most the cost cutting activities require huge financial outlay in the initiation stages with the benefits being felt over time.

The focus and differentiation strategies are constantly being challenged in the market by competitors finding effective ways to match the organization's capabilities in serving the target market. The main competitor has come up with more appealing products in the form of risk benefit products and has even gone further to introduce the defined contribution product similar to that of LAPFUND.

Adoption of outsourcing strategy has come with its limitations. For instance, in outsourcing fund management and investment advisory services, the institution risks losing touch with the very activities that in the long run determine its success. This means that through outsourcing some of these activities, the organization risks hollowing out its own capabilities in the long run.

The company also faced the challenge as far as the human personnel issues were concerned. The use of superior knowledge particularly as a result of high skilled workforce as a differentiator has proved to be a challenge. The company has to consistently scout around for new talent and suitable candindates if the knowledge base across the organization has be maintained.

The implementation of the company's competitive strategies has also been challenged by unpredictable government policies. The numerous legislations which were not harmonised affected operations of local authorities negatively.. The sector also experienced decline when the government froze employment of new staff between 2002 and 2012 citing a bloated workforce in all local authorities.

The LAPFUND Act Cap. 272 Laws of Kenya was also identified as a challenge due to its limitations. By defining one sector as the only source of customers for the scheme, it has limited opportunities for growth by the scheme. The governing regulation has also limited the adoption of competitive strategies at LAPFUND through provision of only one type of a retirement benfit products i.e. the defined contribution package.

Inability to consistently use products as differentiators was identified as a challenge. The nature of the retirement benefit industry is such that the products are defined and there is little to differentiate them. This left the scheme with few options to achieving a sustainable competitive advantage. It was down to customer relations and building of superior relationships as a point of differentiation.

Inability to develop barriers to deter immitations has frequently resulted to customer switching, this was evident particularly in 2009/2010 when the strongest rival, LAPTRUST (Local Authorities Pension Trust) poached the schem members in a war that saw the industry regulator get involved to give guidelines. The institution is running the risk of focussing too much in core products in developing bases for differentiation.

Other challenges included the volatile nature of the stock market, movements in interest rates and changes in foreign currency exchange rates. These factors affect the rates of return on investments which is a core deliverable in retirement funds management.

4.4 Discussion

The findings of the study indicate that the Local Authorities Provident Fund has adopted various competitive strategies that has enabled it to successfully compete in the market. The various strategies that have been implemented by the company indicate that Michael Porter's theory of competitive strategy is still relevant and that there is no single best strategy with a given industry and that the task faced by leaders of any institution involves selecting the strategic approach which will best maximize its strengths vis-à-vis its competitors. This therefore points to the fact that there is need for a firm to pursue various strategies at any given point in time.

Strategic alliances formed by LAPFUND and the Kenya Local Government Workers Union (KLGWU), a body mandated by the local authorities workers to fight for their rights, lends credibility to the resource dependency theory which proposes that actors lacking in essential resources will seek to establish relationships with (i.e., be dependent upon) others in order to obtain needed resources.

The study has shown that adoption of competitive strategies have its own challenges i.e. the vulnerability of even lower cost operators, possible price wars, difficulties of sustaining the strategy in the long run, limited opportunities for sector growth, the difficulties of achieving true and meaningful differentiation, the risk of creating differences that customers don't value, government regulation or the lack of it, among others. These research findings agree with the views of Newman (1980), identified in the literature review.

These research findings subscribe to the idea of three generic strategies which give recognition to the way in which, regardless of the wide variety of variables and industry situations faced by managers, there are in practice only a limited number of strategic options.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study sought to to determine the competitive strategies adopted by the Local Authorities Provident Fund (LAPFUND), Kenya. It further sought to determine the challenges faced by the institution in applying the competitive strategies. This chapter therefore presents a summary of major findings and proposes possible recommendations consistent with the data anlysed.

5.2 Summary of findings

LAPFUND has experienced sustained growth in recent years growing from a fund value of Kshs 3.7 billion to 15.9 billion in the last seven years with corresponding customer growth of 10,000 new customers in the same period. This has been attained in the backdrop of sector challenges which have ranged from low purchasing powers of the consumers owing to low salaries; a week culture of public service, corruption of elected councillors and officials, inadequate financial base due to lack of revenue collection strategies, lack of adequate human resources due to poor renumeration and overwhelmed public service commission, poor management, local and national political interference.

To achieve this growth, LAPFUND has not taken a blind adherence to one strategic approach, but rather by a combination of ideas; low-cost operator whilest at the same time differentiating itself on the basis of superior service, knowledge, innovativeness and flexibility. The low-cost operation has been achieved as a result of a combination of low over-heads through leveraging on sophisticated service support systems; low labour costs through engagement of lean but effective staff, limited product range and low-cost distribution through the use of internet. Cost management strategies have also been pursed by ensuring cost saving through the outsourcing of fund management and custodial activities.

The institution has pursued the differentiation strategy through delivery of superior service benefit (defined contribution retirement package) representing an enormously strong selling proposition, providing consumers with a powerful reason to buy and putting competitors in a disadvantage. The institution has also strengthened its position through the use of superior assets in distribution outlets by use of highly customized website enabled portal for customers to access information.

Various marketing strategies have also been put in place to ensure profitability. Speed to market strategy to win time-based competition seen the fund exploit market potential faster than the competition. The company also committed to implement a three year business plan which seeks to expand operations and enhance its market position by opening ten zonal offices country-wide. The use of repositioning strategies have also been adopted by LAPFUND. The company has also undertaken a successful rebranding exercise to position itself strategically in the market. As a response to the new sitaution, the company redefined its core values, vision and mission. This was implemented through improvement of the company's existing services.

Information Technology was also upgraded to ensure that communication is in real time and to enhance faster decision making. Leveraging on sophisticated service support systems through access of member account details and statements through the internet and turning in to a paperless office through the implementation of electronic document management system (EDMS) has seen the institution cut its operational costs

Common Bargaining Agreements negotiated by the Kenya Local Government Workers Union (KLGWU), a body mandated by the local authorities workers to fight for their rights; have also played a key role in ensuring that salaries are reviewed regulary as well as contribution rates to LAPFUND.

Focus strategy has also been pursued by LAPFUND helped by the legal advantage it enjoys in that its position is protected by a statute which defined the local authorities and water companies as its only market.

The implementation of the competitive strategies at the Fund however, was not without its shortcomings and challenges. The inadequate capital at the meant that the speed had to be slow for the business to pick up. The sector in which the institution operates has limited opportunities for substantial growth. This means that new entrants as well as present competitors are able to gain sales only at the expense of LAPFUND. The personnel issues were also of concern since the new employees brought on board had to undergo various trainings to equip them in undertaking the company's operations. Inability to develop barriers to deter immitations and customer switching has been a big challenge given the fact that most of the defined benefit schemes are converting into defined contribution schemes thus eroding the competitive advantage.

5.3 Conclusion

The study has shown that the institution has adopted various competitive strategies The organization has consistently pursued low-cost leadership strategy to ensure lower overall costs than competitors which translate to higher investment income to the scheme contributors. The company has consistently employed focused strategies as well as differentiation strategies in ensuring that it is one of the major players in the industry. Strategic alliances and partnership with union bodies, outsourcing strategies as well as offensive strategies through initiatives to capitalize on competitor weaknesses have also been adopted by LAPFUND.

The support from the firm's stakeholders is of importance in its operations. The government is in deed a key stakeholder to the company and can be seen to have played an immense role in ensuring the institution remains relevant by providing the legal advantage through protection by statute. The organization needs to forge strong partnerships with the main stakeholders to ensure sustainability.

A change in top management team at LAPFUND did achieve a positive outcome in the company's strategic growth. The implementation of the process became possible due the entry of the new top management team and the new board of directors who were able to steer the process by ensuring that the vision and mission of the company were focussed. It is therefore recommended that the firms that intend to adopt competitive strategies should consider engaging focussed leaders and committed managerial team to steer the procees.

The study has shown that adoption of competitive strategies have their own challenges i.e. the vulnerability of even lower cost operators, possible price wars, difficulties of sustaining the strategy in the long run, limited opportunities for sector growth, the difficulties of achieving true and meaningful differentiation, the risk of creating differences that customers don't value, government regulation or the lack of it, among others. This indicate the need for any strategic planning process to take into consideration and provide for measures of mitigating it.

5.4 Recommendations

It is worth noting that LAPFUND success has been attributed to adoption of a combination of strategies i.e. low-cost operator whilst at the same time differentiating itself on the basis of superior service benefit and relationship management. This has enabled the organization present an enormously strong selling proposition providing consumers with a powerful reason to buy has put competitors at a disadvantage. It is therefore recommended that the firms that intend to adopt competitive strategies pursue more than one strategy in order to ensure that the battle is fought from all sides thus enhancing business survival.

The role of focused leadership can also not be overempasized. The implementation of the process became possible due to the entry of the new top management team. It is therefore recommended that the firms that intend to adopt competitive strategies should consider engaging focussed leaders and committed managerial team to steer the procees.

It was worth noting that the areas of differentiation in the institution are limited and that the competitors are copying most of or all of the appealing product attributes the scheme comes up with. It is recommended that given the new devolved government dispensation, the scheme looks in to other avenues of competitive strategies like mergers and acquisitions, use of internet as the major distribution channel of information and services as well as looking in to ways to review the governing regulation to allow for development of more products.

5.5 Limitations of the Study

The research employed the use of a case study design in a state corporation where the state is the key stakeholder. Therefore, the research findings cannot be generalized for other firms in other industries. Further, not all the top management team as envisaged before were interviewed for the purposes of this research. This had the effect of not getting all the adequate information from which the conclusions could be drawn. Some of the interviewed respondents also felt that some information about the company were so sensitive to be disclosed to the researcher. This had the effect of not coming up with a substantial conclusion.

5.6 Suggestions for further Study

Given that this was a case study which researched on one retirement benefits scheme in public sector, a survey research is recommended in order to make the findings more generalizable. A further study could also be carried in both the private and public sectors providing for more respondents so that a general conclusion could be made on the appropriate competitive strategies for firms that envision to benefit from adoption of competitive startegies for sustained growth.

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APPENDICES

Appendix 1: Interview Guide.
This interview guide seeks to establish the competitive strategies that the Local Authorities Provident Fund has adopted to remain relevant and competitive in the market. The information provided will be confidentially treated and will not be used for any other purpose other than academic.

Section A. General Information

Position held in the company…………………………………….
Department……………………………………………………..
Years of experience in the company………………………………

Section B. Strategic position of LAPFUND

1) Does the company have a strategic plan? If yes for how many years?
   ……………………………………………………………………………………
   In your assessment, what is the position of LAPFUND in the retirement benefits industry in terms of market leadership?.

   ……………………………………………………………………………………
   ……………………………………………………………………………………

Section B. Competitive strategies adopted

1. What are some of the competitive strategies envisioned in the strategic plan?

………………………………………………………………………………………
………………………………………………………………………………………
………………………………………………………………………………………

2. Does LAPFUND employ any of the following strategies in order to remain competitive?

If yes, how?

1. Market segmentation/focused (market niche)
2. Differentiated product features
3. Low cost provider
4. Strategic alliances and collaborative partnerships
5. Outsourcing of selected value chain activities
6. Vertical integration
7. Merger and acquisitions
8. Use of internet as a distribution channel

Any other? Please specify

Section C. Challenges in adoption of competitive strategies

Are any of the following challenges encountered in the adoption of these strategies?

1. High cost of maintenance
2. Huge financial requirements

3. Unpredictable government policies
4. Rapid technological change
5. Organization culture/resistance to change
6. Inability to differentiate products
7. Constant changes in customer needs
8. Changes in exchange rates
9. Stock market volatility
10. Interest rates movements

Any other, please specify

Thank you for your responses